MacroAsia Corporation

Building a Stable Future

2015 Annual Report

ABOUT THE COVER: BUILDING A STABLE FUTURE

We at MacroAsia commit to generate stakeholder values beyond a reporting period. We pursue with passion, our role of becoming consummate service providers with a global perspective for service excellence, while going the extra mile of sustaining such performance not only today but also in the days, months and years to come. While we build on our strengths and attitude today as blocks for sustaining our future, we never rest, as we always seek to innovate and reinvent ourselves to raise the standards of our performance and find new ways to grow beyond where we are today.

We have taken the bold step to diversify: from inflight food to non-airline food services; from our usual ground handling locations to other airports around the country; from aircraft line maintenance to more demanding heavy base maintenance even for the A380; from PEZA operations to complete water works operations in the countryside, with some more projects in the pipeline. We dish out our drive to go beyond our comfort zones to generate sustainable values for all, as we share our bold hearts that are driven to working and doing our best in "Building a Stable Future" for MacroAsia.

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ABOUT US

MacroAsia Corporation (MAC) is one of the leading providers of aviation-related support services in the Philippines. It is currently listed with the Philippine Stock Exchange (PSE). It began commercial operations as a holding company under its amended charter in 1996. Originally, the company was registered with the Philippine Securities and Exchange Commission (SEC) on February 16, 1970 under the name of Infanta Mineral and Industrial Corporation, to engage in the business of geological exploration and development. On January 26, 1994, SEC approved the amendments to the Articles of Incorporation, changing its corporate name to Cobertson Holdings Corporation and its purpose to that of a holding company. In November 1995, the SEC further approved the change of its corporate name to what is now known as - MacroAsia Corporation.

MAC continues to operate mainly through its five subsidiaries, namely:

a) MacroAsia Catering Services, Inc. (MACS), a majority-owned subsidiary that operates in NAIA. It offers in-flight catering to the majority of international airline clients that fly to Manila.

It also caters to the needs of some institutional clients outside the airport. The growth in non-airline business led to the creation of a wholly-owned subsidiary, MacroAsia SATS Food Industries Corporation (MSFI) that will operate a new commissary outside NAIA;

b) MacroAsia Airport Services Corporation (MASCORP), the only airport services and ground handling company that operates in three NAIA terminals. It also operates in the airports in Mactan, Cebu; Davao City; Kalibo and General Santos City;

c) MacroAsia Properties Development Corporation (MAPDC), a developer/operator of the sole Special Economic Zone at the Ninoy Aquino International Airport (NAIA).

Today, MAPDC serves as a vehicle for the group to become one of the natural resources development partner in the Philippines, focusing on water re-use, treatment and distribution. It completed a waterworks system in Solano, Nueva Vizcaya which is being operated by its subsidiary, SNV Resources Development Corp., (SNVRDC);

d) MacroAsia Air Taxi Services, Inc. (MAATS), a helicopter charter service provider, and fixed based operations (FBO) service provider for non-scheduled flights in Manila; and

e) MacroAsia Mining Corporation (MMC), a mining exploration services provider that specializes on nickel ore.

MAC also operates through its two associated companies:

- Lufthansa Technik Philippines, Inc. (LTP), a joint venture company with Lufthansa Technik AG of Germany to offer a wide range of aircraft maintenance, repair, and overhaul (MRO) services; and

- Cebu Pacific Catering Services, Inc (CPCS), the only in-flight catering company that operates at the Mactan-Cebu International Airport (MCIA).

Today, the MAC Group is focused in the field of aviation-related support services and in natural resources development, particularly in projects involving the use of water resources.

OUR MISSION

MacroAsia Corporation – a holding company with a diverse business portfolio within the next decade, will achieve leadership position in the market it serves by being passionate and driven with values and goals that are aligned with the objectives of its shareholders.

Such passion and drive shall be anchored on a committed team of professionals who shall embody a strong stakeholder-focus, integrity, strategic thinking, empowering leadership, continual development and commitment to national growth and social responsibility.

We shall achieve our mission to increase shareholder value, ensure long-term profitability, develop world-class competencies, provide career opportunities and create synergies as we build mutually beneficial partnerships, alliances or joint ventures with those who share our philosophy and values.

OUR VISION

Within the first two decades of the 21st century, to be the globally competitive aviation support, logistics services provider and a natural resources development partner in the Philippines, with a full range of products and services for which we shall be acknowledged by our clients and other stakeholders for excellent customer service, pioneering technology, integrity, value-for-money and social responsibility, all made possible by self-driven, smart and world-class people.

CORE VALUES

Our way of life in MacroAsia is built on the fundamental ideal of service to all stakeholders, especially our customers. In doing so, we are guided by:

- ***Integrity*** - We manage all parts of our business in a manner that builds value into the investment, employing ethical standards, demonstrating honesty and fairness in every action that we take, thus building value and confidence among all our business stakeholders.

- ***Teamwork*** - We support and establish unified though diverse teams in our operating units. We seek to work together and establish synergies to meet our common goals.

- ***Respect*** - We honor the rights and beliefs of our stakeholders – our employees, our customers, our shareowners, our suppliers and our community.

- ***Accountability*** - We accept our individual and team responsibilities and we meet our commitments. We take responsibility for our performance in all of our decisions and actions.

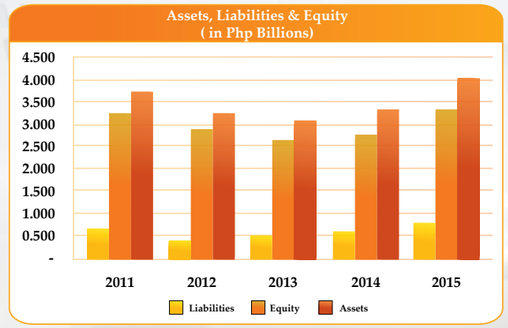
- ***Responsible Citizenship*** - We encourage a healthy and safe workplace for our people, commit ourselves to responsible governance as a corporation and as a partner of government, and seek to promote a competitive free enterprise system, excellent environmental compliance and enrichment of the communities where we operate.

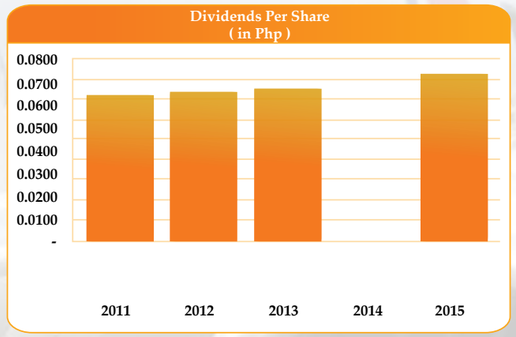
OUR MOTTO

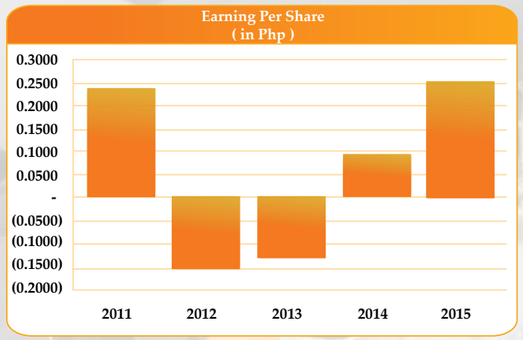
We will passionately pursue our vision with:

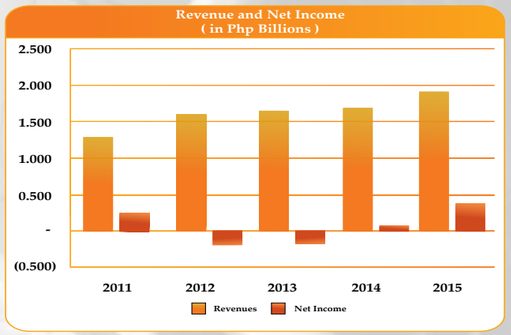
Efficiency, Strategic Focus and Character that models a world-class people.

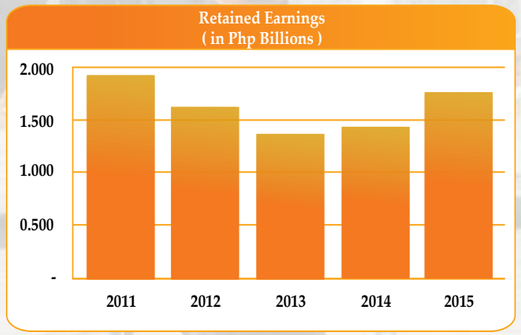
Financial Highlights
MacroAsia Consolidated

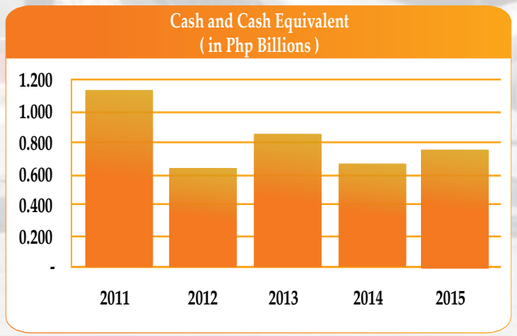












Chairman and Co-Chairman's Message

Dear Valued Stakeholders,

We are pleased to report that year 2015 marks significant achievements in our operations, as we see a steadfast growth for MacroAsia. Our 2015 Annual Report, with the theme "Building A Stable Future", captures in essence the continuing thrust of your management and operating teams to sustain MacroAsia's growth in a business environment that is often tough and changing.

MacroAsia Corporation In Glimpse:

Looking back, our company considers 1998 as a landmark for our airline services business, as this was the year when MacroAsia Catering started operations by serving foreign airlines operating in NAIA then. Two years thereafter, in year 2000, we ventured into aircraft maintenance, repair and overhaul (MRO), through Lufthansa Technik Philippines (LTP). These two businesses (catering and MRO) stand as the biggest investments of MacroAsia, even up to now.

By end of 1998, our Parent Company, on a standalone basis, booked total assets of ₱1.06 billion, equity of ₱1.00 billion, and total liabilities of ₱57 million.

By end of 2015, our Parent Company has grown its total assets to ₱2.99 billion, its equity to ₱2.85 billion and has total liabilities of only ₱135 million with no bank loans, despite re-investments, new projects and continual dividends through the years. Our consolidated net income has grown by 180% in 2015, from ₱121.9 million in 2014 to ₱341.36 million in 2015.

Our teams were able to grow our assets and equity by an annual average of about 11%, as we took a conservative strategy of funding our growth with minimal external debt, using principally our operating cash flow, while maintaining almost regular dividends for our shareholders through the years. Our last dividends to our shareholders were paid this January 28, 2016, in the amount of ₱0.075 (7 1/2 centavos) per share, or an aggregate amount of ₱92.51 million.

Sustainable Growth:

Year 2015 is significant because of the following strategic achievements:

1. We completed a second A380 hangar for LTP, which differentiates our MRO offering as a heavy base maintenance provider for airlines with A380s, or B777 or wide-body aircrafts. This facility has increased our capacity and capability for heavy base maintenance, boosting our revenue source which used to depend mostly on line maintenance activities.

   In 2012, when we completed the first A380 hangar, LTP was only one (1) of five (5) A380 repair stations worldwide. LTP then took pride in being the first MRO provider to do cabin modifications for the A380. LTP is one of our country's pride, as it has placed the Philippines on the global MRO map, while relying mostly on Filipino engineers for the precise repair works on complex aircrafts, with German guidance and leadership through the partnership with Lufthansa Technik.

2. We have parlayed our inflight food business to adjacent food products and businesses. MacroAsia Catering, having gained the reputation as the preferred inflight caterer because of its quality, reliable and excellent products and services, has ventured into the food business for non-airline clients. It is currently the food services manager for the Asian Development Bank, aside from providing food for BPOs, some hotels and lounges. The growth in this non-inflight segment is reflected in the 20% share of this segment in the revenue portfolio of MacroAsia Catering.

3. With PAL's resurgence in operations, we have expanded our ground handling services to regional airports outside of NAIA and Cebu. In 2015, we expanded our ground handling activities to include operations in Kalibo, General Santos City and Davao City as we tendered to serve PAL. We have also started supporting PALEx's Satellite Cargo Operations in Terminal 3, and have taken on maintenance works for ground support equipment and apron cleaning.

4. We have diversified beyond aviation services, as we started operating a service concession to supply potable water in Solano, Nueva Vizcaya. This town, a first class municipality in Cagayan Valley, has no water district but is now benefitting from our investment and operations of a water treatment plant that produces about 10 million liters of potable water per day from the Magat River. Aside from addressing the water requirements of the town, this project helps recharge and renew the water aquifer in the concession area, since deep wells are being replaced by our surface water source.

   MacroAsia sees that this business and the forthcoming water projects in the pipeline are scalable, capable of steady cash-flow generation, and by its nature, supportive of growth in the local communities outside of the airports where our core aviation businesses are located.

Thus, we believe that our portfolio of businesses will remain vibrant in the coming years. We feel that MacroAsia's revenue and income growth will be sustained, barring extreme external headwinds and factors that will impact negatively on the aviation sector and the country as a whole.

Managing Growth/Diversification and Supporting Governance:

In the 2015 Annual Shareholders' Meeting, the shareholders approved the increase in the number of directors from 9 to 11; the abolition of the position of Vice-Chairman; and in lieu thereof, the creation of a Co-Chairman position.

These changes were meant to support the expansion of the MacroAsia Group. In this regard, we are pleased to note that with the increase in the number of directors, Mrs. Marixi R. Prieto was elected as a new director, joining the ranks of Mr. Johnip Cua and Mr. Ben Tiu as independent directors. In effect, our number of independent directors has grown from two (2) to three (3).

We also welcomed on the board, Mr. Stewart C. Lim, Treasurer of PAL. His presence will help strengthen synergies and oversight in the aviation services group.

Appreciation:

On behalf of the Board and shareholders, we thank our executives and the operating teams in our business units for their perseverance, resilience and professionalism, as they have made it possible for MacroAsia to grow where it is now.

We also thank you, our stakeholders, for your trust and unwavering support, as you inspire us to drive MacroAsia to be a company of growth, steeped in governance and corporate responsibility, aligned with the vision to generate value for all stakeholders.

Together, we share MacroAsia's success.

Sincerely yours,

Dr. Lucio C. Tan
Chairman and CEO

Washington Sycip
Co-Chairman

President and COO's Message

Dear Stakeholders of MacroAsia,

"Building A Stable Future" is a continuing thrust for MacroAsia, pursued across business units through the years. Year 2015 is a good year for us, since we gained building blocks for new revenue sources, aside from growing profitability in most businesses.

Our 2015 consolidated net income after tax of ₱341.4 million is 180% higher than 2014's ₱121.9 million. Aside from this income growth, we were also able to implement some strategies and projects that ensure sustainability in our earnings in the medium-term.

Aircraft Maintenance, Repair and Overhaul (MRO)

In December 2015, Lufthansa Technik Philippines (LTP) opened its second A380 hangar for heavy base maintenance. This new capacity highlights LTP's business focus beyond line maintenance, especially since a number of airline clients have already committed their wide-body aircraft for servicing. LTP performed detailed cabin modification for a Lufthansa A380 in the new bay. Asiana Airlines will be serviced in this new Bay, due to a finalized contract covering three (3) years. Earlier, LTP signed a 10-year service contract for the entire A380 fleet of Qantas.

In 2015, LTP also signed a two-year contract for base maintenance for PAL and PALEx, and a five-year Line Maintenance Agreement for PAL's aircrafts. With these, the base load for LTP in the medium-term is secured. LTP has helped Philippine Airlines achieve a record average Technical Maintenance On-time Performance (OTP) of 99.34% in 2015, better than the OTP average of 99.24% in 2014.

LTP's line maintenance business has expanded in 2015, as it secured new line maintenance clients namely, Oman Air, Xiamen Air and Turkish Air. These new clients, together with the growth in PAL's flights, resulted to an 18% volume growth in line maintenance business for LTP.

Catering

MacroAsia Catering (MACS), our multi-awarded JV on inflight catering, has grown its revenues from P1.04 billion in 2014 to P1.17 billion in 2015, a 13% increase. Its meals production for 2015 totaled 4.4 million meals, up 13% from 3.9 million in 2014.

In 2015, MACS started serving PAL's Mabuhay Lounge, the JAL Sakura Lounge and Singapore Airlines' Silver Kris Lounge. Aside from these, MACS saw a rise in its non-airline business, as this grew to about 20% of its revenue portfolio. More food sales were made to BPOs, hotels and other accounts, aside from MACS continuing to be the food services manager for Asian Development Bank.

MACS was recognized in 2015 by Singapore Airlines as Merit Winner for "Excellence in Catering" and by Cathay Pacific as "2014 CPRP Gold Award" recipient. MACS is the preferred caterer in NAIA, as it holds about 58% of the foreign airlines market for catering. In 2016, this share is expected to rise, as MACS will then fully service all the flights of Cathay Pacific out of Manila.

MacroAsia and SATS, the JV partners in MACS, agreed to form MacroAsia SATS Food Industries Corporation, as a 100% subsidiary of MACS. This company is building a new food commissary in Muntinlupa City, to serve the requirements of institutional clients like hotels/casinos, call centers and other none-airline institutional clients. The JV partners foresee that this non-airline food business segment will grow rapidly, and its revenues may likely exceed the size of the airline catering business a few years from now.

