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

842
Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

MACROASIA CORPORATION
December 31, 2018

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, 2018**

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**
Province, Country or other jurisdiction of incorporation or organization

6. [ ] **(SEC Use Only)**
Industry Classification Code

7. **12th Floor PNB Allied Bank Center, 6754 Ayala Avenue, Makati City** **1226**
Address of Issuer's Principal office Postal Code

8. **(632) 840-2001**
Issuer's telephone number including area code

9. **N/A**
Former name, former address, and former fiscal year, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, ₱1 par value	**1,591,351,593 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: **₱7,071,250,997 (415,955,941 shares @₱17.00 per share as of December 31, 2018**

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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 first half of 2019. 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. A significant growth is also expected as MACS and MASCORP started the full catering and groundhandling requirements of Philippine Airlines (PAL) and PAL Express (PALEx).

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), Naic, Cavite (Naic Water, 100% MacroAsia-owned), Bulacan and Daraga, Albay (Summa Water 60% MacroAsia-owned) ,and Janiuay, Iloilo (Citicore, 40%). 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. In October 2018, ASSC acquired 60% of Summa Water Resources Inc. (Summa) which operates in Bulacan and Albay. Summa's 40% owned subsidiary, Citicore Summa Water Corporation operates in Iloilo.

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 added 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 2018, its ground handling footprint is seen in 32 airport stations all over the Philippines.

MACS, the airline catering subsidiary in NAIA, will expand its infrastructure to accommodate its growing business, as it continues to service new airline clients and increase its revenue portfolio from non-airline catering. MACS soft-opened a food commissary outside of the airport to service the requirements of non-airline clients in November 2018. The new facility which is in Muntinlupa City close to the Sucat Exit of SLEX, will be completed for operational use by first quarter of 2019. 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 15 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.

On November 15, 2018, MMC purchased Bulawan Mining Corporation (BUMICO) from Philippine National Bank which amounted to ₱7.5 million.

On October 1, 2018, ASSC, 100% owned-subsidiary of MacroAsia, purchased the 60% of shares of stock held by the former individual shareholders of Summa Water Resources, Inc. (Summa). Summa has 40% ownership in Citicore Summa Water Corporation (Citicore). As a result of the acquisition, ASSC obtained direct control over Summa and indirect control over Citicore.

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 2018, 43% of the total gross operating revenues reported represented revenues from foreign airlines that fly to the Philippines.

In 2018, 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 63% of the in-flight catering market based on flight movement, MACS is the catering service provider to 17 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. In October 2018 MACS received the 2017 Excellence in Catering Award from EVA Air. MACS was also a recipient of the ADB SPC Excellence Award in December 2018. In 2017 MACS was recognized by Qantas (QF) for its "On-time Performance, Safety and Service Delivery" and also by Japan Airlines for being part of the "2016 Best Airport Performance Award" received by the Manila Station. 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 2018, 2017, and 2016, this subsidiary's sales contributions to MAC's consolidated gross operating revenues were 46%, 52% and 62%, respectively. MACS' airline clients include Air Niugini (PX), All Nippon Airways (NH), Cathay Pacific (CX), China Airlines (CI), China Southern (CZ), China Eastern (MU), Emirates (EK), Etihad Airways (EY), Eva Air (BR), Japan Airlines (JL), Korean Air (KE), Qantas Airways (QF), Qatar Airways (QR), Royal Brunei (BI), Saudia Airlines (SV), Singapore Airlines (SQ) and Xiamen Airlines (MF), 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 16,000 meals a day. It services an average of 42 international flights a day, serving more than half of the foreign airlines that fly to Manila.

As of December 31, 2018, MACS has a core manpower complement of 399 individuals (16 workers lower than 2017), excluding the 394 staffs contracted from external providers. Of the total manpower count, 136 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, 2018, its work force consisted of 2,403 organic staff and 1,234 out-sourced staff, 30% higher compared to 2017.

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 41%, 35% and 29% of the Group's total operating revenues for the year ended December 31, 2018, 2017 and 2016, 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. In the last quarter of 2018, it started servicing PALex flights in San Vicente, Cauayan and San Jose.

In May 2018, MASCORP also took over its new foreign clients outstations. In Cebu, MASCORP started servicing Jeju Air on May 1, 2018, Jin Air on May 21, 2018, Vanilla Air on May 22, 2018 and Silk Air on May 25, 2018 simultaneously in Davao station. In the last quarter of 2018, MASCORP started handling Air Seoul on November 27, 2018 in Kalibo, Tiger Air Taiwan on December 1, 2018 in Cebu and Jeju Air on December 22, 2018 in Clark Station. MASCORP also took over Antique station last December 16, 2018.

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. On October 2, 2018, 5 hectares of these leased areas was approved and designated as a special ecozone for aviation-related services, to be known as MacroAsia Cebu 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.

In addition to the water companies of the Group, ASSC, acquired Summa which supplies bulk water in Marilao, Meycauayan and Bulakan, Bulacan. It's subsidiary Citicore also supplies bulk water in Janiuay, Iloilo.

As of December 31, 2018, MAPDC has a workforce of 33 employees out of which, 28 are regular employees.

For the past three years, MAPDC's average rental and administrative revenues represented an average of 7% of the Group's consolidated gross operating revenues while the water companies under MAPDC contributed 8%.

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 regular employees as of December 31, 2018.

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 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 regular employees as of December 31, 2018.

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

On November 15, 2018, MMC purchased Bulawan Mining Corporation from Philippine National Bank which amounted to ₱7.5 million.

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 first 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 December 2018, four Line Maintenance customers renewed their alliances with LTP, namely Jeju Air, Kuwait Airways, Tigerair Taiwan and Tway Air Co., Ltd. These are in addition to several long term contracts won in the previous years.

Aviation Authorities who has airworthiness oversight on these airline customers issue Approvals/Certifications to LTP for it to be able to provide MRO services to these airlines. LTP is approved/certificated by 19 Aviation Authorities worldwide as a provider of aircraft MRO services, including The Civil Aviation Authority of the Philippines (CAAP), the United States' Federal Aviation Administration (FAA) and European Aviation Safety Agency (EASA).

LTP is also an official Design Department of Lufthansa Technik AG EASA Part 21 Design Organization, enabling it to create in-house minor repairs/changes to aircraft. The extent of LTP's work/services largely depend on these Approvals/Certifications, which require/specify that LTP's services must be carried out in accordance with the relevant aviation regulations. These Approvals/Certifications are renewed either annually or every two years.

LTP's total manpower count and regular employees increased by 17% and 27%, respectively, from the prior year. They have a labor force of about 3,176 by December 31, 2018. Of the total manpower count, 3,125 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 2,800 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 9%, to about 155 employees as of December 31, 2018, compared to staff count in previous year. Of the total manpower count, 59 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 38 employees. The Group has a total manpower complement of 6,403, excluding seasonal workers. Of these, 3,701 are regular employees, 120 are on probation and 2,582 are project and/or contractual staff. The total number of employees is likely to increase in 2019 driven by the growth in certain business segments, particularly in the food business and groundhandling 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 18 under the Group's Consolidated Notes to Financial Statements (pages 66 to 68).

Significant Agreements and Commitments

Please see Note 28 under the Group's Consolidated Notes to Financial Statements (pages 81 to 82).

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 14 under the Group's Consolidated Notes to Financial Statements (pages 59 to 61).

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 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. The permit under the Special Environmental Plan (SEP) of the Palawan Council for Sustainable Development (PCSD) is adjunct to the CP under NCIP and that of the ECC under the Special Environmental Bureau (EMB).

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 second extension of the exploration period of the MPSA 220-2005-IVB was approved by the Mines and Geosciences Bureau (MGB) of the Department of Environment and Natural Resources (DENR) on December 5, 2012. The extended exploration period 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. Additional exploration drilling was conducted in the priority mining area on the 3rd quarter of 2013 in accordance to the approved Exploration Work Program but the work program was disrupted by the local NGO and LGU of Brooke's Point, Palawan and is currently under legal dispute. After consultation with the MGB, an application for the third extension of the exploration permit of MPSA 220-2005- IVB was filed on 20 March 2015. On December 15, 2016, 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 February 13, 2017, MGB issued a certification confirming the validity of the MPSAs of the Company. However, on February 14, 2017, the Secretary of the Department of Environment and Natural Resources (DENR) announced the cancellation of 75 MPSAs (including MAC's) allegedly located at/in watersheds all over the country. On February 17, 2017, the Company received a "show cause" notice from the DENR requesting the Company to provide reasons why the MPSAs should not be cancelled. On February 21, 2017, the Company responded to DENR stating that MAC's MPSAs are not located on declared watersheds. As of date, the Company has not received any notice from the DENR or MGB for the cancellation of the MPSAs.

On March 19, 2018 the second and third renewal of the two-year Exploration Period for the Mt. Gantung Project, denominated as MPSA 221-2005-IVB, and the Infanta Nickel Project, denominated as MPSA 220-2005-IVB, respectively have been granted by the Mines and Geosciences Bureau –DENR. In this regard MMC is in the process of implementing the Environmental Work Program and the Exploration Work Program for both tenements in 2019.

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.

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 ₱6.30 million and ₱6.80 million as of December 31, 2018 and 2017, 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 another year until May 2019.

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 ₱386,134, ₱142,534 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.

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, 2018 until September 15, 2019.

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 28 of the Consolidated Financial Statements (pages 81-82).

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, 2018 is 842.

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 2018 and 2017 are as follows:

2017	High	Low	High*	Low*
First Quarter	₱ 3.12	₱ 1.65	₱ 4.05	₱ 2.14
Second Quarter	5.54	2.77	7.20	3.60
Third Quarter	12.62	5.48	16.40	7.12
Fourth Quarter	19.04	11.22	24.75	14.58
2018	**High**	**Low**	**High***	**Low***
First Quarter	₱ 30.00	₱ 20.70	₱ 23.08	₱ 15.92
Second Quarter	29.50	22.20	22.69	17.08
Third Quarter	21.00	15.86	21.00	15.86
Fourth Quarter	18.26	11.80	18.26	11.80
2019	**High**	**Low**	**High**	**Low**
As of April 12, 2019	₱ 23.00	₱ 16.64	₱ 23.00	₱ 16.64

**Adjusted price due to stock 30% stock dividends effective August 2018.*

Common shares outstanding as of December 31, 2018 were 1,591,351,593.

Shares owned by the Public as of December 31, 2018 were 415,955,941 (26.14%).

The top 20 stockholders of MacroAsia Corporation as of December 31, 2018 are:

	Name	No. of Common Shares Held	% of Total
1	PCD Nominee Corporation (Filipino)	254,107,324	15.70
2	PCD Nominee Corporation (Non-Filipino)	162,423,498	10.04
3	PAL Holdings, Inc. (formerly Baguio Gold Holdings Corporation)	114,400,000	7.07
4	Conway Equities, Inc.	110,643,000	6.84
5	Pan Asia Securities Corp.	90,043,525	5.56
6	Solar Holdings Corporation	76,700,000	4.74
7	Dragonstar Management Corp.	69,875,000	4.32
8	Profound Holdings, Inc.	61,750,000	3.82
9	Excelventures, Inc.	61,626,500	3.81
10	Bigearth Equities Corporation	60,450,000	3.74
11	Palomino Ventures, Inc.	37,570,000	2.32
12	Primeline Realty, Inc.	32,500,000	2.01
13	Artisan Merchandising Corp.	32,500,000	2.01
14	Golden Path Realty Corporation	32,500,000	2.01
15	Clipper 8 Realty & Development Corp.	32,500,000	2.01
16	Absolute Holdings & Equities, Inc.	32,500,000	2.01
17	Caravan Holdings Corporation	32,500,000	2.01
18	Quality Holdings, Inc.	32,500,000	2.01
19	Sunway Equities, Inc.	29,211,000	1.81
20	Infinity Equities, Incorporated.	28,600,000	1.77

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**
   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 declaration was approved by the shareholders

on the Company's Annual Stockholders' Meeting held on July 20, 2018. Record date was August 17, 2018 while payment date was on September 12, 2018.

2. **Stock Dividends After Balance Sheet Date**

No stock dividends were declared as of April 15, 2019.

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**

Date Approved	Per share	Stockholder of Record Date	Date of Payment
March 14, 2019	₱0.200	April 12, 2019	May 10, 2019

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 ₱1,482.2 million and ₱1,350.2 million as of December 31, 2018 and 2017, respectively.
- Cost of treasury shares amounting to ₱176.2 million and ₱113.7 million as of December 31, 2018 and 2017.
- Deferred income tax asset amounting to ₱45.7 million and ₱37.9 million as of December 31, 2018 and 2017, respectively.

6. **Appropriation of Retained Earnings**

On December 6, 2018, the MASCORP's BOD approved to appropriate another ₱65,000,000 of the unappropriated retained earnings for purposes of various investment to expand business of the Company.

On December 6, 2018, the MASCORP's BOD approved the release of appropriated retained earnings of ₱30,000,000 made on June 12,2012 for business expansion.

On December 6, 2018, the MACS' BOD approved the additional appropriation of ₱210.0 million for the construction of the offsite commissary, catering trucks, and facility/equipment upgrade of the Company.

On December 6, 2018, the MACS' BOD approved the release of appropriated retained earnings of ₱100,000,000 appropriated in 2017 and 2016 for construction of offsite commissary.

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 approved by the shareholders on the Company's annual stockholders' meeting to held on July 20, 2018.

On March 20, 2018, the MASCORP's BOD approved to appropriate another ₱50,000,000 of the unappropriated retained earnings for business expansion program.

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 1,618,146,293 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 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.

On March 14, 2019, the Board of Directors approved ₱200.0 million additional funding to the 2017 Share Buyback Program.

As of December 31, 2018, the Company has reacquired 26,794,700 shares for ₱176,215,402.

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 2018, 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 auxiliary services for fixed-based operators. MAPDC, another 100% owned subsidiary by MAC, developed and operates the only special economic zone at NAIA. MMC, a wholly owned subsidiary, serves as an institutional vehicle through and under which the business of a mining enterprise may be established, operated and maintained.

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

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

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

The Group 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.

[1] *Commencing on September 14, 2015*

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.

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)		2018	2017
Return on Net Sales	= Total Net Income / Total Net Revenues	= ₱1,083,584 / 3,600,601	₱ 1,063,432 / 2,938,928
		= 30.09%	36.18%

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 decrease in consolidated RNS in 2018 is caused by the increases in direct and overhead cost for start-up companies and business expansions. The drivers for increases in the consolidated revenues are MASCORP, MACS and water revenues as a growing business segment.

Return on Investment (ROI)

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

(In Thousands except for Ratios)		2018	2017
Return on Investment	= NI attributable to Equity holder of Parent / Total Interest-bearing Liabilities + Equity attributable to Equity holder of Parent	₱ 1,048,217 / 6,595,277	₱ 1,019,242 / 5,030,966
		= 15.89%	20.26%

The decrease in ROI is caused by the increase in operating expenses mainly on personnel expenses and taxes and licenses. The Group also entered into a number of loan contracts 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)			2018	2017
Return on Equity	=	NI attributable to Equity holder of Parent / Total Equity holder of Parent	= ₱ 1,048,217 / 5,493,302	₱ 1,019,242 / 4,310,656
			= 19.08%	23.65%

The decrease in ROE is the effect of the increase in outstanding capital stock as a result of stock dividend declaration equivalent to 368,146,293 shares.

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)			2018	2017
Direct Cost Ratio	=	Total Direct Cost / Total Net Revenues	= ₱2,773,523 / 3,600,601	₱2,153,109 / 2,938,928
			= 77.15%	73.26%

(In Thousands except for Ratios)			2018	2017
Operating Expense Ratio	=	Total Operating Expenses / Total Net Revenues	= ₱ 723,903 / 3,600,601	₱ 614,512 / 2,938,928
			= 20.11%	20.91%

The Group's direct cost ratio increased due to the increase in manpower and preparatory costs used to cope with the volume growth in in-flight and other catering, and ground handling and aviation services.

The increase in total operating expenses of the group as compared to the previous year is likewise related to the increase in business activities in MACS and MASCORP in 2018. The rise in operating expenses is driven by higher personnel costs due to more business volume arising from the expanding clientele of MacroAsia Airport Services and MacroAsia Catering. The increase also includes the performance-based incentive pay provided to employees of the Group, as well as the start-up costs of our pre-operating companies.

Current Ratio

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

(In Thousands except for Ratios)			2018	2017
Current Ratio	=	Total Current Assets / Total Current Liabilities	= ₱ 1,853,266 / 1,332,515	₱ 1,827,026 / 1,474,917
			= 1.39 : 1	1.24 : 1

The Group still has a healthy current ratio indicating the Group's solid ability to meet its current liabilities, with a large portion (36%) of current assets being held as cash and cash equivalents.

Debt-to-Equity Ratio

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

(In Thousands except for Ratios)			2018	2017
Debt-to-Equity Ratio	=	Total Interest-bearing Debts / Total Equity	= ₱ 1,101,976 / 5,843,645	₱ 720,311 / 4,630,282
			= 18.86%	15.56%

The upward movement in debt-to-equity ratio is due to the new loans obtained by the Group which remained outstanding as at year-end. In May 2018, BTSI entered into long-term loans amounting to ₱100 million. Additional short-term loans are availed by MASCORP and BTSI with an aggregate amount of ₱78.68 million and ₱75.0 million, respectively on the 3rd quarter. Moreover, additional loans availed by MASCORP and BTSI with aggregate amount of ₱50.0 million and ₱150.0 million, respectively on the 4th quarter.

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)			2018	2017
Interest Coverage Ratio	=	Total Earnings before Interest and Taxes / Interest Expense	= ₱ 1,219,590 / 26,451	₱ 1,183,538 / 9,388
			= 46.11 : 1	126.07 : 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)			2018	2017
Asset-to-Equity Ratio	=	Total Assets / Total Equity	= ₱ 8,160,769 / 5,843,645	₱ 6,499,498 / 4,630,282
			= 1.40 : 1	1.40 : 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.

2018 compared with 2017

The Group recorded a consolidated net income after tax of ₱1,083.58 million for the year 2018, a slight increase of (2%) as compared to the consolidated net income after tax of ₱1,063.04 million in 2017.

The Group's major subsidiaries posted a stronger operating and financial performance in 2018, including our MRO and catering associates, LTP and CPCS.

Revenues from in-flight catering contributed 46% of the total revenues and MACS has been consistent in reporting billion peso revenues from last year's ₱1.54 billion to the current year's ₱1.66 billion. This is brought about by increase in the number of meals served to airline clients, from 3.5 million in 2017 to 3.6 million meals in 2018. The revenues from ground-handling and aviation services rose to ₱1.46 billion from ₱1.03 billion in 2017. The growth is due to continuous passenger and ramp services for the domestic and international flights of PAL and PAL Express and MASCORP took over ground handling services of new foreign clients outstations which increased by a total of 28,089 flights (+30%) from 92,773 in 2017 to 120,862 in the current year. MASCORP has established its presence in 32 airport stations this year, from 7 stations in 2016.Revenues from water operations contributed 8% of the total revenues and increased by ₱128.40 million (+90%) to ₱271.04 million from ₱142.65 million during the same period last year. The growth is brought about by the acquisition of SUMMA, which is engaged in water treatment and equipment lease last October 2018 further NAWASCOR, an operating water utility company in Naic, Cavite which was acquired last August 2017 contributed ₱26.14 million in revenues, as well as the customer growth in Solano Water. Revenue contribution from BTSI grew despite the temporary closure of Boracay. DENR released a memorandum circular requiring a number of establishments in Boracay to have their own Sewerage Treatment Plants ("STP"). BTSI entered into agreements for the construction, operation and maintenance of sewerage and treatment facility which created additional revenue stream for BTSI.

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 2018 amounted to ₱2.77 billion, posting an increase of ₱620.41 million (+29%) from 2017. The increase in the current period 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 and preparation of the ground handling company for the opening of the Terminal 2 in Cebu and taking over of some clients of a ground handling company which closed last April. Wage increases also impacted on the labor costs. In addition, cost of construction for the construction of STP for BTSI's customer contributed to the significant increase in direct cost. Consolidated operating expenses increased by ₱109.39 million from last year's ₱614.51 million due higher admin costs, productivity-based incentives for employees of the Group, start-up costs of the water related subsidiaries, and higher taxes caused by the new tax reform law.

Share in net income/loss of associates amounting to ₱1,059.23 million which increased by ₱91.29 (+9%) 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, 2018, our MRO business registered profits of ₱2.06 billion from which we share 49% or ₱1,011.1 billion. In 2017, MAC's share in LTP's income is ₱928.40 million, out of ₱1.895 billion. CPCS - our catering associate in Cebu, reflected a 20% increase in its net earnings. MAC booked its 40% net income share in CPCS at ₱47.55 million, compared to last year's ₱39.54 million.

The interest income of ₱11.08 million pertain to income earned from short-term investments. Financing charges increased from ₱9.4 million in 2017 to ₱26.5 million in 2018, aligned with the increase in notes payable of the Group.

Other income and charges is higher at ₱57.18 million against the ₱44.29 million in 2017 mainly due to foreign exchange gains.

The Group posted a provision for income tax in the amount of ₱120.63 million in 2018, 1% higher as compared to 2017's ₱119.61 million.

Management remains confident about the Group's future and its ability to grow profits. LTP stands to benefit from a robust growth in its line maintenance business, as the planes for servicing from its core client which stood at 61 aircrafts at the end of last year, has currently grown to 79 aircrafts as of the year ended. LTP has started to provide line maintenance for PALex starting July 2018. Continuous growth shall also be driven by new business opportunities in the catering and ground handling business units that will include passenger lounge servicing and expansion in other secondary airports outside our current locations. MacroAsia Airport Services stands to benefit from its being one of 3 ground handlers that were given concessions to operate in the new Terminal 2 in Mactan, Cebu, which became

operational. The new commissary of MSFI, a subsidiary of MACS is set to start commercial operations by end of 1st quarter 2019.

Financial Position

At the consolidated level as of December 31, 2018, our total assets stood at ₱8.16 billion, posting a ₱1.66 billion increase (+26%) from last year-end's level of ₱6.50 billion. Cash and cash equivalents of ₱675.20 million decreased by ₱238.0 million (-26%), which is caused by the start-up costs of our pre-operating companies and business expansion of MASCORP and BTSI. 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,SUMMA and NAWASCOR will also help the cash inflows.

Receivables grew by ₱202.60 million (+29%) due to trade and non-trade related additions in our current operations. These are expected to be collected within the year. Inventories of ₱88.77 million were maintained in line with forecasted inventory level requirements. Other current assets of ₱188.87 million represents input taxes, creditable withholding and prepaid taxes and unamortized prepayments for insurance covers, rent, utilities and unconsumed supplies as of December 31, 2018.

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 22% or ₱449.47 million in this investment account, from ₱2.07 billion in 2017 to ₱2.51 billion in 2018.

The group's property and equipment of ₱2.06 billion increased by ₱914.01 million from last year's ₱1.15 billion 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.

Input taxes-net 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.

The carrying amount of deferred income tax assets of ₱18.93 million as of December 31, 2018, 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 ₱29.93 million (+12%) due to the recognition of SUMMA's goodwill amounting to ₱33.33 million. Other noncurrent assets account includes advances to contractors and suppliers of ₱196.95 million, equity investments designated at fair value through other comprehensive income (FVTOCI)/ available for sale (AFS) investments ₱65.16 million, deferred project costs ₱56.81 million, deposits of ₱41.37 million, deferred mine exploration costs of ₱20.42 million, installment receivables-net of current portion ₱64.08 million, contract asset-net of current portion of ₱25.41 million, pension assets of ₱37.21 million, deferred rent expense of ₱13.35 million, prepaid rent of ₱6.34 million and restricted investments of ₱7.18 million. The goodwill recognized by the Group amounting to ₱133.80 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, 100% of NAWASCOR in 2017 and ASSC of 60% of SUMMA in 2018. Service concession right amounting to ₱408.66 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 ₱237.59 million (+37%) as of December 31, 2018 mainly due to the significant increase in volume of the ground handling operations and accrual of construction costs for MSFI and BTSI. Notes payable of ₱1,101.98 million refers to the loan availed from local banks by several companies under the Group. MASCORP our ground-handling subsidiary, has an outstanding loan of ₱94 million used to finance its various asset acquisitions. Loan obtained by the Parent Company in December 2016 with outstanding amount of ₱85 million related to the acquisition of BTSI, additional loans drawn by MSFI amounting to ₱125 million in April and ₱275 million in July. In May 2018, BTSI entered into long-term loans amounting to ₱100 million. Additional short-term loans are availed by MASCORP and BTSI with an aggregate amount of ₱78.68 million and ₱75.0 million, respectively on the 3rd quarter. Moreover, additional loans availed by MASCORP and BTSI with aggregate amount of ₱50.0 million and ₱150.0 million, respectively on the 4th quarter. Accrued retirement benefits payable of ₱19.35 million and other long term employee benefits amounting to ₱9.70 million is accounted for based on the latest actuarial valuation of the Group. Deferred tax liabilities of ₱130.14 million remained at the same level as prior year's ending balance. Dividends payable of ₱8.86 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 Reserve for fair value changes of financial assets investments amounting to ₱35.72 million, the Parent Company's share in foreign currency translation adjustments (loss) of LTP in the amount of ₱53.35 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, ASSC, 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,40% share of minority shareholders in SUMMA, 33% share of minority shareholders in BTSI and 49% share of MWIC in WBSI. As of December 31, 2018, non-controlling interests amounted to ₱350.34 million.

