COVER SHEET

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SEC Registration Number

MACROASIA CORPORATION

AND SUBSIDIARIES

(Company's Full Name)

12th Floor, PNB Allied Bank

Center, 6754 Ayala Avenue,

Makati City

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

Amador T. Sendin

(Contact Person)

840-2001

(Company Telephone Number)

1 2 | 3 1

Month *Day*

(Calendar Year)

17-A

(Form Type)

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

MSRD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

840

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

MACROASIA CORPORATION
December 31, 2017

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, 2017**

2. Commission Identification Number **40524** 3. BIR tax Identification No. **004-666-098-000**

4. Exact name of issuer as specified in its charter **MACROASIA CORPORATION**

5. **City of Makati** 6. [ ] **(SEC Use Only)**
Province, Country or other jurisdiction of incorporation or organization — 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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, ₱1 par value	**1,227,154,400 outstanding shares**

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

Yes [**X**] 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 [**X**] No [ ]

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

Yes [**X**] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: **₱7,405,849,931 (324,107,218 shares @₱22.85 per share as of December 31, 2017**

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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.

On October 16, 2017, MAC and PTC Holdings Corporation (PTC) signed a Joint Venture Agreement/Shareholders' Agreement for the establishment of an integrated aviation career and resource development company. On December 5, 2017 MAC and PTC incorporated First Aviation Academy, Inc. (FAA), a joint venture company with an equity sharing of 51% for MAC and 49% for PTC. Initial investment is estimated to be about USD3 million to establish a training and skills assessment center for aviation professionals. The training facility is based in Subic Bay International Airport and will start its operations by second half of 2018. Initially, it will pursue ab initio pilot training, certification and career development courses in the field of aviation. The partnership aims to address the foreseen shortage of aviation professionals for airline clients not only in the Philippines but also in other countries.

The Group's growth and expansion will continue in the aviation services sector, considering the organic growth in the tourism industry, as well as the capacity expansion being pursued in various aviation-related facilities of the Group. The Group will also benefit from the startup of a new business unit (MacroAsia SATS Food Industries) dedicated to tapping the growing non-airline markets for food business in the Philippines. Income growth will also be derived from water concessions. The Group foresees that revenues from the water concessions will continue to grow, coming from operating units in Solano, Nueva Vizcaya (Solano Water, 100% MacroAsia-owned) , Boracay Island (Boracay Tubi, 67% MacroAsia-owned) and Naic, Cavite (Naic Water, 100% MacroAsia-owned). One of the water 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). SNVRDC which started commercial operations in March 2016, is operated as a subsidiary of MacroAsia Properties Development Corporation (MAPDC). In December 2016, MADPC acquired 67% of Boracay Tubi System, Inc. (BTSI), one of two current water concessionaires in Boracay Island. In August 2017, MAPDC acquired 100% of Naic Water Supply Corporation (NAWASCOR), a water utility company in Naic, Cavite. In addition, MAPDC started site development activities for the Maragondon, Cavite Bulk Water Project during the year.

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. LTP continues to acquire new client contracts for base maintenance, and has locked-in long-term

contracts for the servicing of PAL/PALEx, including those for the new A321neo and A350 planes that PAL will add to its fleet starting 2018.

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, its ground handling footprint is seen in 27 airports and stations all over the Philippines, and by first half of 2018, it will be present in 30 airport locations.

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 new facility which is in Muntinlupa City close to the Sucat Exit of SLEX, will be completed for operational use by second half of 2018. The non-airline food business will be under MacroAsia SATS Food Industries (MSFI), a 100% subsidiary of MacroAsia Catering.

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. It is developing its leased areas inside Mactan, Cebu for aviation support activities. MAPDC also currently serves as the vehicle to develop water projects (bulk and retail supply of treated surface water) in the Philippines.

MAATS, the chartering subsidiary, is focusing 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 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 Project is currently under an exploration program permit valid until 2020.

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.

In August 2017, MAPDC acquired 100% of Naic Water Supply Corporation (NAWASCOR), a water utility company in Naic, Cavite.

On October 16, 2017, MAC and PTC Holdings Corporation (PTC) signed a Joint Venture Agreement/Shareholders' Agreement for the establishment of an integrated aviation career and resource development company. On December 5, 2017 MAC and PTC incorporated First Aviation Academy, Inc. (FAA), a joint venture company with an equity sharing of 51% for MAC and 49% for PTC.

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. From 2016, it also has 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 2017, 59% of the total gross operating revenues reported represented revenues from foreign airlines that fly to the Philippines.

In 2017, 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 followed at all times, MACS maintains an in-house laboratory manned by microbiologists who are capable of performing advanced testing.

Capturing more than 60% of the in-flight catering market based on flight movement, MACS is the catering service provider to 15 full-service foreign carriers, freighters, VIP flights and General Aviation clients and 4 major airport lounges operating at the NAIA. MACS also has contract with an airline to provide top-up meals and ground feeding in case of flight delays. In May 2017, MACS started catering to the crew meal requirements of a foreign airline.

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 Development Corporation.

MACS has been the recipient of several awards and commendations for outstanding service, besting other service providers from all over the world. Last March 2017, Singapore Airlines awarded MACS the SQ Merit Award for catering excellence for fiscal year 2015-2016, 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 2017, 2016, and 2015, this subsidiary's sales contributions to MAC's consolidated gross operating revenues were 52%, 62% and 61%, respectively. MACS' airline clients include Air Niugini (PX), All Nippon Airways (NH), Cathay Pacific (CX), China Airways (CI), Emirates (EK), Etihad Airways (EY), Japan Airlines (JL), Korean Air (KE), Qantas Airways (QF), Qatar Airways (QR), Saudia Airlines (SV) and Singapore Airlines (SQ), among others. MACS is also the preferred caterer for VIP flights from NAIA. MACS delivers 5.3 million meals per annum, at an average production of about 15,000 meals a day. It services an average of 39 international flights a day, serving more than half of the foreign airlines that fly to Manila.

As of December 31, 2017, MACS has a core manpower complement of 415 individuals (76 workers higher than 2016), excluding the 380 staffs contracted from external providers. Of the total manpower count, 156 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, 2017, its work force consisted of 1,860 organic staff and 929 out-sourced staff, 79% higher compared to 2016.

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.

MASCORP contributes 35%, 29% and 27% of the Group's total operating revenues for the year ended December 31, 2017, 2016 and 2015, respectively.

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.

Through its marketing efforts, coupled with the capability to offer a total aviation services product (in synergy with the catering and MRO business of MAC), and price 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 areas and ground support maintenance services for LTP in Manila, Cebu and Davao.

Aside from its current ground handling services to local and foreign clients in Manila for NAIA Terminals 1, 2, & 3, MASCORP is also operating in Cebu, Kalibo, Davao, General Santos, Clark and Tuguegarao. Last March 2017, it started its ground handling in Laoag, Basco, Puerto Prinsesa, Busuanga, Legazpi, Naga, Iloilo, Roxas, Bacolod, Tacloban, Dipolog, Cagayan De Oro, Zamboanga, Cotabato, Butuan and Surigao. MASCORP also started handling Masbate, Camiguin, Siargao and Virac last December 2017 to handle Philippine Airlines (PAL) and PAL Express (PALex) flights in the said stations.

MASCORP's operations is dependent upon its concession agreements with Manila International Airport Authority (MIAA) for Manila station (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 Clark International Airport Corporation (CIAC) for Clark Station. Its concessions agreement with the new stations are currently being processed with CAAP.

MASCORP secures its concessions by regularly paying the monthly Concession Privilege Fee (CPF) which is computed at 7% for MIAA (for Manila Station), GMCAC (Cebu Station), CAAP (Davao Station) and 4.9% for CIAC (Clark Station) of the 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 re-started commercial operations on the same date, this time as the ecozone developer/operator of the 23-hectare MacroAsia Special Ecozone at the NAIA, with LTP as its anchor locator for the next 25 years. LTP is an associated company of MAPDC as LTP is 49% owned by MAC.

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 the 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, Aklan. In August 2017, MAPDC acquired 100% of Naic Water Supply

Corporation (NAWASCOR), a water utility company in Naic, Cavite. In 2017, MAPDC started site development activities for the Maragondon, Cavite Bulk Water Project.

As of December 31, 2017, MAPDC has a workforce of 31 employees out of which, 22 are regular employees.

For the past three years, MAPDC's average rental and administrative revenues represented an average of 8% of the Group's consolidated gross operating revenues while the water companies under MAPDC contributed 5%.

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. The Company has five employees out of which, 3 are regular employees as of December 31, 2017.

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. This tragic event halted MAATS' charter operations temporarily, and kept the revenue source as solely coming from FBO ground handling 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 MRO station for foreign airlines.

MAATS' charter flight revenues for the last three years account for an average of less than one percent (1%) of MAC Group's revenues. MAATS income in 2017 came

from FBO (fixed-based operations). 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 employees, eight of which are regular employees as of December 31, 2017.

MMC is now focused on providing consultancy and mining exploration services, particularly on nickel areas and projects. This 2017, MMC has an exploration and drilling contract for a project in the Dinagat Islands. The contract was intended for three months and was recently extended for another five months, thus, more than doubling the extent and value of the initial contract.

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. In 2016, LTP welcomed its first Asian A380 customer, the South Korean carrier flew to Manila in April and May for C1-checks on two A380s.

Furthermore, the B777 base maintenance capability build-up was completed in the later part of 2016, and having Philippine Airlines' B777 as its first customer 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 for the current year as of September 2017, five Line Maintenance customers renewed their alliances with LTP, namely Asiana Airlines, Japan Airlines, Jin Air, Oman Air, and Royal Brunei. Moreover, Etihad Airways, KLM Royal Dutch Airlines, Ok Air, Vanilla Air and Xiamen Airlines were added to the client roster of line maintenance. For Base Maintenance, it won contracts with AirAsia X, Asiana Airlines, Jetstar Japan, Thai AirAsia X, VietJet and British Airways. These are in addition to several long term contracts won in the 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 these client airlines. LTP 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 2,726 by December 31, 2017. Of the total manpower count, 2,454 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 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 2,500 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 38%, to about 142 employees as of December 31, 2017, compared to staff count in previous year. Of the total manpower count, 43 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 4% 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 support facilities in the airports, 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 32 employees. The Group has a total manpower complement of 5,315, excluding seasonal workers. Of these, 2,976 are regular employees, 187 are on probation and 2,152 are project and/or contractual staff. The total number of employees is likely to increase in 2018 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 58 to 62).

Significant Agreements and Commitments

Please see Note 29 under the Group's Consolidated Notes to Financial Statements (pages 74 to 79).

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 except those discussed in Note 16 under the Group's Consolidated Notes to Financial Statements (pages 53 to 55).

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 shipped by the Company 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 study have also been drafted. The technical team of MMC is now in the process of updating the PMRC-compliant report to better suit the requirements of potential investors.

The operation of the Mining Project has been endorsed by three beneficiary barangays, including the indigenous people in the area. In 2010, the Parent company has received the Environmental Compliance Certificate (ECC) for operations and is now presently in the process of renewing the ECC under a revised Environmental Impact Assessment (EIA) Report, as this ECC lapsed in 2015. The Certificate of Pre-condition (CP) is yet to be released by the National Commission of the Indigenous People (NCIP) due to ongoing legal issues. All other permits required for the mining operations have been secured. Simultaneously, ongoing discussions with potential partners for the development of the project for the best interest of various stakeholders are in process.

To date several companies have signed non-disclosure agreements (NDA) with MAC to evaluate the resource of Infanta Nickel Project and submit their proposal for the operation of the mining property. Pending the completion of the permitting process that will enable the project to progress into mine operation, maintenance works in the mineral property are being undertaken since 2012. The third renewal of the

exploration period of the MPSA 220-2005-IVB, valid for another two years, was approved by the Mines and Geosciences Bureau (MGB) of the Department of Environment and Natural Resources (DENR) on March 19, 2018. The extended exploration period allowed MacroAsia Corporation to gather more exploration data to fine-tune the feasibility study for operations and eventual metallurgical testing of the nickel laterite ore. On December 15, 2016, MGB 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 area limits of Mount Mantalingahan Protected Landscape (MMPL).

On January 24, 2018, MGB issued a certification confirming the validity of the MPSAs of the Company.

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 Northern Leyte, two exploration permit applications are being maintained by MacroAsia Mining Corporation and both are adjacent to the geothermal reservation of Tongonan: the Carigara property denominated as EXPA 0091-VIII-2007 covers 7,771.8 hectares which is situated immediately north of the Tongonan Geothermal Field and the Baybay property is at the southern extreme of the geothermal reservation denominated as EXPA 0092-VIII-2007 and covers an area of 7,488.5 hectares.

The Pintuyan prospect (EXPA 0093-2007-VIII) straddling the municipalities of San Ricardo and Pintuyan both in the island of Panaon in Southern Leyte Province is an active gold-rush area. Small-scale offshore miners can be observed on the south-eastern coast of the island adjacent to Bgy. Buenavista of San Ricardo. These artesinal miners who have been active for the past 30 years follow the gold veins offshore to as far as 500 meters from the coastline. The area is once an exploration target of the now defunct Benguet Exploration Corporation. MMC is now conducting initial coordination with the regional MGB office and the local government units of Pintuyan and San Ricardo for duel diligence field activity as an initial step for exploration permit application (EXPA) and for a build-up of an information kit for would –be joint venture partners.

ITEM 2. DESCRIPTION OF PROPERTIES

MacroAsia Corporation

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 ₱7.90 million and ₱7.34 million as of December 31, 2017 and 2016, respectively. 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 is used for the waterworks project of MAPDC and its subsidiaries. A water treatment plant which includes an intake structure and reservoir was constructed in the area.

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 square meters and 20,000 square meters of land, respectively. MAPDC is allowed to sub-lease the leased property.

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. The Company renewed the lease contract with MIAA for one year effective June 1, 2016 to May 31, 2017 in June 2016 and further renewed in July 2017 effective June 1, 2017 to May 31, 2018.

MACS has a concession agreement with MIAA to 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 and 2017, 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 GMR Megawide Cebu Airport Corporation (GMCAC) on the same terms as MIAA's.

On April 22, 2014, 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 finalized as of December 31, 2017. However, on January 23, 2018, GMCAC issued Letter of Award for the license for the development, operation, and maintenance of the ground handling facilities, and for the provision of ground handling services at MCIAA for 7 years from June 1, 2018 or Airport Commercial Operations Date whichever is later.

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. On April 2017, the lease was renewed for another five years effective April 16, 2017 to April 15, 2022. The second lease is for a period of five years, commencing on October 1, 2015 until September 30, 2020.

MacroAsia Airport Taxi Services, Inc.

MacroAsia Airport Taxi Services, Inc. leases its office space from Island Aviation or A. Soriano Aviation, Inc. Hangar located at Andrews Avenue, Domestic Airport, Pasay City commencing on September 16, 2017 until September 15, 2018.

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 74-79).

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.

On December 12, 2016, the NCIP raised its appeal by way of a Petition For Review to the Supreme Court. The case is still pending resolution by the Supreme Court.

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, 2017 is 840.

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 2017 and 2016 are as follows:

2016		**High**		**Low**
First Quarter	₱	2.85	₱	1.90
Second Quarter		2.85		2.50
Third Quarter		2.78		2.00
Fourth Quarter		2.50		2.04
2017		**High**		**Low**
First Quarter	₱	4.05	₱	2.14
Second Quarter		7.20		3.60
Third Quarter		16.40		7.12
Fourth Quarter		24.75		14.58
2018		**High**		**Low**
As of April 12, 2018		29.50		28.80

Common shares outstanding as of December 31, 2017 were 1,227,154,400.

Shares owned by the Public as of December 31, 2017 and March 31, 2018 were 324,107,218 (26.41%) and 357,777,148 (29.16%), respectively.

The top 20 stockholders of MacroAsia Corporation as of December 31, 2017 are:

	Name	No. of Common Shares Held	% of Total
1	PCD Nominee Corporation (Filipino)	203,384,422	16.27
2	PAL Holdings, Inc. (formerly Baguio Gold Holdings Corporation)	88,000,000	7.04
3	Conway Equities, Inc.	85,110,000	6.81
4	PCD Nominee Corporation (Non-Filipino)	74,080,154	5.93
5	Pan Asia Securities Corp.	69,349,930	5.55
6	Solar Holdings Corporation	59,000,000	4.72
7	Dragonstar Management Corp.	53,750,000	4.30
8	SyCip, Washington Z.	47,545,250	3.80
9	Profound Holdings, Inc.	47,500,000	3.80
10	Excelventures, Inc.	47,405,000	3.79
11	Bigearth Equities Corporation	46,500,000	3.72
12	Palomino Ventures, Inc.	28,900,000	2.31
13	Primeline Realty, Inc.	25,000,000	2.00
14	Artisan Merchandising Corp.	25,000,000	2.00
15	Golden Path Realty Corporation	25,000,000	2.00
16	Clipper 8 Realty & Development Corp.	25,000,000	2.00
17	Absolute Holdings & Equities, Inc.	25,000,000	2.00
18	Caravan Holdings Corporation	25,000,000	2.00
19	Quality Holdings, Inc.	25,000,000	2.00
20	Sunway Equities, Inc.	22,370,000	1.79

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 2017.

2. Stock Dividends Declared After Balance Sheet Date

On March 22, 2018, the Company's BOD approved the declaration of 30% stock dividends to be paid out from unrestricted retained earnings of the Company as of December 31, 2017. The stock dividend will be submitted to the approval of the shareholders on the Company's annual stockholders' meeting to be held on July 20, 2018.

3. Cash Dividends

Date Approved	Per share	Stockholder of Record Date	Date Paid/Issued
December 13, 2017	₱0.140	January 5, 2018	January 31, 2018
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

4. Cash Dividends Declared After Balance Sheet Date

No cash dividends were declared as of April 15, 2018.

5. 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 ₱1,350.2 million and ₱533.9 million as of December 31, 2017 and 2016, respectively.
- Cost of treasury shares amounting to ₱113.7 million and ₱49.4 million as of December 31, 2017 and 2016.
- Deferred income tax asset amounting to ₱18.9 million and ₱22.3 million as of December 31, 2017 and 2016, respectively.

6. Appropriation of Retained Earnings

On March 22, 2018, the BOD released the appropriation for the mining development projects in 2011 amounting to ₱393.1 million for the distribution of 30% stock dividends declared on the same date which is subject to the approval of the shareholders on the Company's annual stockholders' meeting to be held on July 20, 2018.

On November 28, 2017, the MACS' BOD approved the additional appropriation of ₱55.0 million for the construction of the offsite commissary and equipment upgrade of the Company.

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 it 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 ₱50.0 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.

On June 15 2017, the Board of Directors of MacroAsia Corporation approved to allot ₱210.0 million to buy back shares of MacroAsia Corporation at market price. The mechanics of which shall be similar to the ₱50.0 million buyback program implemented in 2010. The Program commenced on June 20, 2017 and will run until the ₱210.0 million pesos authorized cash outlay is fully utilized, or until such time that the Board of Directors of MacroAsia may direct, subject to appropriate disclosures to the PSE and the SEC.

As of December 31, 2017, the Company has reacquired 22,845,600 shares for ₱113,676,300.

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 2017, 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 MCIA. 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, MCIA 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.

[1] *Commencing on September 14, 2015*

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

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

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

The Group 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.

(In Thousands except for Ratios)		2017	2016
Return on Net Sales	= NI attributable to Equity Holder of Parent / Total Net Revenues	= ₱ 1,021,737 / 2,938,928	₱ 388,955 / 2,334,957
		= 34.77%	16.66%

Net revenues pertain to the revenues of the subsidiaries of the Group while the net income includes our share in the profits of our associates, LTP and CPCS. The huge increase in consolidated RNS in 2017 is caused by the profit increases in LTP and MASCORP. The drivers for increases in the consolidated revenues are MASCORP, MACS and water revenues as a new business segment.

Return on Investment (ROI)

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

(In Thousands except for Ratios)			2017	2016
Return on Investment	=	NI attributable to Equity holder of Parent / Total Interest-bearing Liabilities + Equity attributable to Equity holder of Parent	= ₱ 1,021,737 / 5,033,461	₱ 388,955 / 3,751,787
			= 20.30%	10.37%

The ROI had a positive increase mainly due to the significant rise in the income contribution of LTP and continuous upsurge in the income of other operating subsidiaries. In December 2016, there is an interest-bearing liability availed by the Group amounting to ₱150 million. During the current year, the Group entered into a number of loan contracts amounting to ₱566.82 million for a facility construction and equipment acquisition purposes.

Return on Equity (ROE)

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

(In Thousands except for Ratios)			2017	2016
Return on Equity	=	NI attributable to Equity holder of Parent / Total Equity holder of Parent	= ₱ 1,021,737 / 4,313,150	₱ 388,955 / 3,564,012
			= 23.69%	10.91%

The increase in ROE is an offshoot of the higher net income amounting to ₱1,065.52 million and ₱440.17 million in 2017 and 2016, respectively.

Direct Cost and Expense Ratio

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

(In Thousands except for Ratios)			2017	2016
Direct Cost Ratio	=	Total Direct Cost / Total Net Revenues	= ₱ 2,150,214 / 2,938,928	₱ 1,660,507 / 2,334,957
			= 73.16%	71.12%

(In Thousands except for Ratios)			2017	2016
Operating Expense Ratio	=	Total Operating Expenses / Total Net Revenues	= ₱ 595,362 / 2,938,928	₱ 713,204 / 2,334,957
			= 20.26%	30.54%

Direct costs and operating expenses movements are in parallel with the growth in revenues. The 10% decrease in the operating expenses is due to the recognition of provision of allowance on deferred mine cost amounting to ₱212.9 million in 2016. Excluding the effect of the provision, the increase in operating expenses is also caused by the increase in labor-related expenses.

Current Ratio

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

(In Thousands except for Ratios)			2017	2016
Current Ratio	=	Total Current Assets / Total Current Liabilities	= ₱ 1,827,026 / 1,474,917	₱ 1,300,214 / 686,727
			= 1.24 : 1	1.89 : 1

Although lower than last year, the Group still has a healthy current ratio indicating the Group's solid ability to meet its current liabilities, with a large portion (50%) of current assets being held as cash.