Ground Handling:

MacroAsia Airport Services (MASC) had substantive growth in 2015, driven by new areas of operations as ground handling activities were done for Philippine Airlines and PALEx. The new locations for ground handing are in the airports in Davao City, General Santos City and Kalibo.

MASC also expanded in Manila, as it provided maintenance services for the ground support equipment of LTP, and started apron cleaning for PAL's aircraft parking near the old Nayong Pilipino. It also supported the Satellite Cargo of PALEx near Terminal III.

With these new activities, our ground handling revenue grew by 17%, from P440.6 million in 2014, to P516.9 million in 2015.

Water Service Concession: New Business in 2015

Through MacroAsia Properties Development Corporation and its 100% subsidiary, SNV Resources Development Corporation, we now operate a water treatment plant capable of converting water from the Magat River to 10 million liters of potable water daily, distributed to our pipelines connected directly to households and business establishments in the town. Our service concession is the entire town of Solano, Nueva Vizcaya, a first-class municipality in Cagayan Valley.

This water utility service concession is a new business segment for MacroAsia. A similar concession is now being pursued in Mabini, Pangasinan, with construction commencing in 2016. We are also developing a bulk water supply project using Maragondon River as water source in Cavite, in partnership with MetroPacific Water Investments Corporation.

These new businesses related to water provide the diversification needed to boost MacroAsia's growth outside of the aviation sector. Together with the aviation businesses, we foresee a strong base to generate shareholder value in the coming years.

Business Outlook In 2016

Coming from last year's performance, our operating teams see 2016 with optimism. Aviation travel will likely continue with its vibrancy, as more travelers are benefitting from the continuing competitive fare offerings of airlines. The low price of oil has impacted positively on the cost of travel, and the prevailing growth in middle class earnings and OFW remittances have been a boost on tourism spending in our country.

Gratitude

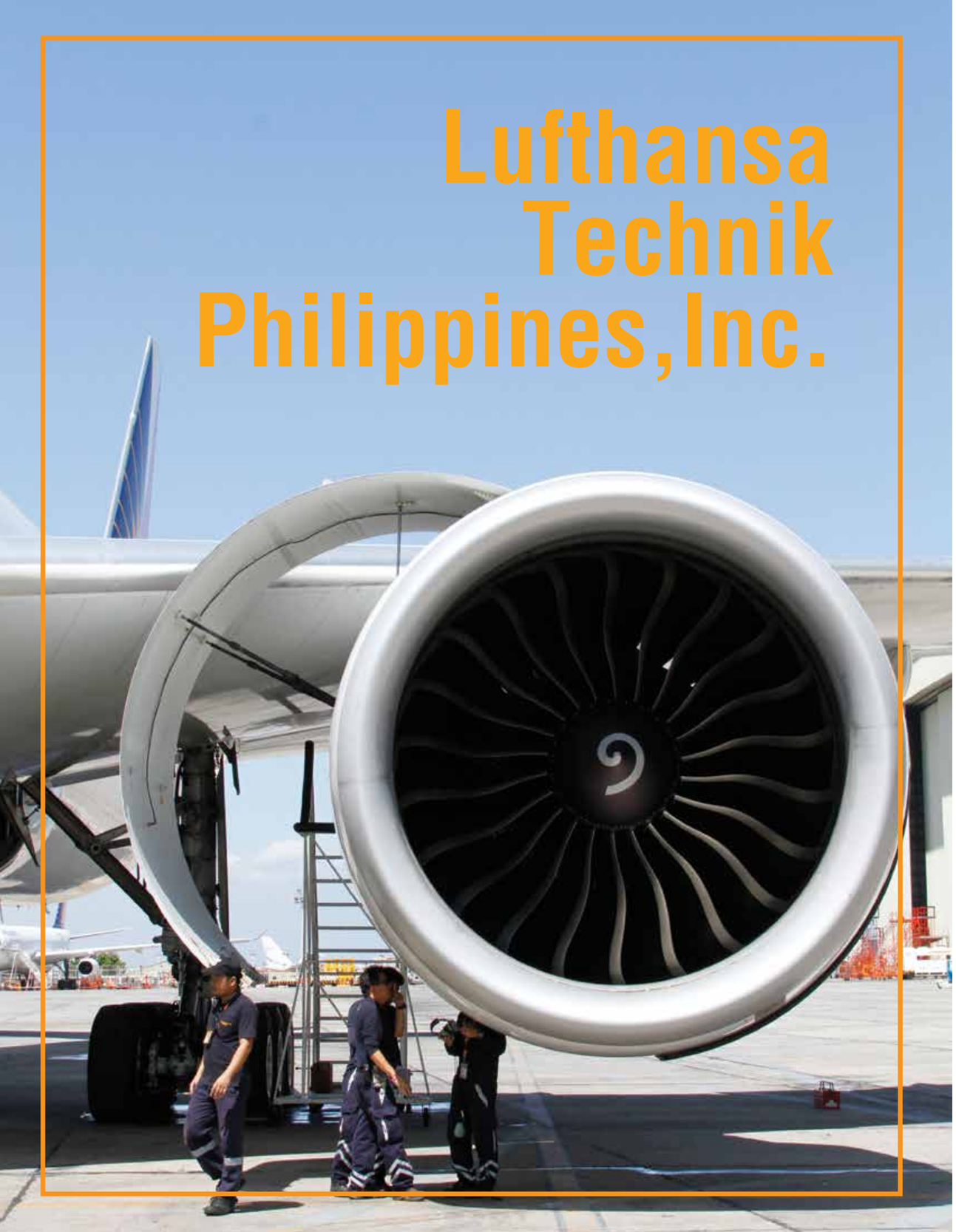
Through the years, we have strived to serve professionally and satisfy our customers even beyond expectations, despite the challenges in our operating environment. Our passion to generate the target returns for our shareholders runs high, as we seek to keep our human resources union-free, engaged and aligned with our corporate goals.

With your support, trust and confidence, we have marched onwards to growth and stability. Thus, on behalf of management and our teams, I thank all of you for inspiring us to give our best always.

Sincerely yours,

Joseph T. Chua
President and COO

Lufthansa Technik Philippines, Inc.



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

Lufthansa Technik Philippines (LTP) remains to be the biggest investment of MacroAsia Corporation (MAC) to date. It is a joint venture between MAC and Lufthansa Technik AG of Germany, holding 49% and 51% interest, respectively. Its main facility in Manila is located inside a special economic zone within the Ninoy Aquino International Airport. It started its commercial operation in September 2000.

At the backbone of LTP's operations are highly skilled, world-class mechanics, engineers, and support personnel who undergo continuous training to be authorized to work on various aircrafts from Europe, North America, Africa, Middle East, Asia and Australia.

LTP specializes in base maintenance of Airbus A320 family, A330, A340, and A380. It has successfully completed more than 600 base maintenance events with some of the most reputable airlines in the world which include Philippine Airlines, Qantas Airways, Virgin Atlantic Airways, Lufthansa German Airlines, AirAsia X, and the Jetstar Group, among others.

Under line maintenance, LTP offers release-to-service and 24/7 technical support to airlines operating in Manila, Clark, Davao, and Cebu airport terminals, which include Philippine Airlines, Emirates, Qantas Airways, Turkish Airlines, Asiana Airlines, and China Southern, to name a few.

Other services offered by LTP include engine and component support, lease-return checks, fleet technical management, engineering services, material management, aircraft painting, and personnel assignment.

2015 Performance

The company continues to be profitable in 2015 as it records US $12.8 million in net income, a 151% increase from its US $5.1 million net income in 2014. Its revenue base also increased by 23% as compared to last year. This is due to higher number of aircraft serviced in 2015, a result of a stable business in Line Maintenance and growing business in Base Maintenance, coupled with savings realized from the company's effort in improving its operations.

Since opening its A380 hangar in 2012, LTP has expanded its A380 service expertise significantly. Approved by the European Aviation Safety Agency and Australian Civil Aviation Safety Authority, LTP can now perform C4 (6-year) maintenance checks for the superjumbo – one of the most extensive maintenance checks for this aircraft to date. In conjunction to this capability is developing the ideal equipment and space to offer complete service solutions for the A380. Among the improvements in the A380 hangar are a fuselage docking system that gives a better access to both cabin floor levels, and dedicated equipment and workshops. To accommodate the demands for the base maintenance for the Boeing 777 and 787, and the Airbus A380 aircraft, the company successfully completed its second A380 hangar in December 2015 and had Lufthansa aircraft as its first layover in the same month.

Under base maintenance, LTP has effectively performed and completed sixteen (16) Heavy Maintenance Checks for A320, A340 and A380. It also performed and completed a total of sixty two (62) C-Checks and eight (8) Special Layover for various customers.

In the line maintenance sector, LTP helped Philippine Airlines maintain a record high Technical Maintenance On time Performance (OTP). For year 2015, LTP was able to reach an average of 99.34% OTP for PAL aircraft maintenance originals. This is an improvement from the average 99.24% OTP registered in 2014.

2016 Outlook

With its capabilities, airline companies entrusted their fleets to LTP. Among others, a 2-year Base Maintenance for PAL Express fleets and 5-year Line Maintenance for the Philippine Airlines for their Airbus A320, A330, and A340, and Boeing B777 aircraft. Exclusive long-term Base and Heavy Maintenance contract with Qantas Airways for its Airbus A380. Another airline, Air Mauritius, a returning customer, signed a 3-year contract for Base and Heavy Maintenance checks for its Airbus A330 and A340.

LTP is committed to be a center of excellence for Airbus base maintenance in Asia. It will continue to expand its capabilities by investing in all necessary trainings and equipment to meet the ongoing and future demands for its services.

MACROASIA CATERING SERVICES, INC.

MacroAsia Catering Services, Inc. (MACS) is MacroAsia Corporation's (MAC) second in-flight catering investment. MACS operates a facility located on a two-hectare lot at the NAIA-complex. Incorporated in November 1996, MACS was initially a partnership between three companies; MAC – 67%, Singapore Airport Terminal Services (SATS) – 20% and Compass Group International – 13%. With MAC's acquisition of Compass Group International's entire share in 2006, the former had its shareholdings increased to 80%. In 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.

The company has the recognition of being the only in-flight caterer in the Philippines that is ISO-certified. It also holds Hygiene and Food Safety, HACCP and HALAL certificates.

MACS serves 60% of the foreign airlines market at the NAIA. As a preferred caterer of foreign airlines, its key clients consist of 15 major international airline companies which include Air Niugini (PX), All Nippon Airways (NH), Cathay Pacific (CX), China Airways (CI), Emirates (EK), Etihad Airways (EY), Japan Airlines (JL), Korean Air (KE), Qantas Airways (QF), Qatar Airways (QR), Saudia Airlines (SV) and Singapore Airlines (SQ), among others. Aside from these airlines, there are also charter flights and VIP flights often serviced by MACS. MACS is likewise the preferred food provider for airline lounges.

Aside from Airline Catering portfolio, MACS ventures into food provisioning and servicing of non-airline or institutional accounts which includes Banks, BPOs, Hotels and Casinos.

2015 Performance

MACS has reported revenues of ₱1.17 billion in 2015 as compared to ₱1.05 billion in 2014. The ₱122 Million increase was due to additional meal volume for both airline and institutional clients. In 2015, MACS started its meal provisioning for PAL Mabuhay Lounge and operations of SQ Silver Kris Lounge in NAIA.

MACS has often been a recipient of several awards and commendations for outstanding service, besting other service providers from all over the world. In 2015, the company 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. MACS was also awarded the "SQ Merit Winner for 2013 and 2014 Excellence in Catering". This is the 4th consecutive year for MACS in this category.

During the Asia-Pacific Economic Cooperation (APEC) Philippines 2015 forum, MACS showcased its capability in servicing VVIP flights. Eleven (11) out of 16 Head of the Economic States were serviced, which includes Australia, Brunei Darussalam, Canada, Chile, Colombia, Japan, Mexico, New Zealand, Russia, South Korea and USA.

2016 Outlook

Growth of the airline catering businesses is constrained by the saturation of flights in NAIA, but volume increases may still come from intrinsic growth in the load factors of current foreign airline clients.

Due to the significant growth in its non-airline business, MACS incorporated MacroAsia SATS Food Industries Corporation on July 14, 2015 as a 100%-owned subsidiary to operate a new food commissary in Sucat, 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 that owns a 3-storey building and adjacent lots in the aforementioned area. The said facility will be re-fitted and commissioned with modern food equipment in 2016, and is estimated to operate in the first quarter of 2017.

MacroAsia Airport Services Corporation

MACROASIA AIRPORT SERVICES CORPORATION

MacroAsia Airport Services Corporation (MASCORP) is a wholly-owned subsidiary of MacroAsia Corporation (MAC). It started commercial operations on April 19, 1999 at the Ninoy Aquino International Airport (NAIA). On June 15, 1999, a joint venture agreement was signed between MAC and Ogden Aviation Philippines B.V. (formerly Ogden Water Systems of Muscat B.V.) holding 70% and 30% ownership, respectively. In 2001, the 30% ownership of Ogden Aviation Philippines B.V. was acquired by John Menzies PLC, a subsidiary of the Menzies Group of Edinburgh, Scotland. In April 12, 2007, MAC purchased the 30% interest of Menzies Aviation Group after the latter decided to divest its investment in the Philip pines as part of the strategy to focus on major global ventures.

MASCORP offers various airport and ground handling services suited to the needs of its business partners. Through the years, it has become a preferred and reputable airport and ground handling service company in the Philippines. MASCORP is the only ground handling company present in three NAIA Terminals (I, II and III). It has also established its presence in international gateways in Visayas and Mindanao: Mactan Cebu International Airport and Kalibo International Airport (both inVisayas), and Davao International Airport and General Santos International Airport (both in Mindanao).

2015 Performance

MASCORP generated revenues of Php517 Million in 2015, an increase of 17% compared to 2014. This is primarily a result of the increase in the number of flights handled during the year. Its operating income also jumped from Php17 Million in 2014 to Php29 Million in 2015, or an increase of 67%.

2016 Outlook

MASCORP, as an airport ground handling service provider, is dependent on the growth of its airline clients. The management continues to be aggressive in its marketing strategy to maintain and/or add new airline clients to its portfolio. For 2016, growth is foreseen in the business of its base client, Philippine Airlines (PAL). Towards the end of 2015, MASCORP started to manage and operate a cargo warehouse for PAL. The company also plans to expand its current operation by providing airport ground handling services outside Metro Manila. With these developments coupled with the growing economy of the Philippines, MASCORP expects an increase in its revenue as well as its bottom line.

CEBU PACIFIC CATERING SERVICES, INC.

Cebu Pacific Catering Services, Inc. (CPCS), formerly MATS Catering, is the first in-flight catering venture of MacroAsia Corporation (MAC). It started commercial operations in October 1996. Since then, CPCS is the only full service airline catering company that operates at the Mactan-Cebu International Airport (MCIA). It is a partnership between MAC, Cathay Pacific Catering Services of Hong Kong, and MGO Pacific Resources Corporation that holds 40%, 40%, and 20% ownership, respectively.

CPCS has a two-storey kitchen facility designed to produce about 3,000 meals a day in accordance with stringent international hygiene standards. It occupies an area measuring 1,800 sqm. and is situated in the Mactan Economic Zone, Lapu-Lapu City, adjacent to MCIA in Mactan, Cebu. The facility was designed and developed by Cathay Pacific Catering Services of Hong Kong. Among its clients in 2015 are Philippine Airlines, Cathay Pacific Airways Ltd., Korean Airlines, Asiana Airlines, and Cebu Pacific Air.

2015 Performance

In 2015, the Company reported an increase in net income of 36%, compared to 2014. This is primarily due to the increase in the number of meals served to Philippine Airlines, the biggest client of CPCS.

As proof of the service excellence of CPCS staff, the company has booked a 100% on-time performance in its operations for 2015.

2016 Outlook

CPCS will continue to market to service new airline clients that will be operating in Cebu, while maintaining its current customer portfolio. CPCS looks forward to benefit from the Government's PPP project for the Mactan, Cebu Airport which will be expected to be completed by 2018. With the increasing number of flights in and out of Mactan-Cebu International Airport and possible entrants of new airlines, CPCS is confident that it will increase its revenue for the year 2016.

MacroAsia Air Taxi Services, Inc.

MACROASIA AIR TAXI SERVICES, INC.

MacroAsia Air Taxi Services, Inc. (MAATS) is a wholly-owned subsidiary of MacroAsia Corporation (MAC). It started commercial operations in October 1996. MAATS is a licensed non-scheduled domestic flight operator that caters air charter services to the diverse needs of its various clients which includes the following: private corporations, persons of importance, media (aerial film / photography), geo-physical survey companies (mining surveys), financial firms and banks for high value cargo, medical evacuations (transporting patients), scenic and tourism packages, humanitarian and relief works, and cargo companies. It is located at the General Aviation Area of the Manila Domestic Airport.

MAATS utilizes the reliable and efficient Ecureuil AS350-B2, a 5-passenger helicopter powered by a Turbomeca Arriel engine and equipped with a float kit reserved for emergency water landing.

Its operation is dependent on a commercial permit issued by the Civil Aeronautics Board (CAB), as well as an Air Operator Certificate (AOC) and Certificate of Airworthiness issued by the Civil Aviation Authority of the Philippines (CAAP). These certificates are being renewed annually.