2017 compared with 2016

The Group recorded a consolidated net income after tax of ₱1,063.43 million for the year 2017, exhibiting a huge positive variance of ₱623.26 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 ₱492.60 million (+30%) 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 ₱98.69 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 ₱30.86 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 ₱119.20 million in 2017, 10% 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 ₱6.50 billion, posting a ₱1.66 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.

Input taxes-net represent VAT paid on purchases of goods and services that can be recovered as tax refund/credit from the Bureau of Internal Revenue (BIR). The Group also has input taxes arising from acquisition of property and equipment and other assets.

The carrying amount of deferred income tax assets of ₱19.43 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, equity investments designated at FVTOCI/ AFS investments ₱110.40 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 ₱125.18 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.

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

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), MacroAsia SATS Inflight Catering Services (MSICS) and Cebu Pacific Catering Services (CPCS), as both business units are increasing production capacity in their respective kitchen facilities.

Non-Airline Food: By first quarter of 2019, 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 in the 32 airport stations as MASCORP fully-contracted with PAL and PALEx for their ground handling requirements. 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 2019, 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 MAPDC in 2018 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 2018, 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 2018, it already built a client portfolio of about 2,700 accounts (residential and commercial clients) taking service from the complete waterworks system for Solano, Nueva Vizcaya. The portfolio is foreseen to grow in 2019 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 1,900 as of December 31, 2018.

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 one year, NAWASCOR connections has increased by 200 units, from 8,200 to 8,400 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. 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 2019 and 2020.

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 72).

ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

External Audit Fees and Services

	2018	2017
Regular annual audit of financial statements	₱5,803,500	₱5,120,500
Non audit fees	1,097,000	-
Total	**₱6,900,500**	**₱5,120,500**

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, 2018 and 2017. 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
Carmen K. Tan	Director	Member – Investment Committee
Lucio K. Tan, Jr.	Director	Chairman – Mining Committee Member – Compensation and Investment 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 and Risk Management Committee
Johnip G. Cua	Independent Director	Chairman – Audit and Compensation Member – Corporate Governance, Investment Risk Management and Mining 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 and Risk Management Committees
Sameul C. Uy	Independent Director	Member – Corporate Governance, Audit, Compensation and Risk Management

*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.

Dr. Lucio C. Tan. Mr. Tan, 84, Filipino, served as Chairman of the Board of Directors since July 2015 and is the Chief Executive Officer from December 14, 2015. during the span of 50 years, founded, and is the Chairman & Chief Executive Officer/Director of: Allied Bankers Insurance Corporation (since 1980); Asia Brewery, Inc. (since March 1979); Basic Holdings Corp. (since July 1983); Eton Properties Philippines, Inc. (since February 2007); Foremost Farm Inc. (since April 1970); Fortune Tobacco Corp. (since 1965); Grandspan Development Corp. (since July 1996); Himmel Industries, Inc. (since November 1960); Lucky Travel Corporation (since June 1983); Macro Asia Corp. (since July 2015) and The Charter House Inc. (since July 1980). Likewise, during the period, he acquired and is the Chairman and CEO/Director of Tanduay Distillers Inc. (since May 1988); University of the East (since 1990); Philippine Airlines (since March 1993); Philippine National Bank (since December 1999); LT Group, Inc. (formerly Tanduay Holdings Inc., since July 1999); Air Philippines Inc. (since 1999); PAL Holdings Inc. (since October 2000), Mabuhay Miles, Inc. (since 2016) and Mabuhay Maritime Express Transport Inc., (since 2016).

He founded Allied Banking Corporation in April 1977 which merged with PNB in March 2012. Fortune Tobacco Corporation which he founded entered into a joint venture with Philip Morris International (since 2010) and the company is now known as PMFTC of which he is the Chairman.

Dr. Lucio Tan holds a Doctor of Philosophy degree, Major in Commerce from the University of Santo Tomas and a Bachelor of Science degree in Chemical Engineering from Far Eastern University.

Carmen K. Tan. Ms. Tan, 78, Filipino, has served as director of the Corporation since July 2012. Aside from her membership in the Board of Directors of the Corporation, Ms. Tan currently also serves as a Director of the following companies; Buona Sorte Holdings, Inc. (since 1978); Dynamic Holdings, Ltd. (since 2019); Eton City, Inc. (since 1970); Fortune Tobacco Corp. (since 1965); Himmel Industries, Inc. (since 1960); LT Group, Inc. (since 2013); Mabuhay Miles, Inc. (since 2016); Mabuhay Maritime Express Transport (since 2016); Manufacturing Services and Trade Corp. (since 1979); Progressive Farms, Inc. (since 2004); Philippine Airlines Inc. (since 2013) PAL Holdings, Inc. (since 2014); Philippine National Bank (since 2016); PMFTC Inc. (since 2010); Sipalay Trading Corp. (since 2005); Saturn Holdings, Inc. (since 1979); Tanduay Distillers, Inc. (since 2005); Tangent Holdings, Corp. (since 2005); The Charter House, Inc. (since 2005), and Trustmark Holding, Corp. (since 2000). Mrs. Carmen K. Tan is Incorporator of the following Corporations: Asia Brewery, Inc. (since 1979), Dominium Realty & Construction Corp. (since 1978), Foremost Farms, Inc. (since 1970), Lucky Travel Corp. (since 1983) and Shareholdings, Inc. (since 1979).She is a distinguished alumna of the Paco Chinese School and the University of the East, Manila.

Joseph T. Chua. Mr. Chua, 62, Filipino, has been a member of the Corporation's Board of Directors since August 1997. He is currently the President and COO of MacroAsia Corporation, a position he has held since December 15, 2015. Prior to this, he was the CEO of MacroAsia Corporation from July 2003 to December 14, 2015. He is also the President and a member of the Board of Directors of the following corporations: (i) MacroAsia Catering Services, Inc. (July 2003-Present), (ii) MacroAsia Airport Services Corp. (2000-Present), (iii) MacroAsia Properties Development Corporation (2008-2016), (iv) MacroAsia

Air Taxi Services (2008-2016), Inc., (v) MacroAsia Mining Corporation (2007-Present), (vi) MacroAsia SATS Food, Inc. (2015-Present) and (vi) Watergy Business Solutions Inc. (2014-Present).

Mr. Chua's is also the Chairman of the Board of Directors of the following corporations: (i) J.F. Rubber Phils. (1993-Present), (ii) Watergy Business Solutions Inc. (2011-2013) (iii) Cavite Business Resources Inc. (2011-Present), (iv) MacroAsia Properties Development Corporation (2003-2012), (v) MacroAsia Mining Corporation (2004-2012), (vi) Boracay Tubi System, Inc. (December 2016-Present), (vii) Naic Water Supply Corporation (August 2017-Present), (viii) First Aviation Academy, Inc. (December 2017-Present) and (ix) Summa Water Resources, Inc. (October 2018-Present).

He also serves as a director of: (i) PAL Holdings, Inc. (October 2014- January 2018), (ii) Bulawan Mining Corporation (June 2009-Present), (iii) ETON Properties Philippines, Inc. (May 2013–September 2017), and (iv) Lufthansa Technik Philippines, Inc. (2000-Present). His other business affiliations include: (i) Philippine National Bank, as director (May 2014-May 2015) and Board Advisor (May 2015-February 2018), (ii) PNB Management & Development Corporation (2009-January 2018), (iii) PNB General Insurers Co. Inc. (August 2014-February 2018), (iv) Eton City In., (May 2013-May 2018), (v) Belton Communities, Inc. (May 2013-May 2018) and.(vi) FirstHomes Inc. (May 2013-May 2018).

Mr. Chua holds a Master of International Finance degree from the University of Southern California, USA and a double degree of Bachelor of Arts in Economics and Bachelor of Science in Business Management from De La Salle University.

Lucio K. Tan Jr., Mr. Tan, 52, Filipino, has served as Director of the Corporation since August 1997. Among the current business affiliations of Mr. Tan are: (i) Philippine Airlines as Vice Chairman; (ii) Eton Properties Phils., as President (February 2013 to present) and Director (since 2007); (iii) Tanduay Distillers Inc. as President (2014 to present) and Director (since 2003); and (iv) Foremost Farms Inc. as a member of the Executive Committee (since 1994). Mr. Tan also serves on the Board of Directors of the following corporations: (i) Philippine Airlines (since 2005), (ii) Airport Specialist Services Corporation (since June 2000); (iii) Allied Bankers Insurance Corporation (since 1992); (iv) Air Philippines Corporation (since 2004), (v) LT Group, Inc. (formerly Tanduay Holdings, Inc.) (since February 21, 2013); (vi) MacroAsia Catering Services, Inc. (since June 2006); (vii) MacroAsia Airport Services, Inc. (since September 1997); (viii) MacroAsia Mining Corporation (September 2000); (ix) Philippine National Bank (since 2007); (x) PMFTC Inc. (since 2010); and (xi) 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 Chief Operating Officer of LT Group, Inc., Chief Operating Officer of Asia Brewery, Inc., and Director of the following companies: Tangent Holdings Corp.,

Philippine National Bank, Eton Properties Philippines, Inc., PMFTC Inc., AlliedBankers Insurance Corp., Lucky Travel Corp., Maranaw Hotel (Century Park Hotel), Pan-Asia Securities Corp. and Philippine Airlines, Inc. (PAL). He is a Director and the Treasurer of PAL Holdings, Inc. and Air Philippines Corporation.

Mr. Michael Tan holds a Bachelor of Science degree in Applied Science in Civil Engineering, Major in Structural Engineering, from the University of British Columbia, Canada.

Jaime J. Bautista. Mr. Bautista, 62, Filipino, a Certified Public Accountant (CPA), has served as member of the Board of Directors since August 1997. He is currently the Chairman of the Board of Directors of: (i) MacroAsia Airport Services Corporation (since 2013-Present) and (ii) Watergy Business Solutions Inc. (since 2014-2016). He is also the Treasurer and a director of MacroAsia Catering Services, Inc. (since 1997) and a director of MacroAsia Properties Development Corporation (since 2013-Present) and Cavite Business Resources Inc. (since 2013-2016). He is currently the Vice Chairman of the Board of Trustees of the University of the East (since 1991), a member of the Board of Trustees of University of the East - Ramon Magsaysay Medical Center Foundation (since 1991), and the Treasurer of Tan Yan Kee Foundation (since 2009).

Mr. Bautista is the President and Chief Operating Officer of Philippine Airlines Inc. (since October 2014-Present) and PAL Holdings Inc. (August 2004-April 2012). Prior to this, he was a Member of the Board of Directors of Air Philippines (2001-March 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, 64, Filipino, has served as member of the Corporation's Board of Directors since December 2015. He currently serves as the Executive Vice President, Treasurer and Chief Administrative Officer of Philippine Airlines (since September 2014). Prior to this, Mr. Lim served as Philippine Airlines' Assistant Vice President from 1993-1994, and served as Vice President – Treasury from June 1994 – September 2014.

Mr. Lim also serves as member of the Board of Directors 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, 62, Filipino, has served as Independent Director of the Corporation since 2006. He was formerly the President of Procter & Gamble Philippines Inc. (1995-2006). He currently serves as the Chairman of the Board of the P&Gers Fund Inc. (since 2009) and Xavier School, Inc. (since 2012), and the Chairman & President of Taibrews Corporation (since 2011). 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 is an Independent Director of the following corporations: (i) BDO Private Bank (2008 to Present), (ii) Philippine Airlines Inc. (Oct 2014 to Present), (iii) PAL Holdings Inc. (Oct 2014 to Present), (iv) Century Pacific Food Inc. (Jan 2014 to Present), (v) LT Group Inc. (May 2018 to Present), (vi) Eton Properties Inc. (May 2014 to Present), (vii) ALI Eaton Property Development Corp. (July 2018 to Present), (viii) MacroAsia Catering Services, Inc. (2007 to Present), (ix) MacroAsia Airport Services Corp. (2007 to Present), (x) MacroAsia Properties Development Inc. (2013 to Present), (xi) PhilPlans First Inc. (2009 to Present), and (xii) First Aviation Academy Inc. (2017 to Present).

Mr. Cua is also a member of the Board of Directors of the following Corporations: (i) Allied Botanical Corporation (2012 to Present), (ii) Alpha Alleanza Manufacturing Inc. (2008 to Present), (iii) Bakerson Corporation (2002 to Present), (iv) Interbake Marketing Corporation (1991 to Present), (v) Lartizan Corporation (2007 to Present), and (vi) Teambake Marketing Corporation (1994 to Present).

Mr. Cua holds a Bachelor of Science degree in Chemical Engineering from the University of the Philippines.

Ben C. Tiu. Mr. Tiu, 66, Filipino, has served as an Independent Director of the Corporation since July 2013. He is the Chairman of the Board of Directors of the following corporations: (i) Fidelity Securities (1993-Present), (ii) Tera Investments, Inc. (2001-Present), (iii) TKC Steel Corporation (2007-Present), (iv) Treasure Steelworks Corp. (2005-Present), and (v) BRJ Trading (1988-Present). 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. Ms. Prieto, 78, Filipino, has served as an Independent Director of the Corporation since December 2015. She is the Chairman of the Board of Philippine Daily Inquirer and Bataan 2020 Inc. She serves as a member of the Board of Directors in the following companies: (i) Philippine Daily Inquirer, (ii) Hinge Inquirer Publication Inc., (iii) Inquirer Interactive Inc., (iv) Inquirer Publications Inc., (v) Printown Group, (vi) Sunvar Inc., Investment and Marketing Association, (vii) Ionian Industrial Property Inc., (viii) Corinthian Industrial Property, Inc., (ix) HMR Enterprises, Inc., (x) Lexmedia Realty, Inc., (xi) Var Buildings, Inc., (xii) Parkside Realty Development Corporation, (xiii) Golden Pizza Inc., (xiv) Golden Donuts Inc., (xv) International Family Foods Services, Inc., (xvi) Mix-plant Inc., (xvii) LRP Inc., Pinnacle Printers Corporation, (xviii) Inquirer Holdings, Inc., (xix) Mediacom Equities, Inc., (xx) Matrix Resources Portfolio Holdings, Inc., (xxi) Excel Pacific Equities, Inc., and (xxii) Cebu Daily News.

Ms. Prieto is also the Treasurer of the following corporations, among others: (i) Sunvar Realty Development Corporation, (ii) Marilex Realty Development Corporation, and (iii) Ionian Realty & Development Corporation.

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

Samuel C. Uy. Mr. Uy, 65, Filipino, is a newly elected Independent Director, having assumed office on 30 April 2018. He is the current President and Administrator of Ricardo Limso Medical Center (since 2004), as well as the President and CEO of 3S Realty Corporation (since 2007 to present) and Toril Sports Complex (2008 to present). He is also the Vice President of Kaunlaran Development Corporation; Davao Farms Incorporated (since 1986 to present); Dimdi Centre Inc. (since 1986 to present); Daland Development Corporation. He is the Secretary of Millenium Cars Mindanao and Treasurer for Dimdi Builders Inc.;

Mr. Uy is also a director of Honda Cars Gensan, and an Independent Director of Philippine Airlines, Inc. (since March 2017 to present).

Mr. Uy holds a Bachelor of Science degree in Agriculture from Xavier University. He also studied Bachelor of Science in Management at the Ateneo de Manila University.

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, 58, Filipino, has served as an Executive Officer since May 1999. She is the current Vice President for Human Resources, Legal and External Relations (since 1999), Compliance Officer and the Chief Information Officer of MacroAsia Corporation. She is also the Corporate Secretary of MacroAsia Catering Services Inc. (since 2004), MacroAsia Airport Services Corp. (since 2004), MacroAsia Properties Development Corp. (since 2004), Asia's Emerging Dragons Corp., and a Director and Corporate Secretary in MacroAsia Air Taxi Services, Inc. (since 2004), and MacroAsia Mining Corp. (since 2000), SNV Resources Development Corp., Boracay Tubi System, Inc., First Aviation Academy, Inc. (since 2017) and Summa Water Resources, Inc. (since October 2018). She is also a Director in Naic Water Supply Corporation, Watergy Business Solutions Inc., Cavite Business Resources Inc.

She is currently the Assistant Corporate Secretary of LT Group. She was the Corporate Secretary of MacroAsia Corporation from 2004 to 2014. 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, 56, 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 (2013-Present), Summa Water Resources, Inc. (2018-Present), and the Treasurer and Director of MacroAsia Airport Services Corporation (2011-Present), MacroAsia Air Taxi Services Inc. (2011-Present), MacroAsia Mining Corporation (2004-Present), Cavite Business Resources Inc. (2013-2016), Watergy Business Solutions Inc. (2010-Present) and Boracay Tubi System, Inc. (2016-Present), Bulawan Mining Corporation (2018-Present). He is a currently the President of SNV Resources Development Corp. (2013-Present), Cavite Business Resources Inc. (2016-Present), Naic Water Supply Corporation (2017-Present), and a Director of Cebu Pacific Catering Services, Inc. (2004-Present).

Prior to this, Mr. Sendin was the Finance Manager of MacroAsia Catering Services, Inc. (2000-2003), and Finance Controller of MIASCOR Catering (1998-2000). He was Operations Head of Amikris Enterprises (1993-1998) and a Resource Person of the Central Bank Institute (Bangko Sentral Ng Pilipinas Institute) (1992-1997). He was Projects Supervisor for SAS Service Partners/Saudia Catering in KSA (1992-1993). Mr. Sendin started his career with the Central Bank of the Philippines (Bangko Sentral Ng Pilipinas) from 1983-1992, rising from a staff position until he became as Division Chief/Staff Officer A.

Mr. Sendin is a holder of Masters in Accountancy from Polytechnic University of the Philippines, Bachelor of Science in Psychology from St. Louis University, and a Certificate in Organizational Development in 2000. He has also completed a Management Development Program in Switzerland

Atty. Florentino M. Herrera III, Atty. Herrera, 67, Filipino, has served as Corporate Secretary since December 2014. He is the Founding Partner of Herrera Teehankee & Cabrera Law Offices. Atty. Herrera has been 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 Technik Philippines (LTP), Rizal Commercial Banking Corporation (RCBC) and Alphaland Corporation.

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

Ronal Ron D. Dimatatac. Mr. Dimatatac, 27, Filipino, Certified Public Accountant (CPA) has served as Financial Accountant since August 2018. He worked with SyCip Gorres Velayo & Co. (SGV & Co.) from September 2014 to September 2016 as an Assurance Associate and Senior Assurance Associate from October 2016 to July 2018.

Gladys Lorraine P. Salamatin. Ms. Salamatin, 26, Filipino, Certified Public Accountant (CPA) has served as Financial Accountant of since January 2017 to April 2018. Currently, she is the Investor Relations Officer and Assistant Compliance Officer of the Company. 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.

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 2017, 2018 and 2019.

Summary Compensation Table

Name and Principal Position	Year	Salaries (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	2017 (Actual)	21.54		19.36
All Other Directors and Officers as a Group Unnamed		7.58		25.16
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	2018 (Actual)	24.97		25.92
All Other Directors and Officers as a Group Unnamed		7.27		43.27

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	2019 (Estimate)	26.22		27.22
All Other Directors and Officers as a Group Unnamed		6.99		41.25

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, 2018*

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	254,107,324	15.70%
COMMON	PCD Nominee Corporation *G/F MSE Building* *6754 Ayala Ave., Makati City* *(Shareholder)*	Various Clients[1]	Non-Filipino	162,423,498	10.04%
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	114,400,000	7.07%
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	110,643,000	6.84%
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	90,043,525	5.56%

[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, 2018*

Title of Class	Name of Beneficial Owner	Amount and Nature of Ownership	Citizenship	% of Class
COMMON	Dr. Lucio C. Tan Chairman and CEO	130,000 Direct (Beneficial)	Filipino	<1%
COMMON	Carmen K. Tan Director	130,000 Direct (Beneficial)	Filipino	<1%
COMMON	Lucio K. Tan, Jr. Director	162,500 Direct (Beneficial)	Filipino	<1%
COMMON	Michael G. Tan Director	130,000 Direct (Beneficial)	Filipino	<1%
COMMON	Joseph T. Chua President and COO	162,500 Direct 5,704,790 Indirect (Beneficial)	Filipino	<1%
COMMON	Jaime J. Bautista Treasurer	162,500 Direct (Beneficial)	Filipino	<1%
COMMON	Stewart C. Lim Director	130,000 Direct (Beneficial)	Filipino	<1%
COMMON	Johnip G. Cua Independent Director	4,030,000 Indirect (Beneficial)	Filipino	<1%
COMMON	Ben C. Tiu Independent Director	130,000 Direct (Beneficial)	Filipino	<1%
COMMON	Marixi R. Prieto Independent Director	130,000 Direct (Beneficial)	Filipino	<1%
COMMON	Samuel C. Uy Independent Director	130,000 Direct 765,700 Indirect (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	299,000 Direct 6,979,637 Indirect (Beneficial)	Filipino	<1%
	Total	**19,176,627**		**1.21%**

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 2018. 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 18 of the Group's Notes to Consolidated Financial Statements (pages 66 to 68).

   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 five-year lease contract with Philippine National Bank (formerly Allied Banking Corporation) for its office space starting January 1, 2016. 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, SNVRDC, BTSI 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.

The Parent Company and its subsidiaries have a trust fund for the employees' retirement plan with Philippine National Bank (formerly Allied Bank Corporation) as the fund manager. The Group has not been given any preferential treatment in any of its transactions with the Bank.

F. There are no other on-going contractual or other commitments between the Group and the aforementioned affiliates.

G. There are no other material transactions with and/or dependence on related parties not discussed above and in the Notes to Consolidated Financial Statements.

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

SIGNATURES

Pursuant to the requirement of Sec 17 of the Code and Sec 141 of the Corporation Code of the Philippines, this report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on _____.

MACROASIA CORPORATION
Registrant

By:

DR. LUCIO C. TAN
Chairman and Chief Executive Officer

JOSEPH T. CHUA
President and Chief Operating Officer

AMADOR T. SENDIN
Chief Financial Officer

ATTY. FLORENTINO M. HERRERA III
Corporate Secretary

RONALD RON D. DIMATATAC
Financial Accountant

Subscribed and sworn to before me this _____ day of APR 15 2019, 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
RONALD RON D. DIMATATAC	318-508-992

Doc. No. 378
Page No. 76
Book No. 911
Series of 2019

RUBEN T.M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2019
IBP NO. 058838/01-3-19-Appointment #M-127
ROLL NO. 28947/MCLE NO V-0025589/9-8-2017
PTR NO. MKT 7333572/01-3-19 MAKATI CITY

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
March 23, 2018	Results of Regular Board Meeting held on March 22, 2018
May 2, 2018	Election of Samuel C. Uy as Independent Director
May 18, 2018	LTP and PAL Maintenance Agreement
July 24, 2018	Results of the Regular Board Meeting, Annual Stockholders' Meeting and Organizational Meeting held on July 20, 2018
October 2, 2018	Approval of MacroAsia Cebu Special Ecozone

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

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, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, 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 14th day of March 2019

12/F, Allied Bank Center, 6754 Ayala Avenue, Makati City • Tel. No. (632) 840 2001 • Fax No. (632) 840-1892

Subscribed and sworn to before me this _____ day of APR 15 2019, 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

Doc. No. 379
Page No. 76
Book No. 77
Series of 2019

RUBEN T.M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2019
IBP NO. 058333/01-3-19-Appointment #M-127
ROLL NO. 28947/MCLE NO V-0025589/9-8-2017
PTR NO. MKT.7333572/01-3-19 MAKATI CITY

MacroAsia Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2018 and 2017
and Years Ended December 31, 2018,
2017 and 2016

and

Independent Auditor's Report

SGV

Building a better working world

A member firm of Ernst & Young Global Limited

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,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and 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, 2018 and 2017, 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, 2018, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 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.

Impact of Adoption of PFRS 15, *Revenue from Contracts with Customers*

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach. The adoption of PFRS 15 resulted in significant changes in the Group's revenue recognition policies, process, and procedures. The adoption of PFRS 15 is significant to our audit because this involves application of significant management judgment and estimation in: determining whether the criteria for the recognition of revenue is met; determining whether the transaction price includes variable consideration such as discounts and rebates; allocation of transaction price and estimation of stand-alone selling price for multiple element contracts specifically for water revenues; and determining the timing of satisfaction of performance obligation over time or point in time. Further, the Group has a number of revenue streams, namely, in-flight and other catering, ground handling and aviation, water and rental and administrative, which required a Group-wide assessment of contracts in relation to the new revenue recognition criteria.

The disclosures for the changes in the accounting policies, significant judgments and estimates and other information for the adoption of PFRS 15 are disclosed in Notes 2, 3 and 19 to the consolidated financial statements.

Audit response

We obtained an understanding of the process of the Group in implementing the new revenue recognition standard. We inquired with the Group's key management personnel from sales and accounting departments, among others, and reviewed the PFRS 15 accounting policies and contract analysis prepared by the management. For significant revenue streams, we obtained sample contracts and reviewed whether the accounting policies appropriately considered the five-step model of PFRS 15. In addition, we reviewed the sample contracts and checked whether (1) all performance obligations within contracts with customers have been identified; (2) whether management has identified and estimated all components of the transaction price such as discounts and rebates; (3) whether the allocation of transaction price and estimation of stand-alone selling prices of performance obligations in water revenues stream are compliant with PFRS 15; and (4) whether the timing of revenue recognition is based on when the performance occurs and control of the related goods or services is transferred to the customer. We also reviewed the application of the accounting policies in relation to the adoption of the new standard, and the disclosures based on the requirements of PFRS 15.