Debt-to-Equity Ratio

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

(In Thousands except for Ratios)			2017	2016
Debt-to-Equity Ratio	=	Total Interest-bearing Debts / Total Equity	= ₱ 720,311 / 4,632,776	₱ 187,775 / 3,862,289
			= 15.55%	4.86%

The upward movement in debt-to-equity ratio is due to the new loans obtained by the Group amounting to ₱125 million in April 20, 2017, ₱7.55 million on July 10, 2017, ₱275 million on July 31, 2017, ₱30 million on September 13, 2017, ₱20 million on September 19, 2017, ₱94.27 million on November 9, 2017, ₱10 million on November 16, 2017 and ₱5 million on November 22, 2017 to finance its capital investments.

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.

(In Thousands except for Ratios)			2017	2016
Interest Coverage Ratio	=	Total Earnings before Interest and Taxes / Interest Expense	= ₱ 1,193,833 / 8,305	₱ 574,897 / 2,356
			= 143.74 : 1	244.01 : 1

The high ratios show that the Group's operating results, measured through EBIT, is more than sufficient to cover interest payments arising from its debts. The movement in interest expense is parallel to the increase in the outstanding balances of the loans.

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.

(In Thousands except for Ratios)			2017	2016
Asset-to-Equity Ratio	=	Total Assets / Total Equity	= ₱ 6,480,333 / 4,632,776	₱ 4,841,202 / 3,862,289
			= 1.40 : 1	1.25 : 1

The ratios indicate almost parity between total assets and total equity, showing that the Group finances the purchase of assets mostly through equity or internally-generated funds. Minimal debt is drawn to fund growth in the businesses, as most liabilities pertain to current trade-related activities.

2017 compared with 2016

The Group recorded a consolidated net income after tax of ₱1,065.52 million for the year 2017, exhibiting a huge positive variance of ₱625.35 million (+142%) as compared to the consolidated net income after tax of ₱440.17 million in 2016.

The Group's major subsidiaries posted a stronger operating and financial performance in 2017, including our MRO and catering associates, LTP and CPCS.

Revenues from in-flight catering contributed 52% of the total revenues and has been consistent in reporting billion peso revenues from last year's ₱1.45 billion to the current year's ₱1.54 billion. This is brought about by increase in the number of meals served to airline clients, from 3.7 million in 2016 to 3.9 million meals in 2017. The revenues from ground-handling and aviation services rose to ₱1.03 billion from ₱678.77 million in 2016. 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 56,704 flights (+157%) from 36,069 in 2016 to

92,773 in the current year. MASCORP has established its presence in 27 airport stations this year, from 7 stations in 2016. Another highlight of the 2017 revenues is the ₱136.39 million (+2,180%) increase in the revenue of water operations brought mainly by Boracay Tubi (one of two water utility companies in Boracay Island which was acquired by MAPDC in December 2016), as well as the customer growth in SNVRDC (Solano Water) which started commercial operations only in March 2016, and the acquisition of NAWASCOR, an operating water utility company in Cavite last August 2017. As of December 31, 2017, the water companies have a total of 12,556 connections which grew by 9,205 (+275%) from 3,351 connections in 2016.

Rental and administrative revenues did not vary significantly with last year since lease rental is being accounted for on a straight-line basis over the lease term, in compliance with Philippine Accounting Standards (PAS) 17. No revenues were derived from chartered flights in 2017 since the operations of the helicopter was halted in August 2016. Currently, MAATS is generating income only from fixed-based operations (FBO) services.

Total direct costs in 2017 amounted to ₱2.15 billion, posting an increase of ₱489.71 million (+29%) from 2016. The increase is due to the higher labor costs of our ground-handling and catering subsidiary, driven largely by increases in manpower count due to the growth in business volume. Wage increases also impacted on the labor costs. Consolidated operating expenses decreased by ₱117.84 million from last year's ₱713.20 million due to the recognition of provision of allowance on deferred mine cost amounting to ₱212.9 million in 2016. Excluding the effect of this provision, the increase in operating expenses is caused by productivity-based incentives for employees of the Group, start-up costs of the water related subsidiaries, and higher total rental expenses of MAPDC as leased areas increased.

Share in net income/loss of associates amounting to ₱967.94 million which increased by ₱435.51 (+82%) million represents MAC's share in the net operating result of its associated companies (LTP and CPCS). Changes in equity shares from period to period are dependent upon the results of operations of the two associated companies. For the year ended December 31, 2017, our MRO business registered profits of ₱1.89 billion from which we share 49% or ₱928.40 million. In 2016, MAC's share in LTP's income is ₱497.27 million, out of ₱1.01 billion. CPCS - our catering associate in Cebu, reflected a 12% increase in its net earnings. MAC booked its 40% net income share in CPCS at ₱39.54 million, compared to last year's ₱35.17 million.

The interest income of ₱8.48 million pertain to income earned from short-term investments. Financing charges increased from ₱3.3 million in 2016 to ₱9.4 million in 2017, aligned with the increase in notes payable of the Group.

Other income and charges is lower by ₱50.01 million against the ₱75.14 million in 2016. In 2016, MAATS recognized a net recovery from insurance claim amounting to ₱20.39 million.

The Group posted a provision for income tax in the amount of ₱120.01 million in 2017, 9% lower as compared to 2016's ₱132.37 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 line maintenance to cover the fast-growing tourism industry in the Philippines. Continuous growth shall also be driven by new business opportunities in the food business segment, ground handling services and water-related businesses that will include passenger lounge servicing and expansion in other secondary airports outside our current locations.

Financial Position

At the consolidated level as of December 31, 2017, our total assets stood at ₱6.48 billion, posting a ₱1.64 billion increase (+34%) from last year-end's level of ₱4.84 billion. Cash and cash equivalents of ₱913.19 million increased by ₱353.50 million (+63%), which is caused by the dividends received from LTP amounting to ₱368.68 million in March 2017. The Group sees no liquidity issues, as the cash balances of the operating subsidiaries continue to increase from robust operating cash inflows. The operations of the investments in SNVRDC, BTSI and NAWASCOR will also help the cash inflows.

Receivables grew by ₱121.85 million (+21%) due to trade and non-trade related additions in our current operations. These are expected to be collected within the year. Inventories of ₱79.12 million were maintained in line with forecasted inventory level requirements. Other current assets of ₱136.89 million represents input taxes, creditable withholding and prepaid taxes and unamortized prepayments for insurance covers, rent, utilities and unconsumed supplies as of December 31, 2017.

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are contributed by the share in cumulative translation adjustments for LTP due to foreign exchange fluctuations, share in re-measurement gains and losses on defined benefit plans due to the revised PAS19, share in cash dividends declared during the current period, and the incremental equity share in net earnings/loss of the associated companies. The Group recorded an increase of 34% or ₱524.01 million in this investment account, from ₱1.54 billion in 2016 to ₱2.07 billion in 2017.

The group's property and equipment of ₱1.15 billion increased by ₱295.28 million from last year's ₱849.82 million due to new acquisitions made by our catering, ground handling and pre-operating companies. Deferred mine exploration costs of ₱20.42 million remained the same. Investment property of ₱143.85 million pertains to land held for future development by MAPDC.

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 debt and equity investments amounting to ₱110.40 million represent the remaining investment in government treasury bonds and golf club shares held by the Parent Company.

The carrying amount of deferred income tax assets of ₱18.87 million as of December 31, 2017, did not change significantly from the prior year-end. The DTA mostly came from the allowances on probable losses and doubtful accounts. Intangible assets and goodwill increased by ₱85.94 million (+42%) due to the recognition of BTSI's customer contracts and right to use amounting to ₱142.7 million. Other noncurrent assets account includes advances to contractors and suppliers of ₱147.17 million, input taxes of ₱138.62 million, deferred project costs ₱42.26 million, deposits of ₱29.64 million, deferred mine exploration costs of ₱20.42 million, pension assets of ₱19.51 million, deferred rent expense of ₱13.57 million, prepaid rent of ₱7.34 million and restricted investments of ₱7.18 million. The goodwill recognized by the Group amounting to ₱153.20 million 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 and 100% of NAWASCOR in 2017. Service concession right amounting to ₱331.59 million pertains to incurred construction costs in relation to the construction of water treatment plant and pipe laying activities of SNVRDC and right for water supply and distribution of NAWASCOR. This asset was accounted for in accordance to IFRIC 12, Service Concession Arrangements, under the intangible asset model as SNVRDC received the right to charge users of the public service.

Accounts payable and accrued liabilities increased by ₱267.46 million (+71%) as of December 31, 2017 mainly due to the significant increase in volume of the ground handling operations and accrual of construction costs for MSFI. Loans payable of ₱720.31 million refers to the loan availed from a local bank last 2014 that was used by our ground-handling subsidiary to finance its asset acquisition and another ₱30 million in September and ₱94.27 million in November in 2017, loan obtained by the Parent Company in December 2016 amounting to ₱ 150 million related to the acquisition of BTSI, additional loans drawn by MSFI amounting to ₱125 million in April and ₱275 million in July and by BTSI amounting to ₱10 million in June, ₱7.55 million in July and ₱20 million in September this year. Accrued retirement benefits payable of ₱17.48 million and other long term employee benefits amounting to ₱11.49 million is accounted for based on the latest actuarial valuation of the Group. Deferred tax liabilities of ₱103.52 million remained at the same level as prior year's ending balance. Dividends payable of ₱180.66 million shows the remaining outstanding checks payable by the Parent Company for the cash dividends declared to MAC shareholders.

The Group's other reserves pertain to MAC's gain on the sale of 13% of MACS shares of stock to SATS and the sale of 49% of WBSI shares to MetroPac Water Investments Corporation (MWIC), net of taxes paid. This is accounted for in accordance with International GAAP 2015 on sale of shares of stock without loss of control. Other components of equity pertain to Available For Sale (AFS) investments reserve amounting to ₱14.37 million, the Parent Company's share in foreign currency translation adjustments (loss) of LTP in the amount of ₱52.66 million which changes in accordance with US$ exchange rate fluctuations during the period covered, MAC's share in re-measurements of defined benefit plan of associates, and re-measurements of defined benefit plans of subsidiaries.

Movement in the "non-controlling interests" depends on the results of operations of MACS, and BTSI and WBSI, subsidiaries of MAPDC with JV partners. This account reflects the 33% equity share of SATS (JV Partner of MAC) in the catering JV, 33% share of minority

shareholders in BTSI and 49% share of MWIC in WBSI. As of December 31, 2017, non-controlling interests amounted to ₱319.63 million.

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

[2] *Commencing on September 14, 2015.*

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.

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 SNVRDC. 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

[3] *Commencing on September 14, 2015.*

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.

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 its track record has attracted a growing list of airline clients 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. Its support for PAL's drive for PAL to get a 5-star Skytrax rating is resulting into more work for LTP, as it was contracted by PAL to upgrade the cabin of several PAL planes.

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: By the middle of the 2018, 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 2018. From 27 airport stations in 2017, the ground handling footprint of the Group will be established in about 30 airport stations in Philippines towards the end of 2018. 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 2018, 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 2017 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 2017, the MacroAsia Group started to book revenues from three operating water utilities owned by its subsidiary, MacroAsia Properties Development Corporation (MAPDC).

SNV Resources Development Corp.(operator/developer of Solano Water) started commercial operations in March 2016 and by December 2017, it already built a client portfolio of about 2,500 accounts (residential and commercial clients) taking service from the complete waterworks system for Solano, Nueva Vizcaya. The portfolio is foreseen to grow in 2018 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). From 1,300 connections upon acquisition, it has grown to 1,800 as of December 31, 2017.

On August 1, 2017, MAPDC purchased the 100% shares of stock held by the former individual shareholders of NAWASCOR as part of its strategy to grow its water treatment and distribution segment. In a span of five months, NAWASCOR connections has increased by 200 units, from 8,000 to 8,200 connections.

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 2017, 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 2018 and 2019.

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 67).

ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

External Audit Fees and Services

	2017	2016
Regular annual audit of financial statements	₱5,120,500	₱4,230,000
Non audit fees	-	-
Total	**₱5,120,500**	**₱4,230,000**

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, 2017 and 2016. 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 – Investment Member – Corporate Governance
Washington Z. SyCip[1]	Co-Chairman of the Board	Member – Corporate Governance and Investment Committees
Carmen K. Tan	Director	Member – Investment Committee
Lucio K. Tan, Jr.	Director	Member – Compensation, Investment and Mining 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	Member – Audit and Compensation Committees
Stewart C. Lim	Director	Member – Investment Committee
Johnip G. Cua	Independent Director	Chairman – Audit, Compensation and Mining Committees Member – Corporate Governance, Investment and Risk Management Committees
Ben C. Tiu	Independent Director	Chairman – Risk Management Committee Member – Corporate Governance and Audit Committees
Marixi R. Prieto	Independent Director	Chairperson –Corporate Governance Committee Member – Audit, 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.

[1]Cessation of term effective October 7, 2017.

Dr. Lucio C. Tan. M r. 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 June 1983), Eton Properties Philippines, Inc. (since February 2007), Asia Brewery, Inc. (since March 1979¬¬), Tanduay Distillers, Inc. (since May 1988), PMFTC, Inc. (since 2010), Fortune Tobacco Corporation (since 1965), Philippine National Bank (since December 1999), The Charter House, Inc. (since July 1980), Dominium 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 Indutries, Inc. (since November 1960) and Grandspan Development Corporation (since July 1996).

Washington Z. SyCip. Mr. SyCip, 96, Filipino - American, has served as Co- Chairman of the Board of directors since December 2015 up October 2017 when he passed away. He served as Chairman of the Board of directors from August 1997- December 2015. He was the Chairman of the Board of Lufthansa Technik Philippines, Inc. (July 2000-October 2017), STEAG State Power (March 2004-October 2017) and Cityland Development Corporation (April 1997-October 2017). He served as Chairman Emeritus of the Board of Trustees and Governors of the Asian Institute of Management (Phils.). He had been a Director of the following: Belle Corporation (July 1996-October 2017), First Philippine Holdings (November 1997-October 2017), Lopez Holdings (April 1997-October 2017), Philippine Airlines (PAL) (February 1997-October 2017), PAL Holdings Inc. (October 2014-October 2017), PHINMA (September 1996-October 2017), Philamlife (April 2001-April 2015), Philippine National Bank (December 1999-October 2017), State Land Group (July 1996-October 2017) among others.

Joseph T. Chua. Mr. Chua, 61, 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 and Director of MacroAsia Catering Services, Inc. (July 2003-Present), MacroAsia Airport Services Corp. (2000-Present), MacroAsia Properties Development Corporation, MacroAsia Air Taxi Services, Inc., 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. (2011-Present), Boracay Tubi System, Inc. (December 2016-Present), Naic Water Supply Corporation (August 2017-Present) and First Aviation Academy, Inc. (December 2017-Present). He also serves as a Director of Bulawan Mining Corporation (June 2009-Present), ETON Properties Philippines, Inc. (May 2013–September 2017), Lufthansa Technik Philippines, Inc. (2000-Present), Philippine National Bank Director (May 2014-May 2015) and Board Advisor (May 2015-Present), and the Managing Director of Goodwind Development Corp. (1983-2012) and President (2013-Present). He serves as Director of PAL Holdings Inc. from Oct. 23, 2014 to Present.

Carmen K. Tan. Ms. Tan, 76, Filipino, has served as Director since July 2012. She currently serves as a Director of the following companies: Asia Brewery Inc. (since 1979), Buona Sorte Holdings, Inc., Dominium Realty & Construction Corp. (since 1978); Eton City, Inc., Foremost Farms, Inc. (since 1970), Fortune Tobacco Corporation (since 1965); Himmel Industries, Inc. (since 1960), LT Group Inc. (since 2013), Lucky Travel Corp. (since 1983), Manufacturing Services & Trade Corp. (since 1979); PAL Holdings Inc. (since 2014), PMFTC Inc. (since 2010), Progressive Farms, Inc. (since 2004); Saturn Holdings Inc., Shareholdings, Inc. (since 1979), Sipalay Trading Corp. (since 2005), Tanduay Distillers, Inc., Tangent Holdings Corporation, The Charter House, Inc . (since 2005). She's an alumna of the Paco Chinese School and the University of the East, Manila.

Lucio K. Tan Jr., Mr. Tan, 51, 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); Tanduay 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: Philippine Airlines (since 2005), Airport Specialist Services Corporation (since June 2000); Allied Bankers Insurance Corporation (since 1992); Air Philippines Corporation (since 2004), LT Group, Inc. (formerly Tanduay 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). Mr. Lucio Tan Jr. holds a Master of Business Administration degree from the Kellogg School of Management of Northwestern University – School of Business and Management, Hong Kong University of Science and Technology and a Bachelor of Science degree in Civil Engineering from the University of California, Davis, USA.

Michael G. Tan. Mr. Tan, 52, Filipino, has served as Director since 17 July 2015. He serves as the President and Director of LT Group, Inc., Director and Chief Operating Officer of Asia Brewery, Inc., and Director of the following companies: Absolut Distillers, Inc., Air Philippines Corporation, Allied Bankers Insurance Corp., Eton Properties Philippines, Inc., Lucky Travel Corporation, Philippine Airlines, PAL Foundation, Inc., PAL Holdings, Inc., Philippine National Bank, PMFTC Inc., Tanduay Distillers, Inc., and Victorias Milling Company, Inc.

Jaime J. Bautista. Mr. Bautista, 61, 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). Mr. Bautista holds a

Bachelor of Science degree in Commerce, Major in Accounting from Colegio de San Juan de Letran.

Stewart C. Lim. Mr. Lim, 62, Filipino, has served as Director since December 2015. He serves as the Executive Vice President, Treasurer and Chief Administrative 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. Mr. Lim holds a Bachelor of Science degree in Business Administration from the Philippine School of Business Administration.

Johnip G. Cua. Mr. Cua, 61, 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). Mr. Cua holds a Bachelor of Science degree in Chemical Engineering from the University of the Philippines.

Ben C. Tiu Mr. Tiu, 65, 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). Mr. Tiu holds a Master of Business Administration degree from the Ateneo De Manila University and a Bachelor of Science degree in Mechanical Engineering from Loyola Marymount University, USA.

Marixi R. Prieto. Ms. Prieto, 77, 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. Ms. Prieto holds a Bachelor of Science degree in Business Management from Assumption College Inc.

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), Asia's Emerging Dragons Corp., Philippine Airlines, Inc. (2014-Present), The First Aviation Academy (December 2017 – 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 also a Director in Naic Water Supply Corporation (August 2017 – 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). Atty. Moya holds a Bachelor of Laws from the University of Santo Tomas and a Bachelor of Arts degree, Major in Child Study from the Maryknoll College.

Amador T. Sendin. Mr. Sendin, 55, 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, 66, 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 forty (40) years specializing in corporate law practice as counsel for various companies. Among others, he is a director of Philippine Airlines, Inc. (PAL), Lufthansa Tecknik Philippines (LTP) and Rizal Commercial Banking Corporation (RCBC). Atty. Herrera holds a Bachelor of Arts in Political Science degree and a Bachelor of Laws degree (Cum Laude, Salutatorian) both from the University of the Philippines.

Significant Employee

Gladys Lorraine P. Salamatin. Ms. Salamatin, 25, 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.

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 2016, 2017 and 2018.

Summary Compensation Table

Name and Principal Position	Year	Salaries and (P'mil)	Bonus (P'mil)	Other Annual Compensation
Executive Officers Joseph T. Chua, President/COO 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	2016 (Actual)	18.55	8.65	1.12
All Other Directors and Officers as a Group Unnamed		5.9	13.0	-
Executive Officers Joseph T. Chua, President/COO 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	2017 (Actual)	21.54	17.56	1.80
All Other Directors and Officers as a Group Unnamed		7.58	25.16	-

Executive Officers Joseph T. Chua, President/COO 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	2018 (Estimate)	25.26	21.48	1.80
All Other Directors and Officers as a Group Unnamed		7.30	43.27	-

Compensation of Directors

1. 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.

2. 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.

3. 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

1. Executive officers' compensation consists of a monthly negotiated salary, a fixed monthly allowance and 13th month pay.

2. 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, 2017*

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Class
COMMON	PCD Nominee Corporation *G/F MSE Building* *6754 Ayala Ave., Makati City* *(Shareholder)*	Various Clients[1]	Filipino	203,384,422	16.27%
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	7.04%
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	6.81%
COMMON	PCD Nominee Corporation *G/F MSE Building* *6754 Ayala Ave., Makati City* *(Shareholder)*	Various Clients[1]	Non-Filipino	74,080,154	5.93%
COMMON	Pan Asia Securities Corp. *910 Tower One& Exchange Plaza* *Ayala Triangle, Makati City* *(Shareholder)*	Lucio K. Tan, Jr.,President[4] Philip Sing, Treasurer[4] Arlene J. Guevarra, Corporate Secretary[4]	Filipino	69,349,930	5.55%

[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.

[4] Designation in Pan Asia Securities Corp.

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, 2017*

Title of Class	Name of Beneficial Owner	Amount and Nature of Ownership	Citizenship	% of Class
COMMON	Dr. Lucio C. Tan Chairman and CEO	100,000 Direct (Beneficial)	Filipino	<1%
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 COO	125,000 Direct 3,988,300 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	3,100,000 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	**13,662,252**		**1.11%**

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 2017. 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 57 to 61).

   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, SNVRDC and NAWASCOR 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 APR 1 3 2018.

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

Subscribed and sworn to before me this APR 1 3 2018 day of MAKATI CITY, 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. 7
Book No. XX
Series of 2018

Julie O. Cua
Notary Public for Makati City
Roll of Attorneys No. 35358
PTR No. 6607881/01-03-2018
IBP Lifetime Member No. 00164
6/F 6754 Ayala Avenue, Makati City
MCLE Compliance No. V-0015369/03-02-2016
Commission No. M-141 until 31 December 2018

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
June 6 , 2017	Nomination for Election as Directors of MacroAsia Corporation
June 16, 2017	Implementation of Share Buy-back Program
July 24, 2017	Result of Annual Stockholders' Meeting and Organizational Meeting held on July 21, 2017
October 11, 2017	Notice of Demise of Washington Z. Sycip, Co-Chairman of the Board
October 18, 2017	Joint Venture Agreement with PTC Holdings Corporation
December 14, 2017	Declaration of Cash Dividends Amounting to ₱0.14 per Share

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

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

4	0	5	2	4						

COMPANY NAME

MACROASIA CORPORATION AND SUBSIDIARIES

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

12th Floor, PNB Allied Bank Center, 6754 Ayala Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	MSRD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@macroasiacorp.com	(02) 840-2001	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
840	July 20	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Amador T. Sendin	atsendin@macroasiacorp.com	(02) 840-2001	n/a

CONTACT PERSON's ADDRESS

12th Floor, PNB Allied Bank Center, 6754 Ayala Avenue, Makati City

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

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

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, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, 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

Joseph T. Chua
President and Chief Operating Officer

Amador T. Sendin
Chief Financial Officer

Signed this 22nd day of March 2018

Subscribed and sworn to before me this APR 13 2018 day of MAKATI CITY, 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

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SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
MacroAsia Corporation
12th Floor, PNB Allied Bank Center
6754 Ayala Avenue, Makati City

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, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

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 ₱2,040.3 million as of December 31, 2017. 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 ₱928.4 million to the 2017 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 LTP's management judgment.