MAATS, as a CAAP-AOC certified company, must strictly adhere to the rules, standards and procedures as prescribed in the ICAO recognized Philippine Civil Air Rules. This includes compliance to the strict periodic audits conducted by the CAAP inspectors during the course of its operations. Failure to comply would mean the cancellation of the commercial permit.

To ensure the quality and safety in its operations, MAATS adheres to the stringent safety standards and procedures. This includes periodic repairs and maintenance of the aircraft following both the manufacturer and CAAP standards. It also includes periodic re-training and review of the technical crew, pilot and mechanics. MAATS' technical crew is sent to the Airbus training facility every two years for refresher courses, and also to keep them abreast of the latest developments related to their profession.

Since January 2013, mainly to support and complement the Maintenance, Repairs, and Overhaul (MRO) clients of Lufthansa Technik Philippines, Inc., MAATS offers Fixed-Based Operations (FBO) services. FBO services deals with providing solutions (non-maintenance and generally administrative/ liaison work), like securing all the necessary permits to allow a smooth and trouble-free entry and exit of non-scheduled flights to and from Manila.

2015 Performance

The company reported net income of Php1.2 Million in 2015, an increase of 10% as compared to last year. This was due to the higher chartered flights in 2015 as compared to 2014. With the direct cost almost the same as last year, gross profit increased by 118%. In relation to its FBO services, the company booked a decrease of 26% in its income.

2016 Outlook

MAATS foresees an increase in the helicopter's flying hours as it maintains its client from commercial charter flights. With the expected increase in the number of aircrafts serviced by its associated company, MAATS also expects a growth in its FBO revenues as it continues to support and complement the airline clients of Lufthansa Technik Philippines, Inc.

MACROASIA PROPERTIES DEVELOPMENT CORPORATION

MacroAsia Properties Development Corporation (MAPDC) is a wholly-owned subsidiary of MacroAsia Corporation. It started commercial operations as a real estate developer in June 1996. After completion of its warehouse condominium project in Muntinlupa in 1997, the company suspended its operation. Three years after, the company re-started its commercial operations, this time as a developer and operator of the MacroAsia Special Economic Zone, the only special economic zone at Ninoy Aquino International Airport (NAIA). It houses Lufthansa Technik Philippines, Inc. for a period of 25 years.

The company is operating a waste water treatment and a water recycling facility for non-domestic water supply within the special economic zone since 2011. With experience gained from this project, MAPDC has pursued water resources development projects in areas outside Metro Manila. The company has set up an operating subsidiary that is now providing a complete waterworks system in Solano, Nueva Vizcaya, sourcing water from the Magat River, treating this, and distributing the potable water to households and establishment in the town.

2015 Performance

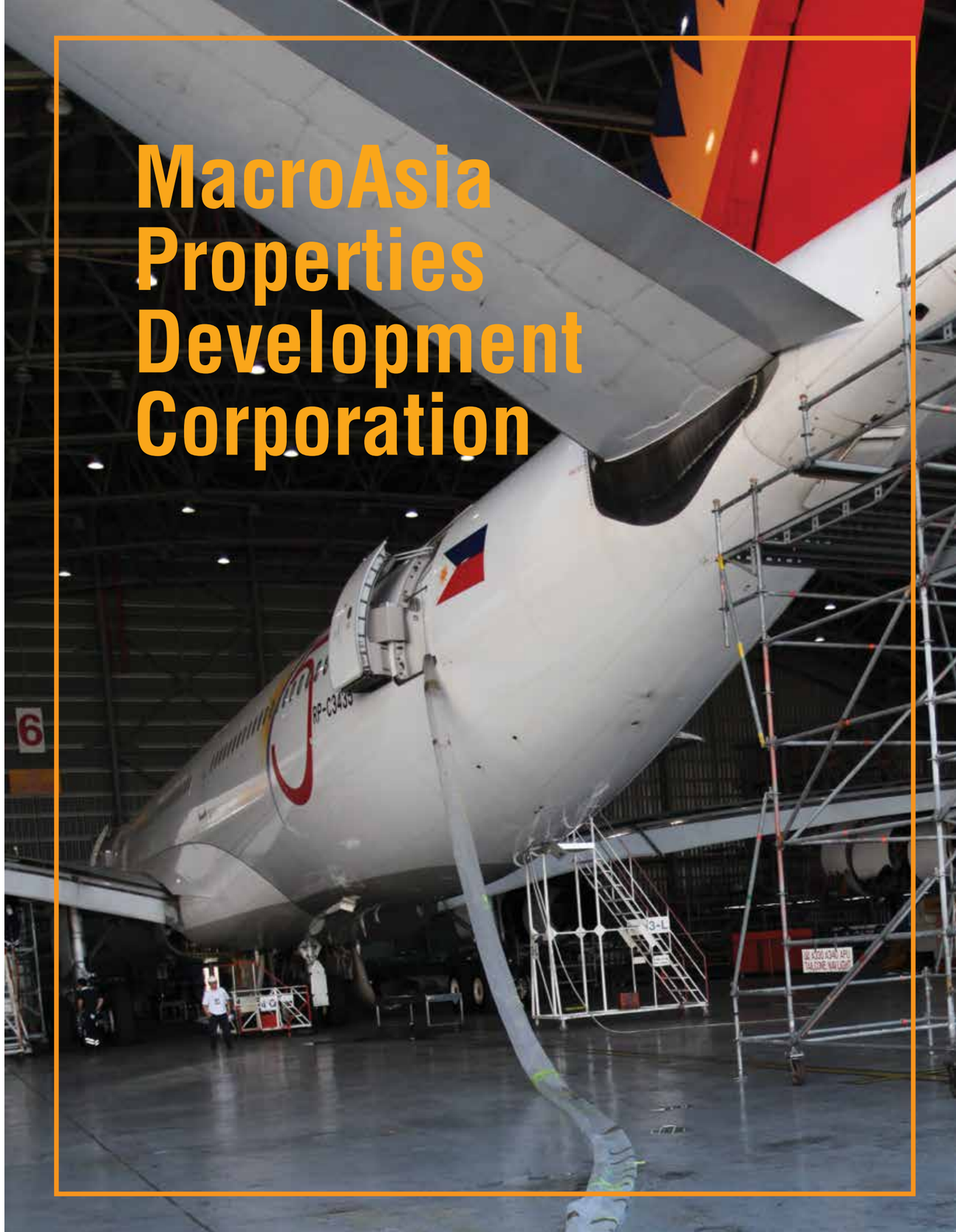
The company's revenue from its operating lease remained constant since Philippine Accounting Standards (PAS) 17 requires that lease rental should be accounted on a straight-line basis over the lease term. Likewise, it maintains its gross profit at the same level as last year. Bottom line increased by 245% as compared to last year. This is due to the income from the partial sale of its investment in a water project company in Cavite to a third party investor.

2016 Outlook

The company's expansion in 2016 involves the development of the Sucat property as a site for a food commissary to be leased out to a MacroAsia sister company. Unutilized warehouse space will be leased out to other companies that will generate additional revenue for MAPDC.

With the completion of the a water treatment facility in Solano, Nueva Vizcaya in late 2015, including the needed pipelines for distribution, the full operations of the water project in 2016 will surely boost the earnings of MAPDC. MAPDC is also aiming to replicate in Mactan, Cebu the operation of the Special Economic Zone at NAIA. The company is currently in the process of developing the leased area from Mactan-Cebu International Airport Authority (MCIAA) and is seeking its declaration as a PEZA economic zone.

With the above projects, MAPDC is optimistic about its future revenue sources and its profitability.



MacroAsia Properties Development Corporation

MACROASIA CORPORATION'S MINING PROJECT

MacroAsia Corporation traces its roots to Infanta Mineral and Industrial Corporation (IMIC), which was established for the purpose of engaging in geological exploration, mine development, and mining operations.

The Infanta Nickel Project is a nickel laterite mine operated by Infanta Mineral and Industrial Corporation (IMIC) in the late-70s, which saw three shipments of laterite ore exported to Japan. Due to low metal prices and high smelting costs, however, the operations were suspended in 1982. Legal rights over the mineral property is by virtue of a Mineral Production Sharing Agreement (MPSA) with the government, covering an area of approximately 1,114 hectares in the municipality of Brooke's Point, Province of Palawan. The MPSA is a conversion of the old mining leases of IMIC and thus, the Infanta Nickel Project today is basically a re-opening of an old nickel mine. The conversion of the mining lease agreements to MPSA occurred in 2005, when the Department of Environment and Natural Resources (DENR) issued the Mineral Production Sharing Agreement (denominated as MPSA 220-2005-IVB).

In line with the MPSA, MAC conducted a 7-phase exploration program to re-assess the extent of mineralization of the tenement. The results of these series of exploration works are contained in a Report prepared and reviewed by 'Competent Persons' in Geology in accordance with the Philippine Mineral Reporting Code (PMRC) that was approved and adopted by the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) for public reporting. PMRC is modeled on the JORC Code (2004) of Australia and conforms to global standards on reporting the results of exploration and minerals resources and reserves.

MACROASIA MINING CORPORATION EXPLORATION SERVICES

MacroAsia Mining Corporation (MMC), a subsidiary of MAC was activated in the second half of 2012 to serve as the corporate vehicle for providing outsourced exploration services to other mining companies. Through the years, MAC mining staff have gained expertise in exploring for nickel prospects, and have available equipment and drills and rigs for such exploration activities. This experienced manpower, including equipment, were transferred to MMC which then ventured into Exploration Services contracts for third-party clients. MMC services the client's requirements for all exploration stages needed for a prospective nickel laterite property.

The first exploration service contract of MMC is the exploration of the MPSA area of VIL Mines, Inc., in Mt. Cadig, spanning Quezon and Camarines Norte provinces in 2013. Its second project is the exploration and drilling service with Pacific Nickel Philippines, Inc. (PNPI) for their nickel exploration project in Nonoc Island, Surigao City which was signed in January 2014. The project covers the entirety of the 4,549-hectare Nonoc Island with the exclusion of the special economic zone that covers in part the old nickel processing plant complex and the special land use zone comprising the old housing facilities of the company in the island. After the completion of the project, another contract was signed on February 2015 to cover the South Dinagat Peninsula which is under the jurisdiction of the Municipality of Cagdianao, Province of Dinagat Island.

The submission of the PMRC-compliant technical reports for both Nonoc Island Project and that of South Dinagat Peninsula project in March and May 2016, respectively, marks the culmination of the contracts under Clariden Holdings Inc. - PNPI. To date several potential projects in various nickel areas of several mining companies in the Philippines are under negotiation with MacroAsia Mining Corporation.

SNV Resources Development Corp. (SNVRDC)

SNVRDC is a 100% subsidiary of MacroAsia Properties Development Corporation (MAPDC) that was established to operate a complete water works system in Solano, Nueva Vizcaya.

Solano is a first class, partially urban municipality in the province of Nueva Vizcaya, Philippines. Solano is the central business district in Nueva Vizcaya. This town, with a land area of 13,980 hectares, is politically subdivided into 22 barangays, and has a total population of 56,134, distributed in 11,205 households (NSO, 2010).

Nueva Vizcaya is a land-locked province in Cagayan Valley, sharing borders with Nueva Ecija, Pangasinan, Benguet, Ifugao, Isabela, Quirino and Aurora. Among its towns, Solano has the biggest number of commercial establishments, including more than 20 banks, several hotels and the like. The growth of the population is driven largely by migration of people from other areas, due to the growth in commercial activities in the town.

Although Solano is commercially progressive, it has faced the problem of lacking a good water system in the municipality. Thus, in 2013, a Memorandum of Agreement was signed between MAPDC and the Municipal Government of Solano Nueva Vizcaya, whereby MAPDC will design, construct, commission and maintain a new and complete waterworks system in the whole town of Solano, Nueva Vizcaya.

This project was completed by MAPDC in 2015, and SNVRDC was assigned to operate the waterworks system. This project was funded by MAPDC and the parent company, without any external debt incurred from banks. Also in 2015, the National Water Resources Board (NWRB) granted a Certificate of Public Convenience (CPC) to SNVRDC, which is similar to a franchise within the concession area.

The water source for Solano is surface water from the Magat River. The Solano Water Treatment Plant is capable of treating 10 million liters of water daily when this was completed in October 2015. It features a modern compact and modular design four-process conventional water treatment of flocculation, clarification, filtration, and chlorination. The potable water is piped four kilometers into a network of pipelines in the town proper.

By end of 2015, the center of Solano (4 kilometers away from the treatment plant), comprised of 6 barangays (out of 22) already has pipes with minimum water pressure of 16PSI. Today, water service connections are already close to 2,000 and by end of 2016, such connections are forecasted to be double.

With the operations of SNVRDC, a new revenue stream was established for MacroAsia. Such water project is now being replicated by MAPDC in other areas, as MacroAsia expects to grow in this business segment.

Corporate Social Responsibility

Beyond profits, the MacroAsia Group is committed to sustainable development and the creation of shared values, especially among its stakeholders and in the community where it operates. Corporate social responsibility is embedded in its mission and vision statements.

Strong Focus on Education

The Parent Company sustained its sponsorship of scholars in Palawan. So far, this program produced 63 graduates from the local government units (LGU) and indigenous people (IP). The program covers the full tuition fee and monthly stipends of the deserving students during the school term.

Our subsidiary, MacroAsia Catering (MACS), has continued its partnership with various schools and universities through the Student Tour Program. In this Program, its officers and selected employees provide lecture sessions on food handling and safety standards to the student visitors, including their teachers and representative school administration personnel. MACS also allows the visitors to actually observe the operations inside the facility to complete their appreciation of the catering standards. Since the start of the program in 2008, around 21,625 students all over the country had already participated in this tour and had seen our catering facility. The Program had become so popular that MACS had to book requests of schools and universities in advance. This undertaking have been contributory to the image of MacroAsia being widely known as a food services provider in the Philippines.

Our affiliate, Lufthansa Technik Philippines (LTP), also had its eyes on education-related programs. Through its dedicated CSR arm along with the direct involvement of its employees, LTP has completed and turned over 61 education-based projects to date. These projects include construction of school buildings, facilities, donations of school supplies and textbooks, and technology support. This 2015, LTP, in partnership with HELP Alliance had completed a construction of two (2) buildings in Tacloban City, Leyte consisting of two classrooms each and other facilities. The inauguration and handover was last June 5.

Nursery and Reforestation Project

MacroAsia continues to support its nursery in Linao, Brooke's Point Palawan. This nursery has produced about 50,000 seedlings for planting so far during the last 5 years, an average of 10,000 seedlings per year. These seedlings were donated to tree planting partners in Palawan, which are comprised of the local government units and schools in the area.

Our subsidiary in Solano, Nueva Vizcaya, SNV Resources Development Corporation, also partnered with the Local Government Unit of Solano in various tree planting activities to help protect the watershed of the Magat River, which is the source of drinking water for the town.

Blood Letting Activities and Outreach Program

MACS has always been steadfast in providing service to its customers. As a service-oriented company, it genuinely cares for others and is dedicated to serve for the common good of the people. With such dedication, MACS assisted Philippine National Red Cross in the conduct of a Blood Donation Activity in years 2014 and 2015 at the MACS Training Room. A total of 172 blood donors contributed about 77,000 cc to the blood bank.

Last 14 December 2015, the company also worked with the Pag-Ibig Fund in an outreach program to 300 selected indigent residents of Barangay 178, Maricaban, Pasay City.

Corporate Governance

MacroAsia Corporation (MAC) is committed to serve and protect the interests of its stockholders, management, employees, government regulatory agencies and stakeholders as it holds the highest level of sound corporate governance. It continues to do business following the principles of integrity, objectivity, accountability and transparency.

MAC ensures that the following general distinct disclosures are integrated in its overall system of corporate governance:

- Financial data and information disclosure;
- Ownership structure and control rights;
- Corporate responsibility and compliance;
- Management and Board structure and process; and
- Auditing.

Board Structure

The Board of Directors consists of eleven (11) members. Of the board directors, three (3) are Independent Directors, namely, Mr. Johnip G. Cua who chairs the Audit, Compensation and Mining Committees, Mr. Ben C. Tiu and Ms. Marixi R. Prieto.

Dr. Lucio C. Tan is the Chairman of the Board and Chief Executive Officer, Mr. Washington Z. SyCip is the Co-Chairman of the Board and Mr. Joseph T. Chua is the President and Chief Operating Officer of the corporation.

Board/Executive Remuneration

The Compensation Committee reviews and recommends any changes to the compensation of Board of Directors or executives of the Corporation. The recommendations of the Committee are evaluated and approved by the Board. The stipulations of the corporate by-laws as to compensation of Board Members and executive positions have been followed strictly and no deviation has ever been noted or reported to the Compensation Committee or to the Board.

Board Attendance

Attendance in Board Meetings and Committee Meetings are being monitored to ensure quorum, adequate, fair and balanced representation by its members. From January 1, 2015 to December 31, 2015, the Board of Directors convened five (5) times, consisting of three (3) Regular Board Meetings, one (1) Organizational Board Meeting, one (1) Special Board Meeting.

