COVER SHEET

4 0 5 2 4

SEC Registration Number

MACROASIA CORPORATION

AND SUBSIDIARIES

(Company's Full Name)

12F 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)

0	3	3	1

Month *Day*

(Calendar Year)

1	7	-	Q

(Form Type)

Month *Day*

(Annual Meeting)

NA

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

843

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

Securities and Exchange Commission HEAD OFFICE
Electronic Records Management Division
RECEIVED MAY 14 2019 3
BY: RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

MACROASIA CORPORATION
March 31, 2019

SEC Form 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2019**

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. **Philippines**
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

a) 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 [✓] No [ ]

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

Yes [✓] No [ ]

MACROASIA CORPORATION AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the First Quarter and Period Ended March 31, 2019

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Our unaudited condensed consolidated financial statements include the accounts of MacroAsia Corporation and its subsidiaries, collectively referred to as the "the Group" or "MacroAsia Group" in this report.

The unaudited condensed consolidated financial statements for the first quarter ended March 31, 2019 have been prepared in accordance with Philippine Accounting Standard 34, Interim Financial Reporting. Accordingly, the unaudited condensed consolidated financial statements which are filed as Annex 1 of this report, do not include all the information required by generally accepted accounting principles in the Philippines (Philippine GAAP) for complete financial statements as set forth in the Philippine Financial Reporting Standards (PFRS).

DISCUSSION AND ANALYSIS (MD&A) OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The main objective of this MD&A is to help the readers understand the dynamics of our Group's businesses and the key factors underlying our financial results. Hence, our MD&A is comprised of discussions about our core business units and our analysis of the results of their operations. This section also focuses on key statistics from the unaudited condensed consolidated financial statements and discusses known risks and uncertainties relating to the aviation industry in the Philippines where we operate during the stated reporting period. However, our MD&A should not be considered all inclusive, as it excludes unknown risks, uncertainties and changes that may occur in the general, economic, political and environmental conditions after the stated reporting period or after the date of this report.

Our MD&A should be read in conjunction with our unaudited condensed consolidated financial statements and the accompanying notes. All financial information is reported in Philippine peso (₱), unless otherwise stated.

Any references in this MD&A to "the Parent Company", "MAC"; or "the Corporation" means MacroAsia Corporation and references to the "MacroAsia Group" or "the Group" means MacroAsia Corporation and its subsidiaries/associates.

Additional information about the Group which includes annual and quarterly reports can be found in our corporate website, *www.macroasiacorp.com*.

BUSINESS OVERVIEW

MacroAsia Corporation

MacroAsia Corporation is a publicly-listed company, incorporated in the Philippines on February 16, 1970, under the name Infanta Mineral and Industrial Corporation to primarily engage in the business of geological exploration and development. On January 26, 1994, its Articles of Incorporation was amended to change its primary purpose from geological exploration and development to that of engaging in the business of a holding company and to change its corporate name to Cobertson Holdings Corporation. On November 6, 1995, the SEC approved the amendment to the Parent Company's Articles of Incorporation to change its name from Cobertson Holdings Corporation to its present name, MacroAsia Corporation. MAC began commercial operations as a holding company under its amended charter in 1996.

MAC, through its subsidiaries and associates, is presently engaged in aviation-related support businesses. It provides in-flight and institutional catering services, airport ground handling services, aircraft maintenance, repairs and overhaul (MRO) services, charter flight services, and operates an economic zone at the Ninoy Aquino International Airport (NAIA). Its subsidiaries and/or associated companies render services directly to airline customers/locators at thirty-two (32) locations all over the country including NAIA, and Manila Domestic Airport (MDA) generating both local and export revenues. An integrated aviation career and resource development company is also established. A subsidiary of MAC also provides exploratory drilling services for third party clients. Another subsidiary has revenue-generating activities from water treatment for underground water sources, surface/river water, sea water and gray water, bulk water supply using surface water sources and water distribution in service concession areas outside of Metro Manila.

MAC continues to operate mainly through its five (5) subsidiaries and two (2) associates, 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.

As part of the company's expansion, MACS incorporated MacroAsia SATS Inflight Services Corporation (MSIS Corp.) on May 16, 2016 as a 100%-owned subsidiary and started to operate the inflight catering kitchen at the PAL Inflight Center, PAL Gate 3, Baltao St. cor MIA Road, Pasay City last 16 March 2019. The subsidiary now provides inflight catering services to Philippine Airlines (PAL).

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 and monitored by a Bureau of Customs representative. 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). MACS is also the preferred caterer for VIP flights from NAIA. MACS delivers 5.3 million meals per annum, at an average production of about 15,000 meals a day. It services an average of 42 international flights a day, serving more than half of the foreign airlines that fly to Manila.

As of March 31, 2019, MACS has a core manpower complement of 402 individuals (03 workers higher than Dec2018), excluding the 411 staff contracted from external providers. Of the total manpower count, 135 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.

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

On July 2, 1999, Airport Specialists' Services Corporation (ASSC), a wholly-owned subsidiary of MASCORP, was incorporated primarily to manage and to promote, service and/or provide manpower support for any and/or all ground handling requirements of private, military and/or commercial aircraft. ASSC commenced operations immediately after its incorporation but had ceased operations shortly thereafter. Toward the end of 2006, MAC acquired MASCORP's 100% ownership in ASSC. The effective ownership of MAC in ASSC was thus increased from 70% to 100%. Through the restructuring, the Company effectively acquired the 30% minority interest of Menzies Aviation Group in ASSC. Consequently, ASSC became a direct subsidiary of MAC.

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 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 Philippine Airlines' International Flights on 01 October 2018 in Cebu - Terminal 2, 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.

Come 2019, MASCORP took over the Passenger Services Department of PAL Express in NAIA Terminal 3 last 23 February 2019. Also in 16 March 2019, the biggest project so far, MASCORP took over the Philippine Airlines' 1st and 2nd shift in Manila – Terminal 2, Philippine Airlines' International Cargo Terminal also in Manila and as well as the Philippine Airlines' Domestic operations in Cebu – Terminal 1. And lastly, on 31 March 2019 MASCORP started handling Jin Air in Kalibo station.

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 September 17, 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.

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

MacroAsia Air Taxi Services, Inc.

MacroAsia Air Taxi Services, Inc. (MAATS) is a wholly-owned subsidiary of MAC which was incorporated in June of 1996. MAATS is a licensed, non-scheduled domestic flight operator providing helicopter chartering services from its base at the General Aviation Area, Manila Domestic Airport to any point within the Philippines.

MAATS 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 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 March 31, 2019.

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.

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.

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.

KEY PERFORMANCE INDICATORS
(in thousands except for ratios)

March 31, 2019 and 2018

The Group uses major performance measures or indices to track its business results. The analyses are based on comparisons and measurement on financial data of the current period against the same period of the previous year. Among the measures are the following:

Return on Net Sales (RNS)

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

			2019	2018
Return on Net Sales	=	Total Net Income / Total Net Revenues	= ₱ 214,949 / 1,052,845	₱ 233,301 / 793,571
			= 20.42%	29.40%

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 lower consolidated RNS in 2018 is caused by the ₱25 million (-10%) decrease in the share in net income of LTP and CPCS in the first quarter of 2019.

Return on Investment (ROI)

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

			2019	2018
Return on Investment	=	NI attributable to Equity holder of Parent / Total Interest-bearing Liabilities + Equity attributable to Equity holder of Parent	= ₱ 208,224 / 6,693,927	₱ 220,658 / 5,252,659
			= 3.11%	4.20%

The decrease in ROI is caused by the decrease in share in the profits of associates. 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.

			2019	2018
Return on Equity	=	Total Net Income / Total Equity	= ₱ 214,949 / 5,708,063	₱ 233,301 / 4,884,610
			= 3.77%	4.78%

The decrease in ROE is the effect of 8% lower net income amounting to ₱214.95 million and ₱233.30 million in 2019 and 2018, respectively mainly because of the decline in share of net income of associates.