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 ₱2,453.3 million as of December 31, 2018. 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 net income of LTP amounting to ₱1,011.7 million in the 2018 consolidated net income. The Group's share in the net income of LTP is significantly affected by the amount of provisions for claims and losses recognized by LTP. In the normal course of business, LTP is involved in certain claims by third parties. The determination of whether provision should be recognized and the estimation of provision for the claims and losses require significant management judgment. In addition, LTP also adopted PFRS 15, which required review by LTP of its contracts with its customers. This involved application of significant management judgment and estimation in determining whether the transaction price includes variable consideration and the timing of satisfaction of performance obligation over time.

Refer to Notes 2 and 3 to the consolidated financial statements for the relevant discussion of accounting policy and a discussion of significant judgments, and 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 obtained an understanding of LTP management's process in the adoption and implementation of PFRS 15, including the identification of significant revenue streams and review of sample contracts whether the determination of transaction price included variable consideration and the timing of satisfaction of performance obligation over time complies with PFRS 15. We reviewed the application by LTP of the accounting policy in relation to the adoption of PFRS 15 and the alignment with the Group's policy.

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.

Accounting for finalization of purchase price allocation on acquisition of Naic Water Supply Corporation. (NAWASCOR)
In 2018, the Group has completed the calculation of the fair values of net assets acquired from NAWASCOR, which resulted in the finalization of purchase price allocation and retrospective adjustment to the service concession right. The adjusted amount of the service concession right after the finalization of the purchase price allocation amounted to ₱112.2 million. The final goodwill from acquisition of NAWASCOR amounted to ₱36.9 million. The valuation of the intangible asset requires the assistance of an external specialist whose calculations involve certain assumptions, such as the projected water connections and discount rate. This matter is significant to our audit because of the significance of the intangible asset to the consolidated financial statements and the valuation of the intangible assets involves significant judgment and estimates.

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 NAWASCOR.

Audit response

We involved our internal specialist in evaluating the methodologies and assumptions used by external specialist in the determining the fair value of the identified intangible asset. We evaluated the competence, capabilities and objectivity of the external specialist by considering their qualifications and experience. We compared the underlying significant assumptions used in the financial forecasts which include the projected water connections against historical information. We tested the parameters used in the determination of the discount rate against market data. We recalculated the adjustments made by management to the provisional purchase price allocation to arrive at the final values. We also reviewed the disclosures in the notes to the consolidated financial statements.

Impairment testing of goodwill, intangible assets with indefinite useful life and service concession right
As at December 31, 2018, the Group's goodwill attributable to the cash generating units (CGUs) that are expected to benefit from the business combination, the intangible assets with indefinite useful life (right to use assets) and the service concession right of SNV Resources Development Corporation (SNVRDC) amounted to ₱486.3 million. Under PFRSs, the Group is required to annually test goodwill and intangible assets with indefinite useful life. Further, PFRSs require that the Group should assess at the end of each

reporting period whether there is an indication that an asset is impaired. If such indication exists, the Group should estimate the recoverable amount of the asset.

We considered the impairment testing of goodwill, intangible assets with indefinite useful life and service concession right as a key audit matter because the amounts involved are material to the consolidated financial statements and the management's impairment assessment process requires significant judgment and is based on assumptions, specifically the forecasted volume of annual water consumption, tariff rate 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 14 to the consolidated financial statements for the detailed disclosures on the service concession right, goodwill and intangibles.

Audit response

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

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, 2018, SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2018, 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 n 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

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. 7332550, January 3, 2019, Makati City

March 14, 2019

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2018	2017 (As restated, Note 10)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 18, 22 and 23)	**₱675,196,833**	₱913,191,924
Receivables and contract assets (Notes 6, 15, 18 and 23)	**900,423,623**	697,822,309
Inventories (Note 7)	**88,774,311**	79,120,917
Input taxes and other current assets (Note 8)	**188,870,957**	136,891,276
Total Current Assets	**1,853,265,724**	1,827,026,426
Noncurrent Assets		
Investments in associates (Note 9)	**2,514,655,508**	2,065,182,361
Property, plant and equipment (Note 12)	**2,059,122,487**	1,145,108,621
Investment property (Note 13)	**143,852,303**	143,852,303
Accrued rental receivable (Note 18)	**106,724,657**	111,567,793
Service concession right (Note 14)	**408,658,272**	402,916,926
Intangible assets and goodwill (Notes 10 and 14)	**269,435,508**	239,500,593
Input taxes - net (Note 8)	**236,403,791**	138,621,708
Deferred income tax assets - net (Notes 10 and 25)	**18,927,408**	19,433,201
Other noncurrent assets (Notes 15, 18, 21 and 28)	**549,722,982**	406,288,135
Total Noncurrent Assets	**6,307,502,916**	4,672,471,641
TOTAL ASSETS	**₱8,160,768,640**	₱6,499,498,067
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 16, 18, 22 and 23)	**₱348,450,000**	₱207,700,866
Accounts payable and accrued liabilities (Notes 17, 18, 23 and 28)	**881,341,005**	643,748,921
Income tax payable	**16,855,640**	8,172,218
Dividends payable (Note 27)	**8,859,024**	180,660,640
Current portion of long - term debts (Notes 16, 18, 22, and 23)	**77,009,744**	434,634,202
Total Current Liabilities	**1,332,515,413**	1,474,916,847
Noncurrent Liabilities		
Long term debts - net of current portion (Notes 16, 22 and 23)	**676,516,177**	77,975,743
Accrued rental payables (Note 28)	**130,420,744**	131,600,956
Accrued retirement and other employee benefits payable (Note 21)	**29,053,471**	28,974,452
Deferred income tax liabilities - net (Notes 10, 15 and 25)	**130,137,917**	125,178,378
Other noncurrent liabilities (Note 18)	**18,480,020**	30,569,946
Total Noncurrent Liabilities	**984,608,329**	394,299,475
Total Liabilities	**2,317,123,742**	1,869,216,322

(Forward)

	December 31	
	2018	2017 (As restated, Note 10)
Equity attributable to equity holders of the Company		
Capital stock - ₱1 par value (Note 27)	**₱1,618,146,293**	₱1,250,000,000
Additional paid-in capital	**281,437,118**	281,437,118
Other reserves (Note 27)	**143,299,677**	143,299,677
Other components of equity (Notes 9, 15 and 21)	**98,146,690**	(98,421,397)
Retained earnings (Note 27)	**3,528,487,195**	2,848,016,475
Treasury shares (Note 27)	**(176,215,402)**	(113,676,300)
	5,493,301,571	4,310,655,573
Non-controlling interests (Note 11)	**350,343,327**	319,626,172
Total Equity	**5,843,644,898**	4,630,281,745
TOTAL LIABILITIES AND EQUITY	**₱8,160,768,640**	₱6,499,498,067

See accompanying Notes to Consolidated Financial Statements.

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2018	2017 (As restated, Note 10)	2016
REVENUE (Note 19)			
In-flight and other catering (Note 18)	**₱1,663,770,983**	₱1,541,000,353	₱1,446,366,278
Ground handling and aviation (Note 18)	**1,463,947,551**	1,031,617,643	678,771,599
Water	**271,043,164**	142,646,814	6,256,102
Rental and administrative (Note 18)	**201,839,757**	196,403,505	188,796,035
Exploratory drilling fees (Note 28)	**–**	27,259,722	2,991,504
Charter flights	**–**	–	11,775,699
	3,600,601,455	2,938,928,037	2,334,957,217
DIRECT COSTS (Notes 19 and 28)			
In-flight and other catering	**1,102,589,553**	1,006,099,235	916,872,779
Ground handling and aviation	**1,176,064,366**	807,537,737	517,701,442
Rental and administrative	**234,940,224**	187,622,410	177,275,988
Water related expenses (Note 10)	**246,262,201**	124,415,505	19,078,392
Exploratory drilling expense	**13,666,586**	27,433,991	19,532,386
Charter flights	**–**	–	10,046,265
	2,773,522,930	2,153,108,878	1,660,507,252
GROSS PROFIT	**827,078,525**	785,819,159	674,449,965
SHARE IN NET EARNINGS OF ASSOCIATES (Note 9)	**1,059,233,932**	967,943,515	532,434,774
	1,886,312,457	1,753,762,674	1,206,884,739
OPERATING EXPENSES (Note 20)	**723,903,042**	614,512,205	713,203,942
	1,162,409,415	1,139,250,469	493,680,797
OTHER INCOME (CHARGES) (Note 22)			
Interest income (Notes 5, 15, 18, and 28)	**11,076,601**	8,482,346	7,012,043
Financing charges (Notes 16 and 18)	**(26,451,247)**	(9,387,889)	(3,295,096)
Other income - net	**57,181,009**	44,287,891	75,143,625
	41,806,363	43,382,348	78,860,572
INCOME BEFORE INCOME TAX	**1,204,215,778**	1,182,632,817	572,541,369
PROVISION FOR INCOME TAX (Note 25)			
Current	**122,041,966**	118,556,863	123,595,433
Deferred	**(1,409,996)**	1,052,600	8,778,373
	120,631,970	119,609,463	132,373,806
NET INCOME	**₱1,083,583,808**	₱1,063,023,354	₱440,167,563
Attributable to:			
Equity holders of the Company	**₱1,048,217,013**	₱1,019,242,053	₱388,954,824
Non-controlling interests (Note 11)	**35,366,795**	43,781,301	51,212,739
	₱1,083,583,808	₱1,063,023,354	₱440,167,563
Basic/Diluted Earnings Per Share* (Note 26)	**₱0.66**	₱0.64	₱0.24

**After retroactive effect of 30% stock dividends in 2018.*

See accompanying Notes to Consolidated Financial Statements.

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017 (As restated, Note 10)	2016
NET INCOME	**₱1,083,583,808**	₱1,063,023,354	₱440,167,563
OTHER COMPREHENSIVE INCOME (LOSS) - Net			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of debt securities held at FVTOCI (Note 15)	**(2,092,938)**	–	–
Cumulative unrealized loss on fair values changes on debt securities recycled to profit or loss (Note 15)	**6,846,940**	–	–
Changes in fair value of AFS investments (Note 15)		2,311,498	838,900
Net foreign currency translation adjustments (Note 9)	**106,010,813**	(621,060)	76,801,660
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity instruments held at FVTOCI (Note 15)	**17,000,000**	–	–
Remeasurement gains on defined benefit plans, net of tax effect (Note 21)	**9,012,108**	2,703,451	4,869,053
Share in remeasurement gains (losses) on defined benefit plans of associates (Note 9)	**60,508,402**	(40,265,714)	29,068,796
	197,285,325	(35,871,825)	111,578,409
TOTAL COMPREHENSIVE INCOME	**₱1,280,869,133**	₱1,027,151,529	₱551,745,972
Other comprehensive income (loss) attributable to:			
Equity holders of the Company	**₱196,968,087**	(₱36,539,304)	₱110,703,099
Non-controlling interests (Note 11)	**317,238**	667,479	875,310
	₱197,285,325	(₱35,871,825)	₱111,578,409
Total comprehensive income attributable to:			
Equity holders of the Company	**₱1,245,185,100**	₱982,702,749	₱499,657,923
Non-controlling interests (Note 11)	**35,684,033**	44,448,780	52,088,049
	₱1,280,869,133	₱1,027,151,529	₱551,745,972

See accompanying Notes to Consolidated Financial Statements.

MACROASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

				Attributable to Equity Holders of the Company										
				Other components of equity										
	Capital Stock (Note 27)	Additional Paid-in Capital	Other reserves (Note 27)	AFS investments reserve	Reserve for fair value changes of financial assets investments (Note 15)	Share in Foreign Currency Translation Adjustments of an Associate (Note 9)	Remeasurements on Defined Benefit Plans (Note 21)	Share in Remeasurements on Defined Benefit Plan of Associates (Note 9)	Subtotal	Retained Earnings (Note 27)	Treasury Shares (Note 27)	Subtotal	Non-controlling Interests (Note 11)	Total
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	–		–	–	–	–	–	–	–	–	–	–	129,039,875	129,039,875
BALANCES AT DECEMBER 31, 2016	**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, as previously reported	–		–	–	–	–	–	–	–	1,021,736,758	–	1,021,736,758	43,781,301	1,065,518,059
Effect of finalization of purchase price allocation of NAWASCOR (Note 10)	–		–	–	–	–	–	–	–	(2,494,705)	–	(2,494,705)	–	(2,494,705)
Net income, as restated	–		–	–	–	–	–	–	–	1,019,242,053	–`	1,019,242,053	43,781,301	1,063,023,354
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)	1,019,242,053	–	982,702,749	44,448,780	1,027,151,529
Cash dividends at ₱0.140 per share	–		–	–	–	–	–	–	–	(171,801,611)	–	(171,801,611)	–	(171,801,611)
Dividends to non-controlling interest	–		–	–	–	–	–	–	–		–	–	(23,100,000)	(23,100,00)
Acquisition of treasury shares	–		–	–	–	–	–	–	–		(64,257,640)	(64,257,640)	–	(64,257,640)
BALANCES AT DECEMBER 31, 2017 AS RESTATED	**₱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)**	**₱2,848,016,475**	**(₱113,676,300)**	**₱4,310,655,573**	**₱319,626,172**	**₱4,630,281,745**
BALANCES AT DECEMBER 31, 2017, AS PREVIOUSLY REPORTED	**₱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**
Effect of finalization of purchase price allocation of NAWASCOR (Note 10)	–	–	–	–	–	–	–	–	–	(2,494,705)	–	(2,494,705)	-	(2,494,705)
BALANCES AT DECEMBER 31, 2017, AS RESTATED	**₱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)**	**₱2,848,016,475**	**(₱113,676,300)**	**₱4,310,655,573**	**₱319,626,172**	**₱4,630,281,745**
BALANCES AT JANUARY 1, 2018	**₱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)**	**₱2,848,016,475**	**(₱113,676,300)**	**₱4,310,655,573**	**₱319,626,172**	**₱4,630,281,745**
Transfer to reserve for fair value changes of financial assets investments	–	–	–	(14,365,997)	14,365,997	–	–	–	–	–	–	-	-	–
Effect of adoption of PFRS 9 (Note 2)	–	–	–	–	(400,000)	–	–	–	(400,000)	400,000	–	-	-	–
BALANCES AT JANUARY 1, 2018, AS ADJUSTED	**1,250,000,000**	**281,437,118**	**143,299,677**	**–**	**13,965,997**	**(52,663,046)**	**30,968,116**	**(91,092,464)**	**(98,821,397)**	**2,848,416,475**	**(113,676,300)**	**4,310,655,573**	**319,626,172**	**4,630,281,745**
Net income	–	–	–	–	–	–	–	–	–	1,048,217,013	–	1,048,217,013	35,366,795	1,083,583,808
Other comprehensive income	–	–	–	–	21,754,002	106,010,813	8,694,870	60,508,402	196,968,087	–	–	196,968,087	317,238	197,285,325
Total comprehensive income	–	–	–	–	21,754,002	106,010,813	8,694,870	60,508,402	196,968,087	1,048,217,013	–	1,245,185,100	35,684,033	1,280,869,133
Declaration of stock dividends	368,146,293	–	–	–	–	–	–	–	–	(368,146,293)	–	-	-	–
Dividends to non-controlling interest	–	–	–	–	–	–	–	–	–	–	–		(24,750,000)	(24,750,000)
Acquisition of treasury shares	–	–	–	–	–	–	–	–	–	–	(62,539,102)	(62,539,102)	-	(62,539,102)
Non-controlling interests arising on a business combination (Note 10)	–	–	–	–	–	–	–	–	–	–	–	-	19,783,122	19,783,122
BALANCES AT DECEMBER 31, 2018	**₱1,618,146,293**	**₱281,437,118**	**₱143,299,677**	**₱–**	**₱35,719,999**	**₱53,347,767**	**₱39,662,986**	**(₱30,584,062)**	**₱98,146,690**	**₱3,528,487,195**	**(₱176,215,402)**	**₱5,493,301,571**	**₱350,343,327**	**₱5,843,644,898**

See accompanying Notes to Consolidated Financial Statements.

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017 (As restated, Note 10)	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,204,215,778**	₱1,182,632,817	₱572,541,369
Adjustments for:			
Depreciation and amortization (Notes 12, 14 and 15)	**177,659,613**	155,123,523	98,999,205
Loss (gain) on sale of disposal of property and equipment	**(406,314)**	–	161,890
Loss on sale of investment in debt securities (Note 15)	**6,846,940**	–	–
Share in earnings of associates (Note 9)	**(1,059,233,932)**	(967,943,515)	(532,434,774)
Interest income (Notes 5, 15, 18, 22 and 28)	**(11,076,601)**	(8,482,346)	(7,012,043)
Unrealized foreign exchange gain - net	**(5,346,891)**	(2,518,753)	(33,118,771)
Financing charges (Notes 16, 18 and 22)	**26,451,247**	9,387,889	3,295,096
Retirement benefits costs (Note 21)	**25,936,047**	22,356,179	20,374,858
Provision for (reversal of) other long-term benefits (Note 21)	**(223,702)**	2,055,814	1,567,717
Net recovery from insurance claim (Note 22)	**–**	–	(20,390,586)
Provision for losses on deferred mining exploration costs (Note 29)	**–**	–	212,889,740
Operating income before working capital changes	**364,822,185**	392,611,608	316,873,701
Decrease (increase) in:			
Receivables	**(186,842,526)**	(16,780,605)	89,062,624
Inventories	**(5,010,794)**	(8,034,749)	(13,480,367)
Other current assets	**(30,515,456)**	(154,604,330)	(74,052,693)
Increase in:			
Service concession right	**(24,406,608)**	(4,300,110)	(16,548,445)
Contract assets	**(25,412,496)**	–	–
Long-term receivables	**(64,075,393)**	–	–
Increase (decrease) in:			
Accounts payable and accrued liabilities	**24,428,655**	168,742,576	(3,505,704)
Accrued rental payable	**(1,180,212)**	–	–
Cash generated from operations	**51,807,355**	377,634,390	298,349,116
Interest received	**9,806,748**	7,232,735	6,480,390
Financing charges paid	**(18,326,078)**	(8,550,390)	(2,356,000)
Contributions to the retirement fund (Note 21)	**(28,887,875)**	(22,146,194)	(21,165,915)
Other employee benefits paid	**(1,562,742)**	(2,167,802)	(396,528)
Income taxes paid, including creditable withholding taxes and tax credit certificates	**(135,514,330)**	(132,151,799)	(37,295,226)
Net cash flows from (used in) operating activities	**(122,676,922)**	219,850,940	243,615,837
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Note 12)	**(813,597,853)**	(374,257,508)	(180,290,045)
Acquisitions through business combination - net of cash acquired (Note 10)	**(51,997,029)**	(119,555,035)	(315,340,303)
Acquisition of software (Note 15)	**(5,278,225)**	(5,904,823)	(947,017)
Payments of advances to contractors (Note 15)	**(205,430,736)**	(97,322,333)	–

(Forward)

	Years Ended December 31		
	2018	2017 (As restated, Note 10)	2016
Payments for project advances (Note 15)	**(₱328,067)**	(₱255,102)	(₱2,393,400)
Proceeds from disposal of AFS debt securities (Note 15)	**63,153,060**	–	–
Proceeds from disposal of property and equipment (Note 12)	**406,339**	–	3,181,818
Proceeds from insurance claim (Note 22)	**–**	–	56,810,000
Dividends received (Note 9)	**799,282,000**	389,109,650	59,148,600
Returns from (payments for) refundable deposits and other noncurrent assets (Note 15)	**(8,880,085)**	5,350,895	–
Net cash used in investing activities	**(222,670,596)**	(202,834,256)	(379,830,347)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Notes payable (Note 16)	**403,865,000**	72,550,000	150,000,000
Long-term debts (Note 16)	**250,000,000**	532,113,742	–
Payments of:			
Notes payable (Note 16)	**(262,700,886)**	(15,261,205)	–
Long-term debts (Note 16)	**(38,067,035)**	(53,694,362)	(25,344,155)
Dividends paid (Note 27)	**(184,176,616)**	(132,221,557)	(131,526,580)
Acquisition of treasury shares (Note 27)	**(62,539,102)**	(64,257,640)	–
Net cash flows from (used in) financing activities	**106,381,361**	339,228,978	(6,870,735)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**971,066**	(2,744,787)	9,450,467
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(237,995,091)**	353,500,875	(133,634,778)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**913,191,924**	559,691,049	693,325,827
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱675,196,833**	₱913,191,924	₱559,691,049

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. On August 7, 2018, the Company's Articles of Incorporation was further amended for the extension of the Company's corporate life for another 50 years, from and after February 15, 2020.

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 primarily 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 Areas. It provides in-flight catering services, ground handling services for passenger and cargo aircraft, and helicopter charter flight services. It also operates/develops the sole economic zone within the NAIA.

Through 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 has rendered 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, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 were authorized for issuance by the Board of Directors (BOD) on March 14, 2019.

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 equity investments held at fair value through other comprehensive income (FVTOCI) and 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 year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018:

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

  PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018.

  The adoption of PFRS 15 did not change the timing of revenue recognition and amount of revenue to be recognized. However, the Group provided new disclosures to comply with the requirements of PFRS 15 such as disaggregated revenue information, among others (see Note 19).

- PFRS 9, *Financial Instruments*

  PFRS 9 replaces Philippine Accounting Standards (PAS) 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group applied PFRS 9 using modified retrospective approach, with the initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. The adoption of PFRS 9 beginning January 1, 2018 resulted in changes in accounting policies but did not have a material impact on the consolidated financial statements. In accordance with the transitional provisions of PFRS 9, comparative figures have not been restated.

  Classification and measurement
  Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortized cost, or FVTOCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

The assessment of the Group's business model was made as of January 1, 2018, and then applied to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments is solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact to the Group's consolidated financial statements except for certain advances which the Group concluded to be specific for project costs. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are the changes in the classification of the Group's financial assets:

a. Cash and cash equivalents, receivables and refundable deposits (included under "Other current assets" and "Other noncurrent assets") classified as loans and receivables as at December 31, 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortized cost beginning January 1, 2018.

b. Reclassification of AFS equity investments into "Equity investments designated at FVTOCI" and AFS debt investments into "Investment in debt securities designated at FVTOCI." The Group elected to classify irrevocably its nonlisted equity investments under "Equity investments designated at FVTOCI" as it intends to hold these investments for the foreseeable future. PFRS requires that retrospective application should be applied in measuring previously impaired AFS equity instrument at FVTOCI. This retrospective application requires the Group to recognize in other comprehensive income (OCI) the difference between cost of the equity instrument and its fair value upon transition to PFRS 9. Therefore, any cumulative impairment losses previously recognized upon PAS 39 will have to be transferred from retained earnings to OCI. This resulted in reclassification of ₱0.4 million from "Retained earnings" to "Reserve for fair value changes of financial assets investments" as of January 1, 2018.

c. As of December 31, 2017, the Group recognized as part of receivables the advances to project integrators for various water projects amounting to ₱13.4 million. Upon adoption of PFRS 9, the Group evaluated the nature of these advances to contractors based on the SPPI and business model tests. The Group determined that the amounts will eventually be capitalized or expensed based on the use of funds by project integrators in relation to the Group's future projects of water treatment and distribution facility in certain provinces in the Philippines. Accordingly, the amounts were presented as part of "Advances to contractors and suppliers" under "Non-current assets" as of January 1, 2018 in view of future capitalization of the amount as part of water treatment and distribution facility.

The Group has not designated any financial liabilities as at FVTPL. There are no changes in classification and measurement for the Group's financial liabilities. The summary of the impact of PFRS 9 when the Group adopted the standard as at January 1, 2018 is presented on the next page.

		PFRS 9 measurement category		
PAS 39 measurement category	Total	Fair Value through OCI	Fair value through Profit and Loss	Amortized Cost
Loans and Receivables				
Cash and cash equivalents	₱913,191,924	₱–	₱–	₱913,191,924
Receivables*	684,426,012	–	–	684,426,012
Refundable deposits	29,637,539	–	–	29,637,539
Restricted cash investment	7,181,182	–	–	7,181,182
AFS investments				
Debt securities	65,245,998	65,245,998	–	–
Equity securities	45,155,800	45,155,800	–	–
Other financial liabilities				
Notes payable	207,700,866	–	–	207,700,866
Long - term debts	512,609,945	–	–	512,609,945
Accounts payable and accrued liabilities**	583,228,086	–	–	583,228,086
Dividends payable	180,660,640	–	–	180,660,640
Deposits	8,165,084			8,165,084

**Net of reclassification of ₱13,396,297 pertaining to "Advances to Contractors and Suppliers"*
***Net of nonfinancial liabilities ₱60,520,835*

Impairment of financial assets
The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at FVTPL. The Group updated its impairment methodology under PFRS 9 for each of the financial assets.

The Group's accounting policy for writing off financial assets under PFRS 9 remains the same as it was under PAS 39. Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The adoption of PFRS 9 did not have any significant impact on the Group's allowance for impairment on its financial assets as of January 1, 2018.

- 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. 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 are not applicable since the Group is not a venture capital organization or qualifying entity.

- 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.

  These amendments did not have impact to the Group as there has been no change in the Group's intention to hold its investment property for capital appreciation.

- Philippine Interpretation 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.

  Since the Group's practice is in line with the clarifications issued, the amendments did not have any material impact to the consolidated financial statements.

- 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.

  The Group has no share-based payment transaction. Accordingly, these amendments are not relevant to the consolidated financial statements.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

  The amendments address concerns arising from implementing the new financial instruments standard, PFRS 9, before implementing PFRS 17, *Insurance Contracts*, which replaces PFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach.