The following table shows each Board Member and the corresponding attendance related to the five (5) Board Meetings held in 2015:

Board of Directors	Meetings Atended
Chairman	
Dr. Lucio C. Tan [a]	2/2
Co-Chairman	
Washington Z. SyCip	5/5
Directors	
Carmen K. Tan	5/5
Lucio K. Tan, Jr.	5/5
Michael G. Tan [a]	2/2
Joseph T. Chua	5/5
Jaime J. Bautista	5/5
Stewart C. Lim [b]	1/1
Independent Directors	
Johnip G. Cua	5/5
Ben C. Tiu	5/5
Marixi R. Prieto [b]	1/1

a/ Elected 17 July 2015
b/ Elected 14 December 2015

To carry out specified functions, programs or projects, and to pursue a more focused approach to various concerns of the Corporation, the Board created and mandated the following Committees:

Audit Committee:

The Audit Committee is composed of five (5) members of the Board, two of whom are independent directors. The Committee reviews all financial reports in compliance with both the

internal and regulatory requirements as it performs an oversight role on financial management functions. This Committee meets at least three times during the year.

Compensation Committee:

The Compensation Committee is comprised of four (4) members of the Board, and is chaired by an independent director. To maintain qualified directors and officers to lead the Company in attaining its goals, the Committee has established a formal and transparent procedure to develop a sufficient executive remuneration. The Committee meets at least once a year.

Nomination Committee:

The Nomination Committee is composed of four (4) members, including one independent director and one non-voting member. The Committee meets as necessary and is authorized by the Board to help process nominations and appointments of new directors.

Investment Committee:

The Investment Committee is composed of seven (7) members of the Board, including one Independent Director. The Committee meets as necessary and is tasked to assist the Board to perform its oversight responsibility for the investment assets of the Corporation and helps craft the investment policies.

Risk Management Committee:

The Risk Management Committee is composed of six (6) members of the Board. This includes two (2) Executive Directors and four (4) Non-Executive Directors, of which two (2) are Independent Directors. The Risk Management Committee helps the Board understand the risks that the Group is exposed to: market, credit, liquidity, foreign exchange, equity and structural risks, interest-rate risk, insurance, operational, regulatory, compliance and reputation risks. The Committee meets as necessary and its work is closely linked to that of the Audit Committee.

Mining Committee:

The Mining Committee is a special committee, consisting of four (4) members, that was organized by the Board to assist Management in the pursuit of the mining projects that require top level monitoring and guidance.

Revised Manual on Corporate Governance

The Manual on Corporate Governance originally issued in August 2002 was amended in December 2009 & July 2014 and further update in December 2015 to provide for more stringent compliance standards. This Revised Manual was disclosed to the PSE and the SEC. The public can download a full copy of this Manual from the corporate website (www.macroasiacorp.com).

Investor's and/or Shareholder's Assistance

MacroAsia Corporation (MAC) can be reached via email (info@macroasiacorp.com) or through the "Contact Us" tab available online at the corporate website. For further information about MacroAsia Corporation, interested parties may also contact:

ATTY. MARIVIC T. MOYA
12th Floor PNB Allied Bank Center
6754 Ayala Avenue, Makati City 1226, Philippines
Tel. No.:+63 2 840-2001
Email: mtmoya@macroasiacorp.com

MS. JENNA MAE V. DIAZ
12th Floor PNB Allied Bank Center
6754 Ayala Avenue, Makati City 1226, Philippines
Tel. No.:+63 2 840-2001
Email: jvdiaz@macroasiacorp.com

Enterprise Risk Management

To ensure a high standard of business practice for the Corporation and its stakeholders, the Board has established an annual risk management plan to manage risks considering their impact, and seize opportunities that relate to the achievement of objectives.

A Risk Management Committee has been formed to assist the Board of Directors in fulfilling its oversight responsibilities with regards to identifying the risks and the control processes to manage such risks.

The President/COO, all members of executive management team and management heads of each of the operating subsidiaries and affiliates meet on a weekly basis to evaluate and discuss the operational and financial performances. Identification and evaluation of business risks and the corresponding control processes were also discussed in the meeting.

The MAC Group observes the following four-objective categories of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM Framework as its standard:

- Strategic – high-level goals, aligned with and supporting its mission
- Operations – effective and efficient use of resources;
- Reporting – reliability of operational, financial and non-financial reporting;
- Compliance – adherence to applicable laws and regulations.

In 2015, MacroAsia Corporation and Subsidiaries recognized some risk exposures that have potential impact on the Group.

Risk Exposure	Risk Management
Operational and financial risks of subsidiaries and affiliates	• Group-wide monitoring process performed by executive/management committee held on a weekly basis.
Global Economic Slowdown	• Aggressive marketing, offering of innovative products and service; • Optimizing resources and provision of quality services; • Sustainable cost leadership efforts.
Industry Regulations	• Year-round preventive maintenance of helicopter unit and ground support equipments in accordance with the manufacturer's specifications; • Employees year-round training program in order to keep up with the latest trends with emphasis on operational safety, reliability and customer service; • Regular audits to ensure compliance with local and international quality standards; • Regular renewal of accreditations and certifications to ensure services are carried out in accordance with respective countries' aviations regulations.
Competition	• Maintain close relationships with airline clients, which in turn enables reciprocal arrangements for auxiliary aviation services; • Strong backing of the Company's venture partners for a globally-competitive expertise and market reach; • Operational funding requirements and adequate capital to continue and expand its existing businesses and develop or venture into new business activities.
Volatility of Foreign Exchange Rates	• Engage in foreign exchange hedging transactions to minimize impact of losses from such fluctuation; • In the case of the parent company, maintaining the currency portfolio as per the guidance received from the Investment Committee.
Valuation of Non-Current Assets	• Non-current assets are adjusted at fair values for impairment, recoverability and timing of reclassification.

Management Discussion & Analysis of Operations and Financial Position

Results of Operations

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

The Group's major subsidiaries posted strong operating and financial performances in 2015, including our MRO and catering associates, LTP and CPCS.

Revenues from in-flight catering contributed 61% of the total revenues. These catering revenues have been consistently exceeding a billion pesos, as 2014 revenues which were at ₱1.1 billion grew to ₱1.2 billion in 2015. This is brought about by additional institutional clients serviced in 2015. The revenues from ground-handling and aviation services rose to ₱516.9 million, from ₱440.6 million in 2014. The growth is due to additional services in 2015, aside from the full-year's revenues from check-in services for the international flights of Cebu Pacific in NAIA Terminal 3 which MASCORP started to service in the second half of 2014. Handling of PAL flights from Kalibo, Davao and Gen. San airports also contributed additional earnings for MASCORP. Revenues generated by our charter flight services amount to ₱11.2 million, while FBO revenues amount to ₱3.3 million this year, consistent with last year's revenue. Revenues from property rental in the MacroAsia Ecozone remained at the same level. In compliance with Philippine Accounting Standards (PAS) 17, lease rental was accounted on a straight-line basis over the lease period. Administrative fees also remained at the same level as 2014. Our mining service revenues are generated from exploratory drilling and sampling of nickel laterite services agreement with a third party. Revenues from exploration services of ₱36.5 million did not change significantly from the prior year's ₱34.9 million.

Considering the higher cost of personnel-related expenses due to more manpower in our catering and ground handling subsidiaries, coupled by mandatory salary increases, additional purchases of ground service equipment for new projects and operational areas, and expenses pertaining to the exploration contract obtained by our mining subsidiary, the group posted an increase of ₱114.95 million in direct costs, from ₱1.3 billion in 2014 to ₱1.4 billion in 2015. General, selling and administrative expenses amounting to ₱458.8 million in 2015 increased by ₱31.2 million from 2014's ₱427.6 million due to higher administrative labor requirements in our catering and ground handling subsidiaries, additional provisions for contingent liabilities and losses and the new rental expenses by MAPDC to MCIAA.

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

Other income and charges is higher by ₱7.92 million as against ₱42.9 million in 2014. In 2015, other income consists of the income from reversal of prior years' accruals for various items mostly in MacroAsia Catering, amounting to ₱19.36 million, while foreign currency fluctuation resulted in an exchange gain of ₱12.51 million. In contrast to 2014, the main contributors of other income this 2015 are foreign exchange gains of ₱36.12 million and reversals of prior year accruals amounting to ₱5.3 million.

Equity in net income/loss of associates represents MAC's proportionate share in the net income/loss of its



associated companies, LTP and CPCS. The changes in the equity share in net income/loss from period to period are dependent upon the results of operations of the associated companies. In 2015, our MRO business'income contribution to MAC of ₱285.6 million is almost triple that of its 2014 income contribution of ₱110.9 million. Meanwhile, our catering associate in Cebu keeps on contributing income with this year's ₱27.8 million, surpassing the ₱17.3 million booked in 2014.

The Group posted a provision for income tax in the amount of ₱46.68 million in 2015, 94% higher as compared to 2014's ₱24.0 million.

Management remains confident about the Group's future. LTP is foreseen to continue its profitability, as it strives to strengthen its base maintenance capability to service foreign airlines, backed by firm long-term contracts with PAL and other foreign airlines. Continual growth shall also be driven by new business opportunities in the food business segment, water-related businesses and ground handling opportunities in other secondary airports outside our current locations.

Financial Position

The consolidated total assets of ₱4.04 billion in 2015 is higher by 21%, compared to ₱3.3 billion in 2014. This is mainly due to the growth in investments in associates and the completion of the construction of our water treatment facility and pipeline network in Solano, Nueva Vizcaya, resulting to the increase in the Group's concession asset.
Total cash and cash equivalents amounting to ₱693 million did not change significantly from last year's ₱681 million. Accounts receivable increased by ₱146 million or 36% from ₱409 million in 2014 mainly due to higher trade receivables of our catering and ground handling subsidiaries in line with the increase in their respective revenue portfolios. The inventory level decreased by 3% or ₱1.4 million from ₱44 million in 2014 to ₱42.69 million in 2015. This is in line with the inventory requirement of our catering subsidiary at year-end.

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

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are due to the share in cumulative translation adjustments for LTP due to foreign exchange fluctuations, cash dividends that were declared and actually received from LTP and CPCS during the current reporting period, and the incremental equity share in net earnings and losses of the associated companies. For this account, the Corporation recorded a growth of 49%, from ₱661.7 million in 2014 to ₱982.9 million in 2015. This is mainly attributable to the higher share in the net income of LTP in 2015.

The 7% increase in property and equipment, from ₱395.3 million in 2014 to ₱424.0 million in 2015, is mainly driven by the acquisition of catering support equipment by MACS, groundhandling equipment by MASCORP and additional drilling and mining tools by MMC. The investment property of P143.8 million pertains to land held for future development by MAPDC. The continuing rise in the property's appraised fair value for several years now no longer justifies the need to book an allowance for loss, and thus the land is now booked at its original acquisition cost, which is still conservatively below the prevailing appraised/market value for the property. The deferred mine exploration cost of ₱233.3 million remained at the same level as 2014.

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

Available-for-sale investments, in the amount of ₱105 million as of December 31, 2015 posted an increase ₱2.4 million in 2015 due to the higher market value of the AFS held.



The account consists of Philippine government treasury bonds, and equity shares. Service concession right amounting to ₱301.9 million pertains to incurred construction costs in relation to the construction of water treatment plant and pipe laying activities of SNVRDC. This asset was accounted for in accordance to IFRIC 12, Service Concession Arrangements, under the intangible asset model as it received the right to charge users of the public service (water service).

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

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

Dividends payable of ₱101 million represents the total outstanding dividends payable to the Company's stockholders as of year-end 2015.

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

The Group's share in foreign currency translation adjustments of LTP in the amount of P128.8 million decreased by ₱43 million from last year's ₱172.1 million, in accordance with Philippine Accounting Standard (PAS) 21, The Effects of Changes in Foreign Exchange Rates. The available-for-sale reserve in the amount of ₱11.2 million represents the unrealized gain on available-for-sale investments due to higher quoted market prices as of December 31, 2015. Other reserves pertain to the gain on sale of shares of stock of 13% of MACS to SATS and the sale of 49% of WBSI shares to MetroPac Water Investments Corporation (MPWIC), net of taxes paid. The sale transactions were accounted for as change in ownership in a subsidiary without loss of control.

The Parent Company's treasury shares through its Share Buy-back Program stood unchanged at 16,596,000 shares, at a value of ₱49.4 million as of December 31, 2015. There were no buy-back transactions in 2015.

Movement in the non-controlling interests depends on the results of operations of MACS and WBSI, a subsidiary of MAPDC. This account reflects the 33%-1 equity share of SATS (JV Partner of MAC) in the catering JV and 49% share of MPWIC in WBSI. As of December 31, 2015, non-controlling interests amounted to ₱133.6 million.

Board of Directors

Dr. Lucio C. Tan
Chairman of the Board and Chief Executive Officer
Chairman – Nomination and Investment Committees

Mr. Tan, 81, Filipino, served as Chairman of the Board of Directors of the Corporation since July 2015 and has been the Chief Executive Officer of the Corporation since December 14, 2015. Over 50 years, he has held various positions such as Chairman and CEO , or Chairman/President/Director of various companies such as: Philippine Airlines Inc. (since 1993), LT Group, Inc. (formerly Tanduay Holdings Inc. since July 1999), PAL Holdings, Inc. (since October 2000), Air Philippines Corporation (since April 2012), University of the East (since 1990), Tangent Holdings Corporation (since 2012), Lucky Travel Corporation (since 1983), Eton Properties Philippines, Inc. (since 2007), Asia Brewery, Inc. (since 1979), Tanduay Distillers, Inc. (since 1988), PMFTC, Inc. (since 2010), Fortune Tobacco Corporation (since 1965), Philippine National Bank (since 1999), The Charter House, Inc. (since 1980), Dominium Realty & Construction Corp., Manufacturing Services & Trade Corp. (since 1978), PNB Life Insurance, Inc. (since 2007), Allied Leasing and Finance Corporation (since 1979), AlliedBankers Insurance Corporation (since 1980), PNB Savings Bank (since 2013), Basic Holdings Corporation (since July 1983), Foremost Farms Inc. (since 1970), Himmel Indutries, Inc. (since November 1960) and Grandspan Development Corporation (since 1996). Dr. Lucio Tan holds a Doctor of Philosophy degree, Major in Commerce from the University of Santo Tomas and a Bachelor of Science degree in Chemical Engineering from Far Eastern University.

Washington Z. SyCip
Co-Chairman of the Board
Member – Nomination and Investment Committees

Mr. SyCip, 94, Filipino - American, has served as Co-Chairman of the Board of Directors of the Corporation since December 2015. He served as Chairman of the Board of Directors of the Corporation from August 1997- December 2015. He is the Chairman of the Board of Lufthansa Technik Philippines, Inc. (July 2000-Present), STEAG State Power (March 2004–Present) and Cityland Development Corporation (April 1997-Present). He serves as Chairman Emeritus of the Board of Trustees and Governors of the Asian Institute of Management (Phils.). For more than five years, he has been a Director of Belle Corporation (July 1996-Present), First Philippine Holdings (November 1997-Present), Lopez Holdings (April 1997–Present), Philippine Airlines (PAL) (February 1997-Present), PAL Holdings Inc. (Oct. 2014-Present), PHINMA (September 1996-Present), Philamlife (April 2001-April 2015), Philippine National Bank (December 1999-Present), State Land Group (July 1996-Present) among others. Mr. Sycip holds a Master of Science degree in Commerce from Columbia University, New York and a Bachelor of Science degree in Commerce from the University of Santo Tomas.

Carmen K. Tan
Director
Member – Audit and Investment Committees

Ms. Tan, 75, Filipino, has served as Director of the Corporation since July 2012. She currently serves as a Director of the following companies: Asia Brewery Inc. (since 1979), Buona Sorte Holdings, Inc., Dominium Realty & Construction Corp. (since 1978), Eton City, Inc., Foremost Farms, Inc. (since 1970), Fortune Tobacco Corporation (since 1965); Himmel Industries, Inc. (since 1960), LT Group Inc. (since 2010), Lucky Travel Corp. (since 1983), Manufacturing Services & Trade Corp. (since 1979); PAL Holdings Inc. (since 2014), Philippine Airlines Inc. (since 2014), PMFTC Inc. (since 2010), Progressive Farms Inc. (since 2004), Inc.; Saturn Holdings Inc., Shareholdings, Inc. (since 1979), Sipalay Trading Corp. (since 2005), Tanduay Distillers, Inc., Tangent Holdings Corporation, The Charter House, Inc. (since 2005). She's an alumna of the Paco Chinese School and the University of the East, Manila.

Lucio K. Tan Jr.
Director
Vice Chairman – Risk Management Committee
Member – Compensation, Investment and Mining Committees

Mr. Tan, 49, Filipino, has served as Director of the Corporation since August 1997. Among the current business affiliations of Mr. Tan are: Eton Properties Phils., as President (February 2013 to present) and Director (since 2007); Tanduay Distillers Inc. as President (2014 to present) and Director (since 2003); Foremost Farms Inc. as Member, Executive Committee (since 1994). Among the Directorship he holds in other companies are the following: Airport Specialist Services Corporation (since June 2000); Allied Bankers Insurance Corporation (since 1992); Air Philippines Corporation (since 2004), LT Group, Inc. (formerly Tanduay Holdings, Inc.) (since February 21, 2013); MacroAsia Catering Services, Inc. (since June 2006); MacroAsia Airport Services, Inc. (since September 1997); MacroAsia Mining Corporation (September 2000); Philippine National Bank (since 2007) and PMFTC Inc. (since 2010). Mr. Lucio Tan Jr. holds a Master of Business Administration degree from the Kellogg School of Management of Northwestern University – School of Business and Management, Hong Kong University of Science and Technology and a Bachelor of Science degree in Civil Engineering from the University of California, Davis, USA.