Direct Cost and Operating Expense Ratio

These ratios measure the average rate of direct costs and operating expenses on products/services sold.

			2019	2018
Direct Cost Ratio	=	Total Direct Cost / Total Net Revenues	= ₱ 804,361 / 1,052,845	₱ 587,769 / 793,571
			= 76.40%	74.07%

			2019	2018
Operating Expense Ratio	=	Total Operating Expenses / Total Net Revenues	= ₱ 225,907 / 1,052,845	₱ 214,066 / 793,571
			= 21.46%	26.98%

The Group's direct cost ratio minimally increased due to the increase in manpower used in line with the revenue growth in in-flight and other catering, and ground handling and aviation.

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 2019. The rise in operating expenses is driven by higher personnel costs due to more business volume arising from the expanding clientele of the two aforementioned companies. 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.

			2019	2018
Current Ratio	=	Total Current Assets / Total Current Liabilities	= ₱ 2,920,737 / 1,632,664	₱ 2,328,827 / 1,271,956
			= 179%	183%

Although lower than that of the same period last year, the Group still has a healthy current ratio indicating the Group's solid ability to meet its current liabilities, with a large portion of

current assets held as cash. The increase in current liabilities was due to the loans entered by the Group for additional capital expenditures.

Debt-to-Equity Ratio

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

			2019	2018
Debt-to-Equity Ratio	= Total Interest-bearing Debts / Total Equity	=	₱ 1,342,932 / 5,708,063	₱ 700,319 / 4,884,610
		=	24%	14%

The upward movement in debt-to-equity ratio is due to the new loans obtained by the Group which remained outstanding as at period end. In addition, MSFI has availed additional loan of ₱250 million on the 1st quarter for its facility construction.

Interest Coverage Ratio

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

			2019	2018
Interest Coverage Ratio	= Total Earnings before Interest and Taxes / Interest Expense	=	₱ 258,952 / 10,838	₱ 263,614 / 3,477
		=	23.89 : 1	75.82 : 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 measures the company's leverage and long-term solvency.

			2019	2018
Asset-to-Equity Ratio	= Total Assets / Total Equity	=	₱ 8,561,371 / 5,708,063	₱ 6,498,279 / 4,884,610
		=	150%	133%

The ratios indicate an increase in ratio between total assets and total equity, showing that the Group finances the purchase of assets mostly through equity or internally-generated funds but is also using debt-financing to fund growth in the businesses.

RESULTS OF OPERATION (Year-to-Date March)

The Group recorded a consolidated net income after tax of ₱214.90 million for the period ended March 31, 2019, exhibiting a negative variance of ₱18.40 million (-8%) as compared to the consolidated net income after tax of ₱233.30 million in the same period of 2018.

Revenues from in-flight catering contributed 42% of the total revenues and has shown an upward trend from last year's ₱408.96 million to the current year's ₱447.24 million. This is brought about by increase in the number of meals served to airline clients, from 304,561 in 2018 to 318,581 meals in 2019. The revenues from ground-handling and aviation services significantly rose by ₱183.83 million (+63%) from ₱289.76 million in 2018 to ₱473.58 million in 2019. 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 10,785 flights (+39%) from 27,472 in 2018 to 38,257 in the current year. Another highlight of the 2019 revenues is the ₱38.75 million (+85%) increase in the revenue of water operations brought mainly by BTSI and the acquisition of SUMMA, which is engaged in water treatment and equipment lease , as well as the customer growth in SNVRDC and NAWASCOR.

Rental and administrative revenues did not vary 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 2019 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 2019 amounted to ₱804.36 million, posting an increase of ₱216.59 million (+37%) from 2018. 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 and preparation of the ground handling company for the opening of Terminal 2 in Cebu and taking over of ground handling services for PAL and PALex in Manila and Mactan Cebu. Wage increases also impacted on the labor costs. Consolidated operating expenses increased by ₱11.84 million from last year's ₱214.07 million due to the increase in personnel expenses as the Group continuously grows, start-up costs of the aviation school, and higher taxes caused by the new tax reform law.

Share in net income/loss of associates amounting to ₱231.41million which decreased by ₱25.29 million (-10%) 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 period ended March 31, 2019, our MRO business registered profits of ₱451.54 million from which we share 49% or ₱221.25 million. In the first quarter of 2018, MAC's share in LTP's income is ₱240.66 million, out of ₱491.15 million. The 8% decrease in the income of LTP is due to the timing difference of booking of the finance cost incurred for loan obtained for business expansion from Q12018 where interest charges was booked starting subsequent quarters. CPCS - our catering associate in Cebu, reflected an 37% decrease in its net earnings as CPCS cease to provide meals to one of its clients beginning March 2019. MAC booked its 40% net income share in CPCS at ₱10.16 million, compared to last year's ₱16.04 million.

The interest income of ₱0.15 million pertains to income earned from short-term investments. Financing charges increased from ₱3.48 million in 2018 to ₱10.84 million in 2019, aligned with the increase in notes payable of the Group.

Other income and charges decreased by ₱10.22 million against the ₱15.18 million in 2018 mainly due to forex losses as dollar exchange rates decline. The Group posted a provision for income tax in the amount of ₱33.32 million in 2019, 20% higher as compared to 2018's ₱27.83 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 grows to 80 aircrafts as at period end from 79 aircrafts. Continuous growth shall also be driven by new business opportunities in the catering and ground handling business units. MacroAsia Airport Services (MASCORP) 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. In addition, MASCORP has been designated as the preferred ground handler for PAL and PALex in Manila and Cebu, involving activities related to passenger services, ramp handling, cargo and others and MACS as the inflight meal provider for PAL which commenced on March 16, 2019 that will further boost the income from catering and ground handling on subsequent quarters. The new commissary of MSFI, a subsidiary of MACS has started commercial operations this quarter and has initial roster of clients to further seek opportunity to grow its existing clients.

FINANCIAL POSITION (Year-to-Date March)

At the consolidated level as of March 31, 2019, total assets stood at ₱8.56 billion, posting a ₱400.60 million increase from last year-end's level of ₱8.16 billion. Cash and cash equivalents of ₱1.70 billion increased by ₱1.02 billion (+151%), which is caused mainly by the dividends paid by LTP. The Group sees no liquidity issues in 2019, as the cash balances of the operating subsidiaries continue to increase from robust operating cash inflows. The operations of the investments in SNV, BTSI and NAWASCOR and SUMMA will also help the cash inflows for 2019.

Receivables decline by ₱16.88 million or 2% due to improved collections. Inventories of ₱74.88 million were maintained in line with forecasted inventory level requirements. Input taxes and other current assets of ₱265.44 million represents input taxes, creditable withholding and prepaid taxes and unamortized prepayments for insurance covers, rent, utilities and unconsumed supplies as of March 31, 2019.

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are contributed by the share in cumulative translation adjustments for LTP due to foreign exchange fluctuations, share in re-measurement gains and losses on defined benefit plans due to the revised PAS19, share in cash dividends declared and actually received during the current period, and the incremental equity share in net earnings/loss of the associated companies. The Group recorded a decrease of ₱696.91 million (-28%) in this investment account, from ₱2.51

billion in 2018 year-end to ₱1.82 billion as of March 31, 2019 as a result of dividend declaration of LTP.