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

Audit response

We inquired of LTP's management their policies and procedures in assessing contingencies and in determining the amounts to be recognized as provisions. We further inquired of LTP's management about the status and potential exposures of significant claims and losses, progress of the claims and 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, as well as the related note disclosures on investment in associate.

Finalization of purchase price allocation on acquisition of Boracay Tubi Systems, Inc. (BTSI) group
MacroAsia Properties Development Corporation (MAPDC), a wholly owned subsidiary of the Company, acquired 67% of BTSI group for total acquisition price of ₱324.5 million on December 2, 2016. This was accounted for as business combination, which required the identification and the determination of fair values of the acquired assets and liabilities of BTSI group. In 2017, the Group finalized the purchase price allocation on the acquisition of BTSI group. This resulted in retrospective adjustments on BTSI group's identified assets and liabilities, including intangibles other than goodwill totalling to ₱142.7 million, which are material to the consolidated financial statements. Further, management engaged an external specialist in the determination of the fair values of the intangible assets, which requires significant judgment and estimates due to the use of certain assumptions, primarily the revenue forecasts and discount rate.

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 finalization of purchase price allocation on the acquisition of BTSI group.

Audit response

We reviewed the adjustments made by management to the provisional purchase price allocation to arrive at the final values. We validated significant adjustments made to the supporting documents. With regard the use of management specialist, we evaluated the competence, capabilities and objectivity of the external specialist by considering their qualifications and experience. We involved our internal specialist in the review of the methodology and assumptions used in the determination of fair values of the

identified intangibles. We assessed the methodology adopted by referencing to common valuation models and reviewed the underlying financial forecasts by comparing with historical information.

We tested the parameters used in the determination of the discount rate against market data. We also reviewed the disclosures in the notes to the consolidated financial statements.

Impairment testing of goodwill and intangibles with indefinite useful life
Under PFRSs, the Group is required to annually test goodwill and intangible assets with indefinite useful life. The finalization of purchase price acquisition on BTSI group resulted in goodwill and intangible assets with indefinite useful life which amounted to ₱46.1 million and ₱70.6 million, respectively, as of December 31, 2017, which are material to the consolidated financial statements. The Company also has goodwill from MacroAsia Catering Services Inc. (MACS) amounting to ₱17.5 million. Further, management's impairment assessment process requires significant judgment and is based on assumptions, specifically the forecasted volume of water consumption and related revenue amounts, and discount rate.

Refer to Notes 2 and 3 to the consolidated financial statements for the relevant accounting policy and a discussion of significant judgments, and Notes 10 and 16 to the consolidated financial statements for the detailed disclosures on the goodwill and intangibles.

Audit response

We obtained an understanding of the Company's impairment process. We involved our internal specialist in evaluating the methodology and assumptions used, which include volume of water consumption and discount rate. We compared the key assumptions used such as forecasted volume of water consumption against the historical information and inquired from management and operations personnel about the plans to support the forecast revenue. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and intangible assets.

Accounting for the acquisition of Naic Water Supply Corporation (NAWASCOR)
On August 1, 2017, MAPDC acquired 100% of outstanding shares of NAWASCOR for total acquisition price of ₱120.0 million. This was accounted for as business combination, which required the identification of the acquired assets and liabilities of NAWASCOR and the determination of their fair values. The Group used the provisional fair values of the identified net assets of NAWASCOR. As of December 31, 2017, the Group recognized goodwill on the acquisition amounting to ₱89.6 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 water systems 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 NAWASCOR.

Audit response

We reviewed the deeds of sale between MAPDC and previous stockholders of NAWASCOR and the management's identification of NAWASCOR'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 water systems which are accounted for as service concession assets. We 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 NAWASCOR's water systems by evaluating the relevant information supporting the sales price of similar properties. We likewise reviewed the disclosures in the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the Philippine Securities and Exchange Commission (SEC) Form 17-A for the year ended December 31, 2017, SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2017, 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.

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. 08-001998-18-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621259, January 9, 2018, Makati City

March 22, 2018

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2017	2016 (As restated, Note 10)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 19, 23 and 24)	**₱913,191,924**	₱559,691,049
Receivables (Notes 6, 19 and 24)	**697,822,309**	575,968,475
Inventories (Note 7)	**79,120,917**	58,912,877
Input taxes and other current assets (Note 8)	**136,891,276**	105,641,699
Total Current Assets	**1,827,026,426**	1,300,214,100
Noncurrent Assets		
Available-for-sale (AFS) investments (Note 14)	**110,401,798**	106,825,300
Investments in associates (Note 9)	**2,065,182,361**	1,541,169,118
Property, plant and equipment (Note 12)	**1,145,108,621**	849,823,800
Investment property (Note 13)	**143,852,303**	143,852,303
Accrued rental receivable (Note 19)	**111,567,793**	116,110,799
Service concession right (Note 15)	**331,588,190**	310,113,300
Intangible assets and goodwill (Notes 10 and 16)	**292,229,219**	206,287,826
Deferred income tax assets - net (Note 26)	**18,868,548**	22,292,744
Other noncurrent assets (Notes 8, 16, 19, 22 and 29)	**434,508,045**	244,512,306
Total Noncurrent Assets	**4,653,306,878**	3,540,987,496
TOTAL ASSETS	**₱6,480,333,304**	₱4,841,201,596
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 17, 23 and 24)	**₱207,700,866**	₱150,412,071
Accounts payable and accrued liabilities (Notes 17, 19, 24 and 29)	**643,748,921**	376,287,398
Income tax payable	**8,172,218**	35,490,102
Current portion of long - term debt (Notes 17, 23 and 24)	**434,634,202**	17,244,560
Dividends payable (Note 28)	**180,660,640**	107,293,081
Total Current Liabilities	**1,474,916,847**	686,727,212
Noncurrent Liabilities		
Long term debt - net of current portion (Notes 17, 23 and 24)	**77,975,743**	20,118,653
Accrued rental payables (Note 29)	**131,600,956**	134,226,152
Accrued retirement and other employee benefits payable (Note 22)	**28,974,452**	25,619,613
Deferred income tax liabilities (Notes 14 and 26)	**103,518,910**	96,132,316
Other noncurrent liabilities (Note 19)	**30,569,946**	16,088,183
Total Noncurrent Liabilities	**372,640,007**	292,184,917
Total Liabilities	**1,847,556,854**	978,912,129

(Forward)

	December 31	
	2017	2016 (As restated, Note 10)
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 840 and 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)	**(98,421,397)**	(61,882,093)
Retained earnings (Note 28)	**2,850,511,180**	2,000,576,033
Treasury shares (Note 28)	**(113,676,300)**	(49,418,660)
	4,313,150,278	3,564,012,075
Non-controlling interests (Note 11)	**319,626,172**	298,277,392
Total Equity	**4,632,776,450**	3,862,289,467
TOTAL LIABILITIES AND EQUITY	**₱6,480,333,304**	₱4,841,201,596

See accompanying Notes to Consolidated Financial Statements.

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2017	2016	2015
NET SERVICE REVENUE (Note 20)			
In-flight and other catering (Note 19)	**₱1,541,000,353**	₱1,446,366,278	₱1,168,768,029
Ground handling and aviation (Note 19)	**1,031,617,643**	678,771,599	516,924,220
Rental and administrative (Note 19)	**196,403,505**	188,796,035	188,056,543
Charter flights	**–**	11,775,699	11,187,913
Water	**142,646,814**	6,256,102	–
Exploratory drilling fees (Note 29)	**27,259,722**	2,991,504	36,509,913
	2,938,928,037	2,334,957,217	1,921,446,618
DIRECT COSTS (Notes 20 and 29)			
In-flight and other catering	**1,006,099,235**	916,872,779	798,529,480
Ground handling and aviation	**807,537,737**	517,701,442	418,451,527
Rental and administrative	**187,622,410**	177,275,988	177,713,448
Charter flights	**–**	10,046,265	9,295,375
Water related expenses	**121,520,658**	19,078,392	–
Exploratory drilling expense	**27,433,991**	19,532,386	39,860,819
	2,150,214,031	1,660,507,252	1,443,850,649
GROSS PROFIT	**788,714,006**	674,449,965	477,595,969
SHARE IN NET EARNINGS OF ASSOCIATES (Note 9)	**967,943,515**	532,434,774	313,405,233
	1,756,657,521	1,206,884,739	791,001,202
OPERATING EXPENSES (Note 21)	**(595,361,997)**	(713,203,942)	(458,796,272)
	1,161,295,524	493,680,797	332,204,930
OTHER INCOME (CHARGES)			
Interest income (Notes 5, 14, 19, 23, and 29)	**8,482,346**	7,012,043	9,216,562
Financing charges (Notes 17, 19 and 23)	**(9,387,889)**	(3,295,096)	(4,213,092)
Other income - net (Note 23)	**25,137,683**	75,143,625	50,829,051
	24,232,140	78,860,572	55,832,521
INCOME BEFORE INCOME TAX	**1,185,527,664**	572,541,369	388,037,451
PROVISION FOR INCOME TAX (Note 26)			
Current	**118,556,863**	123,595,433	61,810,157
Deferred	**1,452,742**	8,778,373	(15,131,203)
	120,009,605	132,373,806	46,678,954
NET INCOME	**₱1,065,518,059**	₱440,167,563	₱341,358,497
Attributable to:			
Equity holders of the Company	**₱1,021,736,758**	₱388,954,824	₱327,750,585
Non-controlling interests (Note 11)	**43,781,301**	51,212,739	13,607,912
	₱1,065,518,059	₱440,167,563	₱341,358,497
Basic/Diluted Earnings Per Share (Note 27)	**₱0.83**	₱0.32	₱0.27

See accompanying Notes to Consolidated Financial Statements.

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2017	2016	2015
NET INCOME	**₱1,065,518,059**	₱440,167,563	₱341,358,497
OTHER COMPREHENSIVE INCOME - Net			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of AFS investments (Note 14)	**2,311,498**	838,900	2,133,000
Net foreign currency translation adjustments (Note 9)	**(621,060)**	76,801,660	43,267,780
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains on defined benefit plans, net of tax effect (Note 22)	**2,703,451**	4,869,053	10,875,952
Share in remeasurement gains (losses) on defined benefit plans of associates (Note 9)	**(40,265,714)**	29,068,796	(9,265,974)
	(35,871,825)	111,578,409	47,010,758
TOTAL COMPREHENSIVE INCOME	**₱1,029,646,234**	₱551,745,972	₱388,369,255
Other comprehensive income attributable to:			
Equity holders of the Company	**(₱36,539,304)**	₱110,703,099	₱46,670,546
Non-controlling interests (Note 11)	**667,479**	875,310	340,212
	(₱35,871,825)	₱111,578,409	₱47,010,758
Total comprehensive income attributable to:			
Equity holders of the Company	**₱985,197,454**	₱499,657,923	₱374,421,131
Non-controlling interests (Note 11)	**44,448,780**	52,088,049	13,948,124
	₱1,029,646,234	₱551,745,972	₱388,369,255

See accompanying Notes to Consolidated Financial Statements.

MACROASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	Attributable to Equity Holders of the Company												
				Other components of equity									
	Capital Stock (Note 28)	Additional Paid-in Capital	Other reserves (Note 28)	AFS Investments Reserve (Note 14)	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)	Subtotal	Retained Earnings (Note 28)	Treasury Shares (Note 28)	Subtotal	Non-controlling Interests (Note 11)	Total
BALANCES AT DECEMBER 31, 2014	**₱1,250,000,000**	**₱281,437,118**	**₱–**	**₱9,082,599**	**(₱172,111,426)**	**₱14,402,661**	**(₱70,629,572)**	**(₱219,255,738)**	**₱1,477,897,069**	**(₱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	–	–	–	2,133,000	43,267,780	10,535,740	(9,265,974)	46,670,546	–	–	46,670,546	340,212	47,010,758
Total comprehensive income	–	–	–	2,133,000	43,267,780	10,535,740	(9,265,974)	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	–
BALANCES AT DECEMBER 31, 2015	**1,250,000,000**	**281,437,118**	**143,299,677**	**11,215,599**	**(128,843,646)**	**24,938,401**	**(79,895,546)**	**(172,585,192)**	**1,710,293,529**	**(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	–	–	–	838,900	76,801,660	3,993,743	29,068,796	110,703,099	–	–	110,703,099	875,310	111,578,409
Total comprehensive income	–	–	–	838,900	76,801,660	3,993,743	29,068,796	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)
Release from appropriation	–	–	–	–	–	–	–	–	–	–	–	–	–
Non-controlling interests arising on a business combination (As restated, Note 10)	–	–	–	–	–	–	–	–	–	–	–	129,039,875	129,039,875
BALANCES AT DECEMBER 31, 2016 As restated, Note 10)	**1,250,000,000**	**281,437,118**	**143,299,677**	**12,054,499**	**(52,041,986)**	**28,932,144**	**(50,826,750)**	**(61,882,093)**	**2,000,576,033**	**(49,418,660)**	**3,564,012,075**	**298,277,392**	**3,862,289,467**
Net income	–	–	–	–	–	–	–	–	1,021,736,758	–	1,021,736,758	43,781,301	1,065,518,059
Other comprehensive income	–	–	–	2,311,498	(621,060)	2,035,972	(40,265,714)	(36,539,304)	–	–	(36,539,304)	667,479	(35,871,825)
Total comprehensive income	–	–	–	2,311,498	(621,060)	2,035,972	(40,265,714)	(36,539,304)	1,021,736,758	–	985,197,454	44,448,780	1,029,646,234
Cash dividends at ₱0.140 per share	–	–	–	–	–	–	–	–	(171,801,611)	–	(171,801,611)	–	(171,801,611)
Dividends to non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	(23,100,000)	(23,100,000)
Acquisition of treasury shares	–	–	–	–	–	–	–	–	–	(64,257,640)	(64,257,640)	–	(64,257,640)
BALANCES AT DECEMBER 31, 2017	**₱1,250,000,000**	**₱281,437,118**	**₱143,299,677**	**₱14,365,997**	**(₱52,663,046)**	**₱30,968,116**	**(₱91,092,464)**	**(₱98,421,397)**	**₱2,850,511,180**	**(₱113,676,300)**	**₱4,313,150,278**	**₱319,626,172**	**₱4,632,776,450**

See accompanying Notes to Consolidated Financial Statements.

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,185,527,664**	₱572,541,369	₱388,037,451
Adjustments for:			
Depreciation and amortization (Notes 12, 15 and 16)	**152,228,676**	98,999,205	76,665,739
Loss (gain) on sale of disposal of property and equipment	**–**	161,890	(503,182)
Share in earnings of associates (Note 9)	**(967,943,515)**	(532,434,774)	(313,405,233)
Interest income (Notes 5, 14, 19, 23 and 29)	**(8,482,346)**	(7,012,043)	(9,216,562)
Unrealized foreign exchange gain - net	**(2,518,753)**	(33,118,771)	(13,362,430)
Financing charges (Notes 17, 19 and 23)	**9,387,889**	3,295,096	4,213,092
Retirement benefits costs (Note 22)	**22,356,179**	20,374,858	19,042,948
Provision for other long-term benefits (Note 22)	**2,055,814**	1,567,717	1,073,253
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	**392,611,608**	316,873,701	152,545,076
Decrease (increase) in:			
Receivables	**(16,780,605)**	89,062,624	(145,382,677)
Inventories	**(8,034,749)**	(13,480,367)	1,376,052
Other current assets	**(154,604,330)**	(74,052,693)	(48,730,328)
Increase in service concession right	**(4,300,110)**	(16,548,445)	(141,522,285)
Increase in:			
Accounts payable and accrued liabilities	**168,742,576**	(3,505,704)	168,617,334
Accrued rental payable	**–**	–	11,434,912
Cash generated from (used in) operations	**377,634,390**	298,349,116	(1,661,916)
Interest received	**7,232,735**	6,480,390	7,902,407
Financing charges paid	**(8,550,390)**	(2,356,000)	(3,398,516)
Contributions to the retirement fund (Note 22)	**(22,146,194)**	(21,165,915)	(15,330,036)
Other employee benefits paid	**(2,167,802)**	(396,528)	–
Income taxes paid, including creditable withholding taxes and tax credit certificates	**(132,151,799)**	(37,295,226)	(40,527,498)
Net cash flows from (used in) operating activities	**219,850,940**	243,615,837	(53,015,559)

(Forward)

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Note 12)	**(₱374,257,508)**	(₱180,290,045)	(₱102,772,066)
Acquisitions through business combination - net of cash acquired (Note 10)	**(119,555,035)**	(315,340,303)	–
Acquisition of software (Note 16)	**(5,904,823)**	(947,017)	–
Proceeds from sale of investment in subsidiaries to non-controlling interest (Note 28)	–	–	187,337,508
Payments of advances to contractors (Note 12)	**(97,322,333)**	–	–
Payments for project advances (Note 16)	**(255,102)**	(2,393,400)	(1,505,782)
Proceeds from disposal of property and equipment (Note 12)	–	3,181,818	563,575
Proceeds from insurance claim (Note 23)	–	56,810,000	–
Dividends received (Note 9)	**389,109,650**	59,148,600	26,000,000
Returns from (payments for) refundable deposits and other noncurrent assets (Note 16)	**5,350,895**	–	(16,016,146)
Net cash from (used in) investing activities	**(202,834,256)**	(379,830,347)	93,607,089
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Notes payable (Note 17)	**72,550,000**	150,000,000	–
Long term debts (Note 17)	**532,113,742**	–	–
Payments of:			
Notes payable (Note 17)	**(15,261,205)**	–	–
Long term debts (Note 17)	**(53,694,362)**	(25,344,155)	(25,353,395)
Transaction cost on sale of investment in subsidiary to non-controlling interest (Note 28)	–	–	(13,436,672)
Dividends paid (Note 28)	**(132,221,557)**	(131,526,580)	–
Acquisition of treasury shares (Note 28)	**(64,257,640)**	–	–
Net cash flows used in financing activities	**339,228,978**	(6,870,735)	(38,790,067)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(2,744,787)**	9,450,467	10,286,831
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**353,500,875**	(133,634,778)	12,088,294
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**559,691,049**	693,325,827	681,237,533
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱913,191,924**	₱559,691,049	₱693,325,827

See accompanying 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 MACS, the Company also provides food requirements of some passenger terminal lounges in NAIA. MACS has also ventured into the provision of the food service requirements of non-airline institutional clients outside the airport. 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. Further, considering the expertise of staff gained through the exploration of the Company's Infanta Nickel Project in Palawan, the Company renders nickel exploration services for other mining companies, through MacroAsia Mining Corporation (MMC), a wholly-owned subsidiary.

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, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 were authorized for issuance by the Board of Directors (BOD) on March 22, 2018.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements have been prepared using the historical cost basis, except for available-for-sale (AFS) investments 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, 2017.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities*, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle). The amendments 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. Adoption of these amendments did not have any impact on the consolidated financial statements.

- Amendments to Philippine Accounting Standards (PAS) 7, *Statement of Cash Flows*, *Disclosure Initiative*. The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). In 2017, the Group presented additional disclosures on the movements of the financing activities in Note 34. As allowed under the transition provisions, the Group did not present comparative information for the years ended December 31, 2016 and 2015.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. 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.

  The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

New Accounting Standards, Amendments to Existing Standards
and Interpretations Effective Subsequent to December 31, 2017
The standards, amendments and interpretation which have been issued but not yet effective as at December 31, 2017 are disclosed 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 impact on the consolidated financial statements.

Effective in 2018

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

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The amendments are not applicable to the Group since none of the entities within the Group have share based payment transactions.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4.* The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  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.

- PFRS 9, *Financial Instruments*

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

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

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

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective method.

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

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

joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

The Group is currently assessing the impact of adopting these amendments.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property.* The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property 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.

  The Group is currently assessing the impact of adopting these amendments.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC)-22, *Foreign Currency Transactions and Advance Consideration.* The interpretation 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 non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary 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. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity 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.

  The Group is currently assessing the impact of adopting these amendments.

Effective in 2019

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

  The Group is currently assessing the impact of adopting these amendments.

- PFRS 16, *Leases.* PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the

lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures.* The amendments clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The Group is currently assessing the impact of adopting these amendments.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

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

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

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

Deferred effectivity

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

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

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.

		Percentage of Ownership by MAC				Percentage of Direct Ownership by MAPDC/MACS/ WBSI/BTSI	
		2017		2016			
	Nature of business	**Direct**	**Indirect[2]**	Direct	Indirect[2]	**2017**	2016
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**	–	67	–	–	–
MacroAsia SATS Food Industries (MSFI)	Meal production and food processing	–	**67[a]**	–	67[a]	**67**	67
MacroAsia SATS Inflight Services Corporation (MSISC) [3]	Meal production and food processing	–	**67[a]**	–	67[a]	**67**	67
BTSI	Water treatment and distribution	–	**67[4], [b]**	–	67[4], [b]	**67[4]**	67[4]
MONAD Water and Sewerage Systems, Inc. (MONAD)	Water sewerage treatment	–	**53.6[4], [c]**	–	53.6[5], [c]	**80[4]**	80[4]
New Earth Water System, Inc. (NEWS)	Water projects	–	**100[4], [c]**	–	100[5], [c]	**100[4]**	100[4]
SNV Resources Development Corporation (SNVRDC)	Water treatment and distribution	–	**100[b]**	–	100[b]	**100**	100
Naic Water Supply Corporation (NAWASCOR)	Water distribution	–	**100[5], [b]**	–	–	**100**	–
Mabini Pangasinan Resources Development Corporation (MPRDC)[3]	Water projects	–	**100[b]**	–	100[b]	**100**	100

(Forward)

		Percentage of Ownership by MAC				Percentage of Direct Ownership by MAPDC/MACS/ WBSI/BTSI	
		2017		2016			
	Nature of business	**Direct**	**Indirect[2]**	Direct	Indirect[2]	**2017**	2016
Panay Water Business Resources, Inc. (PWBRI)	Water projects	–	**90[b]**	–	90[b]	**90**	90
WBSI	Water projects	–	**51 [b]**	–	51[4], [b]	**51**	51
Cavite Business Resources Inc. (CBRI)	Water projects	–	**51 [d]**	–	51[4], [d]	**51**	51
First Aviation Academy, Inc. [6]	Aviation school	**51**	–	–	–	–	–

(1) Ceased commercial operations effective May 1, 2001
(2) Effective ownership interest through MACS[a], MAPDC[b], BTSI[c] and WBSI[d]
(3) No commercial operations as of December 31, 2017
(4) Effective ownership starting December 2, 2016
(5) Effective ownership starting August 1, 2017
(6) Incorporated on December 5, 2017 and has no commercial operations as of December 31, 2017

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 investe; 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 statements 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 "other reserves". 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. The excess of consideration of an acquisition over the fair values of acquired identifiable assets and liabilities is recognized as goodwill. 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; and
- 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, 2017 and 2016, the Group's AFS investments are carried at fair value and with fair value measurements at each reporting period (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 did not enter into derivative transactions in 2017, 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.