Michael G. Tan
Director
Member – Audit, Compensation, Investment, Risk Management and Mining Committees

Mr. Tan, 50, Filipino, has served as Director of the Corporation since July 2015. He serves as the Director and Chief Operating Officer of Asia Brewery Inc., President of LT Group Inc., Treasurer of PAL Holdings, Inc. (2007-Present), and Director of the following companies: Abacus Distribution Systems Philippines, Inc., AlliedBankers Insurance Corp. (1992-Present), Air Philippines Corporation (2004-Present), Century Park Hotel (2013-Present), Eton Properties Philippines Inc. (2007-Present), PMFTC Inc., Grandway Konstruct Inc., Lucky Travel Corp (2007-Present)., Philippine Airlines Inc. (2007-Present), Philippine National Bank (2005-Present), Pan Asia Securities Corp. (2013-Present), Tangent Holdings Corp. (since 2012) and Victorias Milling Company Inc. Mr. Michael Tan holds a Bachelor of Science degree in Applied Science in Civil Engineering, Major in Structural Engineering, from the University of British Columbia, Canada.

Joseph T. Chua
President and Chief Operating Officer
Member – Investment, Mining and Risk Management Committees

Mr. Chua, 59, Filipino, has served as Director of the Corporation since August 1997 and is the President and COO of MacroAsia Corporation since December 15, 2015. He was the CEO of MacroAsia Corporation from July 2003 to December 14, 2015. He is also the President of MacroAsia Catering Services, Inc. (July 2003-Present), MacroAsia Airport Services Corp. (1999-Present) and MacroAsia Mining Corporation. He is the Chairman of the Board of MacroAsia Properties Development Corporation, MacroAsia Air Taxi Services, Inc., J.F. Rubber Phils. (1993-Present), Watergy Business Solutions Inc., Cavite Business Resources Inc. and SNV Resources Development Corp. He also serves as a Director of Bulawan Mining Corporation (June 2009-Present), ETON Properties Philippines, Inc. (May 2013 - Present), Lufthansa Technik Philippines, Inc. (1999-Present), Philippine National Bank and the Managing Director of Goodwind Development Corp. (1982-2012) and President (2013-Present). He serves as Director of PAL Holdings Inc. from Oct. 23, 2014 to Present. Mr. Chua holds a Master of International Finance degree from the University of Southern California, USA and a double degree of Bachelor of Arts in Economics and Bachelor of Science in Business Management from the De La Salle University.

Jaime J. Bautista
Treasurer
Chairman – Risk Management Committee
Member – Audit and Compensation Committees

Mr. Bautista, 59, Filipino, a Certified Public Accountant (CPA) has served as Director of the Corporation since August 1997. He is currently the Chairman of the Board of MacroAsia Airport Services Corporation. He is the Director and Treasurer of MacroAsia Catering Services, Inc. (1997-Present) and serves as Director in MacroAsia Properties Development Corporation. He is the Vice Chairman of the Board of Trustees-University of the East (1991-Present), a member of the Board of Trustees of the University of the East Ramon Magsaysay Medical Center Foundation (1991-Present), the Treasurer of Tan Yan Kee Foundation (2009-Present). He was a Member of the Board of Directors of Air Philippines (2001-March 2012). He is currently the President and Chief Operating Officer (COO) of Philippine Airlines Inc. and PAL Holdings Inc. (October 2014-Present; August 2004-April 2012). Mr. Bautista holds a Bachelor of Science degree in Commerce, Major in Accounting from Colegio de San Juan de Letran.

Stewart C. Lim
Director

Mr. Lim, 61, Filipino, has served as Director of the Corporation since December 2015. He serves as the Executive Vice President/Treasurer and Chief Administrative officer of Philippine Airlines from September 2014 to Present. He served as Assistant Vice President from 1993-1994 and became Vice President – Treasury from June 1994 September 14, 2014. He also serves as Director of MacroAsia Catering Services Inc. from Nov. 2015 to Present, MacroAsia Properties Development Corporation and Dragon Resources Development Corporation (Oct. 2015-Present). He was formerly the Vice President for Finance of Basic Holdings Corporation from 1985-1993 and was formerly the Manager of Import/Export Department of the same corporation from 1982-1985. Mr. Lim holds a Bachelor of Science degree in Business Administration from the Philippine School of Business Administration.

Johnip G. Cua
Independent Director
Chairman – Audit, Compensation and Mining Committees
Member – Nomination, Investment and Risk Management Committees

Mr. Cua, 59, Filipino, has served as Independent Director since 2006. He was formerly the President of Procter & Gamble Philippines Inc. (1995-2006). He serves as the Chairman of the Board of the P&Gers Fund Inc. (2009 to Present) and Xavier School, Inc. since Nov. 2012 (Trustee since 1996). He is the Chairman & President of Taibrews Corporation (2011 to Present). He is an Independent Director of BDO Private Bank (2008 to Present), Philippine Airlines Inc. (Oct 2014 to Present), PAL Holdings Inc. (Oct 2014 to Present), Century Pacific Food Inc. (Jan 2014 to Present), Eton Properties Inc. (May 2014 to Present), MacroAsia Catering Services, Inc. (2007 to Present), MacroAsia Airport Services Corp. (2007 to Present), MacroAsia Properties Development Inc. (2013 to Present), PhilPlans First Inc. (2009 to Present), and STI Education Systems Holdings Inc. (2012 to Present). He's also a member of the Board of Directors of Allied Botanical Corporation (2012 to Present), Alpha Alleanza Manufacturing Inc. (2008 to Present), Bakerson Corporation (2002 to Present), Interbake Marketing Corporation (1991 to Present), Lartizan Corporation (2007 to Present), and Teambake Marketing Corporation (1994 to Present). Additionally, he serves as a member of the Board of Trustees of Xavier School Educational & Trust Fund (1996 to Present).

Ben C. Tiu
Independent Director
Member – Audit and Risk Management Committees

Mr. Tiu, 63, Filipino, has served as an Independent Director of the Corporation since July 2013. He serves as the Chairman of the Board of the following companies: Fidelity Securities (1993-Present), Tera Investments, Inc. (2001-Present), TKC Steel Corporation (2007-Present) and Treasure Steelworks Corp. (2005-Present). He is currently the Chairman and has served as President of BRJ Trading since 1988. He also serves as the Chairman and President of JTKC Equities, Inc. (1993-Present). He is currently the Executive Vice President of JTKC Leisure Group. He also serves as Director of I-Remit Inc. (2006-Present). Mr. Tiu holds a Master of Business Administration degree from the Ateneo De Manila University and a Bachelor of Science degree in Mechanical Engineering from Loyola Marymount University, USA.

Marixi R. Prieto
Independent Director

Ms. Prieto, 75, Filipino, has served as Director of the Corporation since December 2015. She serves as the Chairman of the Board of Philippine Daily Inquirer and Bataan 2020 Inc. She serves as Director for the following companies: Cebu Daily News, Hinge Inquirer Publication Inc., Inquirer Interactive Inc., Inquirer Publications Inc., Printown Group, Sunvar Inc., Investment and Marketing Association, Ionian Industrial Property Inc., Corinthian Industrial Property, Inc., HMR Enterprises, Inc., Lexmedia Realty, Inc., Var Buildings, Inc., Parkside Realty Development Corporation, Golden Pizza Inc., Golden Donuts Inc., International Family Foods Services, Inc., Mix-plant Inc., LRP Inc., Pinnacle Printers Corporation, Inquirer Holdings, Inc., Mediacom Equities, Inc., Matrix Resources Portfolio Holdings, Inc., Excel Pacific Equities, Inc. She also serves as the Treasurer of the following companies, Sunvar Realty Development Corporation, Marilex Realty Development Corporation, Ionian Realty & Development Corporation among others. Ms. Prieto holds a Bachelor of Science degree in Business Management from Assumption College Inc.

Executive Management Team

Joseph T. Chua
President and Chief Operating Officer
Member – Investment, Mining and Risk Management Committees

Mr. Chua, 59, Filipino, has served as Director of the Corporation since August 1997 and is the President and COO of MacroAsia Corporation since December 15, 2015. He was the CEO of MacroAsia Corporation from July 2003 to December 14, 2015. He is also the President of MacroAsia Catering Services, Inc. (July 2003-Present), MacroAsia Airport Services Corp. (1999-Present) and MacroAsia Mining Corporation. He is the Chairman of the Board of MacroAsia Properties Development Corporation, MacroAsia Air Taxi Services, Inc., J.F. Rubber Phils. (1993-Present), Watergy Business Solutions Inc., Cavite Business Resources Inc. and SNV Resources Development Corp. He also serves as a Director of Bulawan Mining Corporation (June 2009-Present), ETON Properties Philippines, Inc. (May 2013 - Present), Lufthansa Technik Philippines, Inc. (1999-Present), Philippine National Bank and the Managing Director of Goodwind Development Corp. (1982-2012) and President (2013-Present). He serves as Director of PAL Holdings Inc. from Oct. 23, 2014 to Present. Mr. Chua holds a Master of International Finance degree from the University of Southern California, USA and a double degree of Bachelor of Arts in Economics and Bachelor of Science in Business Management from the De La Salle University.

Atty. Marivic T. Moya
Non-voting Member – Nomination Committee
Compliance Officer and Corporate Information Officer
Vice President - Human Resources, Legal and External Relations,

Ms. Moya, 56, Filipino, has served as an Executive Officer of the Corporation since May 1999. She is the Corporate Secretary of MacroAsia Catering Services Inc. (2004-Present), MacroAsia Airport Services Corp. (2004-Present), Philippine Airlines, Inc. (2014-Present) and a Director and Corporate Secretary in MacroAsia Air Taxi Services, Inc. (2004-Present), MacroAsia Mining Corp. (2000-Present), SNV Resources Development Corp. (2013-Present) and MacroAsia Properties Development Corp. (2004-Present). She serves as the Treasurer of Watergy Business Solutions Inc. (since May 2015) and Cavite Business Resources Inc. (since May 2015). She is currently the Assistant Corporate Secretary of LT Group (2014-Present). She worked with various Government Institutions from 1987 to 1999, holding key positions such as Legal Officer of the National Bureau of Investigation (NBI) from 1987-1989, Arbitration Specialist of Philippine Overseas Employment Administration (POEA) from 1989 to 1990, Director II (Chief, Legal Service) of Philippine Health Insurance Corporation from 1990 to 1996 and Graft Investigation Officer II at the Office of the Ombudsman from 1997 to 1999. She also held the position of Human Resources Manager of Grand Air from 1996 to 1997. She was a member of the Board of Trustees of the University of Santo Tomas Law Alumni Association (2010-2013). Atty. Moya holds a Bachelor of Laws from the University of Santo Tomas and a Bachelor of Arts degree, Major in Child Study from the Maryknoll College.

Amador T. Sendin
Chief Finance Officer
Vice President – Administration and Business Development

Mr. Sendin, 53, Filipino, a Certified Public Accountant (CPA), has served as an Executive Officer of the Corporation since October 2003. He is the current the President of Watergy Business Solutions Inc. and Cavite Business Resources Inc. He is the Treasurer of MacroAsia Properties Development Corporation. He serves as the Treasurer and Director of MacroAsia Airport Services Corporation, MacroAsia Air Taxi Services Inc. and MacroAsia Mining Corporation (2004-Present). He is a Director of Cebu Pacific Catering Services, Inc. (2004-Present) and currently the President of SNV Resources Development Corp. He was the Finance Manager of MacroAsia Catering Services, Inc. from July 2000 to October 2003, and was a Finance Controller of MIASCOR Catering from June 1998 to June 2000. From 1993 to 1998, he was Operations Head of Amikris Enterprises and was also a Resource Person of the Central Bank Institute (Bangko Sentral Ng Pilipinas Institute). He was Projects Supervisor for SAS Service Partners/ Saudia Catering in KSA (1992-1993). His first job after college was with the Central Bank of the Philippines (Bangko Sentral Ng Pilipinas) from 1983-1992, rising from a staff position until and his last position as Division Chief/Staff Officer A. Mr. Sendin is a holder of Masters in Accountancy from the Polytechnic University of the Philippines, Bachelor of Science degree in Psychology from Saint Louis University and a Certificate in Organizational Development from Miriam College. He has also completed a Management Development Program in Switzerland.

Ramon N. Santos
Vice President – Mining (resigned effective October 3, 2015)

Mr. Santos, 54, Filipino, a Mining Engineer and Geologist, has served as an Executive Officer since July 2010. He has worked with the Philippine Mines and Geosciences Bureau and the Natural Resources Development Corporation from 1980 to 1997 and member of Environmental Impacts Assessment Review Committee of the DENR-EMB from 1993-1999. He was an Assistant Professor of the Department of Mining, Metallurgical and Materials Engineering of the University of the Philippines (1996-2006) and has served as an Environmental Consultant in Dames & Moore (1999), Coffey Partners, Pty. (2000), URS Corporation (2001-2003), QNI-BHP Billiton (2003-2004), Toledo Mining Corporation (2005-2006) and ERM Indonesia (2006-2009).

Atty. Florentino M. Herrera III
Corporate Secretary

Mr. Herrera, 64, Filipino, has served as Corporate Secretary of the Corporation since December 2014. He is the Founding Partner of Herrera Teehankee & Cabrera Law Offices. He was a Partner of one of the largest law offices in the Philippines. He engaged in the general practice of law for the past thirty seven (37) years specializing in corporate law practice as counsel for various companies engaged in banking, management of foreign fund investments, airlines, power generation, coconut oil milling and refining, publishing, real estate, polyester, telecommunication, insurance, oil exploration, lumber, shipping and financing. He serves as Chairman and President of Amica Corporation, Andorra Holdings, Inc., Bedarra Holdings, Inc. Bellagio Properties, Inc., Bellcore Holdings Corporation, Bellendorf Peak Resources, Inc., Certosa Resources, Inc., Domain Property Ventures, Inc., Dunes and Eagle Land Development Corp., Econolink Investments, Inc., Filgrow Corporation, Filsyn Corp., Fontana Resources Corporation, Genshare Holdings Corporation, Hunter Valley Resources, Inc., Ipioneer Properties, Inc. Maseena Resources Corporation, Medlinks Resources, Inc., Pomona Properties, Inc., Pergamon Resources Corporation, Regent Resources, Inc., Saville Resources Corporation, Seabright Resources, Inc., Shindig, Inc., SRTC Development Corporation, Trans-Pacific Oriental Holdings, Co., Inc., Vassra Holdings, Inc., Viking Star Ventures, Inc. and Websphere Resources, Inc. He is a Director of Philippine Airlines, Inc. (2014-Present). Atty. Herrera holds a Bachelor of Laws degree and a Bachelor of Arts in Political Science degree both from the University of the Philippines.

MACROASIA CORPORATION

AUDIT COMMITTEE REPORT

March 11, 2016

The Board of Directors
MacroAsia Corporation

In line with the mandate of the Audit Committee, and in compliance with applicable reporting and corporate governance laws and rules, we attest for year 2015 that:

- MacroAsia's Audit Committee, composed of five members of the Board, two of whom are independent directors met three times during the year, with quorum for the meetings duly-observed and with the two independent directors always present and participating;

- Based on a review of the performance, track record and qualifications of SyCip, Gorres, Velayo & Co. (SGV & Co.), and in consideration of Management's proposal, the Audit Committee had recommended to the Board and to the Shareholders, the re-appointment of SGV and Co as the independent auditor for another year;

- The overall scope of audits that had to be performed in 2015 by MacroAsia's Internal Auditor and external auditor, SGV & Co., was discussed beforehand with the Audit Committee. The results of such audit works, including internal control evaluations and overall substance of the MAC Group's financial reports were discussed with the MAC Group internal auditor and SGV & Co. as well;

- The required communications to the Audit Committees were discussed in detail with SGV & Co.;

- The audited financial statements of MacroAsia Corporation and its subsidiaries (MAC Group) as of December 31, 2015 were reviewed, discussed and concluded with MacroAsia's Management Team, which has the primary responsibility for all information and representations indicated therein, and with SGV & Co., which is responsible for expressing an opinion on the conformity of the MAC Group's Annual Report to the stockholders and to the Philippine Securities and Exchange Commission (SEC) with Philippine Financial Reporting Standards (PFRS); and

- Relying on the representations of Management, the professional, authoritative and independent work of the auditors, and the acceptable legal compliance of the Group, the Audit Committee is reasonably assured that the financial statements for the year are fair representations on the results of operations and financial standing of the MacroAsia Group for 2015.