The Group's property and equipment of ₱2.20 billion showed an increase from last year's ₱2.06 billion due to new acquisitions made by our catering, ground handling, water and pre-operating companies. 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 ₱26.44 million as of March 31, 2019, did not change significantly from the prior year-end. The DTA mostly came from the allowances on probable losses and doubtful accounts. Other noncurrent assets decreased by ₱127.53 million or 23% to ₱422.19 million due to the decrease in advances to suppliers by MASCORP which pertains to the down payment made to suppliers for contracted project which have been completed. Other noncurrent assets account also include deferred project costs, rental and refundable deposits, advances to contractors, restricted investment, prepaid rental equity investments designated at fair value through other comprehensive income (FVTOCI)/ available for sale (AFS) investments and retirement assets. 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 ₱409.70 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 had a minimal decrease of ₱40.82 million (-5%) as of March 31, 2019. Notes payable of ₱1,342.93 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 ₱262.17 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. Loans drawn by MSFI amounting to ₱125 million in April and ₱275 million in July 2018 remain outstanding. In 2018, BTSI entered into long-

term and short-term loans amounting to ₱325 million which remain outstanding. Also additional ₱250 million is availed by MSFI in 1st quarter of 2019. Accrued retirement benefits payable of and other long term employee benefits amounting to ₱4.64 million is accounted for based on the latest actuarial valuation of the Group. Deferred tax liabilities of ₱138.93 million remained at the same level as prior year's ending balance. Dividends payable of ₱339.50 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 March 31, 2019, non-controlling interests amounted to ₱357.07 million.

MacroAsia Corporation's Mining Project

Macroasia Corporation holds two Mineral Production Sharing Agreements (MPSAs), MPSA-220-2005-IVB and MPSA-221-2005-IVB, both located in Brooke's Point, Palawan. MPSA-220 or the Infanta Nickel Project covers a total land area of 1,114 hectares with nickel in the form of laterite ore as the primary commodity. This area was the source of ore shipments to Japan in the 1970's.

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

The operation of the Mining Project has already been endorsed by the three impact barangays, including the indigenous people in the area. In 2010, the Parent company has received the Environmental Compliance Certificate (ECC) for operations and presently in the

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

Pending the completion of the permitting process that will enable the project to progress into mine operation, maintenance works in the mineral property has been undertaken since 2012. The third renewal of the two-year Exploration Period under MPSA 220-2005-IVB was granted by the Mines and Geosciences Bureau (MGB) of the Department of Environment and Natural Resources (DENR) on March 19, 2018. The extended exploration period will allow MacroAsia Corporation to gather more exploration data to fine-tune the feasibility study for operations and eventual metallurgical testing of the nickel laterite ore. During the 3rd quarter of 2013 as per approved Exploration Work Program the drilling and exploration activity was disrupted by the intervention of some representative of Palawan Network of NGO's Inc. or PNNI, a local NGO, along with some officials of the LGU of Brooke's Point, Palawan. The case is still under legal dispute. For the third renewal of the Exploration Period MacroAsia Mining Corporation intends to further conduct exploratory drilling on less studied areas along side road improvement works and an enhanced Community Development Program (CDP). Likewise, the second renewal of the two-year Exploration Period, marking the 5th and 6th years of exploration period, for the MPSA 221-2005-IVB or Mt. Gantung Nickel-Chromite Project. The program for the area will be basically extensive drilling and geological mapping works complemented by improvement of road linking to Infanta Nickel Project area.

On December 15, 2016, Regional Director Roland de Jesus of Region 4B approved the Order of Survey of MPSA 220-2005-IVB of the Infanta Nickel Project. The document serves as an assurance of the tenements being excised from the areal limits of Mount Mantalingahan Protected Landscape (MMPL). On the same date the operator of the adjacent tenement,Ipilan Nickel Corporation of PGMC, was also granted with an approved Order of Survey on the premise that settlement and resolution of the contested boundary areas be considered by the two companies. Meanwhile, request for an Order of Survey for MPSA 221-2005-IVB is now in process.

On February 13, 2017, MGB issued a certification confirming the validity of the MPSAs of the Company. However, on February 14, 2017, the Secretary of the Department of Environment and Natural Resources (DENR) announced the cancellation of 75 MPSAs (including MAC's) allegedly located at/in watersheds all over the country. On February 17, 2017, the Company received a "show cause" notice nor reply from DENR requesting the Company to provide reasons why the MPSAs should not be cancelled. On February 21, 2017, the Company responded to DENR stating that MAC's MPSAs are not located on declared watersheds. As of date, the Company has not received any notice from the DENR or MGB for the cancellation of the MPSAs.

Bulawan Mining Corporation (BUMICO), a subsidiary of the Philippine National Bank (PNB), transferred its right for their Exploration Permit Application (EXPA 103-VII) over a 506-hectare area in Basay, Negros to MAC through the signing of a Deed of Assignment (DOA) on August 15, 2012. The DOA has been approved by Mines and Geosciences Bureau (MGB) Region VII Office on January 28, 2013. The area has a high potential for copper-gold molybdenum–silver mineralization. Several copper and gold mining companies have shown interest in the area.

BUMICO also transferred its interests in the Bulawan Mining Project with an Operating Agreement with Philex Mining Corporation (PMC) to MAC through a Deed of Assignment (DOA) signed on September 6, 2012. The DOA was finalized after securing the written consent of Philex. In relation to the operating agreement between Philex and BUMICO, Philex committed to submit quarterly reports to MAC which will be subjected to regular validation by MAC's technical team.

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

In August 2017 MacroAsia Mining Corporation engaged the services of Ms. Maria Lourdes Arcenas to conduct a socio-cultural due diligence for MPSAs 220/221-2005-IVB. The work is part of the program on facilitating the updating of MOA with the Indigenous Cultural Community of the Pal'wan tribe in lieu of conducting a new FPIC as has been the dispute on the issuance of Certificate Precondition with the NCIP.

MacroAsia Corporation and MacroAsia Mining Corporation also maintain exploration permit application (EXPAs) to mineralized areas in Carigara and Baybay City in Northern Leyte and in Pintuyan-San Ricardo in Southern Leyte denominated as EXPA 0091-, 0092-, and 0093-VI, respectively.

This year the thrust of MacroAsia Mining Corporation is focused on the transfer of the mining tenements registered under MacroAsia Corporation and on acquisition of those tenements under PNB. The move is part of a bigger program on the spinning-off of MacroAsia Mining Corporation to become an independent entity from the umbrella corporation, MacroAsia Corporation.

NUMBER OF STOCKHOLDERS

There are 843 and 842 stockholders as of March 31, 2019 and December 31, 2018, respectively.

OTHER MATTERS

1. Passenger loads and flight frequencies of airlines are the two most important factors that affect the revenue levels of the Group's operating units that are involved in catering and ground handling. The Group constantly monitors these two factors that directly impact on revenues and costs.

2. Management is not aware of any known trends or any known demands, commitments, events or uncertainties that may or will have a material negative impact on the Group's liquidity.

3. The Group is not aware of any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

4. Management does not anticipate having within the next twelve (12) months cash flow or liquidity problems. The Group generally sources its liquidity requirements through its operating revenues and collections. Excess cash are invested in placements with better yields.

5. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

6. Other than those approved for the completion of a new non-airline catering facility near the East Service Road, Muntinlupa City, a municipal water project in Pangasinan, water projects in Cavite, and water project expansion in Boracay Island, there are no material commitments for capital expenditures created during the reporting period.

7. There have been no significant elements of income or loss that did not arise from the Group's continuing normal operations that are not disclosed in the consolidated interim financial statements.

8. The Group is not aware of any future event that will cause a material change in the relationship, vertical and horizontal analyses, of any material item from period to period.

9. The Group is not aware of any seasonal aspects that have material effect during the reporting period.

10. The Group has not issued, repurchased or repaid any debt or equity securities during the current interim reporting period.

11. No material events have occurred subsequent to the end of the current interim period that should be reflected in the financial statements for the interim period.

SIGNATURES

Pursuant to the requirement of Sec 17 of the Code and Sec 141 of the Corporation Code of the Philippines, this report has been reviewed by the Audit Committee of MacroAsia Corporation on May 10, 2019, and is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on May 14, 2019.