  The amendments are not applicable since the Group has no activities that are connected with insurance or issue insurance contracts.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on the financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- 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 re-measurement 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. 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 assessed that the adoption of PFRS 16 will result to the following:

  a. Assets and liabilities will increase because of the recognition of the right to use asset from operating lease agreements, and
  b. Rental expense will decrease, while amortization and interest expense will increase.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at FVTOCI, provided that the contractual cash flows are SPPI on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

  These amendments have no impact on the consolidated financial statements of the Group.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

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

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

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

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have long-term interests in its associate and joint venture, the amendments will not have an impact on the consolidated financial statements.

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

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

The interpretation specifically addresses the following:

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

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 this new interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

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

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

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

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

    These amendments are currently not applicable to the Group but may apply to future transactions.

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

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

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments have no significant impact on the consolidated financial statements.

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

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

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group, if any.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive

model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Since the Group is not involved in insurance business, this standard is not relevant to the Group.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company, its direct subsidiaries, the subsidiaries of MACS, MAPDC, Boracay Tubi Systems Inc. (BTSI) and the subsidiary of MMC, Watergy Business Solutions, Inc. (WBSI) and Airport Specialists' Services Corporation (ASSC), 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/ MMC/ASSC	
		2018		2017			
	Nature of business	**Direct**	**Indirect**	Direct	Indirect[2]	**2018**	2017
MacroAsia Properties Development Corporation (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	–	–	–

(Forward)

		Percentage of Ownership by MAC				Percentage of Direct Ownership by MAPDC/MACS/ WBSI/BTSI/ MMC/ASSC	
		2018		2017			
	Nature of business	**Direct**	**Indirect**	Direct	Indirect[2]	**2018**	2017
MacroAsia Mining Corporation (MMC)	Mine exploration, development and operation	**100**	**–**	100	–	**–**	–
MacroAsia Catering Services Corporation (MACS)	In-flight and other catering services	**67**	**–**	67		**–**	–
MacroAsia SATS Food Industries (MSFI)	Meal production and food processing	**–**	**67[a]**	–	67[a]	**100**	100
MacroAsia SATS Inflight Services Corporation (MSISC) [3]	Meal production and food processing	**–**	**67[a]**	–	67[a]	**100**	100
Boracay Tubi System, Inc. (BTSI)	Water treatment and distribution, and construction of sewage treatment plant	–	**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[4], [c]	**80[4]**	80[4]
New Earth Water System, Inc. (NEWS)	Water projects	–	**67[4], [c]**	–	67[4], [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[5], [b]	**100**	100
Mabini Pangasinan Resources Development Corporation (MPRDC)[3]	Water projects	**–**	**100[b]**	–	100[b]	**100**	100
Panay Water Business Resources, Inc. (PWBRI)[3]	Water projects	**–**	**90[b]**	–	90[b]	**90**	90
WBSI	Water projects	**–**	**51 [b]**	–	51 [b]	**51**	51
Cavite Business Resources Inc. (CBRI)	Water projects	**–**	**51 [d]**	–	51 [d]	**51**	51
First Aviation Academy, Inc. [6]	Aviation school	**51**	**–**	51	–		–
Summa Water Resources Inc. (SWRI)	Water treatment and equipment lease	**–**	**60[e] [7]**	–	–	**60**	–
Bulawan Mining Corporation [3]	Mine operation, development and utilization	**–**	**100[f] [8]**	–	–	**100**	–

(1) *Ceased commercial operations effective May 1, 2001*
(2) *Effective ownership interest through MACS[a], MAPDC[b], BTSI[c], WBSI[d], ASSC[e], and MMC[f]*
(3) *No commercial operations as of December 31, 2018*
(4) *Effective ownership starting December 2, 2016*
(5) *Effective ownership starting August 1, 2017*
(6) *Incorporated on December 5, 2017*
(7) *Effective ownership starting October 1, 2018*
(8) *Effective ownership starting November 15, 2018*

Subsidiaries are entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial 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 PFRS 9, 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, MacroAsia WLL, 35%-owned, and Citicore Summa Water Corporation (CSWC), 24%-owned through SWRI (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, 2018 and 2017, the Group's equity investments held at FVTOCI/AFS investments are carried at fair value and with fair value measurements at each reporting period (see Note 15). Also, fair values of financial instruments measured at amortized cost are disclosed in Note 32. The Group also discloses the fair value of its investment property with unrecognized fair value measurements (see Notes 13 and 32).

Financial Assets and Financial Liabilities

Accounting Policies Starting January 1, 2018

Initial recognition and measurement
A financial instrument is any contract that gives rise to financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVTOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain significant financing component or for which the Group has applied the practical expedient, the Group measures a financial asset at fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or which the Group has applied the practical expedient are measured at transaction price determined under PFRS 15.

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

As at December 31, 2018, the Group's financial assets consist of financial assets at amortized cost and financial assets at FVTOCI with no recycling of cumulative gains and losses upon derecognition.

Financial assets at amortized cost (debt instruments)
This category is most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

As of December 31, 2018, the Group's financial assets at amortized cost includes cash and cash equivalents, receivables, refundable deposits and restricted cash investments included under "Other noncurrent assets".

Financial assets designated at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

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

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

As of December 31, 2018, the Group does not have debt instruments designated at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity instruments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments, Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVTOCI are not subject to impairment assessment.

As of December 31, 2018, the Group's equity instruments at fair value through OCI include golf club shares and equity shares.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Accounting Policies Prior to January 1, 2018

Date of recognition
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. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition and classification of financial instruments
Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those designated at FVTPL, includes transaction costs.

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments, and AFS financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities, on the other hand, are classified into the following categories: financial liabilities at FVTPL and other financial liabilities, as appropriate. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation 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.

As at December 31, 2017, the Group's financial assets pertain to loans and receivables and AFS financial assets, while financial liabilities pertain to other financial liabilities.

Subsequent measurement

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently carried either at cost or amortized cost in the consolidated balance sheet. Amortization is determined using the effective interest method. 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 at December 31, 2017, the Group's cash and cash equivalents, receivables and restricted cash investment included under "Other noncurrent assets" are classified as loans and receivables.

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

Loans and receivables
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. If there is objective evidence that an impairment loss on financial assets 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 is recognized in 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 or continues to be recognized are not included in a collective assessment of impairment. 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. 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.

Accounting Policies Applicable to Both Periods

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as FVTPL upon the inception of the liability. These include liabilities arising from operating and financing activities.

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

Accounts payable and accrued expenses 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 costs.

The Group's accounts payable and accrued expenses (except for statutory payables), notes payable and long- term debt, and dividends payable are classified as other financial liabilities.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

- the right to receive cash flows from the asset has expired;
- 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 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.

"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 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 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 offset (i.e., rights that are not dependent on the occurrence of a future event) 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 insolvency or bankruptcy of the Group and all of the counterparties.

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.

Cash and cash equivalents which are restricted in use are not presented as part of cash, but presented separately as part of "Other current assets" or "Other noncurrent assets" depending on the maturity.

Inventories

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

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

Other Current Assets

Other current assets include excess creditable withholding taxes and prepayments. Creditable withholding taxes are deducted from income tax due on the same year the revenue was recognized, with excess recognized as current asset. Prepayments are expenses paid in advance and recorded as asset before they are utilized. They are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets, otherwise, these are classified as other noncurrent assets.

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

Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, if applicable.
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 consolidated 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 consolidated 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 of input VAT to TCC. 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 for which the Group is allowed or entitled to in accordance with applicable laws and can be used to settle the Group's obligations due to the national government.

Property and Equipment

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

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

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

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

Except for the helicopter which 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
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 14).

Revenue and Cost Recognition. The Group recognizes and measures revenue and cost in accordance with PFRS 15, 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.

Contract assets ongoing construction. During the construction phase of the arrangements, the Group's contract asset (representing its accumulating right to be paid for rehabilitation works) is presented as part of "Service concession assets" (SCA) for intangible asset model.

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.

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 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.

Deferred Rent Expense

Deferred rent expense, which is included as part of "Other noncurrent assets", 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

Accounting Policies starting January 1, 2018
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group has generally concluded that it is principal in its revenue arrangements because it typically controls the goods and services before transferring them to the customer.

Sale of goods (beverage and dry store)
Sale of beverage and dry store is recognized at point in time upon delivery of goods to and acceptance by airline clients and other customers.

Rendering of services
Revenue from inflight and other catering, ground handling, aviation and administrative services, charter flights, water service (including provision of potable water and treatment of sewage water) and exploratory drilling services is recognized over time when the related services are rendered.

The Group, through BTSI, also provides operation and maintenance of sewerage treatment plant ("STP") that is either performed separately or together with the construction of STP. The operation and maintenance of STP can be obtained from other providers and do not significantly customize or modify the construction of STP. Contracts for construction and operation and maintenance of STP comprise two separate and distinct performance obligations because each are capable of being distinct and separately identifiable.

In determining the transaction price for the construction and operation and maintenance of sewerage treatment plant, the Group allocates the transaction price based on relative stand-alone selling prices of the performance obligations. Further, the Group considers the effects of variable consideration and the existence of significant financing component.

Revenue from construction of STP is recognized over time as the construction of STP creates an asset that the customer controls as the STP is constructed. Revenue from operation and maintenance of STP is recognized over time as the customers simultaneously receive and consume the benefits provided by the Group.

Variable consideration
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at the contract inception and is not constrained as it is not highly probable that a significant revenue recognized will occur as the uncertainty on the variable consideration will be resolved within a short time frame.

Significant financing component
Generally, the Group receives the consideration within the normal credit terms from its customers. Using the practical expedient in PFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of promised good or service to the customer will be one year or less.

The Group receives the consideration for BTSI's construction of STP over three to four years. The transaction price for such contracts is discounted using the rate that would be reflected in a separate financing transaction between BTSI and its customers at contract inception to take into consideration the significant financing component.

Contract Balances
Contract Assets
A contract asset is the right to consideration in exchange for goods and services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration of before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional. Refer to accounting policies of financial assets in section Financial Assets and Financial Liabilities – initial recognition and subsequent measurement.

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods and services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Accounting Policies Prior to January 1, 2018
Revenue is recognized to the extent that it is probable that the economic benefits associated to 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 its major revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

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.

Accounting Policies Applicable to Both Periods

Rental income

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

Interest income

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

Construction revenue

See accounting policy under "Service Concession Right".

Dividend income

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

Other income

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

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.

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 financial assets held at FVTOCI/AFS investments, remeasurements in the Group's defined benefit plans and the Group's share in associates' remeasurements on defined benefit plans.

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.

Leases where the Group retains legal title to assets but passes substantially all the risks and rewards of ownership to the lessee in return for a stream of rentals are classified as finance leases. The Group recognizes assets held under a finance lease as an amount equal to the net investment in the lease as "Finance lease receivables." The net investment in the lease is the gross investment discounted at the interest rate implicit in the lease. The gross investment in the lease is the aggregate of the minimum lease payments receivable by the Group, and any guaranteed and unguaranteed residual value. Initial direct costs are in the measurement of the net investment in the least at inception. The lease payments received from the lessee are treated as repayments of principal and finance income.

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 liaility 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 th 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
Cash dividends on common shares are recognized as liability and deducted from retained earnings upon declaration by the BOD.

Stock dividends on common shares are measured based on the total par value of declared stock dividend. Stock dividends are deducted from retained earnings when the BOD's declaration is ratified by the stockholders of the Parent Company. Unissued stock dividends are recorded as stock dividends distributable and credited to capital stock upon issuance.

Dividends for the year that are declared after the end of the reporting period but before the approval for issuance of parent company financial statements are dealt with as an event after the reporting period.

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 effect of stock dividends, if any, is accounted for retrospectively, the Company has no potentially dilutive shares as of December 31, 2018 and 2017.

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, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in acordance 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$.

Revenue from contracts with customers
The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Allocation of total transaction price between construction and operation and maintenance of STP*
  Management determined that the contractually agreed price for construction of STP does not depict the amount the Group expects to receive for the performance obligation as the costs of STP are also expected to be recovered through the fees from operation and maintenance. Accordingly, the Group determined that the total transaction price of construction and operation and maintenance (i.e., the performance obligations) of STP needs to be allocated. This required the estimation of each of the performance obligation's stand-alone selling prices based on expected value method. The Group estimates consideration from the construction of STP based on expected gross margin. On the other hand, the Group estimates the variable consideration from operation and maintenance of STP based on the historical patterns of water consumption and room capacity of the Group's customers.

  In 2018, the revenue recognized for the construction and the operation and maintenance of STP amounted to ₱112.8 million and ₱0.4 million, respectively. Due to the allocation of transaction price, contract assets, which will be realized as receivables as the Group renders operation and maintenance, amounted to ₱28.3 million as of December 31, 2018 (see Notes 6 and 19).

- *Determination of the timing of satisfaction of performance obligation*
  In- flight and other catering, ground handling and aviation, and water services
  The Group assessed that performance obligation for inflight and other catering, except for dry store and beverage, ground handling and aviation and water services are rendered to the customers over time. As a result, the Group revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment.

  Sale of dry store and beverage
  The Group assessed that performance obligation for sale of dry store and beverage are satisfied at a point in time. The Group uses its judgment on when a customer obtains control of the promised goods. The Group has assessed that the actual delivery of the goods to the customer is the point in time when the performance obligation has been satisfied.

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, 2018 and 2017, the Group still determined that it controls its subsidiaries and has significant influence over its associates.

Assessment of 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 14).

Classification of lease arrangements
The Group as a Lessor
The Group has property leases where it has determined that the risks and rewards related to such property are retained with the lessor (i.e., no transfer of ownership of leased assets by the end of the lease term). Rental income amounted to ₱183.0 million, ₱190.6 million and ₱188.8 million in 2018, 2017 and 2016, respectively (see Note 18).

The Group as a Lessee
The Group, through SWRI, has a lease agreement with a third-party covering water equipment for 23 years where the lessee has an option to purchase the leased asset at any time during the lease term. Further, the current lease term approximates the economic useful lives of the related equipment. Accordingly, the related agreement was accounted for as finance lease. The carrying value of finance lease receivable amounted to ₱15.2 million (see Note 15).

The Group also has property leases where it has determined that the risks and rewards related to such properties are retained by the lessor. The leases are accounted for as operating leases.

Rental expense amounted to ₱271.6 million, ₱253.4 million and ₱237.0 million in 2018, 2017 and 2016, respectively (see Notes 19, 20 and 28).

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 2018, management finalized the purchase price allocation of its acquisition of NAWASCOR in 2017 which resulted in recognition of an intangible asset other than goodwill amounting to ₱112.2 million. The final goodwill from acquisition of NAWASCOR amounted to ₱36.9 million (see Notes 10 and 14).

As of December 31, 2018, the Group is in the process of determining the fair value of the identified assets and liabilities at the date of acquisition and applied provisional accounting to consolidate SWRI. The acquisition of SWRI resulted in provisional goodwill amounting to ₱33.3 million (see Notes 10 and 14).

Provision for expected credit losses (PFRS 9) - Effective starting January 1, 2018
The Group uses a provision matrix to calculate ECLs for financial assets at amortized cost. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed.

The assessment of the correlation between observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The Group's receivables, net of allowance for the expected credit losses of ₱14.9 million, amounted to ₱897.5 million as of December 31, 2018 (see Note 6).

Estimation of allowance for doubtful accounts (PAS 39) - Effective prior to January 1, 2018
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, net of allowance for doubtful accounts of ₱8.2 million, amounted to ₱697.8 million as of December 31, 2017 (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 2018, 2017 and 2016.

The Group's inventories carried at cost as of December 31, 2018 and 2017 amounted to ₱88.8 million and ₱79.1 million, respectively (see Note 7).

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, 2018 and 2017, the carrying value of input taxes and TCCs amounted to ₱341.0 million and ₱217.6 million, respectively. Allowance for probable losses amounted to ₱47.7 million and ₱89.6 million, respectively (see Note 8).

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 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 2018 and 2017.

The carrying value of property, plant and equipment subject to depreciation as of December 31, 2018 and 2017 amounted to ₱861.3 million and ₱641.6 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. In 2018, NAWASCOR was granted additional concession period of 15 years by the Municipality of Naic, Cavite. Accordingly, NAWASCOR changed its useful life from 25 years to 40 years (see Note 28).

Amortization for the service concession right amounted to ₱18.7 million in 2018 and 2017 and ₱11.0 million in 2016. The carrying value of the service concession right amounts to ₱408.7 million and ₱402.9 million as of December 31, 2018 and 2017, respectively (see Note 14).

Estimation of useful life of intangible assets acquired as part of business combination
The assigned useful lives of intangible 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 ₱65.0 million and ₱68.4 million as of December 31, 2018 and 2017, respectively. The carrying value of the right to use asset amounted to ₱70.6 million as of December 31, 2018 and 2017 (see Note 14).

Impairment of AFS investments - Effective prior to January 1, 2018
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 these AFS debt investments amounted to ₱65.2 million as of December 31, 2017 (see Note 15).

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 these AFS equity investments amounted to ₱45.2 million as of December 31, 2017, (see Note 15).

Determination of impairment indicators and impairment testing of nonfinancial assets

Nonfinancial assets other than goodwill and intangible assets with indefinite life
The Group assesses at each reporting date whether there is any indication that its nonfinancial assets other than goodwill and intangible assets with indefinite life (i.e., investments in associates, property, plant and equipment, investment property, service concession right, intangible assets, deferred project costs) 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.

If such indication exists, the Group performs impairment testing to estimate the recoverable amount of the related asset. Management determined certain facts which indicate impairment of the service concession right which required impairment testing as of December 31, 2018.

The carrying values of the nonfinancial assets are as follows:

	2018	2017 (As restated, Note 10)
Investments in associates (Note 9)	**₱2,514,655,508**	₱2,065,182,361
Property, plant and equipment (Note 12)	**2,059,122,487**	1,145,108,621
Investment property (Note 13)	**143,852,303**	143,852,303
Service concession right (Note 14)	**408,658,272**	402,916,926
Deferred project costs (Note 15)	**56,813,350**	42,255,200
Deferred mine exploration costs (Note 29)	**20,418,948**	20,418,948

For the purpose of impairment testing of SNVRDC's service concession right, recoverable amount is determined based on the value-in-use using cash flow projections based on financial budgets as approved by management covering 20 years of projections, coterminous to the term of the concession agreement with the Municipality of Solano. The projected cash flows are based on expectations of future outcomes considering past experience, adjusted for anticipated revenue growth based on management's future plans. 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 pre-tax discount rate used is 14.5% in 2018. Refer to Note 14 on the discussions of assumptions which are most sensitive to impact the calculated value-in-use. The carrying value of the service concession right subjected to impairment testing amounted to ₱281.9 million and ₱295.2 million as of December 31, 2018 and 2017, respectively (see Note 14).

Goodwill and intangible assets with indefinite life
For goodwill and intangible assets with indefinite useful life, the Group performs impairment testing at least on an annual basis or more frequently, if events or changes in circumstances indicate that it may be impaired. For the purpose of impairment testing, goodwill has been allocated to BTSI group, NAWASCOR and MACS in 2018 and 2017 as the cash generating units. Goodwill acquired from the acquisition of SWRI is yet to be allocated to the cash-generating unit.

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 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 pre-tax discount rate used ranges 15.4% to 17.0% in 2018 and 14.1% to 15.6% in 2017.

The carrying value of goodwill subjected to impairment testing, except for goodwill arising from SWRI acquisition, amounted to ₱100.5 million as of December 31, 2018 and 2017 (see Note 14).

For the 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 pre-tax discount rates used range from 17.0% in 2018 and 16.7% in 2017.

The carrying value of right to use asset amounted to ₱70.6 million as of December 31, 2018 and 2017 (see Note 14).

Management believes that no reasonably possible change in any of the assumptions used would cause the carrying values of the goodwill and right to use asset to exceed their recoverable amounts. Based on management's assessment, the recoverable amounts of these assets are higher than their carrying values, thus no impairment loss was recognized.

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) for its Infanta Nickel Project valid and subsisting as affirmed by the MGB through the Department of Environment and Natural Resources (DENR), the Company assessed the prevailing mining prospects does not support for nickel mining. Accordingly, management believes that the full provision for probable loss amounting to ₱212.9 million recognized in 2016 is still appropriate as of December 31, 2018. Further, 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 (see Note 29).

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 ₱19.3 million and ₱17.5 million as of December 31, 2018 and 2017, respectively (see Note 21). Pension asset amounted to ₱37.2 million and ₱19.5 million as of December 31, 2018 and 2017, respectively, and is included under "Other noncurrent assets" account (see Note 15). Retirement benefits cost amounted to ₱25.9 million, ₱22.4 million and ₱20.4 million in 2018, 2017 and 2016, respectively (see Note 21). Accumulated leave credits amounted to ₱9.7 million and ₱11.5 million as of December 31, 2018 and 2017, respectively (see Note 21).

Estimation of provisions for probable loss
The Group is a party to certain claims arising from the normal course of business. The estimate of probable costs of possible claims has been developed in consultation with the Company's legal counsel and is based upon an analysis of potential results. In 2016, the Group recognized provision for claims amounting to ₱4.8 million (see Note 22). Outstanding amounts of provision which are included as part of "Accounts payable and accrued liabilities" amounted to ₱4.8 million as of December 31, 2017 (see Note 16). 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, 2018 and 2017 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 ₱950.6 million and ₱691.1 million as of December 31, 2018 and 2017, respectively, which are included as part of LTP's "Current liabilities." The provision (reversal of provision) for probable losses and claims recognized in profit or loss amounted to ₱259.4 million in 2018 , (₱241.5 million) in 2017 and ₱534.3 million in 2016 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 ₱45.7 million and ₱37.9 million as of December 31, 2018 and 2017, respectively. The Group also has unrecognized deferred income taxes primarily on the non-operating subsidiaries' temporary differences, NOLCO and MCIT (see Note 25).

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 and MAATS, 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 28), which MAPDC leases from Manila International Airport Authority (MIAA) with LTP as the anchor locator (see Note 18).

- Charter flights segment, was operated by MAATS up to 2016, 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, NAWASCOR and SWRI. The Group 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. The Group is also engaged in the construction, operation and maintenance of sewage treatment facilities through BTSI.