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.

As of December 31, 2017 and 2016, the Group's cash in banks and cash equivalents, receivables and refundable 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.

As of December 31, 2017 and 2016, 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, 2017 and 2016, 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.

Accounts payable and accrued liabilities, notes payable, long term debt, 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 a prolonged decline in the fair value of the investments below their cost. Significant decline in fair value is evaluated against the original cost of the investment, while prolonged decline is assessed against the periods in which the fair value has been below its original 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.

Value-Added Tax (VAT) and Tax Credit Certificates (TCCs)

Revenue, expenses, assets and liabilities are recognized net of the amount of VAT.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the balance sheet. When VAT passed on from purchase of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the balance sheet to the extent of the recoverable amount. 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.

Input VAT from acquisition of capital goods amounting to ₱1,000,000 and above of any given calendar month is deferred and amortized over 60 months or the useful life of the capital goods, whichever is shorter. The unamortized portion is included under Input VAT - net in the consolidated balance sheet. The Group maintains an allowance for any possible disallowance of conversion to TCC and 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. These 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 was 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
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, *Non-current Assets Held for Sale and Discontinued Operations* or the date the asset is derecognized, whichever is earlier.

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

When property and equipment are sold or retired, their cost, related accumulated depreciation and amortization and any accumulated impairment in value are removed from the accounts. Any gain or loss resulting from their disposal is included in 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. The construction revenue and construction cost are reported as part of "Other income -net" in the consolidated statement of income.

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, *Intangible Assets,* 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 or minimal consideration.

Deferred Mine Exploration Costs

Expenditures for mine exploration works on mining properties (i.e., acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource) 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 deferred mine exploration costs based on the technical assessment by the Group of the future prospects of each mining property. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or when the project is abandoned, the deferred mine exploration costs associated with the project and the related impairment provisions are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

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

Intangible Assets
The Group recognizes an intangible asset acquired in a business combination if it is identifiable and distinguishable from goodwill. The Group considers an intangible asset as identifiable if:

- it is separable, i.e., there is evidence of exchange transactions for the asset or an asset of a similar type, even if those transactions are infrequent and regardless of whether the Group is involved in those transactions; or
- it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations ("contractual-legal" criterion).

The Group's intangible assets recognized from business combination pertain to customer relationship, customer contracts and right to use asset (i.e., extraction and distribution of water in certain provinces in the Philippines). The estimated useful life of the intangible assets follows:

	No. of years
Customer relationships	22
Customer contracts	18

The right to use asset is assessed to have an indefinite useful life.

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 and intangible assets with definite life
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 intangible assets with finite life 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 and intangible assets with indefinite life
Goodwill and intangible assets with indefinite life are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit (or group of cash generating units) to which the goodwill relates or the intangible assets with indefinite life. Where the recoverable amount of the cash-generating unit to which goodwill has been allocated or the intangible assets with indefinite life is less than its carrying amount, an impairment loss is recognized immediately in profit or loss. Impairment losses relating to goodwill or intangible assets with indefinite life cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test 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.

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.

Interest income
Interest income is recognized as the interest accrues using, where applicable, the effective interest 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.

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 changes in fair value of AFS investments, 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, water treatment and distribution, 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. 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.

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.

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

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

Borrowing Costs

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. 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, 2017 and 2016.

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 which indicate that 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. A reassessment is made if circumstances indicate that there are changes in these control elements. The Group has significant influence over an investee if it only has the power to participate in the financial and operating policy decisions, but not control or jointly control over the investee. As of December 31, 2017 and 2016, the Group still determined that it controls its subsidiaries and has significant influence over its associates.

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 ₱65.2 million and ₱64.7 million as of December 31, 2017 and 2016, 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 ₱45.2 million and ₱42.2 million as of December 31, 2017 and 2016, respectively (see Note 14).

Assessment operators under Philippine Interpretation IFRIC 12
Management has assessed that memoranda of agreement with the Municipality of Solano, Nueva Vizcaya (Solano) to provide water distribution facilities and with the Municipality of Naic Cavite (Naic) to develop and operate water supply and distributions system are covered by the Philippine Interpretation IFRIC 12. The memoranda of agreement qualify under the intangible asset model with respect to the operation of the waterwork facilities as the Group 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.i., 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 ₱196.4 million in 2017, ₱188.8 million in 2016 and ₱188.1 million in 2015 (see Note 19). Rental expense amounted to ₱253.4 million, ₱237.0 million and ₱212.3 million in 2017, 2016 and 2015, 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 intangible assets with finite life 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, service concession right and intangible assets with finite life as of December 31, 2017 and 2016. On the other hand, management determined certain facts which indicate impairment of the deferred mine exploration costs, which resulted in recognition of impairment in 2016. The carrying values of the nonfinancial assets are as follows:

	2017	2016 (As restated, Note 10)
Investments in associates (Note 9)	**₱2,065,182,361**	₱1,541,169,118
Property, plant and equipment (Note 12)	**1,145,108,621**	849,823,800
Investment property (Note 13)	**143,852,303**	143,852,303
Service concession right (Note 15)	**331,588,190**	310,113,300
Intangible assets (Notes 10 and 16)	**139,027,061**	142,700,000
Deferred project costs (Note 16)	**42,255,200**	42,125,881
Deferred mine exploration costs (Note 30)	**20,418,948**	20,418,948

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 (see Note 9).

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 values in business combination and goodwill

The Group accounts for the acquired businesses using the acquisition method, which requires the identification of the assets and liabilities of the acquired entities and the determination of their fair values on acquisition date. Management exercises significant judgment and estimation to allocate the purchase price to the fair values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill or gain on bargain purchase in profit or loss. In 2017, management finalized the purchase price allocation of its acquisition in 2016 of BTSI and its subsidiaries - MONAD and NEWS (collectively BTSI group), which resulted in intangible assets measured at fair value using valuation methodologies (see Note 10). With respect to NAWASCOR's water works system which is accounted as intangible assets under IFRIC 12 and 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.

The acquisition of BTSI group in 2016 resulted in recognition of goodwill amounting to ₱46.1 million, while acquisition of NAWASCOR in 2017 resulted in recognition of provisional goodwill amounting to ₱89.6 million (see Note 10 and 16).

Determination of fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair values is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in these assumptions and factors could affect the reported fair value of financial instruments. The fair values of the AFS investment are based on available market prices or data (e.g. interest rate). See Note 33 for further disclosures.

Estimation of allowance for doubtful accounts

Allowance for doubtful accounts is provided for receivables 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 account, 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, collectively 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 ₱697.8 million and ₱576.0 million as of December 31, 2017 and 2016, respectively. Allowance for doubtful accounts amounted to ₱8.2 million and ₱11.9 million as of December 31, 2017 and 2016, 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 did not identify any factors which indicate inventory obsolescence based on the above discussions. Accordingly, no provision was recognized in 2017, 2016 and 2015.

The Group's inventories carried at cost as of December 31, 2017 and 2016 amounted to ₱79.1 million and ₱58.9 million, respectively.

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, 2017 and 2016, the carrying value of input taxes and TCCs amounted to ₱217.6 million and ₱153.1 million, respectively. Allowance for probable losses amounted to ₱89.6 million and ₱81.1 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, 2017 and 2016, the fair value of the investment property is based on valuation performed by an accredited and independent valuer in various dates of 2017. Management believes that there have been no significant activities in the areas where the investment properties are located which can indicate significant changes in the fair values of investment properties per appraiser reports. The carrying value of the investment property amounted to ₱143.9 million as of December 31, 2017 and 2016 (see Note 13).

Estimation of useful lives of property, plant and equipment
The Group estimates the useful lives of property, plant and equipment based on the internal technical evaluation and experience with similar assets. In cases where the use of property, plant 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, plant 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, plant and equipment in 2017 and 2016.

The carrying value of property, plant and equipment subject to depreciation as of December 31, 2017 and 2016 amounted to ₱640.7 million and ₱496.9 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 right is to be amortized over the concession period as provided in the agreements with relevant government units. The amortization period is 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. Amortization for the service concession right amounted to ₱15.8 million and ₱11.0 million in 2017 and 2016, respectively. The carrying value of the service concession right amounts to ₱331.6 million and ₱310.1 million as of December 31, 2017 and 2016, respectively (see Note 15).

Estimation of useful life of intangible assets acquired as part of business combination
The assigned useful lives of intangibles assets acquired as part of business combination are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on collective assessment of similar businesses, internal evaluation and experience with similar assets. Further, management considers the probability of renewal of certain permits and the cost and efforts in renewing such permits based on past experience. The useful life of each asset is reviewed at each financial year and updated if expectations differ from previous estimates due to technical or commercial obsolescence and legal or other limits on the use of the asset. There were no changes in the estimated useful lives of customer contract and relationships, while right to use asset is assessed to have indefinite useful life due to minimal efforts required to renew certain permits to extract and distribute water in relevant provinces based on past experience.

The carrying value of the customer contract and relationships amounted to ₱68.4 million and ₱72.1 million as of December 31, 2017 and 2016, respectively. The carrying value of the right to use asset amounted to ₱70.6 million as of December 31, 2017 and 2016. (see Note 16).

Impairment testing of goodwill and intangibles with indefinite useful life
The Group determines whether goodwill and intangible assets with indefinite useful life are 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 or the right to use asset. Estimating the value-in-use requires management to make an estimate of the expected future cash flows from the CGU and the right to use and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

For the purpose of impairment testing, goodwill has been allocated to BTSI group, NAWASCOR and MACS in 2017 and MACS in 2016 as the cash generating units. The recoverable amounts of the cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on financial budgets as approved by management covering three to five years of projections. The projected cash flows are 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 forecast period are extrapolated into perpetuity assuming four percent growth rate for impairment test purposes. The discount rate is 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 12% in 2017 and 9% in 2016.

For the purpose of impairment test of right to use asset, the recoverable amount is determined based on fair value less cost to sell calculations determined by discounting notional royalty savings after tax. These calculations use net sales projections and the related royalty savings based on a five-year projection. Net sales beyond the forecast period are extrapolated into perpetuity assuming four percent growth rate for impairment test purposes. Management considered the impact of cost to sell in the calculations of fair value less cost to sell as negligible. The royalty rate is the average of royalty rates for water distribution entities, while 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 royalty rate applied is 1.6% while discount rates used range from 13% - 14%.

Management believes that no reasonably possible change in any of the above assumptions would cause the carrying value of the goodwill and right to use asset 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. The carrying value of the goodwill subjected to impairment testing amounted to ₱153.2 million and ₱17.5 million as of December 31, 2017 and 2016 while the right to use asset subjected to impairment testing amounted to ₱70.6 million (see Note 16).

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, the discovery of recoverable reserves in quantities that can be commercially produced and future development of the mining properties, including grants of necessary permits.

While the Company finds its Mineral Production Sharing Agreements (MPSAs) valid and subsisting as affirmed by the MGB through the Department of Environment and Natural Resources (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. In 2016, the Company recognized provision for probable losses amounting to ₱212.9 million in view of its long outstanding applications to renew the exploration permits of its MPSAs in Palawan. As of December 31, 2017, the Company's applications for renewal of exploration periods are still ongoing. The Company also has an ongoing case with a government agency relating to a necessary permit before the Company can file a Declaration of Mine Feasibility. Further, pronouncements of the indicate no strong support for nickel mine operations in the short-term (see Note 30).

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 ₱17.5 million and ₱14.0 million as of December 31, 2017 and 2016, respectively (see Note 22). Pension asset amounted to ₱19.5 million and ₱14.4 million as of December 31, 2017 and 2016, respectively, and is included under "Deposits and other noncurrent assets" account (see Note 16). Retirement benefits cost amounted to ₱22.4 million, ₱20.4 million and ₱19.0 million in 2017, 2016 and 2015, respectively (see Note 22). Accumulated leave credits amounted to ₱11.5 million and ₱11.6 million as of December 31, 2017 and 2016, 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 2017, 2016 and 2015, the Group recognized provision for claims amounting to nil, ₱4.8 million and ₱8.2 million, respectively (see Note 21). Outstanding amounts of provision which are included as part of "Accounts payable and accrued liabilities" amounted to ₱4.8 million and ₱8.9 million as of December 31, 2017 and 2016, 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, the significant associate, has recognized provisions as of December 31, 2017, 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. LTP has recognized provisions amounting to ₱691.1 million and ₱1,050.8 million as of December 31, 2017 and 2016, respectively, which are included as part of LTP's "Current liabilities." The provision (reversals) for probable losses and claims recognized in profit or loss amounted to (₱241.5 million) and ₱534.3 million in 2017 and 2016, respectively, which is included as part of "General and administrative expenses" of LTP's summarized financial information (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 over RCIT.

Gross deferred income tax assets recognized, which relate primarily to operating subsidiaries, amounted to ₱37.4 million and ₱44.4 million as of December 31, 2017 and 2016, 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.

- 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.

- Rental and administrative segment, which is primarily 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.

- Water treatment and distribution segment, which is operated through SNVRDC, BTSI and NAWASCOR. 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.

- 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.

The Group has only one geographic segment. There were no inter-segment sales in 2017, 2016 and 2015. In 2017, 2016 and 2015, ₱810.2 million (or 28%), ₱553.7 million (or 24%) and ₱341.9 million (or 18%), respectively, of the Group's total revenue was derived from two customers. For this purpose, the customers pertain to an entity known to the Group to be under common control.

Segment assets include the operating assets used by a segment and consist principally of cash and cash equivalents, receivables, inventories, other current assets and property, plant and equipment, net of allowances, depreciation and amortization 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 tax. 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, 2017:

	Inflight and other catering	Groundhandling and aviation	Maintenance repairs and overhaul	Rental and administrative	Charter flights	Water treatment and distribution	Mining	Eliminations, Adjustments and Others	Total
Segment revenue	₱1,541,538,496	₱1,031,617,643	₱–	₱213,042,562	₱–	₱168,776,671	₱27,259,722	(₱43,307,057)	₱2,938,928,037
Direct costs	(1,006,099,235)	(807,537,737)	–	(187,622,410)	–	(130,212,686)	(27,433,991)	8,692,028	(2,150,214,031)
Gross profit (loss)	535,439,261	224,079,906	–	25,420,152	–	38,563,985	(174,269)	(34,615,029)	788,714,006
Equity in net earnings of associates	39,544,851	–	928,398,664		–	–	–	–	967,943,515
	574,984,112	224,079,906	928,398,664	25,420,152		38,563,985	(174,269)	(34,615,029)	1,756,657,521
Operating expenses	(338,499,612)	(122,693, 823)	–	(63,142,533)	(8,339,255)	(51,018,548)	(7,330,889)	(4,337,337)	(595,361,997)
Interest income	2,547,473	99,249	–	1,231,728	21,241	17,127	5,543	4,559,985	8,482,346
Financing charges	–	(2,557,187)	–	(1,082,649)	–	(553,518)	–	(5,194,535)	(9,387,889)
Other income	6,648,935	4,333,732	–	2,148,439	9,674,497	2,395,520	–	(63,440)	25,137,683
Income (loss) before income tax	245,680,908	103,261,877	928,398,664	(35,424,863)	1,356,483	(10,595,434)	(7,499,615)	(39,650,356)	1,185,527,664
Provision for income tax	(78,102,981)	(32,477,994)	–	(868,720)	(2,036,786)	(6,365,260)	(10,566)	(147,298)	(120,009,605)
Segment profit (loss)	₱167,577,927	₱70,783,883	₱928,398,664	(₱36,293,583)	(₱680,303)	(₱16,960,694)	(₱7,510,181)	(₱39,797,654)	₱1,065,518,059
Depreciation and amortization expense	₱37,271,687	₱46,033,367	₱–	₱3,914,202	₱242,058	₱41,731,390	₱8,130,962	₱14,905,010	₱152,228,676
Segment profit attributable to:									
Equity holders of the Company	120,262,901	70,783,883	928,398,664	(36,293,583)	(680,303)	(18,674,889)	(7,510,181)	(34,549,734)	1,021,736,758
Non-controlling interests	47,315,026	–	–	–	–	1,714,195	–	(5,247,920)	43,781,301

Other financial information of the operating segments as of December 31, 2017 is as follows:

	Inflight and other catering	Groundhandling and aviation	Maintenance repairs and overhaul	Rental and administrative	Charter flights	Water treatment and distribution	Mining	Eliminations, Adjustments and Others	Total
Assets:									
Current assets	₱828,664,861	₱403,064,554	₱–	₱370,282,126	₱34,462,853	₱123,305,323	₱24,562,085	₱42,684,624	₱1,827,026,426
Noncurrent assets	610,217,343	278,319,711	–	1,056,051,764	2,475,557	865,523,695	17,714,954	1,823,003,854	4,653,306,878
	₱1,438,882,204	₱681,384,265	₱–	₱1,426,333,890	₱36,938,410	₱988,829,018	₱42,277,039	₱1,865,688,478	₱6,480,333,304
Liabilities:									
Current liabilities	₱796,954,441	₱321,971,397	₱–	₱858,807,788	₱14,665,129	₱501,534,408	₱82,228,307	(₱1,101,244,623)	₱1,474,916,847
Noncurrent liabilities	20,923,246	80,171,264	–	147,766,176	263,749	5,805,857	2,295,125	115,414,590	372,640,007
	₱817,877,687	₱402,142,661	₱–	₱1,006,573,964	₱14,928,878	₱507,340,265	₱84,523,432	(₱985,830,033)	₱1,847,556,854
Equity attributable to:									
Equity holders of the Company	₱399,145,364	₱279,241,604	₱–	₱419,759,926	₱22,009,532	₱381,936,317	(₱42,246,393)	₱2,853,303,928	₱4,313,150,278
Non-controlling interests	221,859,153	–	–	–	–	99,552,436	–	(1,785,417)	319,626,172
Investments in associates	24,850,196	–	2,040,332,165	–	–	–	–	–	2,065,182,361
Additions to noncurrent assets:									
Property, plant and equipment	213,984,902	87,083,305	–	3,466,295	198,056	105,749,529	5,570,763	13,414,523	429,467,373

For the year ended December 31, 2016:

	Inflight and other catering	Groundhandling and aviation	Maintenance repairs and overhaul	Rental and administrative	Charter flights	Water treatment and distribution	Mining	Eliminations, Adjustments and Others	Total
Segment revenue	₱1,446,366,278	₱678,778,295	₱–	₱202,645,535	₱11,775,699	₱6,256,102	₱2,991,504	(₱13,856,196)	₱2,334,957,217
Direct costs	(916,872,779)	(517,701,442)	–	(178,365,054)	(10,046,265)	(19,378,522)	(19,532,386)	1,389,196	(1,660,507,252)
Gross profit (loss)	529,493,499	161,076,853	–	24,280,481	1,729,434	(13,122,420)	(16,540,882)	(12,467,000)	674,449,965
Equity in net earnings of associates	35,166,778	–	497,267,996	–	–	–	–	–	532,434,774
	564,660,277	161,076,853	497,267,996	24,280,481	1,729,434	(13,122,420)	(16,540,882)	(12,467,000)	1,206,884,739
Operating expenses	(297,298,075)	(96,849,093)	–	(59,746,298)	(4,643,205)	(16,272,505)	(217,904,592)	(20,490,174)	(713,203,942)
Interest income	753,536	57,202	–	1,096,897	31,585	9,907	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	24,127,229	2,086,260	–	11,045,394	75,143,625
Income (loss) before income tax	299,576,999	67,002,906	497,267,996	(33,958,479)	21,245,043	(27,298,758)	(234,443,502)	(16,850,836)	572,541,369
Provision for income tax	(102,784,083)	(20,820,796)	–	(849,500)	(6,233,790)	(394)	(657)	(1,684,586)	(132,373,806)
Segment profit (loss)	₱196,792,916	₱46,182,110	₱497,267,996	(₱34,807,979)	₱15,011,253	(₱27,299,152)	(₱234,444,159)	(₱18,535,422)	₱440,167,563
Depreciation and amortization expense	₱29,452,005	₱44,323,632	₱–	₱1,436,081	₱1,856,766	₱12,838,193	₱6,169,783	₱2,922,745	₱98,999,205
Segment profit attributable to:									
Equity holders of the Company	143,456,290	46,182,110	497,267,996	(34,807,979)	15,011,253	(25,175,265)	(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 (As restated, Note 10) is as follows:

	Inflight and other catering	Groundhandling and aviation	Maintenance repairs and overhaul	Rental and administrative	Charter flights	Water treatment and distribution	Mining	Eliminations, Adjustments and Others	Total
Assets:									
Current assets	₱647,887,692	₱214,377,526	₱–	₱341,530,628	₱43,841,279	₱97,272,418	₱28,515,848	(₱73,211,291)	₱1,300,214,100
Noncurrent assets	340,776,233	176,174,402	–	927,875,458	2,273,764	698,359,076	55,661,441	1,339,867,122	3,540,987,496
	₱988,663,925	₱390,551,928	₱–	₱1,269,406,086	₱46,115,043	₱795,631,494	₱84,177,289	₱1,266,655,831	₱4,841,201,596
Liabilities:									
Current liabilities	₱419,297,816	₱162,720,118	₱–	₱661,544,009	₱11,386,270	₱372,275,007	₱76,462,145	(₱1,016,958,153)	₱686,727,212
Noncurrent liabilities	7,872,194	21,549,825	–	151,945,919	165,029	35,589,579	2,066,883	72,995,488	292,184,917
	₱427,170,010	₱184,269,943	₱–	₱813,489,928	₱11,551,299	₱407,864,586	₱78,529,028	(₱943,962,665)	₱978,912,129
Equity attributable to:									
Equity holders of the Company	₱387,646,336	₱206,281,985	₱–	₱455,916,158	₱34,563,744	₱291,730,486	₱5,648,261	₱2,182,225,105	₱3,564,012,075
Non-controlling interests	173,847,579	–	–	–	–	96,036,422	–	28,393,391	298,277,392
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	4,056,830	388,649,124	4,451,912	10,109,058	546,847,422

For the year ended December 31, 2015:

	Inflight and other catering	Groundhandling and aviation	Maintenance repairs and overhaul	Rental and administrative	Charter flights	Water treatment and distribution	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)	(2,981,050)	(17,801,734)	(4,208,800)	(20,747,462)	(458,796,272)
Interest income	150,646	89,775	–	879,784	9,408	18,865	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	4,204,552	166,121	–	(16,616,004)	50,829,051
Income (loss) before income tax	119,304,366	30,143,141	285,644,572	5,303,765	1,858,802	(17,616,748)	(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	₱1,234,234	(₱17,616,748)	(₱7,557,103)	(₱32,566,371)	₱341,358,497
Depreciation and amortization expense	₱20,379,615	₱32,982,102	₱–	₱1,935,613	₱1,260,748	₱1,867,768	₱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	1,234,234	(17,616,014)	(7,557,103)	(32,048,194)	327,750,585
Non-controlling interests	14,126,823	–	–	–	–	(734)	–	(518,177)	13,607,912

5. Cash and cash equivalents

	2017	2016
Cash on hand and cash in banks (Note 19)	**₱529,210,584**	₱397,924,325
Short-term deposits (Note 19)	**383,981,340**	161,766,724
	₱913,191,924	₱559,691,049

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 ₱5.5 million, ₱4.1 million, ₱6.5 million and in 2017, 2016, and 2015, respectively (see Note 23).