Johnip G. Cua
Chairman
(Independent Director)

Carmen K. Tan
Member

Michael G. Tan
Member

Jaime J. Bautista
Member

Ben C. Tiu
Member
(Independent Director)

MACROASIA CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of MacroAsia Corporation is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

SyCip Gorres Velayo & Co., the independent auditors, and appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

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

Washington SyCip
Co-Chairman of the Board

Joseph T. Chua
President and Chief Operating Officer

Amador T. Sendin
Chief Financial Officer

Signed this 30th day of March 2016

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
MacroAsia Corporation

We have audited the accompanying consolidated financial statements of MacroAsia Corporation and subsidiaries, which comprise the consolidated balance sheets as at December 31, 2015 and 2014, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

SGV
Building a better working world

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MacroAsia Corporation and subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Josephine H. Estomo
Partner
CPA Certificate No. 46349
SEC Accreditation No. 0078-AR-3 (Group A),
February 14, 2013, valid until April 30, 2016
Tax Identification No. 102-086-208
BIR Accreditation No. 08-001998-18-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5321634, January 4, 2016, Makati City

March 30, 2016

A member firm of Ernst & Young Global Limited

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 18, 22 and 23)	**₱693,325,827**	₱681,237,533
Receivables (Notes 6, 18 and 23)	**554,588,330**	408,750,678
Inventories (Note 7)	**42,689,532**	44,065,584
Input taxes - net (Note 8)	**48,662,515**	25,512,165
Tax credit certificates (Note 8)	**65,589,144**	30,737,271
Other current assets (Note 8)	**58,223,768**	45,002,639
Total Current Assets	**1,463,079,116**	1,235,305,870
Noncurrent Assets		
Available-for-sale (AFS) investments (Note 13)	**105,768,900**	103,335,900
Investments in associates (Note 9)	**982,869,990**	661,709,466
Property and equipment (Note 11)	**423,994,864**	395,257,498
Investment property (Note 12)	**143,852,303**	143,852,303
Service concession right (Note 14)	**301,857,381**	99,665,179
Accrued rental receivable (Note 18)	**118,405,542**	118,031,312
Input taxes - net (Note 8)	**96,448,605**	128,711,152
Deferred rent expense (Note 28)	**14,850,012**	10,290,482
Deferred mine exploration costs (Note 32)	**233,308,688**	233,308,688
Deferred income tax assets - net (Note 25)	**34,463,739**	21,360,211
Deposits and other noncurrent assets (Notes 14, 15, 18, 21 and 28)	**119,792,251**	175,778,969
Total Noncurrent Assets	**2,575,612,275**	2,091,301,160
TOTAL ASSETS	**₱4,038,691,391**	₱3,326,607,030
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 17, 18, 23 and 28)	**₱387,932,585**	₱259,546,612
Income tax payable	**22,285,451**	2,237,204
Dividends payable (Note 27)	**101,126,061**	8,620,761
Notes payable - current portion (Notes 16 and 22)	**25,717,880**	25,254,560
Total Current Liabilities	**537,061,977**	295,659,137
Noncurrent Liabilities		
Notes payable - net of current portion (Notes 16 and 22)	**36,222,073**	60,472,773
Accrued rental payable (Note 28)	**129,756,192**	118,031,312
Accrued retirement benefits payable (Note 21)	**11,007,058**	15,333,726
Other employee benefits (Note 21)	**10,873,697**	10,000,529
Unearned rent income (Note 18)	**9,337,115**	10,290,482
Rental deposit (Note 18)	**6,342,339**	5,328,763
Deferred income tax liabilities (Notes 13 and 25)	**1,415,000**	1,115,000
Total Noncurrent Liabilities	**204,953,474**	220,572,585
Total Liabilities	**₱742,015,451**	₱516,231,722

(Forward)

	December 31	
	2015	2014
Equity attributable to equity holders of the Company		
Capital stock - ₱1 par value:		
Authorized - 2,000,000,000 shares		
Issued - 1,250,000,000 shares (held by 860 and 856 equity holders in 2015 and 2014, respectively)	**₱1,250,000,000**	₱1,250,000,000
Additional paid-in capital	**281,437,118**	281,437,118
Other reserves (Note 27)	**143,299,677**	–
Other components of equity (Notes 9, 13 and 21)	**(172,585,192)**	(219,255,738)
Retained earnings (Note 27):		
Appropriated	**873,100,000**	823,100,000
Unappropriated	**837,193,529**	654,797,069
Treasury shares - 16,596,000 shares (Note 27)	**(49,418,660)**	(49,418,660)
	3,163,026,472	2,740,659,789
Non-controlling interests (Note 10)	**133,649,468**	69,715,519
Total Equity	**3,296,675,940**	2,810,375,308
TOTAL LIABILITIES AND EQUITY	**₱4,038,691,391**	₱3,326,607,030

See accompanying Notes to Consolidated Financial Statements.

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2015	2014	2013
NET SERVICE REVENUE (Note 19)			
In-flight and other catering (Note 18)	**₱1,168,768,029**	₱1,046,764,899	₱991,894,569
Ground handling and aviation (Note 18)	**516,924,220**	440,562,222	413,258,559
Rental and administrative (Note 18)	**188,056,543**	188,881,639	187,921,638
Exploratory drilling fees (Note 28)	**36,509,913**	34,904,148	9,163,174
Charter flights	**11,187,913**	12,079,872	7,881,517
	1,921,446,618	1,723,192,780	1,610,119,457
DIRECT COSTS (Notes 19 and 28)			
In-flight and other catering	**798,529,480**	734,878,489	690,509,483
Ground handling and aviation	**418,451,527**	372,505,516	344,225,185
Rental and administrative	**177,713,448**	176,652,833	175,900,641
Exploratory drilling expense	**39,860,819**	35,657,085	11,406,071
Charter flights	**9,295,375**	9,210,054	7,578,337
	1,443,850,649	1,328,903,977	1,229,619,717
GROSS PROFIT	**477,595,969**	394,288,803	380,499,740
SHARE IN NET EARNINGS (LOSS) OF ASSOCIATES (Note 9)	**313,405,233**	128,226,824	(251,868,481)
	791,001,202	522,515,627	128,631,259
OPERATING EXPENSES (Note 20)	**(458,796,272)**	(427,641,252)	(375,643,818)
INTEREST INCOME (Notes 5, 13, 18, 22, and 28)	**9,216,562**	12,847,063	19,884,763
FINANCING CHARGES (Notes 16, 18 and 22)	**(4,213,092)**	(4,719,554)	(612,880)
OTHER INCOME - net (Note 22)	**50,829,051**	42,913,824	101,563,537
INCOME (LOSS) BEFORE INCOME TAX	**388,037,451**	145,915,708	(126,177,139)
PROVISION FOR INCOME TAX (Note 25)			
Current	**61,810,157**	29,876,789	28,340,775
Deferred	**(15,131,203)**	(5,871,370)	6,325,057
	46,678,954	24,005,419	34,665,832
NET INCOME (LOSS)	**₱341,358,497**	₱121,910,289	(₱160,842,971)
Attributable to:			
Equity holders of the Company	**₱327,750,585**	₱114,979,503	(₱170,047,500)
Non-controlling interests (Note 10)	**13,607,912**	6,930,786	9,204,529
	₱341,358,497	₱121,910,289	(₱160,842,971)
Basic/Diluted Earnings (Loss) Per Share (Note 26)	**₱0.27**	**₱0.09**	**(₱0.14)**

See accompanying Notes to Consolidated Financial Statements.

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2015	2014	2013
NET INCOME (LOSS)	**₱341,358,497**	₱121,910,289	(₱160,842,971)
OTHER COMPREHENSIVE INCOME (LOSS) - Net			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of AFS investments - net of tax effect of ₱300,000 in 2015, ₱700,000 in 2014 and (₱1,050,000) in 2013 (Note 13)	**2,133,000**	5,625,890	(13,097,937)
Unrealized gain (loss) in fair value of AFS investments recycled to profit or loss through disposal (Note 13)	**–**	767,819	(14,067,293)
Net foreign currency translation adjustments (Note 9)	**43,267,780**	4,688,978	43,465,251
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains on defined benefit plans, net of tax effect of (₱2,027,667) in 2015, (₱905,761) in 2014 and ₱1,594,688 in 2013 (Note 21)	**10,875,952**	3,736,460	1,665,594
Share in remeasurement gains (losses) on defined benefit plan of associates, net of tax effect of ₱890,993 in 2015, (₱7,716,403) in 2014 and ₱3,749,843 in 2013 (Note 9)	**(9,265,974)**	85,032,893	(42,966,223)
	47,010,758	99,852,040	(25,000,608)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱388,369,255**	₱221,762,329	(₱185,843,579)
Other comprehensive income (loss) attributable to:			
Equity holders of the Company	**₱46,670,546**	₱99,235,231	(₱24,394,364)
Non-controlling interests (Note 10)	**340,212**	616,809	(606,244)
	₱47,010,758	₱99,852,040	(₱25,000,608)
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	**₱374,421,131**	₱214,214,734	(₱194,441,864)
Non-controlling interests (Note 10)	**13,948,124**	7,547,595	8,598,285
	₱388,369,255	₱221,762,329	(₱185,843,579)

See accompanying Notes to Consolidated Financial Statements.

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	Attributable to Equity Holders of the Company													
					Other components of equity									
					Share in Foreign Currency Translation Adjustments of an Associate (Note 9)	Remeasurements on Defined Benefit Plans (Note 21)	Share in Remeasurements on Defined Benefit Plan of Associates (Note 9)							
	Capital Stock	Additional Paid-in Capital	Other reserves (Note 27)	AFS Investments Reserve (Note 13)	Subtotal	Retained Earnings (Note 27) Appropriated	Retained Earnings (Note 27) Unappropriated	Treasury Shares (Note 27)	Subtotal	Non-controlling Interests (Note 10)	Total
BALANCES AT DECEMBER 31, 2012	**₱1,250,000,000**	**₱281,437,118**	**₱–**	**₱29,854,120**	**(₱220,265,655)**	**₱9,011,172**	**(₱112,696,242)**	**₱788,100,000**	**₱835,617,926**	**(₱49,418,660)**	**₱2,811,639,779**	**₱65,100,764**	**₱2,876,740,543**
Net income	–	–	–	–	–	–	–	–	(170,047,500)	–	(170,047,500)	9,204,529	(160,842,971)
Other comprehensive income	–	–	–	(27,165,230)	43,465,251	2,271,838	(42,966,223)	–	–	–	(24,394,364)	(606,244)	(25,000,608)
Total comprehensive income (loss)	–	–	–	(27,165,230)	43,465,251	2,271,838	(42,966,223)	–	(170,047,500)	–	(194,441,864)	8,598,285	(185,843,579)
Investment of non-controlling interest in a newly incorporated subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–
Cash dividends at ₱0.065 per share	–	–	–	–	–	–	–	–	(80,171,260)	–	(80,171,260)	468,875	(80,171,260)
Cash dividends received by non-controlling interest at ₱16.0 per share	–	–	–	–	–	–	–	–	–	–	–	(12,000,000)	(12,000,000)
BALANCES AT DECEMBER 31, 2013	**1,250,000,000**	**281,437,118**	–	**(318,490,969)**	**(176,800,404)**	**11,283,010**	**(155,662,465)**	**788,100,000**	**585,399,166**	**(49,418,660)**	**2,537,026,655**	**62,167,924**	**2,599,194,579**
Net income	–	–	–	–	–	–	–	–	114,979,503	–	114,979,503	6,930,786	121,910,289
Other comprehensive income	–	–	–	6,393,709	4,688,978	3,119,651	85,032,893	–	–	–	99,235,231	616,809	99,852,040
Total comprehensive income	–	–	–	99,235,231	4,688,978	3,119,651	85,032,893	–	114,979,503	–	214,214,734	7,547,595	221,762,329
Acquisition of non-controlling interest in a subsidiary during the year	–	–	–	–	–	–	–	–	(10,581,600)	–	(10,581,600)	–	(10,581,600)
Appropriation of retained earnings	–	–	–	–	–	–	–	50,000,000	(50,000,000)	–	–	–	–
Reversal of appropriation of retained earnings	–	–	–	–	–	–	–	(15,000,000)	15,000,000	–	–	–	–
BALANCES AT DECEMBER 31, 2014	**1,250,000,000**	**281,437,118**	–	**9,082,599**	**(172,111,426)**	**14,402,661**	**(70,629,572)**	**823,100,000**	**654,797,069**	**(49,418,660)**	**2,740,659,789**	**69,715,519**	**2,810,375,308**
Net income	–	–	–	–	–	–	–	–	327,750,585	–	327,750,585	13,607,912	341,358,497
Other comprehensive income	–	–	–	2,133,000	43,267,780	10,535,740	(9,265,974)	–	–	–	46,670,546	340,212	47,010,758
Total comprehensive income	–	–	–	2,133,000	43,267,780	10,535,740	(9,265,974)	–	327,750,585	–	374,421,131	13,948,124	388,369,255
Sale of investment in subsidiaries to non-controlling interests	–	–	143,299,677	–	–	–	–	–	–	–	143,299,677	47,137,000	190,436,677
Cash dividends at ₱0.075 per share	–	–	–	–	–	–	–	–	(92,505,300)	–	(92,505,300)	–	(92,505,300)
Allocation of goodwill to non-controlling interest	–	–	–	–	–	–	–	–	(2,848,825)	–	(2,848,825)	2,848,825	–
Appropriation of retained earnings	–	–	–	–	–	–	–	50,000,000	(50,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2015	**₱1,250,000,000**	**₱281,437,118**	**₱143,299,677**	**₱11,215,599**	**(₱128,843,646)**	**₱24,938,401**	**(₱79,895,546)**	**₱873,100,000**	**₱837,193,529**	**(₱49,418,660)**	**₱3,163,026,472**	**₱133,649,468**	**₱3,296,675,940**

See accompanying Notes to Consolidated Financial Statements.

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱388,037,451**	₱145,915,708	(₱126,177,139)
Adjustments for:			
Depreciation and amortization (Note 11)	**76,665,739**	101,633,900	94,455,279
Gain on sale of disposal of property and equipment	**(503,182)**	–	(788,460)
Share in net loss (earnings) of associates (Note 9)	**(313,405,233)**	(128,226,824)	251,868,481
Interest income (Notes 5, 13, 18, 22 and 28)	**(9,216,562)**	(12,847,063)	(19,884,763)
Unrealized foreign exchange gain - net	**(13,362,430)**	(11,217,296)	(20,618,579)
Financing charges (Notes 16, 18 and 22)	**4,213,092**	4,719,554	612,880
Gain on sale of AFS investments (Note 22)	**–**	(811,298)	(49,782,205)
Retirement benefits costs (Note 21)	**19,042,948**	16,369,229	25,211,067
Provision for other long-term benefits (Note 21)	**1,073,253**	751,970	(1,326,258)
Reversal of impairment loss on investment property to cost (Notes 12 and 22)	**–**	–	(17,260,303)
Operating income before working capital changes	**152,545,076**	116,287,880	136,310,000
Decrease (increase) in:			
Receivables	**(145,382,677)**	(40,948,028)	(57,806,448)
Inventories	**1,376,052**	2,976,094	7,434,030
Advances to contractors	**–**	(48,466,997)	–
Other current assets	**(48,730,328)**	(53,041,165)	(38,653,085)
Increase in:			
Accounts payable and accrued liabilities	**168,617,334**	2,754,963	25,203,674
Accrued rental payable	**11,434,912**	–	–
Additions to service concession right	**(141,522,285)**	(89,066,055)	–
Payments for project advances	**(1,505,782)**	–	(2,350,000)
Contributions to the retirement fund	**(15,330,036)**	(14,992,917)	(21,040,667)
Retirement benefits and other employee benefits paid	**–**	(518,963)	(100,767)
Cash generated from (used in) operations	**(18,497,734)**	(125,015,188)	48,996,737
Interest received	**7,902,407**	13,608,680	20,740,941
Financing charges paid	**(3,398,516)**	(4,012,987)	–
Income taxes paid, including creditable withholding taxes	**(40,527,498)**	(38,033,794)	(29,659,769)
Net cash from (used in) operating activities	**(₱54,521,341)**	(₱153,453,289)	₱40,077,909

(Forward)

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Note 11)	**(₱102,772,066)**	(₱146,983,036)	(₱112,296,582)
Proceeds from disposal of property and equipment	**563,575**	4,834	1,125,600
Acquisitions of investment in AFS debt securities (Note 13)	**–**	–	(100,612,194)
Proceeds from sale of investment in bonds (Note 13)	**–**	41,511,117	421,052,326
Acquisition of non-controlling interest in a subsidiary (Note 27)	**–**	(10,581,600)	–
Proceeds from sale of investment in subsidiaries to non-controlling interest (Note 27)	**187,337,508**	–	–
Payment of transaction cost on sale of investment in subsidiary to non-controlling interest (Note 27)	**(13,436,672)**	–	–
Dividends received (Note 9)	**26,000,000**	18,000,000	24,000,000
Returns from (payments for) refundable deposits and other noncurrent assets	**(16,016,146)**	1,132,264	2,319,346
Net cash from (used in) investing activities	**81,676,199**	(96,916,421)	235,588,496
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of notes payable (Note 16)	**–**	81,530,200	27,000,000
Payments of notes payable (Note 16)	**(25,353,395)**	(22,588,367)	–
Contribution by non-controlling interest in a subsidiary (Note 27)	**–**	–	468,875
Dividends paid (Note 27)	**–**	(4,000,000)	(88,007,275)
Net cash from (used in) financing activities	**(25,353,395)**	54,941,833	(60,538,400)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**10,286,831**	9,284,481	9,441,677
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**12,088,294**	(186,143,396)	224,569,682
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**681,237,533**	867,380,929	642,811,247
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱693,325,827**	₱681,237,533	₱867,380,929

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information and Business Operations

Corporate Information

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

Business Operations

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

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

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

The consolidated financial statements as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 were authorized for issuance by the Board of Directors (BOD) on March 30, 2016.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

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

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

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial years except for the adoption of the following amendments to existing standards effective beginning January 1, 2015.

- Amendments to Philippine Accounting Standards (PAS) 19, *Defined Benefit Plans: Employee Contributions*
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are not relevant to the Group since the Group's defined benefit plans are noncontributory.