- 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 2018, 2017 and 2016. Of the Group's total revenue, ₱941.4 million (or 27%), ₱810.2 million (or 28%) and ₱553.7 million (or 24%) in 2018, 2017 and 2016, respectively, was derived from two customers. For this purpose, the customers pertain to entities 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, 2018:

	Inflight and other catering	Groundhandling and aviation	Maintenance repairs and overhaul	Rental and administrative	Water treatment and distribution	Mining	Eliminations, Adjustments and Others	Total
Segment revenue	₱1,663,770,983	₱1,463,947,551	₱–	₱209,630,059	₱284,200,794	₱–	(₱20,947,932)	₱3,600,601,455
Direct costs	(1,102,589,553)	(1,176,064,366)	–	(234,940,224)	(245,222,996)	(13,666,586)	(1,039,205)	(2,773,522,930)
Gross profit (loss)	561,181,430	287,883,185	–	(25,310,165)	38,977,798	(13,666,586)	(21,987,137)	827,078,525
Equity in net earnings of associates	47,549,870	–	1,011,684,062	–	–	–	–	1,059,233,932
	608,731,300	287,883,185	1,011,684,062	(25,310,165)	38,977,798	(13,666,586)	(21,987,137)	1,886,312,457
Operating expenses	(361,623,558)	(156,981,223)	–	(48,739,360)	(64,940,278)	(13,238,254)	(78,380,369)	(723,903,042)
Interest income	3,076,525	113,745	–	1,424,990	839,735	36,650	5,584,956	11,076,601
Financing charges	–	(11,778,682)	–	(1,248,148)	(7,814,001)	–	(5,610,416)	(26,451,247)
Other income	27,382,296	7,425,947	–	18,555,629	8,806,346	(55,050)	910,087	63,025,255
Income (loss) before income tax	277,566,563	126,662,972	1,011,684,062	(55,317,054)	(24,130,400)	(26,923,240)	(99,482,879)	1,210,060,024
Provision for income tax	(74,746,606)	(40,072,511)	–	(1,178,298)	(3,373,516)	(7,330)	(1,253,709)	(120,631,970)
Segment profit (loss)	₱202,819,957	₱86,590,461	₱1,011,684,062	(₱56,495,352)	(₱27,503,916)	(₱26,930,570)	(₱100,736,588)	₱1,089,428,054
Depreciation and amortization expense	₱47,398,159	₱52,754,576	₱–	₱4,880,352	₱47,148,621	₱7,232,532	₱18,245,373	₱177,659,613
Segment profit attributable to:								
Equity holders of the Company	151,580,828	86,590,461	1,011,684,062	(56,495,352)	(24,644,348)	(26,930,570)	(87,723,822)	1,054,061,259
Non-controlling interests	51,239,129	–	–	–	(2,859,568)	–	(13,012,766)	35,366,795

Other financial information of the operating segments as of December 31, 2018 is as follows:

	Inflight and other catering services	Ground handling and aviation	Maintenance repairs and overhaul	Rental and administrative	Water treatment and distribution	Mining	Eliminations, Adjustments and Others	Total
Assets:								
Current assets	₱714,036,409	₱599,004,605	₱–	₱553,526,435	₱158,102,316	₱24,130,038	(₱195,534,079)	₱1,853,265,724
Noncurrent assets	1,121,869,122	530,200,813	–	1,145,591,135	1,230,952,425	13,770,002	2,265,119,419	6,307,502,916
	₱1,835,905,531	₱1,129,205,418	₱–	₱1,699,117,570	₱1,389,054,741	₱37,900,040	₱2,069,585,340	₱8,160,768,640
Liabilities:								
Current liabilities	₱697,487,097	₱673,931,350	₱–	₱1,153,780,429	₱757,418,922	₱6,050,003	(₱1,956,152,388)	₱1,332,515,413
Noncurrent liabilities	370,005,636	62,522,978	–	148,495,634	272,591,776	2,489,265	128,503,040	984,608,329
	₱1,067,492,733	₱736,454,328	₱–	₱1,302,276,063	₱1,030,010,698	₱8,539,268	(₱1,827,649,348)	₱2,317,123,742
Equity attributable to:								
Equity holders of the Company	₱716,856,432	₱392,751,090	₱–	₱422,867,033	₱361,903,610	₱29,360,772	₱3,569,562,634	₱5,493,301,571
Non-controlling interests	51,556,366	–	–	–	(2,859,567)	–	301,646,528	350,343,327
Investments in associates	30,374,348	–	2,453,279,160	–	31,002,000	–	–	2,514,655,508
Additions to noncurrent assets -								
Property, plant and equipment	536,572,091	222,925,259	–	67,181,093	205,073,263	–	5,071,129	1,036,822,835

For the year ended December 31, 2017 (As restated, Note 10):

	Inflight and other catering	Groundhandlingand aviation	Maintenance repairs and overhaul	Rental and administrative	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)	(133,107,533)	(27,433,991)	8,692,028	(2,153,108,878)
Gross profit (loss)	535,439,261	224,079,906	–	25,420,152	35,669,138	(174,269)	(34,615,029)	785,819,159
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	35,669,138	(174,269)	(34,615,029)	1,753,762,674
Operating expenses	(338,499,612)	(131,033,078)	–	(63,142,533)	(70,168,756)	(7,330,889)	(4,337,337)	(614,512,205)
Interest income	2,547,473	120,490	–	1,231,728	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	14,008,229	–	2,148,439	21,545,728	–	(63,440)	44,287,891
Income (loss) before income tax	245,680,908	104,618,360	928,398,664	(35,424,863)	(13,490,281)	(7,499,615)	(39,650,356)	1,182,632,817
Provision for income tax	(78,102,981)	(34,514,780)	–	(868,720)	(5,556,544)	(10,566)	(555,872)	(119,609,463)
Segment profit (loss)	₱167,577,927	₱70,103,580	₱928,398,664	(₱36,293,583)	(₱19,046,825)	(₱7,510,181)	(₱40,206,228)	₱1,063,023,354
Depreciation and amortization expense	₱37,271,687	₱46,275,425	₱–	₱3,914,202	₱41,731,390	₱8,130,962	₱17,799,857	₱155,123,523
Segment profit attributable to:								
Equity holders of the Company	120,262,901	70,103,580	928,398,664	(36,293,583)	(20,761,020)	(7,510,181)	(34,958,308)	1,019,242,053
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	Water treatment and distribution	Mining	Eliminations, Adjustments and Others	Total
Assets:								
Current assets	₱828,664,861	₱437,527,407	₱–	₱370,282,126	₱123,305,323	₱24,562,085	₱42,684,624	₱1,827,026,426
Noncurrent assets	610,217,343	280,795,268	–	1,056,051,764	884,688,458	17,714,954	1,823,003,854	4,672,471,641
	₱1,438,882,204	₱718,322,675	₱–	₱1,426,333,890	₱1,007,993,781	₱42,277,039	₱1,865,688,478	₱6,499,498,067
Liabilities:								
Current liabilities	₱796,954,441	₱336,636,526	₱–	₱858,807,788	₱501,534,408	₱82,228,307	(₱1,101,244,623)	₱1,474,916,847
Noncurrent liabilities	20,923,246	80,435,013	–	147,766,176	27,465,325	2,295,125	115,414,590	394,299,475
	₱817,877,687	₱417,071,539	₱–	₱1,006,573,964	₱528,999,733	₱84,523,432	(₱985,830,033)	₱1,869,216,322
Equity attributable to:								
Equity holders of the Company	₱399,145,364	₱301,251,136	₱–	₱419,759,926	₱379,441,612	(₱42,246,393)	₱2,853,303,928	₱4,310,655,573
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	87,281,361	–	3,466,295	104,099,529	5,570,763	13,414,523	427,817,373

For the year ended December 31, 2016:

	Inflight and other catering	Groundhandling and aviation	Maintenance repairs and overhaul	Rental and administrative	Water treatment and distribution	Mining	Eliminations, Adjustments and Others	Total
Segment revenue	₱1,446,366,278	₱690,553,994	₱–	₱202,645,535	₱6,256,102	₱2,991,504	(₱13,856,196)	₱2,334,957,217
Direct costs	(916,872,779)	(527,747,707)	–	(178,365,054)	(19,378,522)	(19,532,386)	1,389,196	(1,660,507,252)
Gross profit (loss)	529,493,499	162,806,287	–	24,280,481	(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	162,806,287	497,267,996	24,280,481	(13,122,420)	(16,540,882)	(12,467,000)	1,206,884,739
Operating expenses	(297,298,075)	(101,492,298)	–	(59,746,298)	(16,272,505)	(217,904,592)	(20,490,174)	(713,203,942)
Interest income	753,536	88,787	–	1,096,897	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	29,201,173	–	1,349,537	2,086,260	–	11,045,394	75,143,625
Income (loss) before income tax	299,576,999	88,247,949	497,267,996	(33,958,479)	(27,298,758)	(234,443,502)	(16,850,836)	572,541,369
Provision for income tax	(102,784,083)	(27,054,586)	–	(849,500)	(394)	(657)	(1,684,586)	(132,373,806)
Segment profit (loss)	₱196,792,916	₱61,193,363	₱497,267,996	(₱34,807,979)	(₱27,299,152)	(₱234,444,159)	(₱18,535,422)	₱440,167,563
Depreciation and amortization expense	₱29,452,005	₱46,180,398	₱–	₱1,436,081	₱12,838,193	₱6,169,783	₱2,922,745	₱98,999,205
Segment profit attributable to:								
Equity holders of the Company	143,456,290	61,193,363	497,267,996	(34,807,979)	(25,175,265)	(234,444,159)	(18,535,422)	388,954,824
Non-controlling interests	53,336,626	–	–	–	(2,123,887)	–	–	51,212,739

5. Cash and Cash Equivalents

	2018	2017
Cash on hand and cash in banks (Note 18)	**₱556,907,949**	₱529,210,584
Short-term deposits (Note 18)	**118,288,884**	383,981,340
	₱675,196,833	₱913,191,924

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 ₱8.3 million, ₱5.5 million and ₱4.1 million in 2018, 2017, and 2016, respectively (see Note 22).

6. Receivables and Contract Assets

	2018	2017
Receivables:		
Trade:		
Third parties (Note 15)	**₱448,908,361**	₱378,522,917
Related parties (Note 18)	**365,613,222**	244,689,507
Dividends receivable (Note 18)	**42,000,000**	34,000,000
Advances to officers and employees	**15,510,511**	17,634,082
Interest receivable	**2,271,732**	3,823,987
Other receivables (Note 27)	**38,161,559**	27,376,644
Contract assets	**2,876,886**	–
	915,342,271	706,047,137
Less allowance for:		
ECL	**14,918,648**	–
Doubtful accounts	–	8,224,828
	₱900,423,623	₱697,822,309

Trade receivables arise from the revenue-generating activities of the Group. These are non-interest bearing with normal credit terms ranging from 30 to 90 days.

Long - term receivables

Included under trade receivables are monthly installments due from customers from the construction of STPs. Payment terms from the said contracts are beyond one year; thus, contains significant financing component. In 2018, interest income earned from installment receivables amounted to ₱0.5 million (see Note 22).

As of December 31, 2018, outstanding receivables for construction of STPs are as follows:

Gross installment receivables	₱102,469,545
Less: unearned interest	(12,402,114)
	90,067,431
Current portion	(40,668,657)
Non-current portion* (Note 15)	₱49,398,774

**Included as part of Installment receivables-noncurrent*

In relation to the construction of STPs, the Group allocates the total transaction price earned between the construction of STPs and the operation and maintenance services for the STPs. The allocated amounts for the operation and maintenance services are recognized as contract assets. These contracts assets are realized as receivables as the Group performs the operations and maintenance of STPs, which is the remaining performance obligation, over the contract period of about 10 years. As of December 31, 2018, contract assets are presented based on the timing of realization, of which, ₱2.9 million and ₱25.4 million are presented as current and noncurrent portion, respectively, in the consolidated balance sheets (see Note 15).

Advances to officers and employees pertain to cash advances that are subject to liquidation.

Other receivables include amounts due from third party insurance company and certain government agencies (e.g., SSS) and employee loans which are payable through salary deductions. Further, as of December 31, 2017, "Other receivables" includes receivables from the third party buyer of 49% of WBSI in 2015 amounting to ₱18.5 million, which was collected in 2018.

Allowance for ECL/ doubtful accounts pertains to trade receivables. The rollforward analyses of the allowance for ECL as of December 31, 2018 and allowance for doubtful accounts as of December 31,2017 are as follows:

	2018	2017
Beginning balance	**₱8,224,828**	₱11,874,107
Provisions (Note 20)	**7,213,782**	456,219
Write-offs	**(519,962)**	(4,105,498)
Ending balance	**₱14,918,648**	₱8,224,828

7. **Inventories** - at cost

	2018	2017
Food and beverage	**₱58,679,328**	₱47,248,795
Materials and supplies	**30,094,983**	31,872,122
	₱88,774,311	₱79,120,917

Cost of inventories recognized as expense and included as part of "Food" and "Supplies" accounts under "Direct costs" amounted to ₱831.7 million, ₱641.8 million and ₱575.3 million in 2018, 2017 and 2016, respectively (see Note 19).

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

Other current assets consist of:

	2018	2017
Input taxes – net	**₱97,862,666**	₱72,015,601
Creditable withholding taxes	**46,062,130**	29,988,967
Advances to suppliers, contractors and others	**10,116,718**	12,706,220
Tax credit certificates - net	**6,709,902**	6,998,953
Others	**28,119,541**	15,181,535
	₱188,870,957	₱136,891,276

Input VAT

	2018	2017
Gross input tax	**₱376,220,947**	₱294,473,711
Less allowance for probable losses	**41,954,490**	83,836,402
	334,266,457	210,637,309
Less noncurrent portion	**236,403,791**	138,621,708
Current portion	**₱97,862,666**	₱72,015,601

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 ₱7.9 million, ₱12.3 million and ₱21.8 million in 2018, 2017 and 2016, respectively (see Note 20). Further, the Group wrote off input taxes amounting to ₱49.9 million and ₱3.6 million in 2018 and 2017, respectively, which were fully provided with allowance.

Creditable withholding taxes (CWTs) represent creditable tax certificates from customers which can be applied against any related income tax liability of a company in the Group to which the CWTs relate.

Tax credit certificates (TCCs) represent amounts supported by certificates available for credit against income tax. In 2018 and 2017, the Group received TCCs from the BIR amounting to ₱31.3 million and ₱20.9 million, respectively. TCCs applied as payment to income taxes amounted to ₱24.5 million and ₱30.2 million in 2018 and 2017, respectively. The allowance for probable losses for TCCs amounted to ₱5.8 million as of December 31, 2018 and 2017.

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

Others mostly consist of prepaid insurance, rent and utilities.

9. Investments in Associates

	Percentage of ownership interest	**2018**	2017
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
CSWC	**24****	**31,002,000**	–
		974,071,735	943,069,735
Accumulated equity in net earnings:			
Beginning of year		**1,266,114,651**	701,214,636
Share in net earnings for the year		**1,059,233,932**	967,943,515
Dividends declared to the Company (Note 18)		**(807,282,000)**	(403,043,500)
End of year		**1,518,066,583**	1,266,114,651

(Forward)

	2018	2017
Share in foreign currency translation adjustments:		
Beginning of year	**(₱52,663,046)**	(₱52,041,986)
Net foreign currency translation adjustments for the year	**106,010,813**	(621,060)
End of year	**53,347,767**	(52,663,046)
Share in re-measurement losses on defined benefit plans of associates:		
Beginning of year	**(91,092,464)**	(50,826,750)
Remeasurement gains (losses) on defined benefit plans for the year	**60,508,402**	(40,265,714)
End of year	**(30,584,062)**	(91,092,464)
Impairment allowance on investment in MacroAsia WLL	**(246,515)**	(246,515)
	₱2,514,655,508	₱2,065,182,361

**Effective ownership interest through MACS*
***Effective ownership through SWRI*

As of December 31, 2018 and 2017, the shares of stock of the associated companies are not traded in public and as such, have no publicly traded price quotation.

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, 2018, MacroAsia WLL has not yet started its commercial operations.

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.

CWSC

CSWC is a joint venture between SWRI and another domestic corporation in the Philippines. CSWC has bulk water supply with the water district of Janiuay, Iloilo. The registered office address of CWSC is 9/F, 45 San Miguel, San Miguel Avenue, Ortigas Center, Pasig City.

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

	2018	
	LTP	**CPCS**
Current assets	**₱6,113,831,497**	**₱145,772,098**
Noncurrent assets	**3,550,755,678**	**23,016,892**
Current liabilities	**(3,427,673,860)**	**(92,209,464)**
Noncurrent liabilities	**(1,230,221,151)**	**(478,771)**
Equity	**5,006,692,164***	**76,100,755**
Group's carrying amount of the investment	**₱2,453,279,160**	**₱30,374,348**

**Inclusive of cumulative foreign currency translation adjustments amounting to ₱106,010,811.*

Revenue from contracts with customers	**₱11,821,748,391**	**₱341,529,715**
Direct costs	**7,903,836,808**	**201,224,607**
Gross profit	**3,917,911,583**	**140,305,108**
General and administrative expenses	**1,687,823,781**	**16,019,855**
Net income	**2,064,661,350**	**118,874,675**
Other comprehensive income	**123,539,028**	**424,690**
Total comprehensive income	**2,188,200,378**	**119,299,365**
Group's share in the net income	**₱1,011,684,062**	**₱47,549,870**
Group's share in total comprehensive income	**₱1,072,218,185**	**₱47,719,746**

	2017	
	LTP	CPCS
Current assets	₱4,171,550,791	₱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	₱4,163,943,198*	₱62,125,490
Group's carrying amount of the investment	₱8,327,886,395	₱24,850,196

**Inclusive of cumulative foreign currency translation adjustments amounting to ₱107,475,604.*

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
Group's share in the net income	₱928,398,664	₱39,544,851
Group's share in total comprehensive income	₱885,730,224	₱41,947,577

	2016	
	LTP	CPCS
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
Group's share in the net income	₱497,267,996	₱35,166,778
Group's share in total comprehensive income	₱527,893,154	₱41,947,577

In the normal course of business, LTP is involved in certain claims by third parties mainly related to damages, consignment of inventories, labor and other contingencies. 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 are based upon an analysis of potential results. LTP recognized provisions amounting to ₱950.6 million and ₱691.1 million as of December 31, 2018 and 2017, respectively, which are included as part of "Current liabilities"of LTP's summarized financial information. The provision (reversal of provision) for probable losses and claims recognized in profit or loss amounted to ₱259.4 million, (₱241.5 million) and ₱534.3 million in 2018, 2017 and 2016, respectively, which is included as part of "General and administrative expenses" of LTP's summarized financial information.

Dividend received from LTP and CPCS amounted to ₱807.3 million, ₱389.1 million and ₱59.1 million in 2018, 2017 and 2016, respectively.

Further, the Group has interest in two immaterial associates. The financial information of these associates as of and for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Total assets	**₱63,461,017**	₱2,310,175
Total liabilities	**63,461,017**	2,310,175
Net loss	**(1,097,150)**	–
Group's carrying amount of the investments	**31,002,000**	–

10. Business Combination

Acquisition of NAWASCOR group

On August 1, 2017, the Group, through MAPDC, purchased the 100% shares of stock held by the former individual shareholders of NAWASCOR for a total consideration of ₱120.0 million. The Group acquired NAWASCOR as part of its strategy to grow its water treatment and distribution segment. As of December 31, 2017, the Group recognized the acquired assets and liabilities of NAWASCOR at provisional amounts.

In 2018, the Group engaged an external specialist to value NAWASCOR's water concession contract with the municipality of Naic (Memorandum of Agreement). This resulted in adjustments in the provisional amounts of the acquired assets and liabilities, which were retrospectively adjusted in the 2017 consolidated financial statements, as follows:

a. Identification and valuation of water service contract amounting to ₱74.2 million;
b. Increase in net deferred income tax liability by ₱22.1 million;
c. Reduction in goodwill by ₱52.7 million; and
d. Increase in amortization expense by ₱2.9 million and the related deferred income tax effect of ₱0.4 million.

The reconciliation of the provisional and final fair values of the identified assets and liabilities and analysis of cash flows as of the date of acquisition is presented on the next page.

	Provisional	Adjustments	Final
Assets			
Cash	₱444,965	₱–	₱444,965
Receivables	2,559,326	–	2,559,326
Service concession right	38,004,133	74,223,583	112,227,716
Property and equipment	1,650,000	–	1,650,000
Deferred income tax asset	–	564,653	564,653
Other assets	3,108,053	–	3,108,053
	45,766,477	74,788,236	120,554,713
Liabilities			
Accounts payable and accrued expenses	6,229,754	–	6,229,754
Accrued retirement benefits payable	1,882,176	–	1,882,176
Deferred income tax liabilities	7,268,878	22,059,610	29,328,488
	15,380,808	22,059,610	37,440,418
Total identifiable net assets at fair value	30,385,669	52,728,626	83,114,295
Goodwill (Note 15)	89,614,331	(52,728,626)	36,885,705
Purchase consideration	120,000,000	–	120,000,000
Analysis of Cash Flows			
Cash transferred as purchase consideration*			120,000,000
Transaction costs of the acquisition**			10,766,600
Cash acquired with the subsidiary*			(444,965)
Net cash transferred			₱130,321,635

**Included in cash flows from investing activities*
***Included in cash flows from operating activities*

The fair value of the water concession contract with the municipality of Naic 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 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.

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 net income before tax.

Acquisition of SWRI
On October 1, 2018, the Group, through ASSC, purchased the 60% shares of stock held by the former individual shareholders of SWRI for a total consideration of ₱63.0 million under a Share Purchase Agreement (SPA). The Group acquired SWRI as part of its strategy to grow its water treatment and distribution segment. The provisional fair values of the identified assets and liabilities and analysis of cash flows as at the date of acquisition is presented on the next page.

Assets	
Cash	₱1,552,968
Receivables	27,408,926
Inventories	4,642,600
Prepayments and other current assets	3,206,362
Property, plant and equipment	47,308,454
Investment in associate	31,002,000
Deferred income tax asset	665,266
Other noncurrent assets	6,293,688
	122,080,264
Liabilities	
Loans payable	24,429,778
Accounts payable and accrued expenses	43,484,635
Other noncurrent liabilities	4,708,049
	72,622,462
Total net assets at book value	49,457,802
Non-controlling interest	(19,783,120)
Goodwill (Note 14)	33,325,318
Purchase consideration	63,000,000
Analysis of Cash Flows	
Purchase consideration	63,000,000
Unpaid consideration*	(9,450,000)
Cash transferred as purchase consideration**	53,550,000
Transaction costs of the acquisition***	472,500
Cash acquired with the subsidiary**	(1,552,968)
Net cash transferred on acquisition	₱52,469,532

**Payment is subject to condition precedent in the SPA*
***Included in cash flows from investing activities*
****Included in cash flows from operating activities*

The Group elected to measure the noncontrolling interest at the proportionate share in the book value of SWRI. 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.

If the business combination had taken place at the beginning of 2018, the Group's revenue and income before income tax would have been ₱3,623.7 million and ₱1,229.0 million, respectively. From the date of acquisition, SWRI contributed ₱5.4 million to the Group's revenue and reduced income before income tax to ₱1,203.8 million.

11. Material Partly-owned Subsidiary

Set out on the next page 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:

	2018	2017
Current assets	**₱605,224,064**	₱578,814,430
Noncurrent assets	**518,549,251**	399,574,615
Current liabilities	**407,311,665**	359,899,158
Noncurrent liabilities	**6,352,843**	7,636,002
Equity	**710,108,807**	610,853,885
Equity attributable to non-controlling interest	**234,335,906**	201,581,702

Summarized statements of income:

	2018	2017	2016
Revenue	**₱1,662,854,455**	₱1,541,020,403	₱1,446,366,278
Direct costs	**1,101,952,910**	1,004,592,447	916,872,784
Operating expenses	**342,249,529**	323,595,522	284,394,039
Net income	**173,490,184**	143,378,867	174,514,278
Net income attributable to non-controlling interest	**57,251,761**	47,315,026	57,589,712

Summarized statements of comprehensive income:

	2018	2017	2016
Net income	**₱173,490,184**	₱143,378,867	₱174,514,278
Other comprehensive income	**764,738**	1,477,525	2,652,455
Total comprehensive income	**174,254,922**	144,856,392	177,166,733
Total comprehensive income attributable to non-controlling interest	**57,504,124**	47,802,608	58,465,027

Summarized statements of cash flows:

	2018	2017	2016
Cash flows from operations	**₱152,623,778**	₱162,472,304	₱263,498,808
Cash flows used in investing activities	**(248,087,715)**	(55,146,343)	(120,182,072)
Cash flows used in financing activities	**(37,500,000)**	(95,000,000)	(25,000,000)

12. Property, Plant and Equipment

	2018				
	January 1, 2018	Additions	Additions through business combination (Note 10)	Adjustments, Reclassifications and Disposal	December 31, 2018
Cost					
Land and land improvements	**₱305,707,114**	**₱3,828,083**	**₱–**	**₱–**	**₱309,535,197**
Building and leasehold improvements	**453,181,774**	**1,786,703**	**–**	**–**	**454,968,477**
Kitchen and other operations equipment	**368,953,424**	**56,634,823**	**–**	**(10,403,329)**	**415,184,918**
Transportation equipment	**326,565,550**	**27,111,396**	**254,118**	**(5,586,756)**	**348,344,308**
Aviation equipment	**358,380,538**	**211,457,017**	**–**	**–**	**569,837,555**

(Forward)

	2018				
	January 1, 2018	Additions	Additions through business combination (Note 10)	Adjustments, Reclassifications and Disposal	December 31, 2018
Plant and technical equipment	**₱30,950,737**	**₱4,553**	**₱125,557**	**₱–**	**₱31,080,847**
Water pumps and machineries	**55,293,683**	**9,291,072**	**46,858,103**	**–**	**111,442,858**
Water pipelines	**108,104,929**	**–**	**–**	**–**	**108,104,929**
Office furniture, fixtures and equipment	**101,537,338**	**12,932,937**	**70,676**	**(456,301)**	**114,084,650**
Drilling equipment	**5,735,469**	**–**	**–**	**–**	**5,735,469**
Construction in progress (Notes 16 and 18)	**212,197,836**	**713,776,251**	**–**	**(21,943,548)**	**904,030,539**
	2,326,608,392	**1,036,822,835**	**47,308,454**	**(38,389,934)**	**3,372,349,747**
Accumulated Depreciation and Amortization					
Land improvements	**(₱11,040,709)**	**(₱379,378)**	**₱–**	**(₱916,573)**	**(₱12,336,660)**
Buildings and leasehold improvements	**(358,645,669)**	**(10,225,722)**	**–**	**–**	**(368,871,391)**
Kitchen and other operations equipment	**(290,467,763)**	**(29,630,600)**	**–**	**14,109,320**	**(305,989,043)**
Transportation equipment	**(174,607,959)**	**(33,182,100)**	**–**	**6,643,648**	**(201,146,411)**
Aviation equipment	**(216,509,223)**	**(36,143,534)**	**–**	**–**	**(252,652,757)**
Plant and technical equipment	**(1,897,289)**	**(1,827,999)**	**–**	**–**	**(3,725,288)**
Water pumps and machineries	**(7,121,276)**	**(8,163,154)**	**–**	**2,500**	**(15,281,930)**
Water pipelines	**(23,322,827)**	**(17,518,874)**	**–**	**(425,513)**	**(41,267,214)**
Office furniture, fixtures and equipment	**(92,151,587)**	**(14,490,888)**	**–**	**421,378**	**(106,221,097)**
Drilling equipment	**(5,735,469)**	**–**	**–**	**–**	**(5,735,469)**
	(1,181,499,771)	**(151,562,249)**	**–**	**19,834,760**	**(1,313,227,260)**
Net Book Value	**₱1,145,108,621**	**₱885,260,586**	**₱47,308,454**	**(₱18,555,174)**	**₱2,059,122,487**

	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
Aviation equipment	290,638,962	67,741,576	–	–	358,380,538
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
Office furniture, fixtures and equipment	93,775,230	12,218,992	150,000	(4,606,884)	101,537,338
Drilling equipment	5,735,469	–	–	–	5,735,469
Construction in progress (Notes 16 and 18)	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)

(Forward)

	2017				
	January 1, 2017	Additions	Additions through business combination (Note 10)	Adjustments, Reclassifications and Disposal	December 31, 2017
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)
Office furniture, fixtures and equipment	(82,296,717)	(10,248,524)	–	393,654	(92,151,587)
Drilling equipment	(5,735,469)	–	–	–	(5,735,469)
	(1,057,051,171)	(129,829,039)	–	5,380,439	(1,181,499,771)
Net Book Value	₱849,823,800	₱297,988,334	₱1,650,000	(₱4,353,513)	₱1,145,108,621

Acquisitions of property and equipment on credit amounting to ₱63.2 million in 2018 are included as part of "Accounts payable and accrued liabilities" account as of December 31, 2018. These are treated as noncash investing activities in the consolidated statements of cash flows.

As of December 31, 2018, the construction in progress pertains to the completion of a kitchen facility of the Group which is expected to be completed in the second quarter of 2019.