MACROASIA CORPORATION
Registrant

By:

JOSEPH T. CHUA
President

AMADOR T. SENDIN
Chief Financial Officer

Annex 1

MACROASIA CORPORATION AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements

March 31, 2019 and 2018 (Unaudited)

and

December 31, 2018 (Audited)

GENERAL INFORMATION

Directors (as of March 31, 2019)

Lucio C. Tan	(Chairman and CEO)
Carmen K. Tan	
Lucio K. Tan, Jr.	
Michael G. Tan	
Joseph T. Chua	(President and COO)
Jaime J. Bautista	(Treasurer)
Johnip G. Cua	(Independent Director)
Ben C. Tiu	(Independent Director)
Samuel C. Uy	(Independent Director)
Marixi R. Prieto	(Independent Director)

Chief Financial Officer and VP-Administration and Business Development
Amador T. Sendin

VP-Legal, Human Resources and External Relations, Compliance Officer and CIO
Atty. Marivic T. Moya

Corporate Secretary
Atty. Florentino M. Herrera III

Stock and Transfer Agent
Trust Banking Group
Philippine National Bank (formerly Allied Banking Corporation)
3rd Floor, PNB Financial Center
Pres. Diosdado Macapagal Blvd., Pasay City

Banks
Philippine National Bank (formerly Allied Banking Corporation)
6754 Ayala Avenue, Makati City

Philippine Bank of Communications
565-567 Sto. Cristo, Binondo Manila

Banco de Oro Universal Bank
EPC Building, Paseo de Roxas cor.
Gil Puyat Ave., Makati City

Unionbank of the Philippines
Tektite Building, Ortigas Center, Pasig City

Asia United Bank
G/F Morning Star Center Building,
Gil Puyat Avenue, Makati City

China Banking Corporation
8745 Paseo de Roxas corner Villar St. Makati City

Metrobank and Trust Company
New Manila Branch 676 Aurora Blvd., New Manila 1112 Quezon City

Auditors
SyCip Gorres Velayo & Co.
6760 Ayala Avenue, Makati City

MACROASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

		MARCH 31, 2019 (UNAUDITED)		DECEMBER 31, 2018 (AUDITED)
ASSETS				
Current Assets				
Cash and cash equivalents	₱	**1,696,875,639**	₱	675,196,833
Receivables and contract asset		**883,544,286**		900,423,623
Inventories		**74,877,348**		88,774,311
Input taxes and other current assets		**265,440,015**		188,870,957
Total Current Assets		**2,920,737,288**		1,853,265,724
Noncurrent Assets				
Investments in associates		**1,817,746,491**		2,514,655,508
Property, plant and equipment		**2,195,068,505**		2,059,122,487
Investment property		**143,852,303**		143,852,303
Service concession right		**409,695,922**		408,658,272
Accrued rental receivable		**105,523,345**		106,724,657
Input taxes -net		**235,498,003**		236,403,791
Deferred income tax assets		**26,443,124**		18,927,408
Goodwill and intangible assets		**284,613,218**		269,435,508
Other noncurrent assets		**422,192,424**		549,722,982
Total Noncurrent Assets		**5,640,633,335**		6,307,502,916
TOTAL ASSETS	₱	**8,561,370,623**	₱	8,160,768,640
LIABILITIES AND EQUITY				
Current Liabilities				
Current loans payable	₱	**416,143,143**	₱	425,459,744
Accounts payable and accrued liabilities		**840,523,599**		881,341,005
Income tax payable		**36,493,132**		16,855,640
Dividends payable		**339,504,343**		8,859,024
Total Current Liabilities		**1,632,664,217**		1,332,515,413
Noncurrent Liabilities				
Loans payable- net of current portion		**926,789,205**		676,516,177
Accrued rental payables		**132,583,658**		130,420,744
Accrued retirement and other employee benef		**4,636,200**		29,053,471
Deferred income tax liabilities		**138,926,109**		130,137,917
Other noncurrent liabilities		**17,708,162**		18,480,020
Total Noncurrent Liabilities		**1,220,643,333**		984,608,329
Total Liabilities		**2,853,307,550**		2,317,123,742

Equity				
Capital stock - ₱ 1 par value				
Authorized - 2,000,000,000 shares				
Issued and fully paid - 1,618,146,293 shares		**1,618,146,293**		1,618,146,293
Additional paid-in capital		**281,437,118**		281,437,118
Other Reserves		**143,299,677**		143,299,677
Other components of equity		**65,886,661**		98,146,690
Retained earnings				
Appropriated		**840,000,000**		840,000,000
Unappropriated		**2,578,440,647**		2,688,487,195
Treasury shares		**(176,215,402)**		(176,215,402)
Total equity attributable to equity holders of the parent company		**5,350,994,994**		5,493,301,571
Non-controlling interests		**357,068,079**		350,343,327
Total Equity		**5,708,063,073**		5,843,644,898
TOTAL LIABILITIES AND EQUITY	**₱**	**8,561,370,623**	₱	8,160,768,640

MACROASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
For the period ended March 31

		JAN-MAR		
		2019		2018
NET SERVICE REVENUE				
In-flight and other catering	₱	**447,235,549**	₱	408,955,462
Ground handling and aviation		**473,584,549**		289,756,833
Rental and administrative		**47,720,295**		49,309,646
Charter flights		**-**		-
Water		**84,304,216**		45,549,292
Exploratory drilling fees		**-**		-
		1,052,844,609		793,571,233
DIRECT COSTS				
In-flight and other catering		**288,522,021**		271,176,805
Ground handling and aviation		**404,604,628**		234,766,558
Rental and administrative		**44,961,250**		47,070,044
Charter flights		**-**		-
Water related expenses		**62,887,612**		30,085,050
Exploratory drilling expense		**3,385,723**		4,670,910
		804,361,234		587,769,367
GROSS PROFIT	₱	**248,483,375**	₱	205,801,866
SHARE IN NET INCOME OF ASSOCIATES		**231,414,948**		256,700,667
		479,898,323		462,502,533
OPERATING EXPENSES		**(225,906,583)**		(214,066,055)
INTEREST INCOME		**154,937**		994,919
FINANCING CHARGES		**(10,837,558)**		(3,476,684)
OTHER INCOME - net		**4,960,618**		15,177,843
INCOME BEFORE INCOME TAX	₱	**248,269,737**	₱	261,132,556
PROVISION FOR INCOME TAX		**33,321,214**		27,831,757
NET INCOME	₱	**214,948,523**	₱	233,300,799
Attributable to:				
Equity holders of the parent		**208,223,771**		220,657,794
Non-controlling interests		**6,724,752**		12,643,005
	₱	**214,948,523**	₱	233,300,799
Basic Earnings Per Share		**0.13**		0.18

MACROASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		JAN - MAR		
		2019		2018
NET INCOME (LOSS)	₱	**214,948,523**	₱	233,300,799
OTHER COMPREHENSIVE INCOME (LOSS) - Net				
Net foreign currency translation adjustments		**(32,260,029)**		18,532,449
Remeasurements on defined benefit plan		**-**		-
		(32,260,029)		18,532,449
Total Comprehensive Income (Loss)		**182,688,494**		251,833,248
Attributable to:				
Equity holders of the parent	₱	**175,963,742**	₱	239,190,243
Non-controlling interests		**6,724,752**		12,643,005
	₱	**182,688,494**	₱	251,833,248

MACROASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the period ended March 31		
		2019		2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱	248,269,736	₱	233,300,799
Adjustments for:				
Equity in net (income) loss of associates		(231,414,948)		(256,700,667)
Depreciation and amortization		50,080,917		39,615,391
Interest income		(154,937)		(994,919)
Unrealized foreign exchange (gain) loss - net		(1,391,548)		(4,836,818)
Provision for losses		-		-
Retirement benefit cost		460,466		270,499
Financing charges		10,837,558		3,476,684
Operating income before working capital changes		76,687,244		14,130,970
Decrease (increase) in:				
Receivables		16,879,337		(131,067,552)
Inventories		13,896,963		27,088,593
Other current assets		(75,614,260)		4,948,166
Increase (decrease) in:				
Accounts payable and accrued liabilities		(40,817,406)		(42,978,884)
Accrued rental payables		2,162,914		
Other noncurrent liabilities		(771,859)		
Cash generated from (used in) operations		(7,577,067)		(127,878,706)
Interest received		154,937		994,919
Financing charges paid		(10,837,558)		(3,476,684)
Contributions to retirement fund		(24,877,737)		(270,499)
Income taxes paid , including creditable witholding taxes		21,718,683		(3,930,406)
Net cash from (used in) operating activities	₱	(21,418,742)	₱	(134,561,377)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment		(184,975,682)		(21,329,248)
Acquisitions of intangible assets		(20,000,000)		(10,644,237)
Dividends received		896,310,450		-
Decrease (Increase) in refundable deposits and other noncurrent assets		127,530,558		(7,553,188)
Net cash from (used in) investing activities	₱	818,865,326	₱	(39,526,673)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		-		(171,801,616)
Proceeds from availment of notes payable		250,000,000		75,000,000
Payments of notes payable		(9,043,573)		(94,992,040)
Net cash from (used in) financing activities	₱	240,956,427	₱	(191,793,656)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(16,724,205)		3,369,267
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	₱	1,021,678,806	₱	(362,512,439)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		675,196,833		913,191,924
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	₱	1,696,875,639	₱	550,679,485

MACROASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousand Pesos)

	Attributable to the Equity Holders of the Parent													
										Retained Earnings				
	Capital Stock	Additional Paid-in Capital	Share in Foreign Currency Translation Adjusment of an Associate	Remeasurements on Defined Benefit Plan	Share in Remeasurements on Defined Benefit Plan of Associates	Other Reserves	AFS Investments Reserve	Reserve for fair value changes of financial assets investments	Treasury Shares	Appropriated	Unappropriated	Subtotal	Non-controlling Interest	Total
BALANCES AT DECEMBER 31, 2017	1,250,000	281,437	(52,663)	30,968	(91,092)	143,300	14,366	-	(113,676)	1,038,100	1,812,411	4,313,151	319,626	4,632,777
Total comprehensive income (loss)	-	-	18,532	-	-	-	-	-	-	-	220,658	239,190	12,643	251,833
BALANCES AT MARCH 31, 2018	₱ 1,250,000	281,437	(34,131)	30,968	(91,092)	143,300	14,366	-	(113,676)	1,038,100	2,033,069	4,552,341	332,269	₱ 4,884,610
BALANCES AT DECEMBER 31, 2018	1,618,146	281,437	53,348	39,663	(30,584)	143,300	-	35,720	(176,215)	840,000	2,688,487	5,493,302	350,343	5,843,645
Dividend declaration	-	-	-	-	-	-	-	-	-	-	(318,270)	(318,270)		(318,270)
Total comprehensive income (loss)	-	-	(32,260)	-	-	-	-	-	-	-	208,224	175,964	6,725	182,688
BALANCES AT MARCH 31, 2019	₱ 1,618,146	281,437	21,088	39,663	(30,584)	143,300	-	35,720	(176,215)	840,000	2,578,441	5,350,995	357,068	₱ 5,708,063

SUMMARIZED INCOME STATEMENT INFORMATION FOR UNCONSOLIDATED SUBSIDIARY

LUFTHANSA TECHNIK PHILIPPINES, INC.
SUMMARIZED INTERIM STATEMENTS OF INCOME
in PHP

		January to March (UNAUDITED)		
		2019		2018
REVENUE				
Core Revenue	₱	**2,425,498,544**	₱	2,062,824,498
Subcon/Reimbursement		**672,252,881**		908,030,031
TOTAL REVENUE		**3,097,751,425**		2,970,854,529
LESS: COST OF SALES		**1,190,107,894**		1,176,615,833
GROSS PROFIT		**1,907,643,531**		1,794,238,696
LESS: OPERATING EXPENSES		**1,323,444,230**		1,202,908,875
INCOME FROM OPERATIONS		**584,199,301**		591,329,821
LESS/ (ADD): OTHER CHARGES/(INCOME)		**90,430,181**		75,953,183
INCOME BEFORE INCOME TAX		**493,769,120**		515,376,638
LESS: PROVISION FOR INCOME TAX		**42,234,060**		24,225,157
NET INCOME	₱	**451,535,060**	₱	491,151,481

SUMMARIZED INCOME STATEMENT INFORMATION FOR UNCONSOLIDATED SUBSIDIARY

CEBU PACIFIC CATERING SERVICES
SUMMARIZED STATEMENTS OF INCOME
In Pesos

		January to March		
		UNAUDITED 2019		UNAUDITED 2018
REVENUE	₱	**78,159,149**	₱	97,983,933
LESS: COST OF SALES		**46,468,524**		52,321,430
GROSS PROFIT		**31,690,625**		45,662,503
LESS: OPERATING EXPENSES		**4,712,027**		3,750,283
INCOME FROM OPERATIONS		**26,978,598**		41,912,220
LESS/ (ADD): OTHER CHARGES/(INCOME)		**(50,333)**		(526,812)
INCOME BEFORE INCOME TAX		**27,028,931**		42,439,032
LESS: PROVISION FOR INCOME TAX		**1,622,010**		2,347,928
NET INCOME	₱	**25,406,921**	₱	40,091,104
EQUITY SHARE IN NET INCOME (40%)	₱	**10,162,769**	₱	16,036,442

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Business Operations

Corporate Information

MacroAsia Corporation (the Company or MAC), a publicly-listed corporation, was incorporated in the Philippines on February 16, 1970 under the name Infanta Mineral & Industrial Corporation to engage in the business of geological exploration and development. On January 26, 1994, its Articles of Incorporation was amended to change its primary purpose from exploration and development to that of engaging in the business of a holding company, and 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 Parent Company and its subsidiaries (collectively referred to as the "MacroAsia Group", "the Group") are described in Note 4. The Parent Company, through its subsidiaries and associates, is presently engaged in aviation-support businesses at 32 airport locations in the Philippines. It provides in-flight catering services, ground handling services for passenger and cargo aircraft, and helicopter charter flight services. It also operates/develops the sole economic zone within the NAIA.

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

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

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for equity investments held at fair value through other comprehensive income (FVTOCI), which are carried at fair value. The interim condensed consolidated financial statements are presented in Philippine peso (₱), the Parent Company's functional and presentation currency. Amounts are rounded to the nearest thousands unless otherwise indicated.

Statement of Compliance

The interim condensed consolidated financial statements for the period ended March 31, 2019 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. This does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2018.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years, except for the adoption of the following amendments to existing standards effective beginning January 1, 2019. Except as otherwise indicated, the new standards and amendments have no significant impact on the annual consolidated financial statements of the Group or the condensed interim consolidated financial statements of the Group.

- PFRS 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 MAPDC, MACS and Boracay Tubi Systems Inc. (BTSI) and the subsidiary of 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 March 31, 2019 (unaudited) and December 31, 2018 (audited).

		Percentage of Ownership by MAC				Percentage of Direct Ownership by MAPDC/MACS/ WBSI/BTSI/MMC/ASSC	
		2019		2018			
	Nature of business	**Direct**	**Indirect[2]**	Direct	Indirect[2]	**2019**	2018
MAPDC	Economic Zone (Ecozone) developer/operator and water supply	**100**	–	100	–	–	–
MacroAsia Airport Services Corporation (MASCORP)	Groundhandling aviation services	**100**	–	100	–	–	–
MacroAsia Air Taxi Services, Inc. (MAATS)	Helicopter chartering services	**100**	–	100	–	–	–
Airport Specialists' Services Corporation (ASSC)[1]	Manpower services	**100**	–	100	–	–	–
MMC	Mine exploration, development and operation	**100**	–	100	–	–	–
MACS	In-flight and other catering services	**67**	–	67	–	–	–
MacroAsia SATS Food Industries (MSFI)	Meal production and food processing	–	**67[a]**	–	67[a]	**67**	67
MacroAsia SATS Inflight Services Corporation (MSISC) [3]	Meal production and food processing	–	**67[a]**	–	67[a]	**67**	67
BTSI	Water treatment and distribution	–	**67[4], [b]**	–	67[4], [b]	**67[4]**	67[4]
MONAD Water and Sewerage Systems, Inc. (MONAD)	Water sewerage treatment	–	**53.6[4], [c]**	–	53.6[5], [c]	**80[4]**	80[4]
New Earth Water System, Inc. (NEWS)	Water projects	–	**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)	Water projects	–	**90[b]**	–	90[b]	**90**	90
WBSI	Water projects	–	**51 [4], [b]**	–	51[4], [b]	**51**	51
Cavite Business Resources Inc. (CBRI)	Water projects	–	**51 [4], [d]**	–	51[4], [d]	**51**	51
First Aviation Academy, Inc. [6]	Aviation school	**51**	–	51	–	–	–
Cavite Business Resources Inc. (CBRI)	Water projects	–	**51 [d]**	–	51[4], [d]	**51**	51
First Aviation Academy, Inc. [6]	Aviation school	**51**	–	51	–	–	–

(Forward)

Summa Water Resources Inc. (SWRI)	Water treatment and equipment lease	**60[e] [7]**	**60[e] [7]**	–	–	**60**	**60**
Bulawan Mining Corporation [3]	Mine operation, development and utilization	**100[f] [8]**	**100[f] [8]**	–	–	**100**	**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.