6. Receivables

	2017	2016
Trade:		
Third parties	**₱378,522,917**	₱379,363,913
Related parties (Note 19)	**244,689,507**	147,829,946
Dividends receivable (Note 19)	**34,000,000**	20,000,000
Advances to officers and employees	**17,634,082**	11,347,985
Interest receivable	**3,823,987**	3,849,350
Other receivables (Note 28)	**27,376,644**	25,451,388
	706,047,137	587,842,582
Less: allowance for doubtful accounts	**8,224,828**	11,874,107
	₱697,822,309	₱575,968,475

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 and MAPDC's receivables from the third party buyer of 49% of WBSI in 2015 (Note 28).

A reconciliation of the allowance for doubtful accounts for trade receivables by class is as follows:

	Specific	Collective	Total
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**
Provisions (Note 21)	–	456,219	456,219
Write-offs	(4,081,885)	(23,613)	(4,105,498)
December 31, 2017	**₱5,835,318**	**₱2,389,510**	**₱8,224,828**

7. **Inventories** - at cost

	2017	2016
Food and beverage	**₱47,248,795**	₱42,393,170
Materials and supplies	**31,872,122**	16,519,707
	₱79,120,917	₱58,912,877

Cost of inventories recognized as expense and included in the "Direct costs" amounted to ₱641.8 million, ₱575.3 million and ₱506.9 million in 2017, 2016 and 2015, respectively (see Note 20).

8. **Input Taxes and Other Current Assets**

Other current assets consist of:

	2017	2016
Input taxes - net	**₱72,015,601**	₱45,531,561
Creditable withholding and prepaid taxes	**29,988,967**	2,370,292
Advances to suppliers, contractors and others	**12,706,220**	16,427,117
Prepaid expenses	**12,515,030**	10,878,728
TCCs	**6,998,953**	18,080,754
Others	**2,666,505**	12,353,247
	₱136,891,276	₱105,641,699

a. Input VAT consists of:

	2017	2016
Gross input tax	**₱294,473,711**	₱210,400,630
Less allowance for probable losses	**83,836,402**	75,355,482
	210,637,309	135,045,148
Less noncurrent portion (Note 16)	**138,621,708**	89,513,587
	₱72,015,601	₱45,531,561

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 ₱12.1 million, ₱15.5 million and ₱49.7 million in 2017, 2016 and 2015, respectively (see Note 21).

The Group wrote off input taxes amounting to ₱3.6 million and ₱62.2 million in 2017 and 2016, respectively, which are fully provided with allowance.

b. Tax credit certificates consist of:

	2017	2016
Tax credit certificates	**₱12,767,325**	₱23,849,126
Less allowance for probable losses	**5,768,372**	5,768,372
	₱6,998,953	₱18,080,754

The TCCs are available either for tax credit or cash monetization. In 2017 and 2016, the Group received TCCs from the BIR amounting to ₱20.9 million and ₱13.6 million, respectively. TCCs applied as payment to income taxes amounted to ₱14.0 million and ₱61.1 million in 2017 and 2016, respectively.

Advances to suppliers, contractors and others pertain to down payments for various purchases of operating supplies the Group.

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

9. Investments in Associates

	Percentage of ownership interest	**2017**	2016
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		**701,214,636**	248,785,962
Share in net earnings for the year		**967,943,515**	532,434,774
Dividends declared to the Company (Note 19)		**(403,043,500)**	(80,006,100)
End of year		**1,266,114,651**	701,214,636
Share in foreign currency translation adjustments:			
Beginning of year		**(52,041,986)**	(128,843,646)
Net foreign currency translation adjustments for the year		**(621,060)**	76,801,660
End of year		**(52,663,046)**	(52,041,986)
Share in re-measurement losses on defined benefit plans of associates:			
Beginning of year		**(50,826,750)**	(79,895,546)
Remeasurement gains (losses) on defined benefit plans for the year		**(40,265,714)**	29,068,794
End of year		**(91,092,464)**	(50,826,752)
Impairment allowance on investment in MacroAsia WLL		**(246,515)**	(246,515)
		₱2,065,182,361	₱1,541,169,118

** Effective ownership interest through MACS*

As of December 31, 2017 and 2016, 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, 2017, MacroAsia WLL has not yet started its commercial operations.

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

	2017	
	LTP	**CPCS**
Current assets	**₱4,171,550,792**	**₱149,185,135**
Noncurrent assets	**3,391,662,420**	**24,673,664**
Current liabilities	**2,345,270,718**	**110,856,967**
Noncurrent liabilities	**1,053,999,296**	**876,342**
Equity before foreign currency translation adjustments	**4,271,418,798**	**62,125,490**
Foreign currency translation adjustments	**(107,475,604)**	**–**
Equity	**4,163,943,194**	**62,125,490**
Proportion of the Group's ownership	**49%**	**40%**
Carrying amount of the investment	**₱2,040,332,165**	**₱24,850,196**
Revenue	**₱12,836,297,506**	**₱307,678,479**
Direct costs	**9,408,110,540**	**187,707,666**
Gross profit	**3,428,186,966**	**119,970,813**
General and administrative expenses	**1,432,151,712**	**15,183,798**
Net income	**1,894,691,151**	**98,862,128**
Other comprehensive income	**(87,078,448)**	**6,006,814**
Total comprehensive income	**1,807,612,703**	**104,868,942**
Proportion of the Group's ownership	**49%**	**40%**
Group's share in total comprehensive income	**₱885,730,224**	**₱41,947,577**

	2016	
	LTP	CPCS
Current assets	₱3,662,701,016	₱97,008,520
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

Dividend received amounted to ₱389.1 million and ₱59.1 million in 2017 and 2016, respectively.

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, 2017 and 2016 is as follows:

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

The carrying amount of immaterial associate as of December 31, 2017 and 2016 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 management's best estimate of probable losses in connection with claims from third parties involving damages, consignment of inventories, and other issues. These provisions have been developed in consultation with LTP's legal counsels, advisors and is based upon an analysis of potential results. LTP has recognized provisions amounting to ₱691.1 million and ₱1,050.8 million as of December 31, 2017 and 2016, respectively, which are included as part of LTP's "Current liabilities." The provision (reversals) for probable losses and claims recognized in profit or loss amounted to (₱241.5 million) and ₱534.3 million in 2017 and 2016, respectively, which is included as part of "General and administrative expenses" of LTP's summarized financial information.

LTP is a defendant to a number of cases involving claims and disputes, mainly related to damages, consignment of inventories, labor and other contingencies. Management and its legal counsels believe that the Company has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions, if any, will not have material adverse impact on the Company's financial position and results of operations.

10. Business Combination

Acquisition of BTSI group
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 ₱1.0 million and ₱3.1 million in 2017 and 2016, respectively, which are included as part of "Other expenses" account under "Operating expenses" in the 2017 and 2016 statements of income (see Note 21).

In 2016, the Group employed the services of an independent appraiser to value the property, plant and equipment of BTSI. However, as of December 31, 2016, the Group has not finalized the identification and determination of fair values to be assigned to BTSI group's assets and liabilities. Consequently, the initial accounting for the business combination has not been completed as of December 31, 2016. BTSI group's net assets were previously recognized at provisional amounts as of December 31, 2016.

In 2017, the Group further engaged an external specialist to value BTSI group's customer contracts and water rights and permits to extract and distribute water in certain provinces in the Philippines, and an actuary to value BTSI group's retirement liability as of acquisition date. Furthermore, the Group reconciled with the old stockholders of BTSI's group the assets and liabilities subject to acquisition and made adjustments to the identifiable assets and liabilities. These adjustments in the measurement period were retrospectively adjusted in the 2016 consolidated financial statements, which resulted in the following, among others:

a. Identification and valuation of customer contract and relationships and right to use asset amounting to ₱72.1 million and ₱70.6 million, respectively;
b. Increase in property, plant and equipment due to inclusion of construction in progress amounting to ₱63.2 not previously not identified in 2016;
c. Reclassification of ₱1.6 million of accrued expense to retirement liability and recognition of additional retirement liability amounting to ₱1.5 million based on the actuarial valuation report;
d. Increase in net deferred tax liability by ₱60.3 million;
e. Reduction in goodwill by ₱103.9 million; and
f. Increase in non-controlling interest by ₱42.0 million.

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

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

	Provisional	Adjustments	Final
Assets			
Cash	₱9,207,697	₱–	₱ 9,207,697
Receivables	11,982,814	–	11,982,814
Property, plant and equipment (Note 12)	299,774,600	63,213,023	362,987,623
Customer contract and relationships (Note 16)	–	72,100,000	72,100,000
Right to use asset (Note 16)	–	70,600,000	70,600,000

(Forward)

	Provisional	Adjustments	Final
Deferred tax assets (Note 26)	₱506,613	₱439,278	₱945,891
Other assets	595,829	–	595,829
	322,067,553	206,352,301	528,419,854
Liabilities			
Accounts payable and accrued expenses	22,773,476	(1,605,466)	21,168,010
Notes payable	1,855,958	(1,443,887)	412,071
Other current liabilities	456,690	–	456,690
Income tax payable	471,588	–	471,588
Accrued retirement benefits payable (Note 22)	–	3,069,727	3,069,727
Deferred tax liabilities (Note 26)	34,967,579	60,342,908	95,310,487
	60,525,291	60,363,282	120,888,573
Total identifiable net assets at fair value	261,542,262	145,989,019	407,531,281
Non-controlling interest	(86,995,309)	(42,044,566)	(129,039,875)
Goodwill (Note 16)	150,001,047	(103,944,453)	46,056,594
Purchase consideration transferred	₱324,548,000	₱–	₱324,548,000

The fair value of customer contracts and relationships is determined based on discounted excess earnings, which is the difference between the post-tax cash flows attributable to the customer contracts and the contributory asset charges used to generate the cash flows (i.e., multi period excess earnings method). The fair value of right to use is determined based on discounted notional royalty savings after tax plus discounted tax amortization benefit resulting from the amortization of the acquired asset (i.e., relief from royalty method).

The goodwill comprises the value of expected synergies arising from the acquisitions. None of the goodwill recognized is expected to be deductible for income tax purposes.

Analysis of cash flows on acquisition follows:

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 flows on acquisition	(₱318,419,803)

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 ₱574.4 million, respectively.

Acquisition of NAWASCOR
On August 1, 2017, MAPDC purchased the 100% shares of stock held by the former individual shareholders of NAWASCOR for a total consideration of ₱120.0 million. MAPDC acquired NAWASCOR as part of its strategy to grow its water treatment and distribution segment.

Provisional fair values of the identifiable assets and liabilities as at the date of acquisition:

Assets	
Cash	₱444,965
Receivables	2,559,326
Service concession right (Note 15)	38,004,133
Property, plant and equipment (Note 12)	1,650,000
Other assets	3,108,053
	45,766,477
Liabilities	
Accounts payable and accrued expenses	6,229,754
Accrued retirement liability (Note 22)	1,882,176
Deferred tax liability (Note 26)	7,268,878
	15,380,808
Total identifiable net assets at fair value	30,385,669
Goodwill (Note 16)	89,614,331
Purchase consideration transferred	₱120,000,000

The cost of the acquired assets and liabilities NAWASCOR is equal to its fair value, except for the water system infrastructure recognized as service concession right and property, plant and equipment where MAPDC employed the services of an independent appraiser to value the assets of NAWASCOR. The total fair value adjustment for water system infrastructure and property, plant and equipment amounted to ₱24.3 million. As a result, deferred income tax liability on the fair value adjustment amounting to ₱6.8 million was recognized.

For purposes of 2017 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. The provisional goodwill represents the expected synergy in the business segment from the acquisition. None of the goodwill recognized will be deductible for tax purposes.

Analysis of cash flows on acquisition:

Transaction costs of the acquisition (included in cash flows from operating)	(₱10,766,600)
Cash acquired with the subsidiary (included in cash flows from investing)	444,965
Cash transferred as purchase consideration (included in cash flows from investing)	(120,000,000)
Net cash flows on acquisition	(₱130,321,635)

If the business combination had taken place at the beginning of 2017, the Group's revenue and income before income tax would have been ₱2,959.6 million and ₱1,190.2 million, respectively. From the date of acquisition, NAWASCOR contributed ₱6.9 million and ₱1.7 million to the Group's revenue and income before income tax.

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:

	2017	2016
Current assets	**₱578,814,430**	₱615,292,451
Noncurrent assets	**399,574,615**	332,878,474
Current liabilities	**359,899,158**	404,301,240
Noncurrent liabilities	**7,636,002**	7,872,192
Equity -	**610,853,885**	535,997,493
Attributable to non-controlling interest	**225,948,787**	178,633,763

Summarized statements of income:

	2017	2016	2015
Revenue	**₱1,541,020,403**	₱1,446,366,278	₱1,168,768,029
Direct costs	**1,004,592,447**	916,872,784	798,529,480
Operating expenses	**323,595,522**	284,394,039	303,705,310
Net income	**143,378,867**	174,514,278	60,902,506
Net income attributable to non-controlling interest	**47,315,026**	57,589,712	14,141,738

Summarized statements of comprehensive income:

	2017	2016	2015
Net income	**₱143,378,867**	₱174,514,278	₱60,902,506
Other comprehensive income	**1,477,525**	2,652,455	1,498,183
Total comprehensive income	**144,856,387**	177,166,748	62,400,689
Total comprehensive income attributable to non-controlling interest	**47,802,608**	58,465,027	14,467,036

Summarized statements of cash flows:

	2017	2016	2015
Cash flows from operations	**₱162,472,314**	₱263,498,808	₱114,348,448
Cash flows used in investing activities	**(55,146,343)**	(120,182,072)	(49,729,345)
Cash flows used in financing activities	**(95,000,000)**	(25,000,000)	–

12. Property, Plant and Equipment

	2017				
	January 1, 2017	Additions	Additions through business combination (Note 10)	Adjustments, Reclassifications and Disposal	December 31, 2017
Cost					
Land and land improvements	**₱269,338,099**	**₱35,169,015**	**₱1,200,000**	**₱–**	**₱305,707,114**
Building and leasehold improvements	**442,042,490**	**11,139,284**	**–**	**–**	**453,181,774**
Kitchen and other operations equipment	**330,508,409**	**38,445,015**	**–**	**–**	**368,953,424**
Transportation equipment	**289,051,962**	**41,674,744**	**300,000**	**(4,461,156)**	**326,565,550**

(Forward)

	January 1, 2017	Additions	2017 Additions through business combination (Note 10)	Adjustments, Reclassifications and Disposal	December 31, 2017
Aviation equipment	**₱290,638,962**	**₱67,741,576**	**₱–**	**₱–**	**₱358,380,538**
Drilling equipment	**5,735,469**	**–**	**–**	**–**	**5,735,469**
Office furniture, fixtures and equipment	**93,775,230**	**12,218,992**	**150,000**	**(4,606,884)**	**101,537,338**
Plant and technical equipment	**30,775,200**	**175,537**	**–**	**–**	**30,950,737**
Water pumps and machineries	**35,135,400**	**15,907,541**	**–**	**4,250,742**	**55,293,683**
Water pipelines	**56,442,879**	**1,216,932**	**–**	**50,445,118**	**108,104,929**
Construction in progress (Notes 17 and 19)	**63,430,871**	**204,128,737**	**–**	**(55,361,772)**	**212,197,836**
	1,906,874,971	**427,817,373**	**1,650,000**	**(9,733,952)**	**2,326,608,392**
Accumulated Depreciation and Amortization					
Land improvements	**(10,425,531)**	**(615,178)**	**–**	**–**	**(11,040,709)**
Buildings and leasehold improvements	**(344,097,504)**	**(14,548,165)**	**–**	**–**	**(358,645,669)**
Kitchen and other operations equipment	**(270,271,933)**	**(20,195,830)**	**–**		**(290,467,763)**
Transportation equipment	**(154,416,138)**	**(24,564,278)**	**–**	**4,372,457**	**(174,607,959)**
Aviation equipment	**(189,611,616)**	**(26,897,607)**	**–**	**–**	**(216,509,223)**
Drilling equipment	**(5,735,469)**	**–**	**–**	**–**	**(5,735,469)**
Office furniture, fixtures and equipment	**(82,296,717)**	**(10,248,524)**	**–**	**393,654**	**(92,151,587)**
Plant and technical equipment	**(66,487)**	**(1,830,802)**	**–**	**–**	**(1,897,289)**
Water pumps and machineries	**(129,776)**	**(7,605,828)**	**–**	**614,328**	**(7,121,276)**
Water pipelines	**–**	**(23,322,827)**	**–**	**–**	**(23,322,827)**
	(1,057,051,171)	**(129,829,039)**	**–**	**5,380,439**	**(1,181,499,771)**
Net Book Value	**₱849,823,800**	**₱293,907,415**	**₱1,650,000**	**(₱4,353,513)**	**₱1,145,108,621**

	2016 (As restated, Note 10)				
	January 1, 2016	Additions	Additions through business combination (Note 10)	Adjustments, Reclassifications and Disposal	December 31, 2016
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)	–	–	56,442,879	–	56,442,879
Construction in progress	834,549	7,864,578	54,731,744	–	63,430,871
	1,490,630,807	183,859,799	362,987,623	(130,603,258)	1,906,874,971

(Forward)

	2016 (As restated, Note 10)				
	January 1, 2016	Additions	Additions through business combination (Note 10)	Adjustments, Reclassifications and Disposal	December 31, 2016
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)
Plant and technical equipment (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	₱362,791,360	(₱33,182,065)	₱849,823,800

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:

	2017	2015	2015
Direct costs (Note 20)	**₱109,508,133**	₱74,095,691	₱58,448,987
General and administrative expenses (Note 21)	**20,320,905**	13,740,730	18,216,752
	₱129,829,038	₱87,836,421	₱76,665,739

The costs of fully depreciated property and equipment which are still in use amounted to ₱899.6 million and ₱809.6 million as of December 31, 2017 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, 2017 and 2016. 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). Management believes that there have been no significant activities in the areas where the investment properties are located which can indicate significant changes in the fair values of investment properties per appraiser reports.

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 2017, 2016 and 2015 (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

	2017	2016
Debt - Philippine government treasury bonds	**₱65,245,998**	₱64,669,500
Equity - Golf club share and other proprietary and equity shares	**45,155,800**	42,155,800
	₱110,401,798	₱106,825,300

Investment in bonds

The Company has investments in Philippine government treasury bonds which carry interest rates of 3.25% to 6.00% in 2017, 2016 and 2015.

As of December 31, 2017 and 2016, the fair value of the outstanding investment in bonds amounted to ₱65.2 million and ₱64.7 million, respectively.

Total interest earned from these government bonds amounted to ₱1.8 million in 2017, 2016 and 2015 (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 the consolidated statements of changes in equity.

The movement of AFS investments reserve follows:

	2017	2016
Beginning balance	**₱12,054,499**	₱11,215,599
Changes in fair value of AFS investments, net of tax effect amounting to ₱1,265,000 in 2017 and ₱200,000 in 2016	**2,311,498**	838,900
Ending balance	**₱14,365,997**	₱12,054,499

Deferred income tax liabilities on the fair value changes of the AFS equity investments amounted to ₱2.9 million and ₱1.6 million as of December 31, 2017 and 2016, respectively (see Note 26).

15. Service Concession Right

	2017	2016
Cost		
Beginning balance	**₱321,101,567**	₱301,857,381
Additions	**4,300,110**	19,244,186
Additions through business combination (Note 10)	**38,004,133**	–
Adjustments	**(5,018,691)**	–
	358,387,119	321,101,567
Accumulated amortization		
Beginning balance	**10,988,267**	–
Amortization (Note 20)	**15,810,662**	10,988,267
Ending balance	**26,798,929**	10,988,267
Net Book Value	**₱331,588,190**	₱310,113,300

The cost of service concession right pertains to incurred construction costs by SNVRDC in relation to the construction of water treatment plant and pipe laying activities in Solano Nueva Viscaya and the fair value of NAWASCOR's water system and pipelines in Naic Cavite (see Note 29). Pursuant to Philippine Interpretation IFRIC 12, the Group recognizes intangible assets in accordance with the accounting policies stated in Note 2.

16. Intangible Assets, Goodwill and Other Noncurrent Assets

Intangible Assets and Goodwill

	2017	2016
Customer contract and relationships	**₱68,427,062**	₱72,100,000
Right to use asset	**70,600,000**	70,600,000
Goodwill	**153,202,157**	63,587,826
	₱292,229,219	₱206,287,826

Customer contract and relationships
Customer contract represents MONAD's long-term water supply contract to a third party carrying value of ₱10.3 million and ₱11.2 million as of December 31, 2017 and 2016, respectively. Customer relationships represent BTSI's established relationships with its existing customers through its service contracts with carrying value of ₱58.1 million and ₱60.9 million as of December 31, 2017, respectively. These are identified intangible assets as part of the acquisition of BTSI group in 2016 (see Note 10). The customer contract is amortized over the remaining contract term, while customer relationships are amortized over the estimated years where all the existing customers would have switched to other water distributors.