Depreciation and amortization is distributed as follows:

	2018	2017	2016
Direct costs (Note 19)	**₱122,457,830**	₱109,508,133	₱74,095,691
General and administrative expenses (Note 20)	**29,104,419**	20,320,905	13,740,730
	₱151,562,249	₱129,829,038	₱87,836,421

The costs of fully depreciated property and equipment which are still in use amounted to ₱859.4 million and ₱820.1 million as of December 31, 2018 and 2017, 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, 2018 and 2017. The fair value of the investment property amounted to ₱261.1 million which is based on the latest available appraisal report rendered by a Philippine SEC-accredited professional firm of appraisers as of December 31, 2016 (see Note 32). 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 in 2016. 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 2018, 2017 and 2016 (see Note 20).

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

14. Service Concession Right, Intangible Assets and Goodwill

Service Concession Right

	2018	2017 (As restated, Note 10)
Cost		
Beginning balance	**₱432,610,702**	₱321,101,567
Additions through business combination (Note 10)	–	112,227,716
Additions	**24,406,608**	4,300,110
Adjustments	–	(5,018,691)
	457,017,310	432,610,702
Accumulated amortization		
Beginning balance	**29,693,776**	10,988,267
Amortization (Note 19)	**18,665,262**	18,705,509
Ending balance	**48,359,038**	29,693,776
Net Book Value	**₱408,658,272**	₱402,916,926

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 28). Pursuant to Philippine Interpretation IFRIC 12, the Group recognizes intangible assets in accordance with the accounting policies stated in Note 2.

The additions to service concession right in 2018 amounting to ₱24.4 million pertain to costs of ongoing construction of water facilities and pipe laying activities. These are recognized as contract assets and are presented as part of service concession right in the 2018 consolidated balance sheet.

As of December 31, 2018, management performed impairment test of SNVRDC's service concession right due to SNVRDC's continued losses since the start of commercial operations in 2016. SNVRDC is part of water treatment and distribution segment. SNVRDC's service concession right, which pertains to incurred construction costs, as at December 31, 2018 amounted to ₱281.9 million. Management has determined based on the impairment test that the value in use exceeds the carrying value of the service concession right.

The calculation of value in use is most sensitive to the following assumptions:

- *Discount rate (14.5%)* – Discount rate represents the current market assessment of the risk specific to the Company, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is derived from the weighted average cost of capital (WACC). The Group used WACC rate as affected by beta of companies with similar activities and capital structure. WACC is also affected by costs of debt and capital based on average lending rates for long-term loans.

- *Average volume of annual water consumption (2.7 million cubic meter)* – The average volume of annual water consumption is based on management's best estimate of water consumption per customer and increases in number of connections considering factors such as historical trend, market analysis, government regulations and other economic factors.

- *Tariff rate (average tarrif rate with average annual increase of 3%)* – Tariff rate represents the management's forecasted average price per cubic meter the Group would charge its customers considering the estimated increase to be granted by the Municipality of Solano, the approved tariff rate of National Water Regulations Board, and the estimated yearly increase that is acceptable to the customers.

Sensitivity to Changes in Assumptions
Other than as disclosed above, management believes that any reasonable possible change in any of the above assumptions would not cause the carrying value to exceed its recoverable amount.

Intangible Assets and Goodwill

	2018	2017
Customer contract and relationships	**₱65,036,659**	₱68,427,062
Right to use asset	**70,600,000**	70,600,000
Goodwill	**133,798,849**	100,473,531
	₱269,435,508	₱239,500,593

Customer contract and relationships
Customer contract and relationships pertain to Group's long-term water supply contract with a third party and established relationships with the existing customers through service contracts. These are identified intangible assets as part of the acquisition of BTSI group in 2016. 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 amortization of customer contract and relationships amounted to ₱3.4 million in 2018 and ₱3.7 million in 2017 and nil in 2016.

Right to use asset
The right to use assets pertain 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 assets have 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 ₱133.8 million and ₱100.5 million as of December 31, 2018 and 2017 resulted from the Group's acquisition of: (a) 13% non-controlling interest from a previous stockholder of MACS in 2006, (b) 67% of BTSI in 2016, (c) 100% of NAWASCOR in 2017 and (d) 60% of SUMMA in 2018 (see Note 10). As of December 31, 2018, the goodwill from the acquisition of SWRI is still at its provisional value and allocation to CGU is yet to be finalized.

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

	MACS	BTSI	NAWASCOR (As restated, Note 10)	SWRI (Note 10)	Total
December 31, 2016	**₱17,531,232**	**₱46,056,594**	**₱–**	**₱–**	**₱63,587,826**
Addition through business combination	–	–	36,885,705	–	36,885,700
December 31, 2017	**17,531,232**	**46,056,594**	**36,885,705**	**–**	**100,473,531**
Addition through business combination	–	–	–	33,325,318	33,325,318
December 31, 2018	**₱17,531,232**	**₱46,056,594**	**₱36,885,705**	**₱33,325,318**	**₱133,798,849**

Management performs its annual impairment test for each reporting period for all the CGUs. BTSI and NAWASCOR are part of the water treatment and distribution segment, while MACS is part of inflight and other catering services segment. The recoverable amounts are computed based on value in use calculations using the five-year cash flow projections as approved by management and discounted using a pre-tax discount rate of 15.4% to 17.0%. Management determined, that the value in use exceeds the carrying amount of the cash generating units with sufficient headroom as of December 31, 2018 and 2017.

The key assumptions used in determining the recoverable amounts as of December 31, 2018 of goodwill allocated to BTSI and NAWASCOR and right to use assets are the same as with those used in the impairment testing of service concession rights. Further, management used 2.0% growth rate in the calculation of cash flows beyond the forecasted period. In addition, for impairment testing of goodwill allocated to MACS, management used sales growth rate based on MACS' five-year forecast and long-term growth rate of 4.0% based on forecasted growth in food industry.

Management believes that no reasonably possible change in the assumptions would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

15. Other Noncurrent Assets

	2018	2017
Advances to contractors and suppliers	**₱196,945,427**	₱147,167,809
Equity investments designated at FVTOCI/AFS investments	**65,155,800**	110,401,798
Installment receivables - net of current portion (Note 6)	**64,075,893**	–
Contract asset - net of current portion (Note 6)	**25,412,496**	–
Deferred project costs	**56,813,350**	42,255,200
Deposits (Note 28)	**41,367,513**	29,637,539
Pension asset (Note 21)	**37,210,213**	19,505,487
Deferred mine exploration cost (Note 29)	**20,418,948**	20,418,948
Deferred rent expense (Note 28)	**13,352,255**	13,570,705
Prepaid rent (Note 28)	**6,340,420**	7,338,629
Others	**22,630,667**	15,992,020
	₱549,722,982	₱406,288,135

Advances to contractors and suppliers
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.

Financial assets investments designated at FVTOCI/AFS investments

	2018	2017
Equity investments designated at FVTOCI	**₱65,155,800**	₱–
AFS investments:		
Debt - Philippine government treasury bonds	–	65,245,99
Equity - Golf club share and other proprietary and equity shares	–	45,155,80
	₱65,155,800	₱110,401,79

The Group's investment in Philippine government treasury bonds with fair value of ₱65.2 million as of December 31, 2017 was sold in 2018 for ₱63.2 million. The total interest earned from these government bonds, which carry interest rates of 3.25% to 6.00%, amounted to ₱0.9 million in 2018 and ₱1.8 million in 2017 and 2016 (see Note 22).

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.

Below is the movement of reserve for fair value changes of financial assets investments at FVTOCI and AFS investments, which is presented as part of "Reserve for fair value changes of financial assets investments" and "AFS investments reserve" account, respectively, in the consolidated statements of changes in equity.

	2018	2017
Beginning balance	**₱14,365,997**	₱12,054,499
Effect of adoption of PFRS 9 (Note 2)	**(400,000)**	–
Beginning balance, as adjusted	**13,965,997**	12,054,499
Changes in fair value of equity investments held at FVTOCI, net of tax effect amounting to ₱3,000,000	**17,000,000**	–
Changes in fair value of debt securities held at FVTOCI	**(2,092,938)**	–
Cumulative unrealized loss on fair value changes of debt securities recycled to profit or loss (Note 22)	**6,846,940**	–
Changes in fair value of AFS investments, net of tax effect amounting to ₱1,265,000	–	2,311,498
Ending balance	**₱35,719,999**	₱14,365,997

Deferred income tax liabilities on the fair value changes of the AFS equity investments amounted to ₱5.9 million and ₱2.9 million as of December 31, 2018 and 2017, respectively (see Note 25).

Finance lease receivable
The Group has a long-term lease agreement with a third party which stipulates for a minimum volume of cubic meter to be delivered daily. This is accounted for under finance lease with the related receivables classified as part of "Installment receivables" of the Group. The gross investment in the lease and the present value of minimum lease payments as of December 31, 2018 are as follow:

Not later than one year	₱877,674
Later than one year and not later than five years	3,510,696
Later than five years	14,920,447
Gross installment receivables	19,308,817
Less: unearned interest	(4,106,803)
Present value of minimum lease payments	15,202,014
Current portion (Note 6)	(524,895)
Installment receivables - net of current portion	₱14,677,119

Deferred project costs

	2018	2017
Maragondon Bulk Water project costs	**₱34,067,350**	₱34,067,350
Engineering designs, consultancy, development and geodetic surveys costs	**22,746,000**	8,187,850
	₱56,813,350	₱42,255,200

a. Maragondon Bulk Water project costs pertain 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 assigned its water permits for the use of the raw water from Maragondon River to WBSI. As of December 31, 2018, the Group is 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.

   In January 2019, the Group entered into a Supplemental Agreement to clarify the terms of the contractual joint venture agreement and agree on the implementation timeline of the project.

b. 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.

Others include software and restricted time deposits placed by the Group to guaranty an institutional catering contract. The Group recognized amortization related to software amounting to ₱4.0 million, ₱2.9 million and ₱0.1 million in 2018, 2017 and 2016, respectively (see Note 20).

16. Notes Payable and Long-Term Debts

Notes payable

Entity	Facility	Terms	Outstanding Balance 2018	2017
Company	180 - day rolling loan agreement	Principal and interest payable at maturity; interest rate of 7.25% and 3.25% in 2018 and 2017, respectively.	**₱85,000,000**	₱135,000,000
BTSI	6 months short-term loan agreement	Principal and interest payable at maturity; interest rate of 5.25%.	**75,000,000**	42,550,000
MASCORP	180 days short-term loan agreement	Principal payable at maturity and interest payable monthly in arrears; US$1.5 million (with initial interest rate of 4.75% per annum subject to quarterly repricing) (Note 18).	**78,870,000**	–
MASCORP	60 days short-term loan agreement	Principal and interest payable at maturity; ₱7.0 million (with initial interest rate of 6.75% per annum) and US$1.0 million (with initial interest rate of 5.00% per annum)(Note 18).	**59,580,000**	–
MASCORP	70 days short-term loan agreement	Principal and interest payable at maturity; interest rate of 6.75% (Note 18).	**50,000,000**	–
MASCORP	Three months term loan agreement	Principal and interest payable at maturity; interest rate of 4.65% (Note 18).	–	30,000,000
Others			–	150,866
			₱348,450,000	₱207,700,866

Long-term debts

Entity	Facility	Terms	Outstanding Balance 2018	2017
MSFI	Eight-year term loan agreement	Principal and interest payable quarterly; interest rate equivalent to the benchmark rate plus 100 basis points per annum or 4.00% (Note 18).	**₱400,000,000**	₱400,000,000
BTSI	Five-year term loan agreement	Principal and interest payable quarterly; interest rate of 7.75% per annum.	**125,000,000**	–
BTSI	Five-year term loan agreement	Principal and interest payable quarterly; interest rate of 6.5% per annum.	**100,000,000**	–
MASCORP	Five-year term loan agreement	Principal and interest payable monthly; interest rate of 4.34% per annum subject to quarterly re-pricing (Note 18).	**39,540,160**	47,133,920
MASCORP	Five-year term loan agreement	Principal and interest payable monthly; initial interest rate of 4.34% per annum subject to quarterly re-pricing (Note 18).	**39,540,160**	47,133,920
BTSI	Five-year term loan agreement	Principal and interest payable quarterly; interest rate of 8.4% per annum.	**25,000,000**	–
SWRI	Nine-year term loan agreement	Principal and interest payable monthly; interest rate of 8.0%.	**24,429,778**	–
MASCORP	Five-year term loan agreement	Principal and interest payable monthly; interest rate of 5.25% and 4.06% subject to monthly re-pricing.	**2,968,473**	20,167,163
			756,478,571	514,435,003
	Unamortized transaction costs		**(2,952,650)**	(1,825,058)
			753,525,921	512,609,945
	Current portion		**77,009,744**	434,634,202
			₱676,516,177	₱77,975,743

The aforementioned notes payable and long-term debts are obtained from local banks.

The MSFI loan was specifically availed to finance the construction of its kitchen facility. In accordance with the 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. In April 2018, the lender-bank approved to defer the effectivity of the financial loan covenants until the full commercial year of MSFI in 2019.

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" in the 2017 consolidated balance sheet.

In accordance with the 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, 2018, MASCORP is in compliance with all of the debt covenants.

Total interest expense incurred amounted to ₱28.3 million, ₱16.5 million and ₱2.4 million in 2018, 2017 and 2016, respectively. In 2018 and 2017, capitalized interest amounted to ₱18.8 million and ₱8.2 million which pertains to MSFI loans. The capitalization rate is 4.19% and 4.15% in 2018 and 2017, respectively, which is the effective interest rate of the loan.

17. Accounts Payable and Accrued Liabilities

	2018	2017
Trade accounts payable:		
Third parties	**₱383,311,673**	₱310,285,013
Related parties (Note 18)	**18,135,904**	20,629,043
Nontrade accounts payable (Notes 18 and 27)	**173,745,763**	107,218,043
Accrued:		
Construction costs	**35,899,633**	34,811,744
Service fees (Note 28)	**51,876,762**	35,456,199
Outside services	**34,538,857**	903,999
Personnel cost	**10,161,770**	3,148,007
Rental	**13,881,428**	4,030,657
Utilities and others (Note 20)	**19,010,440**	46,465,049
Retentions payable	**69,482,280**	20,280,332
Output VAT	**40,046,775**	33,863,184
Payable to government agencies	**31,249,720**	26,657,651
	₱881,341,005	₱643,748,921

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.

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.

Payable to government agencies include deferred output VAT and other tax-related payable such as withholding tax and payable to Social Security System, Philippine Health Insurance Corporation and Pag-IBIG Fund Contributions. Deferred output VAT which is included as part of "Output VAT" pertains to output VAT of uncollected receivables from the rendering of the Group's services.

18. 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. Transactions disclosed below pertain to the following related parties:

Relationship	**Name**
Affiliates:	Philippine National Bank Philippine Airlines, Inc. (PAL) Air Philippines Corporation (APC)
Associated companies	LTP CPCS

The following tables summarize the transactions with the Group's related parties and their account balances:

	Outstanding balance		
Nature of Transaction	**2018**	2017	Terms and conditions
	(In millions)		
Affiliates:			
Deposits and cash equivalents	**₱511.3**	₱899.2	On demand; prevailing interest rate
Rental deposit	**4.2**	4.2	To be refunded at the end of lease term; non-interest bearing
Trust fund retirement plan (Note 21)	**162.9**	136.5	Based on trustee agreement

	Amount of Transactions			Outstanding Balance Receivable (Payable)		
Nature of Transaction	**2018**	2017	2016	**2018**	2017	Terms and Conditions
	(In millions)					
Affiliates:						
Interest income on deposits and cash equivalents (Note 22)	**₱6.3**	₱4.5	₱6.1	**₱–**	₱–	On demand; prevailing interest rate
Short - term debt (Note 17)	**243.5**	–	–	**(188.5)**	30.0	5-8 year term loan, interest bearing based on benchmark rate, payable quarterly; no collateral
Long-term debt (Note 17)	**–**	494.7	–	**(479.1)**	(492.5)	
Interest expense	**27.8**	8.6	–	**(4.2)**	(3.4)	
Office rent	**6.3**	4.7	4.3	**–**	–	30 day, unsecured, non-interest bearing, unimpaired
Ground handling services	**1,216.0**	809.7	446.1	**329.6**	209.9	30 day, unsecured, non-interest bearing, unimpaired
Equipment rent	**17.5**	7.2	7.0	**(8.6)**	(10.5)	On-demand, unsecured, non-interest bearing
Share in passenger lounge	**–**	–	–	**(7.5)**	(7.5)	On-demand, unsecured, non-interest bearing
Catering services	**136.4**	119.5	107.6	**31.1**	26.4	30 day, unsecured, non-interest bearing, unimpaired
Share in rental and utilities in MIAA	**1.7**	0.8	1.6	**(0.7)**	(0.8)	On-demand, unsecured, non-interest bearing

(Forward)

Nature of Transaction	Amount of Transactions			Outstanding Balance Receivable (Payable)		Terms and Conditions
	2018	2017	2016	**2018**	2017	
	(In millions)					
Associated companies:						
Rent and administrative income from sublease of land	**₱190.6**	₱190.6	₱188.8	**₱106.7**	₱111.6	25 years, non-interest bearing, includes impact of straight-line recognition of lease income
Service fee from preventive maintenance and waste water treatment services	**19.1**	16.5	15.1	**5.3**	8.4	30 day, unsecured, non-interest bearing, unimpaired
Ground handling	**–**	–	2.3	**(1.3)**	(1.9)	30 day, unsecured, non-interest bearing, unimpaired
Management services	**19.2**	19.2	–	**–**	–	30 day, unsecured, non-interest bearing, unimpaired
Dividend declaration	**807.3**	403.0	80.0	**42.0**	34.0	On-demand, unsecured, non-interest bearing

Outstanding balances at year-end are to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

Ground handling and catering arrangements

Transactions with PAL and APC include ramp, passenger, cargo and other ground handling services and catering services. The Group also provides catering services to an airport lounge of PAL.

Loans

In 2017, the Group availed an eight-year term loan facility amounting to ₱400.0 million with the local affiliated bank (see Note 16). The loan was availed to finance the Group's construction of kitchen facility. The carrying value of the loan as of December 31, 2018 and 2017 amounted to ₱398.1 million and ₱398.6 million, respectively. Interest expense incurred amounted to ₱18.8 million in 2018 and ₱8.2 million in 2017 which was capitalized as part of construction in progress (Notes 12 and 16).

In 2017, the Group 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. The carrying value of the loan as of December 31, 2018 and 2017 amounted to ₱79.1 million and ₱94.3 million, respectively. Interest expense amounted to ₱4.2 million in 2018 and ₱0.2 million in 2017.

The Group also has outstanding short term loans which amounted to ₱188.5 million and ₱30.0 million as of December 31, 2018 and 2017, respectively.

Lease commitments and agreements

a. The Group has five-year lease agreements with the local affiliated bank for its office space. The monthly rental fee is subject to a fixed price escalation rate of 5% per annum commencing on the second year of the lease term. Total rent expense amounted to ₱6.3 million in 2018, ₱4.7 million in 2017 and ₱4.3 million in 2016 (see Note 20).

b. The Group also 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. Rental

and administrative income amounted to ₱183.0 million in 2018, ₱190.6 million in 2017 and ₱188.8 million in 2016.

The Group received refundable rental deposit from LTP amounting to ₱24.6 million. As of December 31, 2018 and 2017, accreted value of rental deposit and is presented as part of "Other noncurrent liabilities" in the consolidated balance sheets amounted to ₱9.4 million and ₱8.2 million, respectively. Accretion of interest (included as part of "Financing charges" account) amounted to ₱1.2 million in 2018, ₱ 1.1 million in 2017 and ₱0.9 million in 2016 (see Note 22). As of December 31, 2018 and 2017, unearned rent income amounted to ₱6.5 million and ₱7.4 million, and accrued rental receivable amounted to ₱ 106.7 million and ₱111.6 million, respectively.

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

Nature	**Revenue and other income recognized by:**	**Costs and expenses recognized by:**	**2018**	2017	2016
				(In Millions)	
Service fees	MAC	MACS/ MASCORP/BTSI/MAPDC	**₱166.1**	₱118.8	₱77.3
Technical management fees	MAPDC	MSFI/ SNVRDC	**13.2**	–	1.4
Land and building rental	MAPDC	MSFI/ SNVRDC	**16.6**	16.6	12.6
Dividend revenue	MAC	MAATS/ MACS/MASCORP	**60.3**	56.9	78.5
Water revenue	MONAD	BTSI	**7.7**	10.7	–
Gain on sale of equipment	MACS	MSFI	**12.9**	–	–

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 2018**	2017
			(In Millions)	
Due from/to related parties	MAC	MASCORP/ MAPDC/ MMC/ MAATS/ ASSC/ MACS	**₱1,175.6**	₱932.7
	MAPDC	MAATS/ MMC/ SNVRDC/ PWRI/ MPRDC/WBSI/ CBRI/ NAWASCOR/ BTSI	**437.1**	317.6
	MMC	BUMICO	**0.1**	–
	ASSC	MAPDC/ MMC/ MAC	**5.5**	5.5
	MACS	MSFI/ MSICS	**–**	0.3
	WBSI	CBRI	**10.0**	10.0
Trade receivables/payables	MAC	MAC/ MACS/ MAATS	**100.1**	149.3
	MACS	MASCORP/ MAC	**0.2**	0.4
	MAPDC	SNVRDC/ MSFI/ MAC	**15.4**	16.3
	MASCORP	MAATS	**0.2**	0.2
	MMC	MAC	**–**	2.7
	BTSI	MONAD/NEWS	**30.3**	28.4

Compensation of Key Management Personnel

The short-term benefits of the Company's key management personnel amounted to ₱101.4 million in 2018, ₱105.1 million in 2017 and ₱85.3 million in 2016. There are no termination benefits or share-based payments granted to key management personnel.

19. Revenue and Direct Costs

Service Revenue

	2018	2017	2016
Gross service revenue	**₱3,745,161,488**	₱3,075,428,721	₱2,458,739,754
Less discount	**150,404,279**	136,500,684	123,782,537
	₱3,594,757,209	₱2,938,928,037	₱2,334,957,217

Disaggregated Revenue Information

The Group derives its revenue from transfer of goods and services over time and at a point in time, in different product types and within the Philippines.

Set out below is the disaggregation of the Group's revenue for 2018 and the reconciliation of the revenue from contracts with customers with the amounts disclosed in segment information (see Note 4):

	In-flight and other catering services	Ground handling and aviation	Rental and administrative*	Water treatment and distribution*	Mining	Total
Revenue from contracts with customers						
Services						
Inflight and other catering	₱1,495,324,042	₱–	₱–	₱–	₱–	₱1,495,324,042
Passenger and ramp services	–	1,361,111,692	–	–	–	1,361,111,692
Cargo handling	–	63,509,619	–	–	–	63,509,619
Water distribution	–	–	–	157,911,390	–	157,911,390
Construction of STP	–	–	–	112,756,360	–	112,756,360
Operation and maintenance of STP	–	–	–	375,414	–	375,414
Others	40,246,022	39,326,240	–	–	–	79,572,262
Goods				–		
Beverages and dry goods	128,200,919	–	–	–	–	128,200,919
	1,663,770,983	1,463,947,551	–	271,043,164	–	3,398,761,698
Rental and administrative fee	–	–	196,430,059	5,409,698	–	201,839,757
Total	₱1,663,770,983	₱1,463,947,551	₱196,430,059	₱276,452,862	₱–	₱3,600,601,455

** In 2018, revenue eliminated in rental and administrative and water treatment and distribution segments amounted to ₱16.6 million and ₱7.7 million, respectively.*

Others include laundry, warehousing and other ancillary services rendered by MACS and MASCORP.

Timing of revenue recognition	
Goods or services transferred overtime	₱3,472,400,536
Goods transferred at a point in time	128,200,919
	₱3,600,601,545

Contract Balances

The Group's gross trade receivables amounted to ₱814.5 million and ₱623.2 million as at December 31, 2018 and 2017, respectively (see Note 6). The significant increase in trade receivables in 2018 is due to new airline customers and increased business in water segment.

As of December 31, 2018, the Group's contract asset amounted to ₱28.3 million (see Note 6). The Group does not have contract liabilities as of December 31, 2018.