Annual Improvements to PFRS (2010-2012 cycle)
The adoption of the amendments below did not have a significant impact on the consolidated financial statements of the Group.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  a. a performance condition must contain a service condition;
  b. a performance target must be met while the counterparty is rendering service;
  c. a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
  d. a performance condition may be a market or non-market condition; and
  e. if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*. The Group shall consider this amendment in future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:

  a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

  b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment: Revaluation Method - Proportionate Restatement of Accumulated Depreciation* and PAS 38, *Intangible Assets: Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset after taking into account the accumulated impairment losses.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The Group does not employ the services of a management entity.

Annual Improvements to PFRS (2011-2013 cycle)
The adoption of the amendments below did not have a significant impact on the consolidated financial statements of the Group.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  a. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property - Interrelationship between PFRS 3 and PAS 40*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

New Accounting Standards, Amendments to
Existing Standards and Interpretations Effective Subsequent to December 31, 2015
The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2015 are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Effective in 2016

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are not applicable to the Group since the Group does not have investment entity associates or joint venture.

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The Company shall consider these amendments for future preparation of its separate financial statements.

- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions;
  - That specific line items in the statement of income and other comprehensive income (OCI) and the statement of financial position may be disaggregated;
  - That entities have flexibility as to the order in which they present the notes to financial statements;
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Since the Group is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture - Bearer Plants*
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments are not expected to have any impact to the Group given that the Group is not using a revenue-based method to depreciate its noncurrent assets.

Annual Improvements to PFRS (2012-2014 cycle)
The Annual Improvements to PFRS (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016. Except as otherwise stated, the Group does not expect these amendments to have a significant impact on the consolidated financial statements.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The Group shall consider this amendment in future transactions.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that

the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective in 2018

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

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group is currently assessing the impact of the new revenue standard and plans to adopt on the required effectivity date once adopted locally.

Effective in 2019

- IFRS 16, *Leases*
  IFRS 16 was issued on January 13, 2016, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related interpretations.

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

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

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effectivity date once adopted locally.

Deferred

- Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC) 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Securities and Exchange Commission (SEC) and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The Group does not expect that this interpretation will have material financial impact in consolidated financial statements.

- Amendments to PFRS 10 and PAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. The Group shall consider these amendments in future transactions.

Basis of Consolidation

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

		Percentage of Direct Ownership by MAPDC/MACS/ WBSI		Percentage of Ownership by MAC			
				2015		2014	
	Nature of business	**2015**	2014	**Direct**	**Indirect[2]**	Direct	Indirect[2]
MAPDC	Economic Zone (Ecozone) developer/operator and water supply	–	–	**100**	–	100	–
MacroAsia Airport Services Corporation (MASCORP)	Groundhandling aviation services	–	–	**100**	–	100	–
MacroAsia Air Taxi Services, Inc. (MAATS)	Helicopter chartering services	–	–	**100**	–	100	–
Airport Specialists' Services Corporation (ASSC)[1]	Manpower services	–	–	**100**	–	100	–
MMC	Mine exploration, development and operation	–	–	**100**	–	100	–
MACS	In-flight and other catering services	–	–	**67[3]**	–	80	–
MacroAsia SATS Food Industries (MSFI)	Meal production and food processing	**67**	–	–	**67[a]**	–	–
SNV Resources Development Corporation (SNVRDC)	Water projects	**100**	100	–	**100[b]**	–	100
Mabini Pangasinan Resources Development Corporation (MPRDC)[5]	Water projects	**100**	100	–	**100[b]**	–	100
Panay Water Business Resources, Inc. (PWBRI)	Water projects	**90**	90	–	**90[b]**	–	90
WBSI	Water projects	**51[4]**	100	–	**51[4], [b]**	–	100
Cavite Business Resouces Inc. (CBRI)	Water projects	**51[4]**	99	–	**51[4], [c]**	–	99

(1) *Ceased commercial operations effective May 1, 2001.*
(2) *Effective ownership interest through MACS[a], MAPDC[b] and WBSI[c].*
(3) *Effective ownership starting September 14, 2015.*
(4) *Effective ownership starting December 16, 2015.*
(5) *Formerly Dragon Resources Development Corporation.*

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

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a

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

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

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

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

Non-controlling Interests

Non-controlling interest represents the portion of the net assets of consolidated subsidiaries not held by the Group. Non-controlling interest is presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within the equity section of the consolidated balance sheet, separate from the Company's equity. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

Prior to January 1, 2010, acquisition of non-controlling interest was accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized as goodwill (see Note 15). After the initial recognition, goodwill is measured at cost less accumulated impairment loss.

During 2015, ownership of controlling interests over a subsidiary has been changed without losing its control. Portion of goodwill was re-attributed to the non-controlling interests (see Note 27).

Business Combination and Goodwill

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

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

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

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

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

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

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in

this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Common control business combinations

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

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

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

Investments in Associates

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

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

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

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

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

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

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

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

Functional Currency-denominated Transactions

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

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

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

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

Fair Value Measurement

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

As of December 31, 2015 and 2014, the Group's investments in AFS are carried at fair value and with recurring fair value measurements. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 31. The Group also discloses the fair value of its investment property with unrecognized fair value measurements (see Notes 12 and 31).

Current versus Non-Current Classification
The Group presents assets and liabilities in the balance sheet based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

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

Cash and Cash Equivalents
Cash consists of cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and are subject to an insignificant risk of changes in value.

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

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

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or

a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

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

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

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

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

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

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

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

The Group uses derivative financial instruments such as currency forwards contracts as economic hedge to its risks arising from foreign currency fluctuations. Such derivative financial instrument is initially recognized at fair value on the date on which the derivative contracts are entered into

and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair values of freestanding forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profile.

There are no outstanding derivatives as of December 31, 2015 and 2014.

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

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid or combined instrument is not recognized as at fair value through profit or loss.

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

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

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

As of December 31, 2015 and 2014, the Group's cash in banks and cash equivalents, receivables and deposits are classified as loans and receivables.

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

As of December 31, 2015 and 2014, the Group has not designated any financial asset as HTM investment.

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

As of December 31, 2015 and 2014, the Group's investments in retail treasury bonds, golf club share and other proprietary and equity shares are classified as AFS investments.

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

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

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

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

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

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

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

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

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

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

Assets carried at cost
If there is an objective evidence that an impairment loss of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been

incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

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

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

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

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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

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

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

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

The net amount of VAT recoverable from taxation authority is presented as "Input taxes" in the consolidated balance sheet. The Group maintains an allowance for any possible disallowance of input VAT. A review of input VAT is made on a continuing basis to determine the adequacy of allowance for probable losses at each reporting date.
The net amount of VAT payable to taxation authority is included in "Accounts payable and accrued liabilities" in the consolidated balance sheet.

TCCs pertain to amount of tax credit for which the Group is allowed or entitled to in accordance with applicable laws and can be used to settle the Group's obligations due to the national government.

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

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

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

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

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

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

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

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

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

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

Investment Property
Investment property, which pertains to a parcel of land held for appreciation in value and land and building held for rentals, are measured at cost less any impairment in value.

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

Service Concession Arrangements
The Group accounts for its service concession arrangements in accordance with Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, under the intangible asset model as it receives the right (license) to charge users of public service (see Note 14).

Revenue and Cost Recognition. The Group recognizes and measures revenue and cost in accordance with PAS 11, *Construction Contracts* and PAS 18, *Revenue*, for the services it performs. When the Group provides construction or upgrade services, the consideration received or receivable by the Group is recognized at its fair value. The revenue and cost from these

services are recognized based on the percentage of completion measured principally on the basis of estimated completion of a physical proportion of the contract works, and by reference to the actual costs incurred to date over the estimated total cost of the project.

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

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

Deferred Mine Exploration Costs

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

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

Deferred Project Costs

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

Deferred Rent Expense

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

Unearned Rent Income

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

Impairment of Nonfinancial Assets

Nonfinancial assets other than goodwill

The Group assesses at each reporting date whether there is an indication that investments in associates, property and equipment, investment property, deferred project costs, service concession right and input and other taxes may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The Group also assesses its deferred mine exploration costs for impairment when facts and circumstances suggest that its carrying amount may exceed its recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed and recognized in profit or loss only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill

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

Revenue Recognition

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

Sale of goods (in-flight and other catering)

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

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

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

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

Construction revenue
See accounting policy under "Service Concession Right".

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

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

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

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

Selling expenses, which include costs of advertising and promotion, and general and administrative expenses, which include the cost of administering the business, are not directly associated with the generation of revenue and are generally expensed as incurred.

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

- Service cost
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding amounts included in net interest on the net defined liability) and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The amount recognized as accrued retirement benefits payable or plan asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. For leave credits expected to be settled at the date of retirement or recognition, the liability is presented at its present value using assumptions consistent with those used to discount retirement benefits. The expense recognized in profit or loss comprise the service cost, net interest of the liability and remeasurements.

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

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in

accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

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

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

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfilment is dependent on a specified asset; or
d. there is a substantial change to the asset.

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

Group as lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

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

Income Taxes
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax for the current and prior period, shall, to the extent unpaid, be recognized as a liability and is presented as "Income tax payable" in the balance sheet. If the amount already paid, including the cumulative creditable withholding taxes, in respect of the current and prior period exceeds the amount due for those periods, the excess shall be recognized as an asset under "Other current assets" in the consolidated balance sheet.

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT and unused NOLCO can be utilized. Deferred income tax however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit.

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

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

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

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

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

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as an interest expense. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the Company's negotiation with the third party.

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Capital Stock and Additional Paid-in Capital
Capital stock is measured at par value for all shares issued and outstanding.

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

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

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

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

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

Diluted earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number

of ordinary shares that would be issued upon conversion of all dilutive potential ordinary shares. The Company has no potentially dilutive shares as of December 31, 2015 and 2014.

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

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

3. Significant Judgments and Accounting Estimates

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

Judgments
In the process of applying the Company'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. Additional factors are considered in determining the functional currency of a foreign operation, including whether its activities are carried as an extension of that of the Group rather than being carried out with significant autonomy.

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

Impairment of AFS investments
For AFS debt investments, the Group assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Group assesses whether the market prices of these bonds indicate objective evidence of impairment. Based on management's assessment, there is no objective evidence of impairment on its investment in bonds, especially as

the counterparties are able to pay the contractual payments. The carrying value of AFS debt investments amounted to ₱65.6 million and ₱66.2 million as of December 31, 2015 and 2014, respectively (see Note 13).

For AFS equity investments, management exercised judgment in assessing whether the quoted market price of the AFS equity investments at reporting date indicated an impairment vis-à-vis the cost. Management generally assesses that impairment is sustained once the decline in value reaches 20% of cost or that the decline in value persisted for more than 12 months. The Company believes that its outstanding investments in golf club and other proprietary and equity shares are not impaired. The carrying value of AFS equity investments amounted to ₱40.1 million and ₱37.1 million as of December 31, 2015 and 2014, respectively (see Note 13).

Accounting for acquisition of WBSI shares and water project
As discussed in Note 14 to the consolidated financial statements, on July 11, 2011, MAPDC acquired the 70% of the shares of stock of WBSI pursuant to a share purchase agreement between MAPDC and the former stockholders of WBSI. On the same date, MAPDC entered into a sale and purchase agreement for the Maragondon Bulk Water Supply Project (the Water Project) from Islington Capital Holdings, Inc. (ICH). On September 15, 2011, MAPDC signed an amended sale purchase agreement with stockholders of WBSI and ICH, related to the acquisition of additional 12.6% shares over WBS and rights to the Water Project, respectively.

Prior to 2014, the Group accounted for its investment in WBSI shares and payments made to WBSI former stockholders as receivables in view of the Group's right to refund from WBSI former stockholders the total payments made if the water permits inherent in the project are not secured.

In 2014, MAPDC entered into compromise agreement with the former stockholders of WBSI where a final consideration for the acquisition of the Water Project was agreed regardless if whether the water permits in the project are secured. This event confirmed the control of MAPDC over WBSI. Accordingly, WBSI, as well as CBRI, which is WBSI's wholly owned subsidiary, were consolidated with the Group starting in 2014 (see Note 15).

Assessment whether SNVRDC is an operator under Philippine Interpretation IFRIC 12
Management has assessed that MAPDC's memorandum of agreement with the Municipality of Solano, Nueva Vizcaya (Solano) to provide water distribution facilities is covered by the Philippine Interpretation IFRIC 12. MAPDC has assigned to SNVRDC the rights and obligations under the memorandum of agreement. The memorandum of agreement qualifies under the intangible asset model with respect to the operation of the waterwork facilities as SNVRDC has the right (license) to charge users of public service (see Note 14).

Assessment of control or significant influence over the investee
The Group make an assessment whether or not it controls an investee by considering all relevant facts and circumstances that indicates that the Group are exposed, or have rights, to variable returns from their involvement with the investee and have the ability to affect those returns through its power over the investee. A reassessment is made if circumstances indicate that there are changes in these control elements. The Group have significant influence over an investee if they only have the power to participate in the financial and operating policy decisions, but not control or joint control over it. As of December 31, 2015 and 2014, the Group has still determined that it controls its subsidiaries and has significant influence over its associates.

Classification of lease arrangements - the Group as Lessee and Lessor
The Group has property leases where it has determined that the risks and rewards related to such property are retained with the lessor (e.g., no transfer of ownership of leased assets by the end of

the lease term). Both the lease and sub-lease agreements are accounted for as operating leases. Rental income amounted to ₱161.5 million in 2015, 2014 and 2013 (see Note 18). Rental expense amounted to ₱212.4 million, ₱197.5 million and ₱195.2 million in 2015, 2014 and 2013, respectively (see Notes 19, 20 and 28).

Determination of indicators of impairment of nonfinancial assets
The Group assesses at each reporting date whether there is any indication that its investments in associates, property and equipment, investment property, deferred project costs, service concession right and input and other taxes may be impaired. Also, the Group assesses whether facts and circumstances suggest that carrying amount of deferred mine exploration costs may exceed its recoverable amount.

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

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

Management believes that there are no impairment indicators on its investments in associates, property and equipment, investment property, deferred project costs, service concession right and deferred mine exploration costs as of December 31, 2015 and 2014.

In 2015 and 2014, LTP reported positive results from its operations. Management believes that LTP will continue to report positive results of operations in the next years based on the associate's operating budget. Accordingly, management believes that the 2013 indication of impairment is no longer present.

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

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

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

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

assumptions about these factors could affect the reported fair value of financial instruments. See Note 31 for further disclosures.

Determination of fair value of investment property
The Group's fair value of investment property is valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. As of December 31, 2015 and 2014, the fair value of the investment property is based on valuation performed by an accredited and independent valuer (see Note 12).

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

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

The carrying value of the Group's receivables amounted to ₱554.6 million and ₱408.8 million as of December 31, 2015 and 2014, respectively. Allowance for doubtful accounts amounted to ₱13.2 million and ₱13.1 million as of December 31, 2015 and 2014, respectively (see Note 6).

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

Estimation of useful life of service concession right
At the start of operation of the water work facilities, the service concession assets are to be amortized over the concession period until February 11, 2038 as provided in the Agreement. The amortization period are reviewed when there are changes in the expected term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset. As of December 31, 2015, the Group has not started the amortization of the service concession asset as the commercial operations has not commenced.

Estimating allowances for probable losses on input taxes and TCCs
The Group estimates the level of provision for probable losses on input taxes and TCCs based on the experience of the Group and assessment of counsels assisting the Group in processing the claims and negotiating the realization of TCCs. As of December 31, 2015 and 2014, the carrying value of input taxes and TCCs amounted to ₱210.7 million and ₱203.0 million, respectively. Allowance for probable losses amounted to ₱127.8 million and ₱72.3 million, respectively (see Notes 8 and 15).

Estimation of useful lives of property and equipment and number of flying hours of helicopter unit
The Group estimates the useful lives of property and equipment and number of flying hours of helicopter unit based on the internal technical evaluation and experience with similar assets. Estimated useful lives and number of flying hours are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. There is no change in the estimated useful lives of property and equipment and number of flying hours in 2015 and 2014.

The carrying value of property and equipment as of December 31, 2015 and 2014 amounted to ₱424.0 million and ₱395.3 million, respectively (see Note 11).

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires the estimation of value-in-use of the cash generating unit to which goodwill relates. Estimating the value-in-use requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. For the purpose of impairment testing, goodwill has been allocated to MACS, the cash generating unit. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets as approved by management covering a three-year projection. The projected cash flows was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth based on management's future plans. Cash flows beyond the three year period are extrapolated into perpetuity assuming a zero growth rate, for impairment test purposes. The discount rate was a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The discount rate used is 14% in 2015 and 9% in 2014 and 2013.

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

Based on management's assessment, the recoverable amount of the goodwill is higher than the carrying value, thus no impairment loss was noted on the goodwill with carrying amount of ₱17.5 million as of December 31, 2015 and 2014 (see Note 15).

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 ₱11.0 million and ₱15.3 million as of December 31, 2015 and 2014, respectively (see Note 21). Plan asset amounted to ₱4.9 million and ₱0.1 million as of December 31, 2015 and 2014, respectively, and is included under "Deposits and other noncurrent assets" account (see Note 15). Retirement benefits cost amounted to ₱19.0 million, ₱16.4 million and ₱25.2 million in 2015, 2014 and 2013, respectively

(see Note 21). Accumulated leave credits amounted to ₱10.9 million and ₱10.0 million as of December 31, 2015 and 2014, respectively (see Note 21).