The rollforward of customer contract and relationships is as follows:

	2017	2016 (As restated, Note 10)
Fair value	**₱72,100,000**	₱72,100,000
Amortization (Note 20)	**3,672,938**	–
	₱68,427,062	₱72,100,000

Right to use asset
The right to use asset pertains to water permits of BTSI and NEWS allowing them to extract and distribute water in certain provinces of the Philippines. Management believes that the right to use asset has an indefinite useful life due to the permanent nature of water permits and minimal time and effort required of BTSI and NEWS to renew certain operating permits in view of continued compliance with relevant regulations.

Goodwill
The goodwill recognized by the Group amounting to ₱153.2 million and ₱63.6 million as of December 31, 2017 and 2016 resulted from the Company's acquisition of 13% non-controlling interest from a previous stockholder of MACS in 2006, MAPDC's acquisition of 67% of BTSI in 2016 and MAPDC's acquisition of 100% of NAWASCOR (see Note 10) in 2017. The goodwill recognized for the acquisition of NAWASCOR is still at its provisional value as of December 31, 2017 as the Group is still in the process of completing the identification of NAWASCOR's assets and liabilities.

The carrying amount of goodwill is allocated to each of the CGU (determined to be at the subsidiary level) as follows:

	MACS	BTSI	NAWASCOR	Total
December 31, 2015	**₱17,531,232**	**₱–**	**₱–**	**₱17,531,232**
Addition through business combination (Note 10)	–	46,056,594	–	46,056,594
December 31, 2016	**17,531,232**	**46,056,594**	**–**	**63,587,826**
Addition through business combination (Note 10)	–	–	89,614,331	89,614,331
December 31, 2017	**₱17,531,232**	**₱46,056,594**	**₱89,614,331**	**₱153,202,157**

Other Noncurrent Assets

	2017	2016 (As restated, Note 10)
Advances to contractors and suppliers	**₱147,167,809**	₱2,494,856
Input taxes - net (Note 8)	**138,621,708**	89,513,587
Deferred project costs	**42,255,200**	42,125,881
Deposits (Note 29)	**29,637,539**	24,939,435
Deferred mine exploration cost (Note 30)	**20,418,948**	20,418,948
Pension asset (Note 22)	**19,505,487**	14,421,462
Deferred rent expense (Note 29)	**13,570,705**	13,789,155
Software	**7,910,541**	840,837
Prepaid rent (Note 29)	**7,338,629**	7,896,833
Restricted investments	**7,181,182**	11,601,545
Others	**900,297**	16,469,767
	₱434,508,045	₱244,512,306

Advances to Contractors
Advances to contractors pertain to advance payments to contractors which primarily serve as mobilization fee and are diminished through progress billings, and down payments for major capital expenditures. As of December 31, 2017, the significant amounts pertain to MSFI's payments to a contractor (₱66.1 million), MASCORP's payments to various suppliers (₱64.3 million) and BTSI's down payment for its purchase of a water tank (₱14.4 million).

Deferred project costs

	2017	2016
Maragondon Bulk Water project costs	**₱34,067,350**	₱34,067,350
Engineering designs, consultancy, development and geodetic surveys costs	**8,187,850**	8,058,531
	₱42,255,200	₱42,125,881

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, 2017, 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.

Software

	2017	2016
Cost		
Beginning balance	**₱5,018,242**	₱4,071,225
Additions	**5,904,823**	947,017
Adjustment (Note 12)	**4,451,912**	–
	15,374,977	5,018,242
Accumulated amortization		
Beginning balance	**4,177,405**	4,002,888
Amortization (Note 20)	**2,916,038**	174,517
Adjustment (Note 12)	**370,993**	–
	7,464,436	4,177,405
Net Book Value	**₱7,910,541**	₱840,837

Adjustment to net book value of to ₱4.1 million pertains to reclassification of software from property, plant and equipment. Management assessed that the software is not integrated to the related hardware.

Restricted investments
Restricted investments pertain to time deposits placed by MACS to guaranty an institutional catering contract (see Note 29).

17. Notes Payable and Long-Term Debts

Notes payable

Entity	Facility	Terms	Outstanding Balance 2017	Outstanding Balance 2016 (As restated, Note 10)
	One-year term loan agreement	₱135.0 million with interest rate of 5.25%. Interest is payable monthly while principal amount is payable at maturity date.	**₱135,000,000**	₱150,000,000
BTSI	Six months or less term loan agreement	₱42.5 million with interest of 3.75%. Principal and interest to be paid at maturity.	**42,550,000**	–
MASCORP	Three months term loan agreement	₱30.0 million with interest rate of 4.65%. Principal and interest are to be paid at maturity.	**30,000,000**	–
	Others		**150,866**	412,071
			₱207,700,866	₱150,412,071

Long term debts

Entity	Facility	Terms	Outstanding Balance 2017	Outstanding Balance 2016
MSFI	Eight-year term loan agreement	Quarterly principal repayment ₱16,666,666 and bears interest rate equivalent to the benchmark rate plus 100 basis points per annum, or 4.00%	**₱400,000,000**	₱–
MASCORP	Five-year term loan agreement	₱37.0 million (with initial interest rate of 5.25% per annum subject to monthly re-pricing) and US$990,000 equivalent to ₱44.5 million (with initial interest rate of 4.06% per annum subject to monthly re-pricing). Payable in 60 equal and successive monthly amortizations commencing at the end of the first month from initial draw down date of the loans (Note 19)	**20,167,163**	37,363,213
MASCORP	Five-year term loan agreement	US$960,000 equivalent to ₱49.3 million (with initial interest rate of 4.34422% per annum subject to quarterly re-pricing) (Note 19)	**47,133,920**	–
MASCORP	Five-year term loan agreement	US$960,000 equivalent to ₱49.3 million (with initial interest rate of 4.34422% per annum subject to quarterly re-pricing) (Note 19)	**47,133,920**	–
			514,435,003	37,363,213
	Unamortized transaction costs		**(1,825,058)**	–
			512,609,945	37,363,213
	Current portion		**434,634,202**	17,244,560
			₱77,975,743	₱20,118,653

In accordance with loan agreement, MSFI is required to maintain debt-to-equity ratio of not more than 70:30 and debt service coverage ratio (DSCR) of at least 1.2x. As of December 31, 2017, MSFI breached the minimum required debt-to-equity and DSCR ratios. Accordingly, MSFI's long term debt with carrying amount of ₱398.2 million is presented under "Current liabilities". Management has ongoing negotiations with the bank to defer the effectivity of the required minimum ratios to 2019.

In accordance with loan agreements, MASCORP is required to maintain a debt-to-equity ratio of not greater than 2.33x and debt service coverage ratio of not lower than 1.0x. As of December 31, 2017, MASCORP is in compliance with all of the debt covenants.

Total interest expense expense incurred amounted to ₱16.5 million, ₱2.4 million and ₱3.4 million in 2017, 2016 and 2015, respectively. In 2017, capitalized interest amounted to ₱8.2 million which pertains to effective interest amortization of MSFI loans, which was specifically availed to finance the construction of MSFI's kitchen facility. The capitalization rate is 4.15%, which is the effective interest rate of the loan.

18. Accounts Payable and Accrued Liabilities

	2017	2016
Trade accounts payable:		
Third parties	**₱310,285,013**	₱121,614,187
Related parties (Note 19)	**20,629,043**	14,256,792
Nontrade accounts payable (Notes 19 and 28)	**107,218,043**	82,806,837
Accrued:		
Utilities and others (Note 17)	**46,465,049**	31,050,419
Rental	**4,030,657**	3,632,384
Construction costs	**34,811,744**	–
Service fees (Note 29)	**35,456,199**	22,201,472
Outside services	**903,999**	1,544,975
Personnel cost	**3,148,007**	2,324,677
Output VAT	**33,863,184**	28,769,375
Payable to government agencies	**26,657,651**	26,381,602
Provision for probable losses	**4,835,000**	8,935,458
Retentions payable	**15,445,332**	32,769,220
	₱643,748,921	₱376,287,398

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 service fee of MACS which is payable to SATS (see Note 29).

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.

Retention payable pertains to the portion of the contractors' billings on the various construction projects retained by the Group and will be released upon acceptance of the completed projects and submission by the contractors of the certificate of completion and guarantee bond.

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.

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:

Nature of Transaction	Outstanding balance/ Amount of transactions **2017**	2016	Terms and conditions
	(In millions)		
Affiliates:			
Deposits and cash equivalents (a)	**₱899.2**	₱163.1	On demand; prevailing interest rate
Rental deposit (b)	**4.2**	0.2	To be refunded at the end of lease term; non-interest bearing
Trust fund retirement plan (c)	**136.5**	119.7	Based on trustee agreement

Nature of Transaction	Amount of Transactions **2017**	2016	2015	Outstanding Balance Receivable (Payable) **2017**	2016	Terms and Conditions
			(In millions)			
Affiliates:						
Interest income on deposits and cash equivalents (a)	**₱4.5**	₱6.1	₱4.4	**₱–**	₱–	On demand; prevailing interest rate
Long-term debt (d)	**494.7**	–	–	**492.5**	–	5-8 year term loan, interest bearing based on benchmark rate, payable quarterly; no collateral
Interest expense (d)	**8.6**	–	–	**3.4**	–	
Office rent (b)	**4.3**	4.3	2.9	–	–	30 day, unsecured, non-interest bearing, unimpaired
Service fees from ground handling services (f and h)	**809.7**	446.1	276.7	**209.9**	121.6	30 day, unsecured, non-interest bearing, unimpaired
Equipment rent (i)	**7.2**	7.0	4.0	**(10.5)**	(4.4)	On-demand, unsecured, non-interest bearing
Affiliates:						
Share in passenger lounge (m)	–	–	–	**(7.5)**	(7.5)	On-demand, unsecured, non-interest bearing
Catering services (n, o and p)	**112.7**	107.6	65.2	**26.4**	24.3	30 day, unsecured, non-interest bearing, unimpaired
Share in rental and utilities in MIAA (g)	**0.8**	1.6	1.2	**(0.8)**	(0.4)	On-demand, unsecured, non-interest bearing
Associated companies:						
Rent and administrative income from sublease of land (e)	**196.4**	188.8	188.1	**111.6**	116.1	25 years, non-interest bearing, includes impact of straight-line recognition of lease income
Service fee from contracted ground handling services (j)	–	–	1.6	–	–	30 day, unsecured, non-interest bearing, unimpaired

(Forward)

Nature of Transaction	Amount of Transactions			Outstanding Balance Receivable (Payable)		Terms and Conditions
	2017	2016	2015	**2017**	2016	
			(In millions)			
Service fee from preventive maintenance and waste water treatment services (l)	**₱16.5**	₱15.1	₱1.6	**₱8.4**	₱1.9	30 day, unsecured, non-interest bearing, unimpaired
Ground handling fee (k)	**–**	2.3	3.5	**(1.9)**	(2.0)	30 day, unsecured, non-interest bearing, unimpaired
Dividend declaration (q and r)	**403.0**	80.0	26.0	**34.0**	20.0	On-demand, unsecured, non-interest bearing
Management services (s)	**19.2**	–	–	**–**	–	30 day, unsecured, non-interest bearing, unimpaired

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 ₱3.2 million 2016.

Group

a. The Group has outstanding Peso and US dollar-denominated short-term investments as well as current and savings deposits, which bear interest based on prevailing market rates with an affiliated local bank under common control. Total deposits and cash equivalents amounted to ₱899.2 million and ₱163.1 million as of December 31, 2017 and 2016, respectively. Interest income amounted to ₱4.5 million, ₱6.1 million and ₱4.4 million in 2017, 2016 and 2015, respectively.

b. 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 ₱4.0 million in 2017, ₱3.4 million in 2016 and ₱2.3 million in 2015.

   On the other hand, MMC renewed its five-year lease contract with the local affiliated bank for its office space starting on January 1, 2017. 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 ₱0.7 million in 2017, ₱0.9 million in 2016 and ₱0.6 million in 2015.

c. The Group has a trust fund for its retirement plan with a local affiliated bank. As of December 31, 2017 and 2016, the fund assets amounted to ₱136.5 million and ₱119.7 million, respectively (see Note 22).

d. In 2017, MSFI availed an eight-year term loan facility amounting to ₱400.0 million with the local affiliated bank. The loan was availed to finance MSFI's construction of kitchen facility. Interest expense incurred amounted to ₱8.4 million, of which ₱4.8 million was capitalized as part of construction in progress (Note 12).

   In 2017, MASCORP availed of two five-year term loans totalling to ₱94.2 million with the local affiliated bank for working capital and to finance the acquisition of groundhandling service equipment. Interest expense amounted to ₱0.2 million in 2017.

Subsidiaries

MAPDC

e. 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 ₱190.6 million in 2017, ₱188.8 million in 2016 and ₱188.1 million in 2015.

   MAPDC received refundable rental deposit from LTP amounting to ₱24.6 million. The amount is valued and reported at its accreted value of ₱8.2 million and ₱7.1 million as of December 31, 2017 and 2016, respectively, presented as part of "Other noncurrent liabilities" account in the consolidated balance sheets. Accretion of interest (included as part of "Financing charges" account) amounted to ₱1.1 million, ₱0.9 million and ₱0.8 million in 2017, 2016 and 2015 (see Note 23). The difference between the face amount and present value of the deposits at inception date of ₱23.9 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 2017, 2016 and 2015. As of December 31, 2017 and 2016, the unearned rent income amounted to ₱7.4 million and ₱8.4 million, respectively.

   Further, as a result of the straight-line recognition of operating lease income, accrued rental receivable was recognized which amounted to ₱111.6 million and ₱116.1 million as of December 31, 2017 and 2016, respectively.

   In 2017, MAPDC also billed LTP for rental charges on a piece of land which it leases from MCIAA amounting to ₱5.8 million

MASCORP

f. MASCORP provides ground handling services to Air Philippines, Inc. (Air Phil.), an affiliated company under common control. Fees for these services amounted to ₱337.7 million, ₱141.0 million, and ₱83.3 million in 2017, 2016 and 2015, respectively. The related receivables as of December 31, 2017 and 2016 amounted to ₱109.9 million and ₱41.0 million, respectively (see Note 6).

g. MASCORP pays Air Philippines Corporation (APC) its shares on the rental and utilities in MIAA amounting to ₱0.8 million, ₱1.6 million and ₱1.2 million in 2017, 2016 and 2015, respectively. Outstanding payable as of December 31, 2017 and 2016 relating to this transaction amounted to ₱0.8 million and ₱0.4 million, respectively (see Note 18).

h. MASCORP provides ground handling services to Philippine Airlines, Inc. (PAL), an affiliated company under common control. Fees for these service amounted to ₱472.0 million, ₱305.1 million and ₱193.4 million in 2017, 2016 and 2015, respectively. The related receivables as of December 31, 2017 and 2016 amounted to ₱100.0 million and ₱80.6 million, respectively, and are presented under "Receivables" in the consolidated balance sheets (see Note 6).

i. MASCORP also leases ground support equipment from PAL with total rental cost amounting to ₱7.2 million, ₱7.0 million and ₱4.0 million in 2017, 2016 and 2015, respectively. Outstanding payable as of December 31, 2017 and 2016 relating to this transaction amounted to ₱10.5 million and ₱4.4 million, respectively (see Note 18).

j. MASCORP bills LTP for ground handling services it rendered to clients contracted by LTP.

k. MASCORP also pays LTP for ground handling services rendered by the latter to MASCORP's clients. Fees for these services amounted to nil in 2017 and ₱2.3 million and ₱3.5 million in 2016 and 2015, respectively. The related payables as of December 31, 2017 and 2016 amounted to ₱1.9 million and ₱2.0 million, respectively (see Note 18).

l. In 2017 and 2016, MASCORP rendered waste water treatment services and preventive maintenance services for the ground support equipment of LTP amounting to ₱16.5 million and ₱15.1 million, respectively. Outstanding receivable relating to this transaction amounted to ₱8.4 million and ₱1.9 million as of December 31, 2017 and 2016, respectively (see Note 6).

MACS

m. MACS has outstanding payable to PAL aggregating to ₱7.5 million as of December 31, 2017 and 2016, representing PAL's share in the results of operation of the passenger lounge at NAIA (see Note 18).

n. MACS has outstanding receivables to PAL from catering services provided in previous years which amounted to ₱0.04 million and ₱1.9 million as of December 31, 2017 and 2016 (see Note 6).

o. MACS provided catering services to an airline lounge of PAL amounting to ₱112.7 million in 2017 and ₱105.4 million in 2016 and ₱62.0 million in 2015. Total outstanding receivable from these transactions amounted to ₱23.3 million and ₱19.6 million as of December 31, 2017 and 2016, respectively (see Note 6).

p. MACS provided catering services to APC amounting to ₱2.2 million and ₱3.2 million in 2016 and 2015, respectively. Outstanding receivable as of December 31, 2017 and 2016 amounted to ₱3.1 million and ₱4.6 million, respectively (see Note 6).

Associates

q. The Group's share on the dividend declaration of LTP amounted to ₱369.0 million and ₱46.0 million in 2017 and 2016, respectively.

r. The Group's share in the dividend declaration of CPCS amounted to ₱34.0 million in 2017 and 2016 and ₱26.0 million in 2015, respectively. As of December 31, 2017 and 2016, outstanding dividends amounted to ₱34.0 million and ₱20.0 million, respectively.

s. In 2017, the Company billed LTP for management fee amounting to ₱19.2 million which was also collected in 2017.

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:**	**2017**	2016	2015
				(In Millions)	
Service fees	MAC	MACS/ MASCORP/BTSI/MAPDC	**₱118.8**	₱77.3	₱57.8
Chopper rental	MAC	MAATS	**–**	–	1.3
Technical management fees	MAPDC	MSFI/ SNVRDC	**–**	1.4	5.6
Land and building rental	MAPDC	MSFI/ SNVRDC	**16.6**	12.6	1.2
Dividend revenue	MAC	MAATS/ MACS/MASCORP	**56.9**	78.5	–
Water revenue	MONAD	BTSI	**10.7**	–	–

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 2017	2016
			(In Millions)	
Due from/to related parties	MAC	MASCORP/ MAPDC/ MMC/ MAATS/ ASSC/ MACS	**₱932.7**	₱737.4
	MAPDC	MAATS/ MMC/ SNVRDC/ PWRI/ MPRDC/WBSI/ CBRI/NAWASCOR	**317.6**	276.3
	ASSC	MAPDC/ MMC	**5.5**	5.5
	MACS	MSFI/ MSICS	**0.3**	0.3
	WBSI	CBRI	**10.0**	10.0
Trade receivables/payables	MAC	MAC/ MACS/ MAATS	**149.3**	234.2
	MACS	MASCORP/ MAC	**0.4**	0.5
	MAPDC	SNVRDC/ MSFI/ MAC	**16.3**	26.5
	MASCORP	MAATS	**0.02**	0.002
	MMC	MAC	**2.7**	2.7
	BTSI	MONAD/NEWS	**28.4**	–

Compensation of Key Management Personnel

The short-term benefits of the Company's key management personnel amounted to ₱105.1 million, ₱85.3 million and ₱62.15 million in 2017, 2016 and 2015, 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

	2017	2016	2015
Gross service revenue	**₱3,075,428,721**	₱2,458,739,754	₱2,032,136,400
Less discount	**136,500,684**	123,782,537	110,689,782
	₱2,938,928,037	₱2,334,957,217	₱1,921,446,618

Direct costs

	2017	2016	2015
Food (Note 7)	**₱603,754,502**	₱562,127,554	₱494,909,384
Salaries and wages	**548,726,581**	415,915,479	337,397,495
Leases (Notes 19 and 29)	**198,249,245**	181,444,135	180,102,550
Contractual services	**189,119,432**	88,405,709	83,765,585
Concession privilege fee (Note 29)	**165,432,597**	142,483,134	114,946,799
Depreciation and amortization (Notes 12, 15 and 16)	**128,991,733**	85,083,958	58,448,987
Overhead	**72,563,901**	59,031,995	50,164,621
Repairs and maintenance	**66,753,249**	29,722,812	30,293,039
Employee benefits (Note 22)	**56,634,877**	44,878,798	31,227,413
Supplies (Note 7)	**38,075,477**	13,158,518	12,022,099
Utilities	**25,030,268**	5,566,257	3,910,034

(Forward)

	2017	2016	2015
Laundry	**₱13,104,645**	₱12,084,648	₱9,900,876
Insurance	**10,822,025**	9,236,762	9,044,459
Storage and brokerage	**736,619**	736,620	751,363
Others	**32,218,880**	10,630,873	26,965,945
	₱2,150,214,031	₱1,660,507,252	₱1,443,850,649

21. Operating Expenses

	2017	2016	2015
Selling -			
Advertising and promotions	**₱2,378,570**	₱1,919,494	₱2,888,703
General and administrative:			
Salaries and wages	**161,011,608**	140,130,187	112,518,039
Employee benefits (Note 22)	**86,623,233**	65,821,141	57,985,901
Rent (Notes 19 and 29)	**55,116,364**	55,586,005	32,192,619
Service fee (Note 29)	**34,658,020**	22,147,580	13,141,790
Taxes and licenses (Note 13)	**33,512,447**	20,811,993	23,487,973
Repairs and maintenance	**26,872,370**	22,448,143	17,190,672
Professional and legal fees	**20,883,643**	20,021,307	21,122,182
Depreciation and amortization (Note 12)	**23,236,943**	13,915,247	18,216,752
Transportation and travel	**20,364,048**	9,956,054	7,654,728
Security and janitorial	**17,307,368**	14,942,021	13,508,256
Supplies	**16,586,747**	13,058,620	4,032,250
Entertainment, amusement and recreation	**14,535,430**	10,865,336	7,815,891
Provisions for probable losses (Notes 6, 8, 9, 19 and 30)	**12,586,778**	239,865,317	64,038,282
Utilities	**11,004,816**	9,220,987	9,381,080
Directors' fees	**9,301,669**	6,337,434	3,357,353
Cleaning and other laboratory supplies	**8,411,160**	7,814,302	5,849,790
Communications	**5,182,389**	4,423,528	4,198,743
Gas and oil	**4,982,664**	2,643,867	2,877,037
Project expenses	**2,138,323**	8,241,073	4,406,703
Mining expenses (Note 30)	**2,767,638**	2,707,859	4,939,172
Insurance	**2,528,976**	2,256,323	2,165,125
Others (Note 10)	**23,370,793**	18,070,124	25,827,231
	592,983,427	711,284,448	455,907,569
	₱595,361,997	₱713,203,942	₱458,796,272