3. Significant Judgments and Accounting Estimates

The preparation of the consolidated financial statements in accordance with PFRSs requires the Group to exercise judgments, make estimates and use assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements.

Determination of the Group's functional currency

Judgment is exercised in assessing various factors in determining the functional currency of each entity within the Group. These include the prices of goods and services, competition, cost and expenses, and other factors including the currency in which financing is primarily undertaken.

The Group, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be Peso. It is the currency of the primary economic environment in which the Group operates. The functional currency of LTP, one of the Group's associated companies, 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:

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.

- *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 March 31, 2019 and December 31, 2018, the Group still determined that it controls its subsidiaries and has significant influence over its associates.

Assessment operators under Philippine Interpretation IFRIC 12
Management has assessed that memoranda of agreement with the Municipality of Solano, Nueva Vizcaya (Solano) to provide water distribution facilities and with the Municipality of Naic Cavite (Naic) to develop and operate water supply and distributions system are covered by the Philippine Interpretation IFRIC 12. The memoranda of agreement qualify under the intangible asset model with respect to the operation of the waterwork facilities as the Group has the right (license) to charge users of public service.

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).

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 ₱21.3 million.

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.

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

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

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

Determination of fair 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 ₱89.6 million. The final goodwill from acquisition of NAWASCOR amounted to ₱36.9 million.

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.

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

Provision for expected credit losses (PFRS 9)
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 ₱883.5 million as of March 31, 2019.

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 2019 and 2018.

The Group's inventories carried at cost as of March 31, 2019 and December 31, 2018 and amounted to ₱74.88 million and ₱88.77million, respectively.

Estimating allowances for probable losses on input taxes and TCCs
The Group estimates the level of provision for probable losses on input taxes and TCCs based on the experience of the Group and assessment of counsels assisting the Group in processing the claims and negotiating the realization of TCCs. As of March 31, 2019 and December 31, 2018, the carrying value of input taxes and TCCs amounted to ₱265.44 million and ₱188.87 million, respectively. Allowance for probable losses amounted to ₱41.95 million as of March 31, 2019 and December 31, 2018.

Determination of fair value of investment property
The fair value of the Group's investment property is valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. As of March 31, 2019 and December 31, 2018, the fair value of the investment property is based on valuation performed by an accredited and independent valuer. The carrying value of the investment property amounted to ₱143.9 million as of March 31, 2019 and December 31, 2018.
Estimation of useful lives of property and equipment

The Group estimates the useful lives of property and equipment based on the internal technical evaluation and experience with similar assets. In cases where the use of property and equipment is dependent on the grant of certain permits for an entity to conduct its business, management considers the probability of renewal of such permits based on past experience. In this situation, useful lives of property and equipment are based on the economic useful lives rather than the currently effective period of the permits. Estimated useful lives are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. There is no change in the estimated useful lives of property and equipment in 2019 and 2018.

The carrying value of property and equipment subject to depreciation as of March 31, 2019 and December 31, 2018 amounted to ₱859.35 million and ₱861.3 million, respectively.

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. The carrying value of the service concession right amounts to ₱409.70 million and ₱408.66 million as of March 31, 2019 and December 31, 2018, respectively.

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

The carrying value of the customer contract and relationships amounted to ₱65.0 million as of March 31, 2019 and December 31, 2018, respectively. The carrying value of the right to use asset amounted to ₱68.4 million as of March 31, 2019 and December 31, 2018.

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 March 31, 2019.

The carrying values of the nonfinancial assets are as follows:

	2019	2018
Investments in associates	**₱1,817,746,491**	₱2,514,655,508
Property, plant and equipment	**2,195,068,505**	2,059,122,487
Investment property	**143,852,303**	143,852,303
Service concession right	**409,695,922**	408,658,272
Deferred project costs	**56,813,350**	56,813,350
Deferred mine exploration costs	**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.

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 2019 and 2018 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 2019 and 2018.

The carrying value of goodwill subjected to impairment testing, except for goodwill arising from SWRI acquisition, amounted to ₱100.5 million as of March 31, 2019 and December 31, 2018.

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 2019 and 2018.

The carrying value of right to use asset amounted to ₱70.6 million as of March 31, 2019 and December 31, 2018.

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 MPSAs valid and subsisting as affirmed by the MGB through the DENR, the Company assessed the prevailing mining prospects in the coming years and saw valid reasons to fully provide with allowance for probable losses on its deferred mine

exploration costs relating to Infanta Nickel Project. In 2016, the Company recognized provision for probable losses amounting to ₱212.9 million which management believes still appropriate in view of its long outstanding applications to renew the exploration permits of its MPSAs in Palawan.

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 ₱4.6 million and ₱29.1 million as of March 31, 2019 and December 31, 2018, respectively. Pension asset amounted to ₱28.5 million and ₱37.2 million as of March 31, 2019 and December 31, 2018, respectively, and is included under "Other noncurrent assets" account.

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. Outstanding amounts of provision which are included as part of "Accounts payable and accrued liabilities" amounted to ₱4.8 million as of March 31, 2019 and December 31, 2018, respectively. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the Company's negotiation with the third party.

LTP, on the other hand, has recognized provisions as of March 31, 2019 and December 31, 2018, 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.

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.

Deferred income tax assets recognized, which relate primarily to operating subsidiaries, amounted to ₱26.44 million and ₱18.93 million as of March 31, 2019 and December 31, 2018, respectively. The Group also has unrecognized deferred income taxes primarily on the non-operating subsidiaries' temporary differences, NOLCO and MCIT.

4. 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. The Group's geographic segment is the Philippines only. The Group operates and derives all its revenue from domestic operation.

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

- In-flight and other catering segment, which is operated by MACS and its subsidiary, MSFI, refers to servicing of meal requirements of certain foreign and domestic passenger airlines at the NAIA and the MDA and of certain non-airline institutional accounts.

- Ground handling and aviation segment, which is operated by MASCORP, refers to both ramp and passenger handling and aviation services to foreign airlines and domestic carriers at 32 airport locations.

- Charter flights segment, which is handled by MAATS, provided 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. Beginning August 22, 2016, MAATS ceased operating its helicopter charter and is now focused on its Fixed Base Operations (FBO) revenue generating activities.

- Rental and administrative segment, which is primarily operated through MAPDC, pertains to the sub-lease of the MacroAsia Ecozone at NAIA, which MAPDC leases from Manila International Airport Authority (MIAA) with LTP as the anchor locator.

- Mining segment, which pertains to mining-related activities of the Group, refers to expenditures for exploration activities and rendering of exploration-related services.

- Water segment pertains to development (e.g., studies, surveys) and construction of water-treatment facilities activities, which are undertaken by MAPDC through its subsidiaries (NAWASCOR, SNVRDC, MPRDC, PWBRI, WBSI and its subsidiary, CBRI and BTSI and its subsidiaries, MONAD and NEWS) and ASSC through its subsidiary, SUMMA.