Direct costs

	2018	2017 (As restated, Note 10)	2016
Food (Note 7)	**₱676,937,203**	₱603,754,502	₱562,127,554
Salaries and wages	**697,125,732**	548,726,581	415,915,479
Contractual services	**338,733,294**	189,119,432	88,405,709
Leases (Notes 18 and 28)	**246,838,982**	198,249,245	181,444,135
Concession privilege fee (Note 28)	**198,643,074**	165,432,597	142,483,134
Supplies (Note 7)	**154,774,471**	38,075,477	13,158,518
Depreciation and amortization (Notes 12 and 14)	**146,358,897**	131,886,580	85,083,958
Employee benefits (Note 21)	**73,576,148**	56,634,877	44,878,798
Repairs and maintenance	**65,582,077**	66,753,249	29,722,812
Overhead	**63,677,652**	72,563,901	59,031,995
Utilities	**20,611,210**	25,030,268	5,566,257
Insurance	**12,463,400**	10,822,025	9,236,762
Laundry	**12,197,195**	13,104,645	12,084,648
Others	**66,003,595**	32,955,499	11,367,493
	₱2,773,522,930	₱2,153,108,878	₱1,660,507,252

20. Operating Expenses

	2018	2017	2016
Selling -			
Advertising and promotions	**₱5,559,169**	₱2,378,570	₱1,919,494
General and administrative:			
Salaries and wages	**190,420,085**	161,011,608	140,130,187
Employee benefits (Note 21)	**113,479,428**	86,623,233	65,821,141
Taxes and licenses (Note 13)	**54,184,422**	33,512,447	20,811,993
Professional and legal fees	**52,638,386**	20,883,643	20,021,307
Service fee (Note 28)	**38,251,508**	34,658,020	22,147,580
Depreciation and amortization (Notes 12 and 15)	**31,300,716**	23,236,943	13,915,247
Transportation and travel	**28,293,237**	20,364,048	9,956,054
Repairs and maintenance	**24,923,913**	26,872,370	22,448,143
Rent (Notes 18 and 28)	**24,804,649**	55,116,364	55,586,005
Utilities	**19,750,444**	11,004,816	9,220,987
Security and janitorial	**17,752,977**	17,307,368	14,942,021
Supplies	**17,320,155**	16,586,747	13,058,620
Entertainment, amusement and recreation	**15,196,486**	14,735,430	11,865,336
Provisions for probable losses (Notes 6, 8 and 29)	**13,135,673**	12,586,778	239,865,317
Directors' fees	**8,060,392**	9,301,669	6,337,434
Mining expenses (Note 29)	**6,516,673**	2,767,638	2,707,859
Communications	**5,695,007**	5,182,389	4,423,528
Gas and oil	**5,487,369**	4,982,664	2,643,867
Project expenses	**3,136,137**	2,138,323	8,241,073
Insurance	**2,343,802**	2,528,976	2,256,323
Cleaning and other laboratory supplies	**-**	8,411,160	7,814,302
Others (Note 10)	**45,652,414**	42,321,001	17,070,124
	718,343,873	612,133,635	711,284,448
	₱721,673,582	₱614,512,205	₱713,203,942

Others include quality control related expenses (e.g., hygiene and sanitation), company activities and projects, and personnel training costs.

21. Employee Benefits Costs

	2018	2017
Accrued retirement benefits payable	**₱19,349,822**	₱17,484,359
Other employee benefits	**9,703,649**	11,490,093
	₱29,053,471	₱28,974,452

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:

	2018	2017	2016
Current service cost	**₱26,050,670**	₱22,174,708	₱20,056,536
Net interest cost (income)	**(114,623)**	181,471	318,322
	₱25,936,047	₱22,356,179	₱20,374,858
Portions recognized in:			
Direct costs (Note 19)	**₱18,865,372**	₱16,196,333	₱13,416,359
General and administrative expenses (Note 20)	**7,070,675**	6,159,846	6,958,499
	₱25,936,047	₱22,356,179	₱20,374,858

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

	2018	2017	2016
Actuarial gain (loss) on defined benefit obligation arising from changes in:			
Experience adjustments	**(₱4,651,024)**	₱548,760	₱6,389,384
Financial assumptions	**25,432,270**	5,219,582	4,004,659
Demographic assumptions	**–**	–	–
	20,781,246	5,768,342	10,394,043
Remeasurement loss on plan assets	**(7,893,810)**	(4,155,180)	(1,651,218)
	12,887,436	1,613,162	8,742,825
Tax effect	**(3,875,328)**	1,090,289	(3,873,772)
	₱9,012,108	₱2,703,451	₱4,869,053

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

	2018	2017
Present value of defined benefit obligation	**₱145,040,559**	₱134,493,428
Fair value of plan assets	**162,900,950**	136,514,556
	(₱17,860,391)	(₱2,021,128)

Movements in accrued retirement benefits payable and pension asset follow:

	2018		2017	
	Accrued retirement benefits payable	Pension asset (Note 15)	Accrued retirement benefits payable	Pension asset (Note 15)
Beginning balance	**₱17,484,359**	**₱19,505,487**	₱14,017,530	₱14,421,462
Retirement benefits cost recognized in profit or loss	**7,256,815**	**(18,679,232)**	6,430,967	(15,925,212)
Remeasurements in other comprehensive income	**608,648**	**13,496,083**	153,686	3,863,043
Contributions	**(6,000,000)**	**22,887,875**	(5,000,000)	17,146,194
Accrued retirement resulting from business combination	–	–	1,882,176	–
Ending balance	**₱19,349,822**	**₱37,210,213**	₱17,484,359	₱19,505,487

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

	2018	2017
Beginning balance	**₱134,493,428**	₱119,287,161
Current service cost	**26,050,670**	22,174,708
Interest cost	**7,581,764**	6,380,912
Actuarial gain on retirement obligation	**(20,781,246)**	(7,864,537)
Benefits paid out of the Group's plan assets	**(2,304,057)**	(7,366,992)
Accrued retirement resulting from business combination (Note 10)	–	1,882,176
Ending balance	**₱145,040,559**	₱134,493,428

Changes in fair value of plan assets are as follows:

	2018	2017
Beginning balance	**₱136,514,556**	₱119,691,093
Interest income on plan assets	**7,696,387**	6,199,441
Contributions to the plan	**28,887,875**	22,146,194
Benefits paid	**(2,304,057)**	(7,366,992)
Remeasurement on plan assets	**(7,893,811)**	(4,155,180)
Ending balance	**₱162,900,950**	₱136,514,556
Actual return (loss) on plan assets	**(₱17,860,391)**	₱2,021,128

The major categories of plan assets are as follows:

	2018	2017
Cash and cash equivalents	**₱32,731**	₱67,053
Debt instruments:		
Government securities	**18,176,167**	12,129,186
Quoted debt securities	**144,587,325**	124,165,890
Receivables	**104,727**	152,427
	₱162,900,950	₱136,514,556

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 1 are shown below:

	2018	2017
Average discount rates	**7.37%-7.41%**	5.19%-5.64%
Average future salary increases	**5.00%**	5.00%

The average discount rate as of December 31, 2018 is 7.40%.

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:	**2018**	2017
Discount rate:		
+100 basis points	**(₱9,728,253)**	(₱9,190,779)
-100 basis points	**12,813,325**	13,158,746
Salary increase rate:		
+100 basis points	**12,729,268**	12,747,692
-100% basis points	**(4,500,982)**	(8,856,942)

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:	**2018**	2017
1 year and less	**₱–**	₱695,997
more than 1 year to 5 years	**33,257,826**	31,294,657
more than 5 years to 10 years	**98,903,745**	75,863,799
more than 10 years to 15 years	**114,265,974**	104,965,848
more than 15 years to 20 years	**194,703,089**	182,150,160
more than 20 years	**8,764,475,761**	6,354,258,475

The Group expects to contribute ₱68.8 million in 2019. The Group does not currently employ any asset-liability matching strategies.

Other employee benefits

Employees can accumulate earned leave credits, which can be used anytime when needed by the employee or converted to cash, computed based on the employee's final rate upon separation (i.e., resignation or retirement). Accumulated leave credits are presented as "Other employee benefits" which amounted to ₱9.7 million and ₱11.5 million as of December 31, 2018 and 2017, respectively. Reversal for accumulating leave credits amounted to ₱0.2 million in 2018 and provision for accumulating leave credits amounted to ₱2.1 million in 2017 and ₱1.6 million in 2016.

22. Other Income (Charges)

a. Interest income was derived from:

	2018	2017	2016
Cash and cash equivalents (Notes 5 and 18)	**₱8,307,155**	₱5,454,280	₱4,118,345
Debt instruments at FVTOCI/AFS investments (Note 15)	**928,802**	1,819,500	1,819,500
Accretion of refundable deposits (Note 28)	**1,379,937**	1,208,566	1,074,198
Installment receivables (Note 6)	**460,707**	–	-
	₱11,076,601	₱8,482,346	₱7,012,043

b. Financing charges pertain to:

	2018	2017	2016
Notes payable and long-term debts (Notes 16 and 18)	**₱25,203,099**	₱8,305,240	₱2,356,000
Accretion of refundable deposits (Note 18)	**1,248,148**	1,082,649	939,096
	₱26,451,247	₱9,387,889	₱3,295,096

c. Other income - net consist of:

	2018	2017	2016
Foreign exchange gains (Notes 23 and 31)	**₱27,414,886**	₱3,879,132	₱43,008,159
Construction revenue (Note 14)	**24,406,608**	(718,581)	19,244,186
Construction costs (Note 14)	**(24,406,608)**	718,581	(19,244,186)
Connection and reconnection fees	**1,551,367**	1,265,152	–
Special flight permits	**–**	9,682,037	3,583,157
Reversal of prior years' accruals and long outstanding checks	**–**	5,695,380	6,967,296
Net recovery from insurance claim	**–**	–	20,390,586
Others - net	**28,214,756**	23,766,190	1,194,427
	₱57,181,009	₱44,287,891	₱75,143,625

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.

Others include management fee charged to an associate amounting to ₱19.2 million in 2018 and 2017 (see Note 18).

23. Foreign Currency-denominated Monetary Assets and Liabilities

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

	2018		2017	
	US Dollar	**Total Peso Equivalent**	US Dollar	Total Peso Equivalent
Assets				
Cash and cash equivalents	**$5,195,336**	**₱273,172,382**	$6,631,912	₱244,345,819
Receivables	**5,647,769**	**296,959,680**	4,321,458	256,416,040
	10,843,105	**570,132,062**	10,953,370	500,761,859
Liabilities				
Accounts payable and accrued liabilities	**470,032**	**24,714,276**	311,226	436,525
Notes payable and long term debts (Note 16)	**4,037,000**	**212,265,460**	2,119,000	21,329,880
	4,507,032	**236,979,736**	2,430,226	21,766,405
Net foreign currency-denominated assets	**$6,336,073**	**₱333,152,326**	$8,523,144	₱478,995,454

As of December 31, 2018 and 2017, the exchange rates of the Peso to US$ dollar were ₱52.58 and ₱49.93 to US$1, respectively.

24. Registration with the Philippine Economic Zone Authority (PEZA) and Subic Bay Metropolitan Authority (SBMA)

The Group, through MAPDC, is registered with the PEZA and has commercial operations as the Ecozone Developer/Operator of the MacroAsia Special Ecozone at the Ninoy Aquino International Aiport (NAIA). MacroAsia Special Ecozone is the only existing ecozone within NAIA. In 2018, the Group, through FAA, was issued Certificate of Registration and Tax Exemption and was granted rights, privileges and benefits as a Subic Bay Freeport Enterprise in accordance with Republic Act No. 7227, Bases Conversion and Development Act of 1992, the rules of authority bestowed on the SBMA.

Under the terms of their registrations, the Group is entitled to certain tax benefits provided for under relevant rules and regulations 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 and FAA shall pay a 5% final tax on gross income earned from their operations within the special tax zones.

25. Income Taxes

a. The current provision for income tax is as follows:

	2018	2017	2016
RCIT	**₱115,108,725**	₱113,821,423	₱121,851,930
MCIT	**4,464,679**	3,067,898	826,682
Final tax on interest	**1,660,945**	1,132,254	162,834
5% final tax on gross income	**807,617**	535,288	753,987
	₱122,041,966	₱118,556,863	₱123,595,433

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

	2018		2017 (As restated, Note 10)	
	Net Deferred Income Tax Assets	**Net Deferred Income Tax Liabilities**	Net Deferred Income Tax Assets	Net Deferred Income Tax Liabilities
Recognized directly in the consolidated statements of income:				
Deferred income tax assets on:				
Allowances for:				
Probable losses	**₱14,410,819**	**₱–**	₱17,967,551	₱–
ECL/ Doubtful accounts	**2,236,700**	**2,238,894**	1,052,717	1,923,389
Accrued rental expense	**5,336,233**	**185,343**	5,578,390	–
Accrued retirement benefits payable and other employee benefits	**3,932,645**	**2,639,223**	4,612,499	1,743,589
Accrued expenses	**2,262,140**	**1,447,904**	1,880,907	504,073
Unrealized foreign exchange loss	**382,758**	**1,615,794**	–	74,375
Unamortized past service cost	**1,967,788**	**543,182**	484,643	1,054,037
NOLCO	**–**	**6,487,841**	155,443	904,096
	30,529,083	**15,158,181**	31,732,150	6,203,559
Deferred income tax liabilities on:				
Contract assets	**–**	**(8,486,815)**	–	–
Accrued rental income	**(5,336,233)**	**–**	(5,578,390)	–
Unrealized foreign exchange gain	**–**	**–**	(1,131,421)	(1,529,446)
Fair value adjustment on property plant and equipment as a result of business combination	**–**	**(121,806,016)**	–	(121,048,248)
	(5,336,233)	**(130,292,831)**	(6,709,811)	(122,577,694)
Recognized directly in equity:				
Deferred income tax liabilities on:				
Fair value changes of AFS investments	**–**	**(5,880,000)**	–	(2,880,000)
Remeasurement gain	**(6,265,442)**	**(9,123,267)**	(5,589,138)	(5,924,243)
	(6,265,442)	**(15,003,267)**	(5,589,138)	(8,804,243)
	₱18,927,408	**(₱130,137,917)**	₱19,433,201	(₱125,178,378)

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

	2018	2017	2016
Deductible temporary differences on:			
Allowances for probable losses - Deferred mine exploration costs	**₱217,070,924**	₱217,070,924	₱217,070,924
Accrued retirement benefits payable	**10,710,549**	4,784,880	10,947,803
Accrued rental expense	**17,534,737**	17,534,737	17,815,223
Unrealized foreign exchange losses	**748,675**	1,365,952	165,623
NOLCO	**378,668,161**	251,632,174	177,769,924
MCIT	**8,359,259**	5,399,931	3,803,934

The Group did not recognize deferred income tax assets on these temporary differences, NOLCO and MCIT as management believes that certain companies in the Group may not have sufficient

taxable income against which these temporary differences and NOLCO can be used or RCIT payable against which the MCIT can be applied.

c. 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's NOLCO and MCIT follow:

		NOLCO		MCIT	
Year Incurred	Expiry Date	**2018**	2017	**2018**	2017
2018	2021	**₱174,839,206**	₱–	**₱4,464,679**	₱–
2017	2020	**101,684,322**	101,684,322	**3,067,898**	3,067,898
2016	2019	**102,144,633**	102,144,633	**826,682**	826,682
2015	2018		47,803,219	**–**	1,505,351
		₱378,668,161	₱251,632,174	**₱8,359,259**	₱5,399,931

d. Movements of NOLCO and MCIT are as follows:

	NOLCO		MCIT	
	2018	2017	**2018**	2017
Beginning balance	**₱251,632,174**	₱177,898,014	**₱5,399,931**	₱3,803,934
Additions	**174,839,206**	101,684,322	**4,464,679**	3,067,898
Expired	**(47,803,219)**	(27,950,162)	**(1,505,351)**	(1,471,901)
Ending balance	**₱378,668,161**	₱251,632,174	**₱8,359,259**	₱5,399,931

e. 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:

	2018	2017 (As restated, Note 10)	2016
Provision for income tax computed at the statutory tax rate	**₱361,264,733**	₱354,789,845	₱171,762,411
Adjustments resulting from:			
Share in earnings of associates	**(317,770,179)**	(290,383,055)	(159,730,432)
Nondeductible expenses	**20,347,978**	6,608,841	35,887,436
Movements in deductible temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized	**57,396,962**	38,742,856	77,878,359
Derecognized deferred income tax assets	**–**	9,875,126	9,889,731
Interest income already subjected to final tax at lower rates or not subject to income tax	**(607,524)**	(432,724)	(3,313,699)
Provision for income tax	**₱120,631,970**	₱119,200,889	₱132,373,806

26. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share are computed as follows:

	2018	2017 (As restated, Note 10)	2016
Net income attributable to equity holders of the Company	**₱1,048,217,013**	₱1,019,242,053	₱388,954,824
Divided by weighted average number of common shares outstanding*	**1,592,101,672**	1,597,917,588	1,601,550,293
	₱0.66	₱0.64	₱0.24

**Computed as if the issuance of shares of stock of 368,146,293 shares resulting from 30% stock dividends in 2018 have been recognized since January 1, 2016.*

There are no potential common shares with dilutive effect on the basic earnings per share in 2018, 2017 and 2016.

27. 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, 2018 and 2017 is 842 and 840, respectively.

b. The Company's authorized capital stock is 2,000,000,000 shares with ₱1 per share. Movements in the Company's issued, treasury and outstanding shares are as follows:

	Issued	Treasury	Outstanding
As of December 31, 2009	1,250,000,000	–	1,250,000,000
Acquisition of treasury shares in 2010	–	(2,985,000)	(2,985,000)
As of December 31, 2010	1,250,000,000	(2,985,000)	1,247,015,000
Acquisition of treasury shares in 2011	–	(7,486,000)	(7,486,000)
As of December 31, 2011	1,250,000,000	(10,471,000)	1,239,529,000
Acquisition of treasury shares in 2012	–	(6,125,000)	(6,125,000)
As of December 31, 2014, 2015 and 2016	1,250,000,000	(16,596,000)	1,233,404,000
Acquisition of treasury shares in 2017	–	(6,249,600)	(6,249,600)
As of December 31, 2017	1,250,000,000	(22,845,600)	1,227,154,400
Stock dividend declaration	368,146,293	–	368,146,293
Acquisition of treasury shares in 2018	–	(3,949,100)	(3,949,100)
As of December 31, 2018	1,618,146,293	(26,794,700)	1,591,351,593

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, 2018 and 2017, the Company has 26,794,700 shares and 22,845,600 shares, respectively, held in treasury, which are carried at cost amounting to ₱176.2 million and ₱113.7 million, 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 ₱1,484.2 million and ₱1,350.2 million as of December 31, 2018 and 2017, respectively. Further, the undistributed earnings of subsidiaries include appropriated retained earnings of MACS and MASCORP totalling to ₱505.0 million and ₱345.0 million as of December 31, 2018 and 2017, respectively.

- Cost of treasury shares amounting to ₱176.2 million and ₱113.7 million as of December 31, 2018 and 2017, respectively.

- Deferred income tax assets amounting to ₱45.7 million and ₱37.9 million as of December 31, 2018 and 2017, respectively.

e. Appropriation and reversal of appropriation of retained earnings

As of December 31, 2016 and 2017, the Company's retained earnings included appropriated amounts of ₱393.1 million and ₱300.0 million for the mining development projects and water projects, respectively. These were originally approved for appropriation in 2011.

On March 22, 2018, the Company's BOD approved the reversal of the appropriation for mining development projects amounting to ₱393.1 million. The appropriation for water projects is retained for the next few years as aligned with the Groupwide water related projects ranging two to three years.

f. Dividends declared by the Company from the unappropriated retained earnings are as follows:

Type	Date Approved	Per share	Stockholder of Record Date	Date of Payment
Stock	July 20, 2018	30%	April 17, 2018	September 12, 2018
Cash	December 13, 2017	₱0.140	January 5, 2018	January 31, 2018
Cash	December 14, 2016	₱0.080	January 6, 2017	February 1, 2017

g. Cash dividends received by non-controlling interest are as follows:

Entity	Date Declared	Amount	Per share	Dividends attributable to non-controlling interest (SATS)
MACS	December 6, 2018	₱75,000,000	₱60.0	₱24,750,000
MACS	November 28, 2017	70,000,000	56.0	23,100,000
MACS	December 8, 2016	50,000,000	40.0	16,500,000

As of December 31, 2018, ₱12.4 million remained outstanding and presented as part of "Nontrade accounts payables".

Other reserves

h. In December 2015, the Group, through 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.

i. 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.

28. Significant Agreements and Commitments

Concession Agreements

The Group has concession agreements with MIAA and GMR-Megaworld Cebu Airport Corporation (the airport authorities) to exclusively operate within the airport authorities' premises at NAIA Terminal 1, 2 and 3, MCIAA, KIA and/or MDA. The concession agreements have a period of one year, subject to renewal. The Group pays the airport authorities a monthly concession privilege fee equivalent to 7% of monthly gross income on catering services and groundhandling services (10% effective July 1, 2018 at MCIAA), respectively.

Concession privilege fee amounted to ₱198.6 million, ₱165.4 million and ₱142.5 million in 2018, 2017 and 2016, respectively, which is presented under "Direct Costs" (see Note 19).

Lease Agreements

a. The Group has various operating lease agreements with airport authorities for its catering and ground handling operations and with a third party lessor for the Group's office spaces. The future minimum rentals payable under the noncancellable operating leases are as follows:

	2018	2017
Within one year	**₱206,684,675**	₱203,270,572
After one year but not more than five years	**858,455,877**	831,905,779
Five years up to end of lease contract	**893,660,630**	1,112,582,399
	₱1,958,801,182	₱2,147,758,750

The rental and other charges in the lease agreements are subject to fixed price escalation rates. As a result of the straight-line recognition of operating lease expense, "Accrued Rental Payable" was recognized which amounted to ₱123.1 million and ₱128.2 million as of December 31, 2018 and 2017, respectively. Lease expense relating to these lease agreements amounted to ₱218.9 million in 2018 and ₱218.3 million in 2017 and 2016 (see Notes 19 and 20). Carrying value of the deposit related to these leases amounted to ₱12.3 million and ₱11.0 million as of December 31, 2018 and 2017, respectively, and is included as part of "Rental Deposits" under "Other noncurrent assets" account (see Note 15). Accretion of the rental deposit (included as part of "Interest income" account) amounted to ₱1.3 million in 2018and 2017 and ₱1.0 million in 2016.

The lease agreements did not include restrictions, contingent rentals and purchase options.

b. 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 29). The Company prepaid the rental charges up to 18 to 30 years with unamortized amount of ₱6.3 million and ₱7.3 million as of December 31, 2018 and 2017, respectively, which is included under "Other noncurrent assets" account as "Prepaid rent" (see Note 15). Rental rates are subject to escalation during the lease periods. Rental expense charged to operations amounted to ₱0.6 million in 2018, 2017 and 2016. This is included as part of "Mining expenses" under "Operating expenses" account (see Note 20).

Service Fee Agreement

The Group has a service fee agreement with SATS, the 33% owner of MACS. Service fee amounted to ₱38.3 million, ₱34.7 million and ₱22.1 million in 2018, 2017 and 2016, respectively (see Note 20). Outstanding payable to SATS amounted to ₱51.9 million and ₱35.5 million as of December 31, 2018 and 2017, respectively (see Note 17).

Waterworks System Agreements

a. The Group has Memorandum of Agreements (Agreements) with various government municipalities to design, construct, commission and maintain a new and complete waterworks system, particularly in Solano, Nueva Vizcaya, Mabini Pangasinan and Naic, Cavite. The Agreements commenced in 2013 and 2015 are for a period of 25 years to 40 years, as applicable, subject to renewal based on the provisions of the Agreements.

b. The Group, through SWRI, as a lessor, has several agreements with third parties to lease out its modern technology water treatment equipment with lease terms ranging from five to 10 years. Subsequent to the date of acquisition of SWRI, the Group recognized rental income from these agreements amounting to ₱5.4 million in 2018.

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.

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 and ₱3.0 million in 2017 and 2016, respectively (nil in 2018).

29. Deferred Mine Exploration Costs and Mining-Related Activities

As of December 31, 2018 and 2017, deferred mine exploration costs follow:

Cost	₱237,489,872
Accumulated impairment loss	217,070,924
	₱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 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 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, 2018, the Company was able to obtain the approval of MGB for the third renewal of the exploration period of MPSA 220 IV-B and second renewal of the exploration period of MPSA 221 IV-B. However, 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 prevailing mining prospects do not support nickel mining. Accordingly, management believes that the full provision of ₱212.9 million recognized in 2016 is still appropriate as of December 31, 2018.

On January 30, 2015, the Company executed a Deed of Assignment of the MPSAs to MMC. However, the assignment has not taken effect yet. As of December 31, 2018, the Company has submitted the necessary requirements for the renewal of Exploration Period of the two MPSAs; and has obtained 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 ₱6.5 million, ₱2.8 million and ₱2.7 million in 2018, 2017 and 2016, respectively (see Note 20).

Deeds of Assignment with Bulawan Mining Corporation (BUMICO)
In 2012, the Company entered into two deeds of assignment with BUMICO. The first deed of assignment covered BUMICO's rights, title to, interests and obligations under the former's application for exploration permit with the MGB of the DENR over certain properties in Basay, Negros Oriental under Exploration Permit Application No. 000103 VII. In consideration, the Company paid BUMICO ₱16.0 million, which is recorded as "Deferred mine exploration costs" under "Other noncurrent assets" 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.

30. 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, 2018 and 2017. Further, no changes were made in the objectives, policies or processes for each of the three years in the period ended December 31, 2018.

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:

	2018	2017 (As restated, Note 10)
Capital stock	**₱1,618,146,293**	₱1,250,000,000
Additional paid-in-capital	**281,437,118**	281,437,118
Retained earnings	**3,528,487,195**	2,848,016,475
Treasury shares	**(176,215,402)**	(113,676,300)
	₱5,251,855,204	₱4,265,777,293
Net income	**₱1,083,583,808**	₱1,063,023,354
Return on equity	**20.63%**	24.92%

31. 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 43% of Group'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 23.

The following table demonstrates the impact on the Group's income before income tax and equity of reasonably possible changes in the US$, with all other variables held constant:

	Movement in US$	Increase (decrease) in income before income tax
		(In millions)
2018	**Increase of 4.9%**	**₱16.3**
	Decrease of 4.9%	**(16.3)**
2017	Increase of 0.4%	2.8
	Decrease of 0.4%	(2.8)
2016	Increase of 4%	19.8
	Decrease of 4%	(19.8)

The Group reported net foreign exchange gain of ₱27.4 million in 2018, ₱3.9 million in 2017 and ₱43.0 million in 2016 (see Notes 22 and 23).