22. Employee Benefits Costs

	2017	2016
Accrued retirement benefits payable	**₱17,484,359**	₱14,017,530
Other employee benefits	**11,490,093**	11,602,083
	₱28,974,452	₱25,619,613

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:

	2017	2016	2015
Current service cost	**₱22,174,708**	₱20,056,536	₱18,362,877
Net interest cost	**181,471**	318,322	680,071
	₱22,356,179	₱20,374,858	₱19,042,948

	2017	2016	2015
Portions recognized in:			
Direct costs (Note 20)	**₱16,196,333**	₱13,416,359	₱10,648,362
General and administrative expenses (Note 21)	**6,159,846**	6,958,499	8,394,586
	₱22,356,179	₱20,374,858	₱19,042,948

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

	2017	2016	2015
Actuarial gain (loss) arising from changes in:			
Experience adjustments	**₱1,276,912**	₱5,397,558	₱8,515,959
Financial assumptions	**6,587,625**	4,004,659	7,308,529
Demographic assumptions	**–**	–	(1,058,092)
Remeasurement loss on plan assets	**(4,155,180)**	(1,651,218)	(1,862,777)
	3,709,357	7,750,999	12,903,619
Tax effect	**(1,005,906)**	(2,881,946)	(2,027,667)
	₱2,703,451	₱4,869,053	₱10,875,952

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

	2017	2016 (As restated, Note 10)
Present value of defined benefit obligation	**₱134,493,428**	₱119,287,161
Fair value of plan assets	**136,514,556**	119,691,093
	(₱2,021,128)	(₱403,932)

Movements in accrued retirement benefits payable and plan assets follow:

2017

	Accrued retirement benefits payable	**Pension asset** (Note 16)
Beginning balance*	**₱14,017,530**	**(₱14,421,462)**
Retirement benefits cost recognized in profit or loss	**6,430,967**	**15,925,212**
Remeasurements in other comprehensive income	**153,686**	**(3,863,043)**
Contributions	**(5,000,000)**	**(17,146,194)**
Accrued retirement resulting from business combination (Note 10)	**1,882,176**	–
Ending balance	**₱17,484,359**	**(₱19,505,487)**

** As of December 31, 2017, MACS, MASCORP and MAATS have a net plan asset position.*

2016

	Accrued retirement benefits payable (As restated, Note 10)	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)
Accrued retirement resulting from business combination (Note 10)	3,069,727	–
Ending balance	₱14,017,530	(₱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.*

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

	2017	2016 (As restated, Note 10)
Beginning balance	**₱119,287,161**	₱103,522,160
Current service cost	**22,174,708**	20,056,536
Interest cost	**6,380,912**	5,176,651
Actuarial gain on retirement obligation	**(7,864,537)**	(10,394,043)
Benefits paid out of the Group's plan assets	**(7,366,992)**	(2,143,870)
Accrued retirement resulting from business combination (Note 10)	**1,882,176**	3,069,727
Ending balance	**₱134,493,428**	₱119,287,161

Changes in fair value of plan assets are as follows:

	2017	2016
Beginning balance	**₱119,691,093**	₱97,461,937
Interest income on plan assets	**6,199,441**	4,858,329
Contributions to the plan	**22,146,194**	21,165,915

(Forward)

	2017	2016
Benefits paid	**(₱7,366,992)**	(₱2,143,870)
Remeasurement on plan assets	**(4,155,180)**	(1,651,218)
Ending balance	**₱136,514,556**	₱119,691,093
Actual return on plan assets	**₱2,021,128**	₱403,932

The major categories of plan assets are as follows:

	2017	2016
Cash and cash equivalents	**₱67,053**	₱77,279,985
Debt instruments:		
Government securities	**12,129,186**	26,618,860
Unquoted debt securities	**124,165,890**	15,528,478
Receivables	**152,427**	263,770
	₱136,514,556	₱119,691,093

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 January are shown below:

	2017	2016
Average discount rates	**5.19%-5.34%**	4.87%-5.19%
Average future salary increases	**5.00%**	5.00%

The discount rate as of December 31, 2017 is 5.64%.

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:	**2017**	2016
Discount rate:		
+100 basis points	**(₱9,190,779)**	(₱13,165,596)
-100 basis points	**13,158,746**	17,279,693
Salary increase rate:		
+100 basis points	**12,747,692**	16,673,371
-100% basis points	**(8,856,942)**	(12,772,098)

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:	**2017**	2016
1 year and less	**₱695,997**	₱2,575,375
more than 1 year to 5 years	**31,294,657**	32,987,945
more than 5 years to 10 years	**75,863,799**	56,106,494
more than 10 years to 15 years	**104,965,848**	92,218,215
more than 15 years to 20 years	**182,150,160**	152,368,111
more than 20 years	**6,354,258,475**	3,684,992,491

The Group expects to contribute ₱53.2 million in 2018. 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 which amounted to ₱11.5 million and ₱11.6 million as of December 31, 2017 and 2016, respectively are presented as part of "Accrued retirement and other employee benefits" account in the consolidated balance sheets. Provision for accumulating leave credits amounted to ₱2.1 million and ₱1.6 million and ₱1.1 million in 2017, 2016 and 2015, respectively.

23. Other Income (Charges)

a. Interest income was derived from:

	2017	2016	2015
Cash and cash equivalents (Notes 5 and 19)	**₱5,454,280**	₱4,118,345	₱6,537,837
AFS investments (Note 14)	**1,819,500**	1,819,500	1,819,500
Accretion of refundable deposits (Note 29)	**1,208,566**	1,074,198	859,225
	₱8,482,346	₱7,012,043	₱9,216,562

b. Financing charges pertain to:

	2017	2016	2015
Notes payable and long term debts (Notes 17 and 19)	**₱8,305,240**	₱2,356,000	₱3,398,516
Accretion of refundable deposits (Note 19)	**1,082,649**	939,096	814,576
	₱9,387,889	₱3,295,096	₱4,213,092

c. Other income - net consist of:

	2017	2016	2015
Special flight permits	**₱9,682,037**	₱3,583,157	₱3,263,392
Foreign exchange gain (Notes 24 and 32)	**3,879,132**	43,008,159	36,120,323
Reversal of:			
Prior years' accruals - net	**5,695,380**	6,096,872	5,334,749
Long outstanding checks	**–**	870,424	4,091,718
Construction revenue (Note 15)	**(4,690,174)**	19,244,186	202,192,202
Construction costs (Note 15)	**4,690,174**	(19,244,186)	(202,192,202)
Net recovery from insurance claim	**–**	20,390,586	–
Connection and reconnection fees	**1,265,152**	–	–
Others - net	**4,615,982**	1,194,427	2,018,869
	₱25,137,683	₱75,143,625	₱50,829,051

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 (Note 12).

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:

	2017		2016	
	US Dollar	**Total Peso Equivalent**	US Dollar	Total Peso Equivalent
Assets				
Cash and cash equivalents	**$6,631,912**	₱331,037,576	$4,914,437	₱244,345,819
Receivables	**4,321,458**	215,693,956	5,157,202	256,416,040
	10,953,370	546,731,532	10,071,639	500,761,859
Liabilities				
Accounts payable and accrued liabilities	**311,226**	15,491,645	8,780	436,525
Long term debts (Note 17)	**2,119,000**	105,356,680	429,000	21,329,880
	2,430,226	120,848,325	437,780	21,766,405
Net foreign currency-denominated assets	**$8,523,144**	₱425,883,207	$9,633,859	₱478,995,454

As of December 31, 2017 and 2016, the exchange rates of the Peso to US$ dollar were ₱49.93 and ₱49.72 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 Aiport (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 2017, 2016 and 2015 are as follows:

	2017	2016	2015
RCIT [1]	**₱113,821,423**	₱121,851,930	₱59,041,793
MCIT [2]	**3,067,898**	826,682	2,064,506
Final tax on interest	**1,132,254**	162,834	135,305
5% final tax on gross income[3]	**535,288**	753,987	568,553
	₱118,556,863	₱123,595,433	₱61,810,157

[1] *Pertains to MACS, MASCORP, MAATS, BTSI, NAWASCOR, MONAD*
[2] *Pertain to MAC and MAPDC*
[3] *Pertains to MAPDC*

b. The Company's and subsidiaries' net deferred income tax assets (liabilities) as of December 31 are as follows:

	2017		2016	
	Net Deferred Income Tax Assets[1]	**Net Deferred Income Tax Liabilities[2]**	Net Deferred Income Tax Assets[3]	Net Deferred Income Tax Liabilities[4]
Recognized directly in the consolidated statements of income:				
Deferred income tax assets on:				
Allowances for:				
Probable losses	**₱17,967,551**	**₱–**	₱25,030,029	₱377,286
Doubtful accounts	**1,052,717**	**1,923,389**	3,131,430	–
NOLCO	**155,443**	**904,096**	–	38,424
Accrued rental receivable	**5,578,390**	**–**	5,820,546	–
Accrued retirement benefits payable and other employee benefits	**4,612,499**	**1,743,589**	5,957,034	151,688
Accrued expenses not yet deductible	**370,363**	**504,073**	1,321,326	–
Unrealized foreign exchange loss	**–**	**74,375**	64,286	–
Unamortized past service cost	**484,643**	**1,054,037**	1,336,485	191,156
Acquired in business combination	**945,891**	**–**	–	945,891
	31,167,497	**6,203,559**	42,661,136	1,704,445
Deferred income tax liabilities on:				
Accrued rental payable	**(5,578,390)**	**–**	(5,820,546)	–
Unrealized foreign exchange gain	**(1,131,421)**	**(1,529,446)**	(5,147,883)	(524,513)
Fair value adjustment on property plant and equipment as a result of business combination	**–**	**(99,388,780)**	–	(95,310,487)
	(6,709,811)	**(100,918,226)**	(10,968,429)	(95,835,000)
Recognized directly in equity:				
Deferred income tax liabilities on:				
Fair value changes of AFS investments	**–**	**(2,880,000)**	–	(1,615,000)
Remeasurement gain	**(5,589,138)**	**(5,924,243)**	(9,399,963)	(386,761)
	(5,589,138)	**(8,804,243)**	(9,399,963)	(2,001,761)
	₱18,868,548	**(₱103,518,910)**	₱22,292,744	(₱96,132,316)

[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:

	2017	2016	2015
Deductible temporary differences on:			
Allowances for probable losses on:			
Deferred mine exploration costs	**₱217,070,924**	₱217,070,924	₱4,181,184
Input VAT	**–**	–	29,205,949
Accrued retirement benefits payable	**4,784,880**	10,947,803	9,069,765
Accrued rental payable	**17,534,737**	17,815,223	11,350,650
Unrealized foreign exchange losses	**1,365,952**	165,623	4,181,184
NOLCO	**251,632,174**	177,769,924	79,754,165
MCIT	**6,309,799**	4,661,838	5,135,155

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 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:

		NOLCO		**MCIT**	
Year Incurred	Expiry Date	**2017**	2016	**2017**	2016
2017	2020	**₱101,684,322**	₱–	**₱3,119,862**	₱–
2016	2019	**102,144,633**	102,144,633	**1,684,586**	1,684,586
2015	2018	**47,803,219**	47,803,219	**1,505,351**	1,505,351
2014	2017	**–**	27,950,162	**–**	1,471,901
		₱251,632,174	₱177,898,014	**₱6,309,799**	₱4,661,838

e. Movements of NOLCO and MCIT are as follows:

	NOLCO		MCIT	
	2017	2016	**2017**	2016
Beginning balance	**₱177,898,014**	₱86,440,629	**₱4,661,838**	₱5,135,155
Additions	**101,684,322**	102,144,633	**3,119,862**	1,684,586
Expired	**(27,950,162)**	(10,687,248)	**(1,471,901)**	(2,157,903)
Ending balance	**₱251,632,174**	₱177,898,014	**₱6,309,799**	₱4,661,838

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:

	2017	2016	2015
Provision for income tax computed at the statutory tax rate	**₱355,658,299**	₱171,762,411	₱116,411,235
Adjustments resulting from:			
Share in earnings of associates	**(₱290,383,055)**	(₱159,730,432)	(₱94,021,570)
Nondeductible expenses	**6,549,103**	35,887,436	10,255,274
Movements in deductible temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized	**38,742,856**	77,878,359	14,034,572
Derecognized deferred income tax assets	**9,875,126**	9,889,731	1,418,794
Interest income already subjected to final tax at lower rates or not subject to income tax	**(432,724)**	(3,313,699)	(1,419,351)
Provision for income tax	**₱120,009,605**	₱132,373,806	₱46,678,954

27. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share are computed as follows:

	2017	2016	2015
Net income attributable to equity holders of the Company	**₱1,021,736,758**	₱388,954,824	₱327,750,585
Divided by weighted average number of common shares outstanding	**1,229,771,295**	1,233,404,000	1,233,404,000
	₱0.83	₱0.32	₱0.27

There are no potential common shares with dilutive effect on the basic earnings per share in 2017, 2016 and 2015.

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, 2017 and 2016 is 840 and 860, respectively.

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

(Forward)

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
Acquisition of treasury shares in 2017	(6,249,600)
Outstanding shares as of December 31, 2017	1,227,154,400

Treasury shares

c. Treasury stock

On June 15 2017, the Company's BOD approved to allot ₱210.0 million to repurchase shares of the Company at market price. The mechanics of the 2017 Buyback Program is similar to the ₱50.0 million buyback program implemented in 2010. The Program commenced on June 20, 2017 and will run until the ₱210.0 million pesos 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 SEC.

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, 2017 and 2016, the Company has 22,845,600 shares and 16,696,000 shares, respectively, held in treasury. These are carried at cost which amounted to ₱113.7 million and ₱49.4 million as of December 31, 2017 and 2016, respectively.

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 ₱1,350.2 million and ₱533.9 million as of December 31, 2017 and 2016, respectively. Further, the undistributed earnings of subsidiaries include appropriated retained earnings of MACS and MASCORP amounting to ₱345.0 million and ₱290.0 million as of December 31, 2017 and 2016, respectively.

  MACS
  On November 28, 2017, MACS' BOD approved the additional appropriation of ₱55.0 million for the construction of the offsite commissary and equipment upgrade of the Company. The projects are expected to be completed within the next two years.

  On December 8, 2016, MACS' 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.

MASCORP
On June 21, 2012, MASCORP's BOD approved the appropriation of its retained earnings which amounted to ₱30.0 million for business expansion. This appropriation of retained earnings is extended with the projects covered by the appropriations made in March 20, 2018 (see Note 35).

- Cost of treasury shares amounting to ₱113.7 million and ₱49.4 million as of December 31, 2017 and 2016, respectively.

- Deferred income tax assets amounting to ₱37.4 million and ₱44.4 million as of December 31, 2017 and 2016, respectively.

e. Appropriation of retained earnings

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.

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 13, 2017	₱0.140	January 5, 2018	January 31, 2018
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 November 28, 2017, MACS declared the distribution of ₱70.0 million or ₱56.0 per share dividend to be paid December 19, 2017. Dividends attributed and paid to non-controlling interest amounted to ₱23.1 million.

On December 8, 2016, MACS declared the distribution of ₱50.0 million or ₱40.0 per share dividend to be paid in two installments on or before December 20, 2016 and April 14, 2017. Dividends attributed to non-controlling interest amounted to ₱16.5 million of which ₱10.7 million remained outstanding and presented as part of "Non-trade accounts payables" as of December 31, 2016. This was subsequently paid in 2017.

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. The excess of consideration received over the carrying amount of the non-controlling interests amounted to ₱24.3 million, which is presented as part of "Other reserves" in the equity section of the consolidated balance sheets.

As of December 31, 2017 and 2016, outstanding receivable from the third party buyer amounted to ₱18.5 million (see Note 5).

- 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. The excess of consideration received over the carrying amount of the non-controlling interests amounted to ₱119.0 million, which is presented as part of "Other reserves" in the equity section of the consolidated balance sheets.

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 ₱165.4 million, ₱142.5 million and ₱114.9 million in 2017, 2016 and 2015, 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, 2017.

On January 23, 2018, GMCAC issued Letter of Award for the license for the development, operation, and maintenance of the ground handling facilities, and for the provision of ground handling services at MCIAA for 7 years from June 1, 2018 or Airport Commercial Operations Dates whichever is later.

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 original 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 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 until May 2017. In 2017, MACS renewed the contract for another year until May 2018. Total minimum lease payment for this lease agreement within one year amounted to ₱6,123,488 as of December 31, 2017 and 2016, respectively.

Lease expense relating to this lease agreement amounted to ₱14.7 million, ₱14.0 million and ₱14.3 million in 2017, 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:

	2017	2016
Within one year	**₱168,137,800**	₱168,137,800
After one year but not more than five years	**692,167,276**	683,760,386
Five years up to end of lease contract	**470,785,839**	647,330,529
	₱1,331,090,915	₱1,499,228,715

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 ₱8.2 million and ₱7.1 million as of December 31, 2017 and 2016, respectively, and is included as part of "Other noncurrent assets" account. Accretion of the rental deposit (included as part of "Interest income" account) amounted to ₱1.1 million, ₱0.9 million and ₱0.8 million in 2017, 2016, and 2015, respectively.

The difference between the face amount of the refundable deposit and its present value at the inception of the lease, amounting to ₱23.9 million, is treated as deferred rent expense and is being amortized over the lease term. Related amortization amounted to ₱1.0 million in 2017, 2016 and 2015. As of December 31, 2017 and 2016, deferred rent expense amounted to ₱7.4 million and ₱8.4 million, respectively.

Further, as a result of the straight-line recognition of operating lease expense, accrued rental payable was recognized which amounted to ₱111.6 million and ₱116.4 million as of December 31, 2017 and 2016, respectively.

Rent expense amounted to ₱161.5 million in 2017, 2016 and 2015 (see Note 20).

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 under MAPDC's operating lease agreement with MCIAA are as follows:

	2017	2016
Within one year	**₱32,424,389**	₱32,424,389
After one year but not more than five years	**131,450,098**	130,608,879
Five years up to end of lease contract	**641,796,560**	675,062,169
	₱805,671,047	₱838,095,437

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 ₱2.8 million and ₱2.7 million as of December 31, 2017 and 2016, is included as part of "Other noncurrent assets" account. Accretion of the rental deposit (included as part of "Interest income" account) amounted

to ₱0.15 million in 2017 and ₱0.12 million in 2016 and in 2015. As of December 31, 2017 and 2016, deferred rent expense amounted to ₱5.2 million and ₱5.4 million, respectively.

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 ₱1.1 million in 2017, 2016 and 2015.

Further, as a result of the straight-line recognition of operating lease expense, accrued rental payable was recognized which amounted to ₱16.6 million and ₱17.8 million as of December 31, 2017 and 2016, respectively.

Rent expense amounted to ₱34.0 million, ₱34.1 million and ₱12.8 million in 2017, 2016 and 2015 (see Note 21).

d. MASCORP has lease agreements 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 ₱386,134 in 2017 and 2016, respectively.
   ii. Terminal 2 on a month-to-month basis, with a monthly rental of ₱138,082 in 2017 and 2016.
   iii. Terminal 3 on a month-to-month basis, with a monthly rental of ₱156,544 in 2017 and 2016.

   One of the provisions of the lease agreements 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 terms 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 agreements. 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 ₱8.2 million, and ₱8.1 million and ₱6.9 million in 2017, 2016 and 2015, 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 first lease was renewed on April 16, 2017 under the same terms and conditions. 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 ₱2.6 million, ₱2.5 million and ₱1.5 million in 2017, 2016 and 2015 respectively (see Note 20). Total outstanding security deposit amounted to ₱2.4 million as of December 31, 2017 and 2016, and was included under the "Other noncurrent assets" account (see Note 16).

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

	2017	2016
Within one year	**₱2,708,383**	₱1,677,935
After one year but not more than five years	**8,288,405**	4,592,592
	₱10,996,788	₱6,270,527

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 ₱7.3 million and ₱8.5 million as of December 31, 2017 and 2016, respectively, which is included under "Other noncurrent assets" account as "Prepaid rent" (see Note 16). Rental rates are subject to escalation during the lease periods. Rental expense charged to operations amounted to ₱0.6 million in 2017, 2016 and 2015. 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 the Company and SATS, respectively. On June 29, 2017, MACS' BOD approved to increase the percentage of computation of service fee to 7.5% from 5%. Total service fee recognized by MACS amounted to ₱107.4 million, ₱67.3 million and ₱54.5 million in 2017, 2016 and 2015, respectively. SATS' corresponding share of the service fee amounted to ₱35.5 million, ₱22.2 million and ₱13.1 million in 2017, 2016 and 2015, respectively (see Note 21). Outstanding payable to SATS amounted to ₱35.5 million and ₱22.2 million as of December 31, 2017 and 2016, respectively (see Note 18).

Exploratory Service Agreements

MMC has various service agreements with third parties, wherein MMC will undertake exploratory drilling and sampling of nickel laterite services on the third parties, mining tenements.

Revenue recognized amounted to ₱27.0 million, ₱3.0 million and ₱36.5 million in 2017, 2016 and 2015, 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.

c. On April 30, 2013, NAWASCOR entered into a Memorandum of Agreement (the Agreement) with Municipal Government of Naic, Cavite (Naic) (Note 15) to acquire, build, install, improve, expand, maintain and operate the water supply and distribution system within Naic. NAWASCOR shall have the authority and right to sell water to any person within Naic pursuant to generally applicable rules and regulations. The Agreement is for an initial period of 30 years, renewable for another 20 years.

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 (NWRB) in 2014 and is valid until July 2017. In 2017, BTSI's CPC was renewed with validity until July 18, 2022.

30. Deferred Mine Exploration Costs and Mining-Related Activities

As of December 31, 2017 and 2016, deferred mine exploration costs follow:

	2017	2016
Cost	**₱237,489,872**	₱237,489,872
Accumulated impairment loss:		
Beginning	**217,070,924**	4,181,184
Provision (Note 21)	**–**	212,889,740
	217,070,924	217,070,924
	₱20,418,948	₱20,418,948

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 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 dates 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 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 MPSAs; 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. As of December 31, 2017, the Company was waiting 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. 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, the assignment cannot take effect yet as there were no renewed Exploration Periods granted to both MPSAs. As of December 31, 2017, 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 ₱2.8 million, ₱2.7 million and ₱4.9 million in 2017, 2016 and 2015, 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, 2017 and 2016. Further, no changes were made in the objectives, policies or processes for each of the three years in the period ended December 31, 2017.