- Associates, which represents the Group's investments in associates that are accounted for using the equity method.

The Group has only one geographic segment. There were no inter-segment sales as of March 31, 2019. Segment assets include the operating assets used by a segment and consist principally of cash and cash equivalents, receivables, inventories, other current assets and property and equipment, net of allowances, depreciation and any impairment in

value. Segment liabilities include all operating liabilities for and consist principally of notes payable, accounts payable and accrued liabilities. Segment results pertain to net income after tax.

Financial information on the Group's business segments as of and for the period ended March 31, 2019 and 2018 are as follows:

(In Thousand Pesos)

	January to March	
REVENUE – External	**2019**	2018
In-flight and other catering	**447,236**	408,955
Ground handling and aviation	**473,585**	289,757
Rental and administrative	**47,720**	49,310
Charter flights	**-**	-
Water	**84,304**	45,549
Exploratory drilling fees	**-**	-
Total segment and consolidated revenue	**1,052,845**	793,571
RESULT – Segment result		
In-flight and other catering services	**90,937**	80,891
Ground handling and aviation	**39,324**	34,382
Rental and administrative services	**(10,500)**	(14,231)
Charter flights service	**1,135**	257
Water	**(5,939)**	2,266
Mining	**(5,020)**	(5,151)
Share in net income (loss) of associates	**231,415**	256,701
Total segment results	**341,352**	355,115
Unallocated corporate income (expenses) and eliminations	**(93,082)**	(93,982)
Provision for income tax	**(33,321)**	(27,832)
Consolidated net income (loss)	**214,949**	233,301

(In Thousand Pesos)

	Mar-19	Dec-18
OTHER INFORMATION		
Segment assets		
In-flight and other catering services	**1,966,733**	1,805,531
Ground handling and aviation	**1,176,322**	1,087,738
Rental and administrative services	**526,128**	1,555,265
Charter flights service	**34,619**	41,468
Investment in associates	**1,817,746**	2,514,656
Water	**1,319,098**	1,358,053
Mining	**25,556**	37,900
Total segment assets	**6,866,202**	8,400,610
Investment property	**143,852**	143,852
Deferred tax asset	**23,412**	18,927
Unallocated corporate assets and eliminations	**1,527,904**	(402,621)
Consolidated total assets	**8,561,371**	8,160,769
Segment liabilities		
In-flight and other catering services	**1,031,836**	1,067,493
Ground handling and aviation	**485,345**	713,858
Rental and administrative services	**156,090**	1,302,276
Charter flights service	**10,628**	22,596
Water	**549,090**	1,030,011
Mining	**(9,783)**	8,539
Total segment liabilities	**2,223,206**	**4,144,773**
Deferred tax liabilities	**138,926**	130,138
Unallocated corporate liabilities and eliminations	**491,175**	(1,957,787)
Consolidated total liabilities	**2,853,308**	**2,317,124**

Capital expenditures	January to March	
	2019	2018
In-flight catering services	**39,443**	37,954
Ground handling and aviation	**96,204**	2,459
Rental and administrative services	**706**	114
Charter flights service		5
Water	**31,840**	27,124
Mining	**883**	4,147
Unallocated corporate capital expenditures	**20,880**	2,032
Total	**189,956**	73,834
Depreciation & amortization		
In-flight catering services	**11,987**	11,335
Ground handling and aviation	**15,878**	11,966
Rental and administrative services	**1,225**	1,154
Charter flights service	**-**	-
Water	**17,768**	11,861
Mining	**1,391**	1,813
Unallocated corporate depreciation and amortization	**1,831**	1,487
Total	**50,081**	39,615
Non cash gains (losses) other than depreciation & amortization		
In-flight catering services	**-2,241**	3,546
Ground handling and aviation services	**3,632**	21
	1,392	3,567

5. Basic/Diluted Earnings per Share

Basic/diluted earnings per share are computed as follows:

(In thousand pesos except earnings per share)	**Mar-19**	**Dec-18**	**Mar-18**
Net income attributable to equity holders of the parent	208,224	1,048,217	220,658
Divided by weighted average number of common shares	**1,591,352**	1,592,102	1,227,154
	0.13	0.66	0.18

6. Equity

a. Restriction on retained earnings of the Group

The retained earnings as of March 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 ₱1541.0 million and ₱1,484.2 million as of March 31, 2019 and December 31, 2018, respectively.
- Cost of treasury shares amounting to ₱176.2 million as of March 31, 2019 and December 31, 2018.
- Deferred income tax assets amounting to ₱26.44 million and ₱18.92 million as of March 31, 2019 and December 31, 2018, respectively.

b. 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.

c. Cash dividends declared by the Parent Company from the unappropriated retained earnings are as follows:

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

d. Treasury stock

On July 16, 2010, the BOD approved the Share Buyback Program (the Program) involving a total cash outlay of ₱50.0 million for the repurchase of the outstanding common shares of the Parent Company from the market, using the trading facilities

of the Philippine Stock Exchange (PSE). The Program will not involve any active or widespread solicitation for stockholders to sell. Repurchase of shares of stock will be done during the period of the Program at such prices perceived by the Parent Company to be lower than the inherent value of the share. The Program will run until the ₱50.0 million authorized cash outlay is fully utilized or until such time that the BOD may direct, subject to appropriate disclosures to the PSE and the SEC.

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 March 31, 2019, the Company has reacquired 26,794,700 shares for ₱176,215,402.

Movement in the Parent Company's outstanding shares 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 and March 31, 2019	1,618,146,293	(26,794,700)	1,591,351,593

e. Track record of registration of securities

On August 30, 1974, the SEC authorized the registration and licensing of the Parent 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, Inc. authorized to list the Parent 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.

i. 250,000,000 shares to cover the 1:4 stock rights offering to stockholders of record as of April 12, 2000 at an offer price of ₱2.00 per share;

ii. 500,000,000 warrants to cover the 2:1 warrants offering attached to and detachable from the rights shares at a subscription price of ₱0.10 per warrant; and

iii. 500,000,000 shares to cover the underlying shares of warrants at an exercise price of ₱6.00 per share. Actual listing of the underlying common shares of the warrants shall take effect upon the exercise of the warrants.

iv. All warrants expired in 2005.

MAC's shares are listed and traded at the Philippine Stock Exchange, Inc. and it has approximately 843 and 842 holders of its common equity as of March 31, 2019 and December 31, 2018, respectively.

f. 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

g. Acquisition of non-controlling interest

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

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

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

7. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders and repurchase or issue new shares. The Group is not subject to externally imposed capital requirements as of March 31, 2019 and December 31, 2018. Further, no changes were made in the objectives, policies or processes for the period ended December 31, 2018 and for the three-month period ended March 31, 2019.

The Group monitors capital vis-à-vis after tax profit. The Group also monitors the equity ratio. Equity considered by the Group is total equity in the consolidated balance sheets, excluding items arising from other comprehensive income. The return on equity ratio is computed by dividing the after tax profit by total capital.

The following summarizes the total capital considered by the Group and the computation of the return on equity:

	31-Mar-19	31-Dec-18	**31-Mar-18**
Capital stock	**1,618,146,293**	1,618,146,293	1,250,000,000
Additional paid in capital	**281,437,118**	281,437,118	281,437,118
Treasury shares	-176,215,402	-176,215,402	-113,676,300
Retained earnings	**3,418,440,647**	3,528,487,195	3,071,168,973
	5,141,808,656	5,251,855,204	4,488,929,791
Net income after tax	**214,948,523**	1,083,583,808	233,300,799
Return on equity	**4.18%**	20.63%	5.20%

8. Financial Risk Management Objectives and Policies

Risk Management Structure

Audit Committee

The Committee performs oversight role on financial management functions especially in the areas of managing credit, market, liquidity, operational, legal and other risks of the Group.