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 under a financial instrument or customer contract, leading to a financial loss. 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 APC. 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. Consequently, an impairment analysis is performed at each reporting date using a provision matrix to

measure expected credit losses (ECL). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance).

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

c. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
d. *Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
e. *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

For cash in bank, the Group applies the low credit risk simplification where the Group measures the ECLs on a 12-month basis based on the probability of default and loss given default which are publicly available. The Group also evaluates the credit rating of the bank and other financial institutions to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

For trade and other receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- Gross Domestic Product (GDP) growth rates
- Unemployment rates
- Inflation rates
- Interest rates
- Foreign currency exchange rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Based on the Group's credit risk experience, expected credit loss rate increases as the age of the receivables increase.

The aging per class of financial assets and contract assets, and the expected credit loss as of December 31, 2018 follows:

		Past Due					
	Current	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	ECL	Total, net of ECL
				(In Thousands)			
Financial assets							
Cash in banks	₱662,373,061	₱–	₱–	₱–	₱–	₱–	₱662,373,061
Trade receivables	437,735,828	92,958,211	19,375,690	70,998,357	193,453,497	(14,918,648)	799,602,935
Dividends receivable	42,000,000	–	–	–	–	–	42,000,000
Due from officers and employees	15,510,511	–	–	–	–	–	15,510,511
Other Receivables	38,161,559						38,161,559
Interest Receivable	2,271,732	–	–	–	–	–	2,271,732
Deposits	41,367,513	–	–	–	–	–	41,367,513
Restricted cash investment	7,181,182	–	–	–	–	–	7,181,182
Contract assets	28,289,382	–	–	–	–	–	28,289,382
Total	₱1,274,890,768	₱92,958,211	₱19,375,690	₱70,998,357	₱193,453,497	(₱14,918,648)	₱1,636,757,875

The aging per class of financial assets, including those that were past due but not impaired, as of December 31, 2017 is as follows:

	Neither Past Due Nor Impaired	Past Due but Not Impaired					
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
			(In Thousands)				
Loans and receivables							
Cash in banks	₱909,940,094	₱–	₱–	₱–	₱–	₱–	₱909,940,094
Trade receivables	434,051,391	86,014,041	46,151,659	17,280,220	31,490,285	8,224,828	623,212,424
Dividends receivable	34,000,000	–	–	–	–	–	34,000,000
Due from officers and employees	17,634,082	–	–	–	–	–	17,634,082
Other receivables	27,376,644						27,376,644
Interest receivable	3,823,987	–	–	–	–	–	3,823,987
Deposits	29,637,539	–	–	–	–	–	29,637,539
AFS investments							
Retail treasury and corporate bonds	65,245,998	–	–	–	–	–	65,245,998
Total	₱1,521,709,735	₱86,014,041	₱46,151,659	₱17,280,220	₱31,490,285	₱8,224,828	₱1,710,870,768

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 for all stage 3 assets, regardless of the class of financial assets. Stage 1 and stage 2 assets are assessed on a collective 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.

Credit quality per class of financial assets
The credit quality of financial assets is managed by the Group using internal credit ratings. The Group considers its cash and cash equivalents (including restricted cash investment) as high grade since these are placed in financial institutions of high credit standing. Accordingly, ECLs relating to cash and cash equivalents rounds to zero. The Goup considers its dividend receivables as high grade as these are due from an associate who has strong capacity to pay; thus LGD is considered low and no ECL is recognized. The Group considers its advances to officers and employees as standard grade as collectability is assured through salary deduction. Accordingly, the LGD is considered low; thus, no ECLs are recognized on the advances to employees.

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 on the next page 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, 2018 and 2017, 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	
	2018	2017
	(In Millions)	
100 bp rise	**(₱6.65)**	(₱7.20)
100 bp fall	**6.65**	7.20
50 bp rise	**(3.32)**	(3.60)
50 bp fall	**3.32**	3.60

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, the Group has an omnibus line of credit for ₱100.0 million (or USD equivalent) and bills purchase line for ₱10.0 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.

The tables below summarize 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, 2018:

	<1 year	**>1-2 years**	**>2-3 years**	**>5 years**	**Total**
Loans and receivables:					
Cash and cash equivalents	**₱675,196,833**	**₱–**	**₱–**	**₱–**	**₱675,196,833**
Receivables:					
Trade	**799,602,935**	**–**	**–**	**–**	**799,602,935**
Dividends receivable	**42,000,000**	**–**	**–**	**–**	**42,000,000**
Interest receivable	**2,271,732**	**–**	**–**	**–**	**2,271,732**
Installment receivable*	**–**	**16,480,236**	**24,720,355**	**20,600,296**	**61,800,887**
Finance lease receivable**	**352,779**	**1,328,491**	**2,182,205**	**14,920,447**	**18,783,922**
Deposits***	**–**	**–**	**–**	**61,690,978**	**61,690,978**
	1,519,424,279	**17,808,727**	**26,902,560**	**97,211,721**	**1,661,347,287**
Other financial liabilities:					
Accounts payable and accrued liabilities****	**810,044,510**	**–**	**–**	**–**	**810,044,510**
Notes payable*****	**503,921,671**	**311,922,620**	**304,128,411**	**104,132,965**	**1,224,105,667**
Dividends payable	**8,859,024**	**–**	**–**	**–**	**8,859,024**
Deposit******	**–**	**–**	**–**	**24,588,996**	**24,588,996**
	1,322,825,205	**311,922,620**	**304,128,411**	**128,721,961**	**2,067,598,197**
Liquidity position	**₱196,599,074**	**(₱294,113,893)**	**(₱277,225,851)**	**(₱31,510,240)**	**(₱406,250,910)**

**Gross of unearned interest income of ₱12,402,113. The current portion amounting to ₱40,668,657 is presented under trade.*
*** Gross of unearned interest income of ₱4,106,803 exclusive of ₱524,895 included under trade.*
**** Gross of unearned interest income of ₱20,323,465. Presented as part of "Other noncurrent assets".*
*****Exclusive of nonfinancial liabilities of ₱71,296,495.*
****** Inclusive of interest to maturity of ₱122,129,746.*
******* Inclusive of accretion of interest of ₱15,175,762. Presented as part of "Other noncurrent assets".*

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***	230,642,820	177,920,020	311,752,191	104,132,965	824,447,996
Dividends payable	180,660,640	–	–	–	180,660,640
Deposit****	–	–	–	24,588,995	24,588,995
	994,531,546	177,920,020	311,752,191	128,721,960	1,612,925,717
Liquidity position	₱598,848,605	(₱177,920,020)	(₱246,506,193)	(₱77,381,019)	₱97,041,373

**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*

32. 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, 2018				
Assets measured at fair value:				
Equity instruments designated at FVTOCI (Note 15)	**₱45,155,800**	**₱–**	**₱45,155,800**	**₱–**
Assets for which fair value is disclosed:				
Installment receivables (Note 15)	**64,075,893**	**–**	**–**	**64,075,893**
Investment property (Note 13)	**143,852,303**	**–**	**–**	**261,096,000**
Deposits (Note 15)	**41,367,513**	**–**	**–**	**41,367,513**
Liabilities for which fair value is disclosed				
Deposits (Note 18)	**17,881,940**	**–**	**–**	**17,881,940**
Long term debts (Note 16)	**753,525,921**	**–**	**753,525,921**	**–**
December 31, 2017				
Available for sale financial investments (Note 15)				
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 15)	29,637,539	–	–	29,637,539
Liabilities for which fair value is disclosed				
Deposits (Note 18)	8,165,084	–	–	8,165,084
Long term debts (Note 16)	514,435,003	–	514,435,003	–

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 2018 and 2017.

Cash and cash equivalents, receivables, accounts payables and accrued liabilities, and notes payable
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.

Installment receivables and deposits
The carrying values of installment receivables and deposits are determined based on the present value of expected cash flows discounted at the Group's borrowing rate.

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 long-term debts approximate its fair value due to the re-pricing feature of the interest it carries.

Equity instruments designated at FVTOCI
The Group's investments in golf club share and other proprietary 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.

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).

33. Changes in Liabilities Arising from Financing Activities

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

2018

	Beginning	Net cash flows	Noncash activities**	Additions through business combination (Note 10)	Dividend declaration (Note 27)	Ending
Note payable (Note 16)	**₱207,700,866**	**₱141,164,114**	**(₱414,980)**	**₱–**	**₱–**	**₱348,450,000**
Long-term debt (Note 16)	**512,609,945**	**211,932,965**	**4,423,233**	**24,559,778**	**–**	**753,525,921**
Dividend payable (Note 27)	**180,660,640**	**(171,801,616)**	**–**	**–**	**–**	**8,859,024**
Dividends payable to non-controlling interest* (Note 27)	**–**	**(12,375,000)**	**–**	**–**	**24,750,000**	**12,375,000**
Total liabilities from financing activities	**₱900,971,451**	**₱168,920,463**	**₱4,008,253**	**₱24,559,778**	**₱24,750,000**	**₱1,123,209,945**

**included as part of "Nontrade accounts payable"*
***Noncash activities pertain to foreign currency translation*

2017

	Beginning	Net cash flows	Noncash activities**	Dividend declaration (Note 27)	Ending
Note payable (Note 16)	₱150,412,071	₱57,288,795	₱–	₱–	₱207,700,866
Long-term debt (Note 16)	37,363,213	478,419,380	(3,172,648)	–	512,609,945
Dividend payable (Note 27)	107,293,081	(98,434,057)	–	171,801,616	180,660,640
Dividends payable to non-controlling interest* (Note 27)	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"*
***Noncash activities pertain to foreign currency translation*

34. Subsequent Events

Cash Dividend Declaration
On March 14, 2019, the Company's BOD approved the declaration of cash dividends in the amount of ₱0.20 per share with an aggregate amount of ₱318.3 million from the unrestricted retained earnings as of December 31, 2018.

Dividend Declaration of LTP
On February 15, 2019, the BOD of LTP has approved the declaration of cash dividends amounting to ₱1,835,050,000 out of LTP's unrestricted retained earnings. The Company's share in this dividend declaration amounts to ₱899,174,500.

Exhibit 2. Index to Supplementary Schedules

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,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

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, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, included in this Form 17-A and have issued our report thereon dated March 14, 2019. 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. 7332550, January 3, 2019, Makati City

March 14, 2019

MacroAsia Corporation and Subsidiaries
Schedule A - Financial Assets
As of December 31, 2018

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		675,196,833	
Receivables		900,423,623	
Deposits		41,367,512	
AFS investments:			
Investment in stock	PLDT	55,800	-
Investment in stock	Tower Club	100,000	-
Investment in stock	Manila Golf and Country Club	65,000,000.00	-
Total		1,682,143,768	-

MacroAsia Corporation and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
As of December 31, 2018

	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Adjust ment	Current	Not current	Balance at end of period
Advances to officers & employees								
of MAC	2,483,265	9,141,904	(8,300,502)	-	-	3,324,668	-	3,324,668
of MACS	2,491,005	8,198,967	(7,734,357)	-	-	2,955,615	-	2,955,615
of MASCORP	3,626,575	53,108,815	(54,497,129)	-	-	2,238,261	-	2,238,261
of MAPDC	3,590,083	14,128,516	(1,016,044)	-	-	16,702,555	-	16,702,555
of SNVRDC	134,737	1,372,429	(1,482,666)	-	-	24,500	-	24,500
of PWBRI	21,525	1,000	(22,525)	-	-	-	-	-
of CBRI	10,934	532,693	(323,236)	-	-	220,392	-	220,392
of MAATS	68,337	1,203,013	(995,046)	-	-	276,304	-	276,304
of MMC	1,911,186	517,419	(524,064)	-	-	1,904,541	-	1,904,541
of MPRDC	400	23,000	(23,400)	-	-	-	-	-
of NAWASCOR	149,570	767,350	(172,429)	(367,300)	(1,250)	375,941	-	375,941
of SUMMA	349,594	47,304	(170,368)	-	-	226,529	-	226,529
of BTSI	43,207	8,860,069	(8,148,751)	-	-	754,525	-	754,525
of MONAD	3,103,258	-	-	-	-	3,103,258	-	3,103,258
of FAA	-	1,086,597	(1,022,086)	-	-	64,510	-	64,510
Receivables from Related Parties and Principal Stockholders								
of MACS from LTP	2,126,817	4,472,864	(3,341,420)	-	-	3,258,261	-	3,258,261
of MACS from PAL	37,907	375,037		-		412,944	-	412,944
of MACS from PAL - Mabuhay Lounge	22,830,789	139,105,924	(136,316,774)	-	-	25,619,939	-	25,619,939
of MACS from PAL - PALEX	772,770	5,278,672	(4,354,134)	-	-	1,697,308	-	1,697,308
of MASCORP from PAL	89,328,420	632,229,413	(592,202,233)	-	-	129,355,600	-	129,355,600
of MASCORP from PALEX (former Airphil)	109,267,243	564,629,323	(483,181,948)	-	-	190,714,618	-	190,714,618
of MASCORP from LTP	6,556,180	17,997,157	(20,598,830)	-	-	3,954,507	-	3,954,507
of MAPDC from LTP	409,314	342,770		-		752,085	-	752,085
of MAATS from MAPDC	2,355,397		(2,355,397)	-		-	-	-
of WBSI from PNB	193,622		(98,012.26)	-		95,609	-	95,609
Total	251,862,135	1,463,420,235	(1,326,881,350)	(367,300)	(1,250)	388,032,470	-	388,032,470

MacroAsia Corporation and Subsidiaries
Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
As of December 31, 2018

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	5,000,000	10,000,000	(5,000,000)		10,000,000	-	10,000,000	10,000,000
MAPDC	843,291,918	238,974,460	(41,622,070)	-	238,974,460	801,669,849	1,040,644,309	1,040,644,309
MACS	74,851,962	86,981,612	(61,773,196)		86,981,612	-	100,060,378	100,060,378
MASCORP	94,992,663	263,314,723	(171,666,667)		263,314,723	-	186,640,720	186,640,720
MMC	74,589,359	19,160,640	(93,749,998)	-	19,160,640	-	0	0
ASSC	361,737	40,959,239	(40,950,000)	-	53,559,239	-	370,976	370,976
MACS from								
MAC	66,173	451,710	(457,521)	-	60,362	-	60,362	60,362
MASCORP	325,488	202,016	(124,557)	-	402,947	-	402,947	402,947
MSFI	-	145,740,390	(16,918,232)	-	128,822,158	-	128,822,158	128,822,158
MAPDC from								
WBSI	12,000,000	100,000	-	-	12,100,000	-	12,100,000	12,100,000
MMC	-	-	-	-	-	-	-	-
SNVRDC	302,272,170	21,254,314.62	(408,352)	-	323,118,133	-	323,118,133	323,118,133
PWBRI	-	-	-	-	-	-	-	-
MPRDC	1,306,000	-	-	-	1,306,000	-	1,306,000	1,306,000
CBRI	5,680,000	2,379,800	-	-	8,059,800	-	8,059,800	8,059,800
BTSI	-	46,900,000	-	-	46,900,000	-	46,900,000	46,900,000
NAWASCOR	9,719,263	51,331,950	-	-	61,051,213	-	61,051,213	61,051,213
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	275,236	1,235,969.63	(275,236)		1,235,970	-	1,235,970	1,235,970
MAPDC	2,355,397	5,000,000	(7,355,397)	-	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
BUMICO	-	100,000	-	-	100,000	-	100,000	100,000

MacroAsia Corporation and Subsidiaries
Schedule D - Intangible Assets and Other Assets
As of December 31, 2018

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	68,427,062	-	(3,390,403)	-	-	65,036,659
Right to use asset	70,600,000	-	-	-	-	70,600,000
Goodwill	100,473,531				33,325,318	133,798,849
Service Concession Right	402,916,926	24,406,608	(18,665,262)			408,658,272
Total	642,417,519	24,406,608	(22,055,665)	-	33,325,318	678,093,780

MacroAsia Corporation and Subsidiaries
Schedule E - Long Term Debt
As of December 31, 2018

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	1,233,333	1,233,333			1,233,333	5.25%
Local Bank	USD 960,000	49,334,400	192,000	10,095,360.00	560,000	29,444,800.00	39,540,160	4.34%
Local Bank	USD 960,000	49,334,400	192,000	10,095,360.00	560,000	29,444,800.00	39,540,160	4.34%
Local Bank	USD 990,000	44,530,200	33,000.00	1,735,140.00	-	-	1,735,140	3.40%
Local Bank	PHP 400,000,000	400,000,000	34,905,879	34,905,879	363,652,793	363,652,793	398,558,672	4.00%
Local Bank	PHP 100,000,000	100,000,000	-	-	99,350,487	99,350,487	99,350,487	6.50%
Local Bank	PHP 125,000,000	125,000,000	13,888,888.88	13,888,889	111,111,111.12	111,111,111.12	125,000,000	7.75%
Local Bank	PHP 25,000,000	25,000,000	2,777,777	2,777,777	22,222,223	22,222,223	25,000,000	8.40%
Local Bank	PHP 27,000,000	27,000,000	-	-	24,429,778	24,429,778	24,429,778	8.00%
TOTAL		857,199,000		74,731,738		679,655,992	729,957,952	

MacroAsia Corporation and Subsidiaries
Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
As of December 31, 2018

Name of related party	Balance at beginning of period	Balance at end of period
Philippine National Bank	-	626,548,832
PNB-IBJL Leasing & Finance Corporation	-	39,540,160
TOTAL		666,088,992

MacroAsia Corporation and Subsidiaries
Schedule G - Guarantees of Securities and Other Issuers
As of December 31, 2018

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, 2018

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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	1,618,146,293	(26,794,700)	1,591,351,593	-	1,156,219,025 72.66%	19,176,627 1.21%

MacroAsia Corporation and Subsidiaries
Schedule I - Financial Soundness Indicators
As of December 31, 2018 and 2017

	2018	2017
Return on Net Sales (RNS)[1]	30.09%	36.18%
Return on Investment (ROI)[2]	15.89%	20.26%
Return on Equity (ROE)[3]	19.08%	23.65%
Direct Cost Ratio[4]	77.15%	73.26%
Operating Expense Ratio[4]	20.11%	20.91%
Current Ratio[5]	1.39:1	1.24:1
Debt-to-Equity Ratio[6]	18.86%	15.56%
Interest Coverage Ratio[7]	46.11:1	126.07:1
Asset-to-Equity Ratio[8]	1.40:1	1.40:1

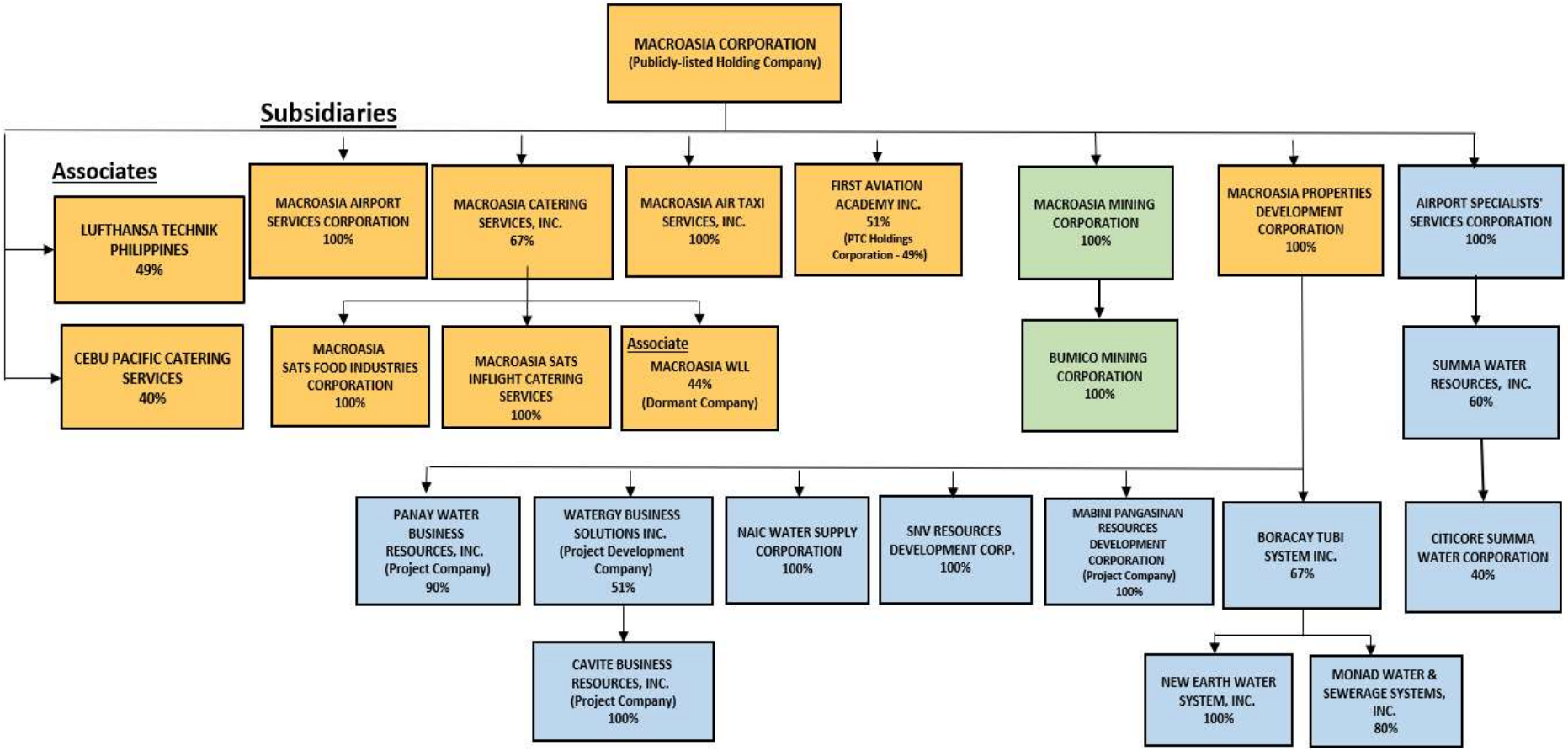
[1] *This is the ratio is computed by dividing net income attributable to equity holders of the parent by the total net revenues.*
[2] *This ratio is computed by dividing net income attributable to equity holders of the parent by the sum of total interest-bearing liabilities plus equity attributable to equity*
[3] *This ratio is computed by dividing net income attributable to equity holders of the parent by the equity attributable to equity holders of the parent.*
[4] *Direct Cost ratio is computed by dividing total cost over total net revenues, while total operating expenses is divided by total net revenues to arrive at operating expense*
[5] *Current Ratio is the ratio of the total current assets divided by the total current liabilities.*
[6] *Debt-to-Equity Ratio is the ratio of the total interest-bearing debts divided by total stockholders' equity.*
[7] *Interest coverage ratio is the ratio of the total earnings before interest and taxes (EBIT) divided by the interest expense of the period.*
[8] *The asset-to-equity ratio is the total assets divided by the equity.*

MacroAsia Corporation
Reconciliation of Retained Earnings Available for Dividend Declaration
As of December 31, 2018

Unappropriated retained earnings, beginning		729,215,232
Add:		
Treasury shares		(113,676,300)
Effect of adoption of PFRS 9		400,000
Unappropriated retained earnings, as adjusted to available for dividend declaration, beginning		615,938,932
Add:		
Net income during the year closed to retained earnings	800,991,305	
Reversal of appropriation	393,100,540	
Net income actually earned during the year		1,194,091,845
Add:		
Dividends declared during the year	(368,146,293)	
Treasury shares (acquisition and issuance during the year	(62,539,102)	
Total retained earnings available for dividend declaration, end		1,379,345,382

**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, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			
PFRS 2	Share-based Payment			
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			
PFRS 3	Business Combinations			
PFRS 4	Insurance Contracts			
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			
PFRS 6	Exploration for and Evaluation of Mineral Resources			
PFRS 7	Financial Instruments: Disclosures			
PFRS 8	Operating Segments			
PFRS 9	Financial Instruments			
PFRS 10	Consolidated Financial Statements			
PFRS 11	Joint Arrangements			
PFRS 12	Disclosure of Interests in Other Entities			
PFRS 13	Fair Value Measurement			
PFRS 14	Regulatory Deferral Accounts			
PFRS 15	Revenue from Contracts with Customers			
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements			
PAS 2	Inventories			
PAS 7	Statement of Cash Flows			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors			
PAS 10	Events after the Reporting Period			
PAS 12	Income Taxes			
PAS 16	Property, Plant and Equipment			
PAS 17	Leases			
PAS 19	Employee Benefits			
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			
PAS 21	The Effects of Changes in Foreign Exchange Rates			
PAS 23	Borrowing Costs			
PAS 24	Related Party Disclosures			
PAS 26	Accounting and Reporting by Retirement Benefit Plans			
PAS 27	Separate Financial Statements			
PAS 28	Investments in Associates and Joint Ventures			
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			
PAS 29	Financial Reporting in Hyperinflationary Economies			
PAS 32	Financial Instruments: Presentation			
PAS 33	Earnings per Share			
PAS 34	Interim Financial Reporting			
PAS 36	Impairment of Assets			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets			
PAS 38	Intangible Assets			
PAS 39	Financial Instruments: Recognition and Measurement			
PAS 40	Investment Property			
	Amendments to PAS 40, Transfers of Investment Property			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			
Philippine Interpretation IFRIC-12	Service Concession Arrangements			
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			
Philippine Interpretation IFRIC-21	Levies			
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			
Philippine Interpretation SIC-7	Introduction of the Euro			
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			
Philippine Interpretation SIC-15	Operating Leases—Incentives			
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC-12	Service Concession Arrangements	✓		
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners	✓		
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies	✓		
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives	✓		
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures	✓		
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