The Group monitors capital vis-à-vis after tax profit. The Group also monitors the return on 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:

	2017	2016
Capital stock	**₱1,250,000,000**	₱1,250,000,000
Additional paid-in-capital	**281,437,118**	281,437,118
Retained earnings	**2,850,511,180**	2,000,576,033
Treasury shares	**(113,676,300)**	(49,418,660)
	₱4,268,271,998	₱3,482,594,491
Net income	**₱1,065,518,059**	₱440,167,563
Return on equity	**24.96%**	12.64%

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 84% 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$	Increase (decrease) in Income before Income Tax US$
		(In millions)
2017	**Increase of 0.4%**	**₱2.8**
	Decrease of 0.4%	**(2.8)**
2016	Increase of 4%	19.8
	Decrease of 4%	(19.8)
2015	Increase of 3%	(20.7)
	Decrease of 3%	20.7

The Group reported net foreign exchange gain of ₱3.9 million, ₱43.0 million and ₱36.1 million in 2017, 2016 and 2015, 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 majority of 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, 2017:

	Neither past due nor impaired			**Past due or**	
	High Grade	**Standard Grade**	**Sub-standard Grade**	**individually impaired**	**Total**
Loans and receivables:					
Cash in bank and cash equivalents*	**₱909,940,094**	**₱–**	**₱–**	**₱–**	**₱909,940,094**
Receivables:					
Trade	**203,844,106**	**151,405,066**	**78,802,219**	**189,161,033**	**623,212,424**
Dividends receivable	**34,000,000**	**–**	**–**	**–**	**34,000,000**
Due from officers and employees	**–**	**17,634,082**	**–**	**–**	**17,634,082**
Interest receivables	**3,823,987**	**–**	**–**	**–**	**3,823,987**
Other receivables	**–**	**27,376,644**	**–**	**–**	**27,376,644**
Deposits	**29,637,539**	**–**	**–**	**–**	**29,637,539**
AFS investments-					
Retail treasury and corporate bonds	**65,245,998**	**–**	**–**	**–**	**65,245,998**
	₱1,246,491,724	**₱196,415,792**	**₱78,802,219**	**₱189,161,033**	**₱1,710,870,768**

**Exclusive of cash on hand amounting to ₱3,251,830 as of December 31, 2017.*

December 31, 2016:

	Neither past due nor impaired			Past due or	
	High Grade	Standard Grade	Sub-standard Grade	individually impaired	Total
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
	₱984,951,201	₱54,191,389	₱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.*

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					
	Less than 30 days	**30 to 60 days**	**61 to 90 days**	**More than 90 days**	**Impaired**	**Total**
2017	**₱86,014,041**	**₱46,151,659**	**₱17,280,220**	**₱31,490,285**	**₱8,224,828**	**₱189,161,033**
2016	66,713,607	57,457,670	21,554,711	25,114,569	11,874,107	182,714,664

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, 2017 and 2016, 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	
	2017	2016
	(In Millions)	
100 bp rise	**(₱7.20)**	(₱1.87)
100 bp fall	**7.20**	1.87
50 bp rise	**(3.60)**	(0.94)
50 bp fall	**3.60**	0.24

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 credit line was renewed with validity until January 31, 2018. As of December 31, 2017, renewal process is ongoing.

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, 2017:

	<1 year	**>1-2 years**	**>2-3 years**	**>5 years**	**Total**
Loans and receivables:					
Cash and cash equivalents	**₱913,191,924**	**₱–**	**₱–**	**₱–**	**₱913,191,924**
Receivables:					
Trade	**614,987,596**	**–**	**–**	**–**	**614,987,596**
Dividends receivable	**34,000,000**	**–**	**–**	**–**	**34,000,000**
Interest receivable	**3,823,987**	**–**	**–**	**–**	**3,823,987**
Other receivables	**27,376,644**	**–**	**–**	**–**	**27,376,644**
Deposits*	**–**	**–**	**–**	**51,340,941**	**51,340,941**
AFS investments-					
Retail treasury and corporate bonds	**–**	**–**	**65,245,998**	**–**	**65,245,998**
	1,593,380,151	**–**	**65,245,998**	**51,340,941**	**1,709,967,090**
Other financial liabilities:					
Accounts payable and accrued liabilities**	**583,228,086**	**–**	**–**	**–**	**583,228,086**
Notes payable***	**638,140,066**	**177,920,020**	**311,752,191**	**104,132,965**	**1,231,945,242**
Dividends payable	**180,660,640**	**–**	**–**	**–**	**180,660,640**
Deposit****	**–**	**–**	**–**	**24,588,995**	**24,588,995**
	1,402,028,793	**177,920,020**	**311,752,191**	**128,721,960**	**2,020,422,963**
Liquidity position	**₱191,351,359**	**(₱177,920,020)**	**(₱246,506,193)**	**(₱77,381,019)**	**(₱310,455,873)**

**Inclusive of accretion of interest of ₱21,703,402. Presented as part of "Other noncurrent assets".*
***Exclusive of nonfinancial liabilities of ₱60,520,835.*
**** Inclusive of interest to maturity of ₱102,312,127.*
*****Inclusive of accretion of interest of ₱16,423,911.*

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	515,319,752	–	–	–	515,319,752
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

(Forward)

	<1 year	>1-2 years	>2-3 years	>5 years	Total
AFS investments-					
Retail treasury and corporate bonds	₱–	₱–	₱64,669,500	₱–	₱64,669,500
	1,124,311,539	–	64,669,500	47,851,403	1,236,832,442
Other financial liabilities:					
Accounts payable and accrued liabilities**	321,136,421	–	–	–	321,136,421
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
	591,556,489	7,598,000	1,266,333	25,210,995	625,631,817
Liquidity position	₱532,755,050	(₱7,598,000)	₱63,403,167	₱22,640,408	₱611,200,625

**Inclusive of accretion of interest of ₱22,911,968. Presented as part of "Other noncurrent assets".*
***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.*

33. Fair Values

The table below provides the comparison of carrying amounts and fair values of the Group's assets and liabilities as at:

		Fair value measurements using		
	Carrying value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2017				
Assets measured at fair value:				
Available for sale financial investments (Note 14)				
Government bonds	**₱65,245,998**	**₱–**	**₱65,245,998**	**₱–**
Golf club shares	**45,155,800**		**45,155,800**	**–**
Assets for which fair value is disclosed:				
Investment property (Note 13)	**143,852,303**	**–**	**–**	**261,096,000**
Deposits (Note 16)	**29,637,539**	**–**	**–**	**29,637,539**
Liabilities for which fair value is disclosed				
Deposits (Note 19)	**8,165,084**	**–**	**–**	**8,165,084**
Long term debts (Note 17)	**514,435,003**	**–**	**514,435,003**	**–**
December 31, 2016				
Assets measured at fair value:				
Available for sale financial investments (Note 14)				
Government bonds	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)	143,852,303	–	–	261,096,000
Deposits (Note 16)	24,924,639	–	–	24,924,639
Liabilities for which fair value is disclosed				
Deposits (Note 19)	7,704,434	–	–	7,704,434
Long term debts (Note 17)	37,363,213	–	514,435,003	–

In 2017, the Group determined that its investments in government bonds and golf club shares are categorized at Level 2 in the fair value hierarchy. The Group assessed that, while there is a market for these securities, transactions are infrequent.

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

Cash and cash equivalents, receivables, accounts payables and accrued liabilities
The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities dividends payable and notes payable approximate their fair values 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.

Long term debts
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 government bonds is calculated based on market available interest rates and yield curve as of December 31, 2017 and based on exit price as of December 31, 2016 .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. Changes in Liabilities Arising from Financing Activities

The table below presents the changes in Group's liabilities arising from financing activities.

	Beginning	Net cash flows	Noncash activities[1]	Dividend declaration	Ending
Note payable (Note 18)	₱150,412,071	₱57,288,795	₱–	₱–	₱207,700,866
Long-term debt (Note 18)	37,363,213	478,419,380	(3,172,648)	–	512,609,945
Dividend payable (Note 28)	107,293,081	(98,434,057)	–	171,801,616	180,660,640
Dividends payable to non-controlling interest* (Note 28)	10,687,500	(33,787,500)	–	23,100,000	–
Total liabilities from financing activities	₱305,755,865	₱403,486,618	(₱3,172,648)	₱194,901,616	₱900,971,451

**included as part of "Nontrade accounts payable"*
(1) Noncash activities pertain to foreign currency translation (₱2,997,706) and amortization of transaction costs (₱174,942).

35. Subsequent Events

Dividend Declaration of LTP
On February 9, 2018, the BOD of LTP approved the declaration of cash dividends amounting to $30.0 million (₱1.5 billion) out of LTP's unrestricted retained earnings to all stockholders of record as of December 31, 2017, payable on April 8, 2018. The Company's share in this dividend declaration is $14.7 million (₱756.8 million).

Stock Dividend Declaration
On March 22, 2018, the Company's BOD approved the declaration of 30% stock dividends to be paid out from unrestricted retained earnings of the Company as of December 31, 2017. The stock dividend will be submitted for approval of the shareholders on the Company's annual stockholders' meeting to be held on July 20, 2018.

Extension of the Company's Corporate Life
On March 22, 2018, the Company's BOD approved, and subject to the approval of the shareholders, the extension of the Company's corporate life for another 50 years.

Retained Earnings Appropriation
On March 20, 2018, MASCORP's BOD approved to appropriate ₱50.0 million of MASCORP's unappropriated retained earnings for business expansion program which is expected to run for three years from December 31, 2017.

Exhibit 2. Index to Supplementary Schedules

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
MacroAsia Corporation
12th Floor, PNB 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, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, included in this Form 17-A and have issued our report thereon dated March 22, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to 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. 08-001998-18-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621259, January 9, 2018, Makati City

March 22, 2018

MacroAsia Corporation and Subsidiaries
Schedule A - Financial Assets
As of December 31, 2017

Financial Assets	Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Income received and accrued
Loan and Receivables			
Cash in bank and cash equivalents		913,191,924	
Receivables		697,822,309	
Deposits		29,637,539	
AFS investments:			
Investment in stock	PLDT	55,800	-
Investment in stock	Tower Club	100,000	-
Investment in stock	Manila Golf and Country Club	45,000,000	-
Retail treasury bond	Philippine Government	65,245,998	1,819,500
Total		1,751,053,570	1,819,500

MacroAsia Corporation and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
As of December 31, 2017

	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Adjustment	Current	Not current	Balance at end of period
Advances to officers & employees								
of MAC	2,581,281	3,446,677	(3,544,693)	-	-	2,483,265	-	2,483,265
of MACS	3,472,268	6,182,611	(7,163,874)	-	-	2,491,005	-	2,491,005
of MASCORP	2,167,658	25,677,861	(24,218,945)	-	-	3,626,575	-	3,626,575
of MAPDC	524,421	10,782,279	(7,716,617)	-	-	3,590,083	-	3,590,083
of SNVRDC	159,898	1,502,710	(1,527,871)	-	-	134,737	-	134,737
of PWBRI	21,525	-	-	-	-	-	21,525	21,525
of CBRI	30,000	10,934	(30,000)	-	-	10,934	-	10,934
of MAATS	688,746	885,329	(1,505,738)	-	-	68,337	-	68,337
of MMC	1,689,127	2,870,100	(2,648,040)	-	-	1,911,186	-	1,911,186
of MPRDC	13,061	400	(13,061)	-	-	400	-	400
of NAWASCOR	-	478,970	(329,400)	-	-	149,570	-	149,570
of BTSI	-	1,193,945	(1,150,738)	-	-	43,207	-	43,207
of MONAD	-	3,103,258	-	-	-	3,103,258	-	3,103,258
Receivables from Related Parties and Principal Stockholders								
of MACS from LTP	1,953,392	1,785,270	(1,611,845)	-	-	2,126,817	-	2,126,817
of MACS from PAL	1,942,704	47,267	(15,762)	-	(1,936,302)	37,907	-	37,907
of MACS from PAL - Mabuhay Lounge	19,642,696	126,008,794	(122,820,701)	-	-	22,830,789	-	22,830,789
of MACS from PAL - PALEX	2,716,256	6,458,311	(8,401,797)	-	-	772,770	-	772,770
of MASCORP from PAL	80,448,719	594,847,813	(585,968,112)	-	-	89,328,420	-	89,328,420
of MASCORP from PALEX (former Airphil)	40,349,316	572,724,384	(503,806,458)	-	-	109,267,243	-	109,267,243
of MASCORP from LTP	1,925,666	17,258,835	(12,628,321)	-	-	6,556,180	-	6,556,180
of MAPDC from LTP	-	611,701	(202,387)	-		409,314	-	409,314
of MAATS from MAPDC	-	28,355,397	(26,000,000)	-		2,355,397	-	2,355,397
of WBSI from PNB	193,622	-	-	-		193,622	-	193,622
Total	160,520,355	1,404,232,847	(1,311,304,360)	-	(1,936,302)	251,491,015	21,525	251,512,540

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MacroAsia Corporation and Subsidiaries
Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
As of December 31, 2017

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
MAC from								
MAATS	-	10,000,000	(5,000,000)		5,000,000	-	5,000,000	5,000,000
MAPDC	649,612,136	197,000,000	(3,320,218)	-	194,500,000	648,791,918	843,291,918	843,291,918
MACS	146,249,858	80,625,247	(152,023,143)		74,851,962	-	74,851,962	74,851,962
MASCORP	73,672,271	65,031,093	(43,710,700)		94,992,663	-	94,992,663	94,992,663
MMC	67,589,359	7,000,000	-	-	74,589,359	-	74,589,359	74,589,359
ASSC	351,806	9,931	-	-	361,737	-	361,737	361,737
MACS from								
MAC	-	172,973	(106,800)	-	66,173	-	66,173	66,173
MASCORP	586,250	449,195	(709,957)	-	325,488	-	325,488	325,488
MSFI	-	14,286	-	-	14,286	-	14,286	14,286
MAPDC from								
WBSI	11,500,000.00	500,000	-	-	12,000,000	-	12,000,000	12,000,000
MMC	738,355	-	(738,355)	-	-	-	-	-
SNVRDC	272,370,287	29,901,883		-	302,272,170	-	302,272,170	302,272,170
PWBRI	155,380	-	(155,380)	-	-	-	-	-
MPRDC	500,000	1,806,000	(1,000,000)	-	1,306,000	-	1,306,000	1,306,000
CBRI	2,600,000	8,732,859	(5,652,859)	-	5,680,000	-	5,680,000	5,680,000
NAWASCOR	-	10,175,568	(456,305)	-	9,719,263	-	9,719,263	9,719,263
ASSC from								
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
MAATS from								
MASCORP	1,500	331,222	(57,486)		275,236	-	275,236	275,236
MAPDC	-	28,355,397	(26,000,000)	-	2,355,397	-	2,355,397	2,355,397
WBSI from								
CBRI	10,003,278	-	-	-	10,003,278	-	10,003,278	10,003,278
MMC from								
MAC	2,721,162	-	-	-	-	2,721,162	2,721,162	2,721,162
MAATS	405,480	-	-	-	-	405,480	405,480	405,480
Total	1,244,557,121	440,105,654	(238,931,203)	-	790,813,012	654,918,560	1,445,731,572	1,445,731,572

MacroAsia Corporation and Subsidiaries
Schedule D - Intangible Assets and Other Assets
As of December 31, 2017

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Customer contract and relationships	72,100,000	-	(3,672,938)	-	-	68,427,062
Right to use asset	70,600,000	-	-	-	-	70,600,000
Goodwill	63,587,826				89,614,331	153,202,157
Service Concession Right	310,113,300	4,300,110	(15,810,662)		32,985,442	331,588,190
Total	516,401,126	4,300,110	(19,483,600)	-	122,599,773	623,817,409

MacroAsia Corporation and Subsidiaries
Schedule E - Long Term Debt
As of December 31, 2017

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	17,286,140	17,286,140	2,881,023	2,881,023	20,167,163	5.25%
Local Bank	USD 960,000	49,334,400	192,000	9,586,560	752,000	37,547,360	47,133,920	4.34%
Local Bank	USD 960,000	49,334,400	192,000	9,586,560	752,000	37,547,360	47,133,920	4.34%
Local Bank	PHP 400,000,000	400,000,000	398,174,942	398,174,942	-	-	398,174,942	4.00%
TOTAL		535,668,800		434,634,202		77,975,743	512,609,945	

MacroAsia Corporation and Subsidiaries
Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
As of December 31, 2017

Name of related party	Balance at beginning of period	Balance at end of period
Philippine National Bank	-	445,308,862
PNB-IBJL Leasing & Finance Corporation	-	47,133,920
TOTAL		492,442,782

MacroAsia Corporation and Subsidiaries
Schedule G - Guarantees of Securities and Other Issuers
As of December 31, 2017

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, 2017

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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	(22,845,600)	1,227,154,400	-	889,384,930 72.48%	13,662,252 1.11%

MacroAsia Corporation and Subsidiaries
Schedule I - Financial Soundness Indicators
As of December 31, 2017 and 2016

	2017	2016
Return on Net Sales (RNS)[1]	34.77%	16.66%
Return on Investment (ROI)[2]	20.30%	10.37%
Return on Equity (ROE)[3]	23.69%	10.91%
Direct Cost Ratio[4]	73.16%	71.12%
Operating Expense Ratio[4]	20.26%	30.54%
Current Ratio[5]	1.24:1	1.89:1
Debt-to-Equity Ratio[6]	15.55%	4.86%
Interest Coverage Ratio[7]	143.74:1	244.01:1
Asset-to-Equity Ratio[8]	1.40:1	1.25:1

[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*

[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*

[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.*

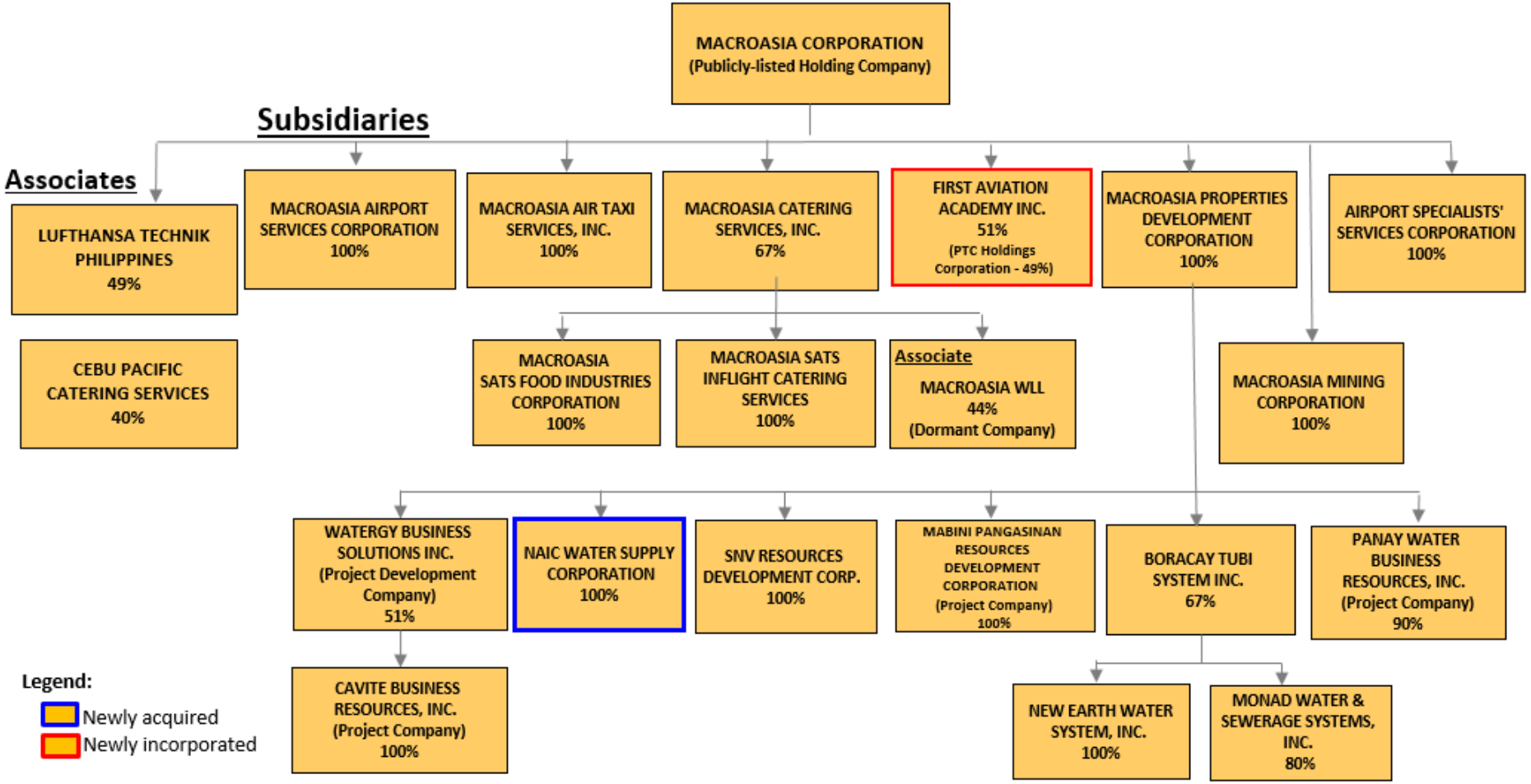
[8] *The asset-to-equity ratio is the total assets divided by the equity.*

MacroAsia Corporation
Reconciliation of Retained Earnings Available for Dividend Declaration
As of December 31, 2017

Unappropriated retained earnings, beginning		460,028,608
Add:		
Treasury shares		(49,418,660)
Deferred income tax assets		(38,424)
Unappropriated retained earnings, as adjusted to available for dividend declaration, beginning		410,571,524
Add:		
Net income during the year closed to retained earnings	442,642,939	
Decrease in deferred income tax assets	38,424	
Net income actually earned during the year		442,681,363
Add:		
Dividends declared during the year	(171,801,616)	
Treasury shares (acquisition and issuance during the year	(64,257,640)	
Total retained earnings available for dividend declaration, end		617,193,631

**Based on parent company retained earnings*

Group Structure



SCHEDULE II

MACROASIA CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		**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*		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4*		✓	
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	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Company did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
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)*		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*		✓	
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	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*		✓	
PFRS 16	Leases*		✓	

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Company did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
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			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization			✓
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	✓		

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Company did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
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			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
	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: Reclassification of Financial Assets - Effective Date and Transition	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
	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, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
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*		✓	
IFRIC 23	Uncertainty over Income Tax Treatments		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures	✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services	✓		
SIC-32	Intangible Assets - Web Site Costs			✓