Risk Management Committee

The Committee assists the BOD in identifying and assessing the various risks to which the Group is exposed to. The Committee also ensures that the Group's management has implemented a process to identify, manage and report on the risks that might prevent the Group from achieving its strategic objectives.

Board of Directors

The BOD is responsible for the overall risk management approach and for approval of risk strategies and principles of the Group.

Financial Risk Management

The Group's principal financial instruments is comprised of 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 73% of MACS' and 21% of MASCORP's revenue are denominated in US$ as of March 31, 2019. In addition, the Group closely monitors the foreign exchange rates fluctuations and regularly assesses the impact of future foreign exchange movements on its operations.

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

(in millions)	Movement in US$	Increase (decrease) on Income/Loss before Income Tax US$
2019	Increase of 5%	21.2
	Decrease of 5%	(21.2)
2018	Increase of 5%	18.0
	Decrease of 5%	(18.0)
2017	Increase of 5%	24.1
	Decrease of 5%	(24.1)

Credit and concentration risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Group trades only with related parties and duly evaluated and approved creditworthy third parties. It is the Group's policy that all customers and counterparties that wish to trade with the Group, particularly on credit terms, are subjected to credit verification procedures. In addition, receivable balances are monitored on a continuous basis with the result that the Group's exposure to bad debts is not significant. The Group has major concentration of credit risk given that the Group's cash and cash equivalents are deposited in the local affiliated bank. Further, MASCORP's major customers include PAL and PAL Express (formerly Air Phil).

MMC also has a single customer. However, since these companies are related parties and the local affiliated bank is one of the country's reputable banks, management believes that the Group 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 Parent 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:

a. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
b. *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.
c. *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 tables below show the credit quality of the Group's financial assets and an aging analysis of past due but not impaired financial assets.

		Neither past due nor impaired					
March 31, 2019	Current	Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days	ECL	Total
Loans and receivable:							
Cash in bank and cash equivalents*	1,693,558,498	-	-	-		-	1,693,558,498
Receivables:							
Trade	408,576,587.18	86,521,325	18,034,021	66,082,079.92	130,048,180.14	(14,827,620)	694,434,574
Dividends receivable	-	-	-	-	-	-	-
Due from officers and employees	-	29,100,385	-	-	-	-	29,100,385
Interest receivable	2,271,732	-	-	-			2,271,732
Other receivables		123,226,956	-	-			123,226,956
Non-Trade	27,205,028	4,428,725	-	-	-	-	31,633,753
Deposits	39,434,844	-	-	-	-	-	39,434,844
Restricted cash investment	*7,181,182*	-	-	-	-	-	7,181,182
Contract Assets	2,876,886.00	-	-	-	-	-	2,876,886.00
		243,277,392	18,034,021	66,082,080		-14,827,620	2,623,718,810

**Exclusive of cash on hand amounting to P3,317,141 as of March 31, 2019.*

		Past due					
December 31, 2018	Current	Les than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	ECL	Total, net of ECL
Financial assets:							
Cash in bank	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
Interest receivable	2,271,732	-	-	-	-	-	2,271,732
Other receivables	38,161,559	-	-	-	-	-	38,161,559
Deposits	41,367,513	-	-	-	-	-	41,367,513
Restricted cash investment	7,181,182	-	-	-	-	-	7,181,182
Contract assets	28,289,382	-	-	-	-	-	28,289,382
	1,274,890,768	92,958,211	19,375,690	70,998,357	193,453,497	-14,918,648	1,636,757,875

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 theseare 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 behavior of interest rates to ensure that cash flow interest rate risk is kept within management's tolerable level. Finally, interest-bearing liabilities are ordinarily incurred on a short-term basis only.

The following table sets forth the estimated change in the Group's income before income tax (through the impact on the variable rate borrowings) due to parallel challenges in the interest rate curve in terms of basis points (bp) as of March 31, 2019, 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	Increase (decrease) in income before income tax
	March 31, 2019	December 31, 2018
	(in millions)	
100 bp rise	**(₱13.19)**	(₱6.65)
100 bp fall	**13.19**	6.65
50 bp rise	**(6.59)**	(3.32)
50 bp fall	**6.59**	3.32

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations when they fall due under normal and stress circumstances. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows which could be used to secure additional funding if required.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of operating cash flows and short-term bank loans.

In addition, MASCORP has an omnibus line of credit for ₱100.0 million (or USD equivalent) and bills purchase line for ₱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 table below summarizes the maturity profile of the Group's financial liabilities based on contractual and undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. The table also analyses the maturity profile of the Group's financial assets held for managing liquidity in order to provide complete view of the Group's contractual commitments and liquidity.

As of March 31, 2019	< 1 year	>1-2 years	>2-3 years	>5 years	Total
Loans and receivables:					
Cash and cash equivalents	1,696,875,639	-	-	-	1,696,875,639
Receivables:					
Trade	694,434,574	-	-	-	694,434,574
Dividends receivable	-	-	-	-	-
Interest receivable	2,271,732	-	-	-	2,271,732
Installment receivable	-	19,716,058	29,574,087.92	24,645,073	73,935,219
Finance lease receivable	399,917	1,506,004	2,473,791	16,914,113	21,293,824
Deposits	-	-	-	39,434,844	39,434,844
	2,393,981,862	21,222,061	32,047,879	80,994,031	2,528,245,833
Other financial liabilities:					
Accounts payable and accrued liabilities	840,523,599	-	-	-	840,523,599
Notes Payable	444,803,857	172,278,861	188,945,528	512,809,405	1,318,837,651
Dividends payable	339,504,343	-	-	-	339,504,343
Deposit	-	-	-	11,469,490	11,469,490
	1,624,831,799	172,278,861	188,945,528	524,278,895	2,510,335,083
Liquidity position	769,150,063	(151,056,800)	(156,897,650)	(443,284,864)	17,910,749

As of Dec. 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******	-	-	-	24,588,995	24,588,995
	1,322,825,205	311,922,620	304,128,411	128,721,960	2,067,598,196
Liquidity position	196,599,074	(294,113,893)	(277,225,851)	(31,510,239)	(406,250,909)

** Gross of unearned interest income of P12,402,113. The current portion amounting to P40,668,657 is presented under trade.*

***Gross of unearned interest income of P4,106,803 exclusive of P524,895 included under trade.*

**** Exclusive of nonfinancial liabilities of P71,296,495.*

***** Inclusive of interest to maturity of P122,129,746*

9. *Fair Value of Financial Instruments*

The following is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are reflected in the consolidated financial statements as of March 31, 2019 and December 31, 2018:

As at 31 March 2019			Fair value measurements using		
	Date of valuation	Carrying value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measures at fair value:					
Equity instruments designated at FVTOCI	March 31, 2019	**65,155,800**	**-**	**65,155,800**	**-**
Assets for which fair value is disclosed:					
Installment receivables		**64,075,893**			**64,075,893**
Investment property	March 31, 2019	**143,852,303**	**-**	**-**	**143,852,303**
Deposits		**39,434,844**	**-**	**-**	**39,434,844**
Liabilities for which fair value is disclosed					
Long term debts	March 31, 2019	**926,789,205**	**-**	**926,789,205**	**-**
Deposits		**11,469,490**	**-**	**-**	**11,469,490**

As at 31 December 2018			Fair value measurements using		
	Date of valuation	Carrying value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measures at fair value:					
Equity instruments designated at FVTOCI	December 31, 2018	45,155,800	-	45,155,800	-
Assets for which fair value is disclosed:					
Installment receivables	December 31, 2018	64,075,893	-	-	64,075,893
Investment property	December 31, 2018	143,852,303	-	-	261,096,000
Deposits	December 31, 2018	41,367,513	-	-	41,367,513
Liabilities for which fair value is disclosed					
Deposits	December 31, 2018	17,881,940	-	-	17,881,940
Long term debts	December 31, 2018	753,525,921	-	753,525,921	-

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 Level 1 and 2 in 2019 and 2018.

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

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

Notes payable
The carrying value of notes payable approximates its fair value due to the re-pricing feature of the interest it carries.

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).