Estimation of provisions for probable loss
The Group is a party to certain claims arising from the normal course of business. The estimate of probable costs of possible claims has been developed in consultation with the Company's legal counsel and is based upon an analysis of potential results. In 2015, 2014 and 2013, the Group recognized provision for contingencies amounting to ₱8.2 million, ₱3.8 million and ₱4.7 million, respectively. Outstanding amounts of provision which are included as part of "Accounts payable and accrued liabilities" amounted to ₱9.7 million and ₱6.7 million as of December 31, 2015 and 2014, respectively (see Note 17). The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the Company's negotiation with the third party.

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

Gross deferred income tax assets recognized, which relate primarily to operating subsidiaries, amounted to ₱49.7 million and ₱31.4 million as of December 31, 2015 and 2014, respectively. The Group also has unrecognized deferred income taxes primarily on the non-operating subsidiaries' temporary differences, NOLCO and MCIT (see Note 25).

4. Segment Information

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

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

- In-flight and other catering segment, which is operated by MACS and through the Company's interest in CPCS, refers to servicing of meal requirements of certain foreign and domestic passenger airlines at the NAIA and the MDA, and of certain non-airline institutional accounts.

- Ground handling and aviation segment, which is operated by MASCORP, refers to both ramp and passenger handling and aviation services to foreign airlines and domestic carriers at NAIA, MCIA, KIA and Davao International Airport.

- Rental and administrative segment, which is primarily operated through MAPDC, pertains to the sub-lease of the MacroAsia Ecozone at NAIA (see Note 28), which MAPDC leases from Manila International Airport Authority (MIAA) with LTP as the anchor locator (see Note 18).

- Charter flights segment, which is handled by MAATS, provides international and domestic chartered flights from its base at the General Aviation Area, MDA to any point within the Philippines, through alliances with other helicopter owners.

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

- Water-related projects, which pertain to development (e.g., studies, surveys) and construction of water-treatment facilities activities, which are undertaken by MAPDC and its subsidiaries.

- Maintenance, repairs and overhaul (MRO), which is operated through the Company's interest in LTP, pertains to rendering of MRO services of Airbus and Boeing aircraft for certain airlines.

The Group has only one geographic segment. There were no inter-segment sales in 2015, 2014 and 2013. In 2015, 2014 and 2013, ₱342.8 million (or 18%), ₱245.0 million (or 15%) and ₱236.6 million (or 15%), respectively, of the Group's total revenue was derived from two customers. For this purpose, the customers pertain to an entity known to the Group to be under common control.

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

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

For the year ended December 31, 2015:

	Inflight and other catering	Groundhandling and aviation	Rental and administrative	Water-related projects	Charter flights	Mining	Maintenance repairs and overhaul	Eliminations, Adjustments and Others	Total
Segment revenue	₱1,168,768,029	₱516,924,220	₱189,068,548	₱–	₱11,187,913	₱36,509,913	₱–	(₱1,012,005)	₱1,921,446,618
Direct costs	(798,529,480)	(418,451,527)	(177,713,448)	–	(10,562,021)	(39,860,820)	–	1,266,647	(1,443,850,649)
Gross profit	370,238,549	98,472,693	11,355,100	–	625,892	(3,350,907)	–	254,642	477,595,969
Equity in net earnings of associates	27,760,661	–	–	–	–	–	285,644,572	–	313,405,233
	397,999,210	98,472,693	11,355,100	–	625,892	(3,350,907)	285,644,572	254,642	791,001,202
Operating expenses	(303,705,310)	(69,336,493)	(40,015,423)	(17,801,734)	(2,981,050)	(4,208,800)	–	(20,747,462)	(458,796,272)
Interest income	150,646	89,775	879,784	18,865	9,408	3,255	–	8,064,829	9,216,562
Financing charges	–	(3,398,516)	(814,576)	–	–	–	–	–	(4,213,092)
Other income	24,859,820	4,315,682	33,898,880	166,121	4,204,552	–	–	(16,616,004)	50,829,051
Income (loss) before income tax	119,304,366	30,143,141	5,303,765	(17,616,748)	1,858,802	(7,556,452)	285,644,572	(29,043,995)	388,037,451
Provision for income tax	(30,641,199)	(11,318,346)	(571,814)	–	(624,568)	(651)	–	(3,522,376)	(46,678,954)
Segment profit (loss)	₱88,663,167	₱18,824,795	₱4,731,951	(₱17,616,748)	₱1,234,234	(₱7,557,103)	₱285,644,572	(₱32,566,371)	₱341,358,497
Depreciation and amortization expense	₱20,379,615	₱32,982,102	₱1,935,613	₱1,867,768	₱1,260,748	₱5,792,035	₱–	₱12,447,858	₱76,665,739
Segment profit attributable to:									
Equity holders of the Company	74,536,344	18,824,795	4,731,951	(17,616,014)	1,234,234	(7,557,103)	285,644,572	(32,048,194)	327,750,585
Non-controlling interests	14,126,824	–	–	(734)	–	–	–	(518,178)	13,607,912

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

	Inflight and other catering	Groundhandling and aviation	Rental and administrative	Water-related projects	Charter flights	Mining	Maintenance repairs and overhaul	Eliminations, Adjustments and Others	Total
Assets:									
Current assets	₱559,301,253	₱165,101,679	₱308,706,992	₱71,396,136	₱31,769,971	₱28,162,032	₱–	₱298,641,053	₱1,463,079,116
Noncurrent assets	258,224,937	163,721,684	595,919,456	365,128,653	3,696,806	16,635,406	–	1,172,285,333	2,575,612,275
	₱817,526,190	₱328,823,363	₱904,626,448	₱436,524,789	₱35,466,777	₱44,797,438	₱–	₱1,470,926,386	₱4,038,691,391
Liabilities:									
Current liabilities	₱399,163,113	₱115,912,051	₱267,224,763	₱282,801,095	₱16,564,635	₱56,663,121	₱–	(₱601,266,801)	₱537,061,977
Noncurrent liabilities	9,532,317	37,421,235	146,660,747	199,000	252,091	2,233,184	–	8,654,900	204,953,474
	₱408,695,430	₱153,333,286	₱413,885,510	₱283,000,095	₱16,816,726	₱58,896,305	₱–	(₱592,611,901)	₱742,015,451
Equity attributable to:									
Equity holders of the Company	₱289,195,117	₱175,490,077	₱490,740,938	₱142,359,694	₱18,650,051	(₱14,098,867)	₱–	₱2,060,689,462	₱3,163,026,472
Non-controlling interests	119,635,643	–	–	11,165,000	–	–	–	2,848,825	133,649,468
Investments in associates	17,292,204	–	–	–	–	–	965,577,786	–	982,869,990
Additions to noncurrent assets:									
Property, plant and equipment	39,728,745	37,247,660	1,571,691	2,257,365	431,476	4,082,196	–	20,083,982	105,403,115

For the year ended December 31, 2014:

	Inflight and other catering	Groundhandling and aviation	Rental and administrative	Water-related projects	Charter flights	Mining	Maintenance repairs and overhaul	Eliminations, Adjustments and Others	Total
Segment revenue	₱1,046,764,899	₱440,562,222	₱188,881,639	₱–	₱12,079,872	₱34,904,148	₱–	₱–	₱1,723,192,780
Direct costs	(734,878,489)	(372,505,516)	(176,652,833)	–	(9,210,054)	(35,657,085)	–	–	(1,328,903,977)
Gross profit	311,886,410	68,056,706	12,228,806	–	2,869,818	(752,937)	–	–	394,288,803
Equity in net earnings of associates	17,289,917	–	–	–	–	–	110,936,907	–	128,226,824
	329,176,327	68,056,706	12,228,806	–	2,869,818	(752,937)	110,936,907	–	522,515,627
Operating expenses	(290,243,399)	(50,683,289)	(14,025,149)	–	(4,613,123)	(3,894,375)	–	(64,181,917)	(427,641,252)
Interest income	179,621	149,385	746,097	21,164	258,742	15,287	–	11,476,767	12,847,063
Financing charges	–	(4,702,233)	(706,567)	–	–	–	–	689,246	(4,719,554)
Other income	28,133,926	1,060,576	3,692,778	–	5,102,423	1,382	–	4,922,739	42,913,824
Income (loss) before income tax	67,246,475	13,881,145	1,935,965	21,164	3,617,860	(4,630,643)	110,936,907	(47,093,166)	145,915,708
Provision for income tax	(15,200,938)	(5,376,968)	(731,419)	–	(1,603,530)	(1,952)	–	(1,090,612)	(24,005,419)
Segment profit (loss)	₱52,045,537	₱8,504,177	₱1,204,546	₱21,164	₱2,014,330	(₱4,632,595)	₱110,936,907	(₱48,183,777)	₱121,910,289
Depreciation and amortization expense	₱53,932,094	₱31,854,805	₱1,910,900	₱–	₱1,372,546	₱2,622,945	₱–	₱9,940,610	₱101,633,900
Segment profit attributable to:									
Equity holders of the Company	45,094,413	8,504,177	1,204,546	(20,657,793)	766,509	(4,632,595)	110,936,907	(8,946,744)	114,979,503
Non-controlling interests	6,951,124	–	–	(20,338)	–	–	–	–	6,930,786

Other financial information of the operating segments as of December 31, 2014 is as follows:

	Inflight and other catering	Groundhandling and aviation	Rental and administrative	Water-related projects	Charter flights	Mining	Maintenance repairs and overhaul	Eliminations, Adjustments and Others	Total
Assets:									
Current assets	₱371,186,010	₱174,622,265	₱118,702,491	₱90,038,570	₱35,398,951	₱26,053,738	₱–	₱419,303,845	₱1,235,305,870
Noncurrent assets	260,972,721	146,644,296	578,042,357	123,858,097	4,540,415	242,469,647	–	734,773,627	2,091,301,160
	₱632,158,731	₱321,266,561	₱696,744,848	₱213,896,666	₱39,939,366	₱268,523,385	₱–	₱1,154,077,472	₱3,326,607,030
Liabilities:									
Current liabilities	₱276,135,376	₱94,694,680	₱389,241,493	₱118,682,864	₱22,730,494	₱40,567,262	₱–	(₱646,393,032)	₱295,659,137
Noncurrent liabilities	9,589,423	63,328,617	134,426,327	–	211,541	3,114,158	–	9,902,519	220,572,585
	₱285,724,799	₱158,023,297	₱523,667,820	₱118,682,864	₱22,942,035	₱43,681,420	₱–	(₱636,490,513)	₱516,231,722
Equity attributable to:									
Equity holders of the Company	₱277,147,146	₱163,243,264	₱173,077,028	₱94,785,070	₱16,997,332	₱224,841,965	₱–	₱1,790,567,984	₱2,740,659,789
Non-controlling interests	69,286,786	–	–	428,733	–	–	–	–	69,715,519
Investments in associates	16,748,796	–	–	–	–	–	644,960,670	–	661,709,466
Additions to noncurrent assets:									
Property, plant and equipment	21,191,943	17,413,349	93,621,018	1,725,035	138,270	4,658,458	–	4,854,597	143,602,670

For the year ended December 31, 2013:

	Inflight and other catering	Groundhandling and aviation	Rental and administrative	Water-related projects	Charter flights	Mining	Maintenance repairs and overhaul	Eliminations, Adjustments and Others	Total
Segment revenue	₱991,894,569	₱413,258,559	₱187,921,638	₱–	₱7,881,517	₱9,163,174	₱–	₱–	₱1,610,119,457
Direct costs	(690,509,483)	(344,225,185)	(175,900,641)	–	(7,578,337)	(11,406,071)	–	–	(1,229,619,717)
Gross profit	301,385,086	69,033,374	12,020,997	–	303,180	(2,242,897)	–	–	380,499,740
Equity in net earnings of associates	11,814,259	–	–	–	–	–	(263,682,740)	–	(251,868,481)
	313,199,345	69,033,374	12,020,997	–	303,180	(2,242,897)	(263,682,740)	–	128,631,259
Operating expenses	(248,436,428)	(52,159,090)	(8,917,003)	(2,674,921)	(6,377,320)	(1,279,484)	–	(55,799,572)	(375,643,818)
Interest income	232,433	167,887	685,457	34,327	257,355	(28,246)	–	18,535,550	19,884,763
Financing charges	(67,951)	(2,901,016)	(612,880)	–	–	–	–	2,968,967	(612,880)
Other income	13,377,312	4,779,517	17,448,044	–	6,780,282	–	–	59,178,382	101,563,537
Income (loss) before income tax	78,304,711	18,920,672	20,624,615	(2,640,594)	963,497	(3,550,627)	(263,682,740)	24,883,327	(126,177,139)
Provision for income tax	(20,385,257)	(6,162,603)	(684,355)	684,355	(476,781)	(3,299,264)	–	(4,341,927)	(34,665,832)
Segment profit (loss)	₱57,919,454	₱12,758,069	₱19,940,260	(₱1,956,239)	₱486,716	(₱6,849,891)	(₱263,682,740)	₱20,541,400	(₱160,842,971)
Depreciation and amortization expense	₱50,958,133	₱27,670,207	₱2,051,716	₱156,350	₱1,251,135	₱3,464,314	₱–	₱8,903,424	₱94,455,279
Segment profit attributable to:									
Equity holders of the Company	36,897,333	12,652,625	19,940,260	(1,936,435)	(496,263)	(6,849,890)	(263,682,740)	33,427,610	(170,047,500)
Non-controlling interests	9,224,333	–	–	(19,804)	–	–	–	–	9,204,529

5. Cash and cash equivalents

	2015	2014
Cash on hand and cash in banks (Note 18)	**₱237,417,826**	₱150,018,490
Short-term deposits (Note 18)	**455,908,001**	531,219,043
	₱693,325,827	₱681,237,533

Cash in banks earn interest at the respective bank deposits rates. Short-term deposits are made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned amounted to ₱6.5 million, ₱7.6 million and ₱11.0 million in 2015, 2014 and 2013, respectively (see Note 22).

6. Receivables

	2015	2014
Trade:		
Third parties	**₱426,559,664**	₱322,995,497
Related parties (Note 18)	**92,178,987**	49,711,414
Due from:		
Officers and employees	**15,476,326**	16,907,870
Suppliers, contractors and others	**7,696,311**	16,574,378
Interest receivable	**3,028,390**	2,573,415
Other receivables	**22,889,299**	13,071,974
	567,828,977	421,834,548
Less allowance for doubtful accounts	**13,240,647**	13,083,870
	₱554,588,330	₱408,750,678

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

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

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

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

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

	MACS	MAATS	MASCORP	Total
December 31, 2012	**₱6,647,720**	**₱1,257,621**	**₱–**	**₱7,905,341**
Provision (Note 20)	2,400,000	–	1,278,529	3,678,529
December 31, 2013	**9,047,720**	**1,257,621**	**1,278,529**	**11,583,870**
Provisions (Note 20)	1,500,000	–	–	1,500,000
December 31, 2014	**10,547,720**	**1,257,621**	**1,278,529**	**13,083,870**
Provisions (Note 20)	156,777	–	–	156,777
December 31, 2015	**₱10,704,497**	**₱1,257,621**	**₱1,278,529**	**₱13,240,647**

7. Inventories

	2015	2014
At net realizable value:		
Food and beverage - net of allowance for probable losses of ₱1.0 million in 2015 and 2014	**₱38,308,543**	₱38,409,554
At cost - materials and supplies	**4,380,989**	5,656,030
	₱42,689,532	₱44,065,584

Cost of inventories recognized as expense and included in the direct costs amounted to ₱494.9 million, ₱412.8 million and ₱408.8 million in 2015, 2014 and 2013, respectively (see Note 19).

8. Input VAT, Tax Credit Certificates and Other Current Assets

a. Input VAT consists of:

	2015	2014
Gross input tax	**₱267,131,213**	₱226,526,961
Less allowance for probable losses	**122,020,093**	72,303,644
	145,111,120	154,223,317
Less noncurrent portion	**96,448,605**	128,711,152
	₱48,662,515	₱25,512,165

Input taxes represent VAT paid on purchases of goods and services that can be recovered as tax refund/credit from the Bureau of Internal Revenue (BIR) or the Bureau of Customs. The Group also has input taxes arising from acquisition of property and equipment and other assets and those which are not expected to be utilized in the next 12 months. Provision for losses on input taxes amounted to ₱49.7 million, ₱31.3 million and ₱3.9 million in 2015, 2014 and 2013, respectively (see Note 20).

In 2014, the Group wrote off input taxes amounting to ₱43.1 million which is fully provided with allowance and ₱25.4 million as direct write-off.

b. Tax Credit Certificates consist of:

	2015	2014
Tax credit certificate	**₱71,357,516**	₱48,818,024
Less allowance for probable losses	**5,768,372**	–
	65,589,144	48,818,024
Less noncurrent portion	–	18,080,753
	₱65,589,144	₱30,737,271

The TCCs are available for cash monetization. As of December 31, 2015 and 2014, the outstanding TCCs amounted to ₱65.6 million and ₱48.8 million, respectively.

The TCCs presented in the noncurrent assets pertain to those with cash monetization schedule with maturity of more than one year as of reporting date. This amounted to ₱18.1 million as of December 31, 2014 (see Note 15).

c. Other current assets consist of:

	2015	2014
Prepaid expenses	**₱37,256,474**	₱12,848,403
Creditable withholding and prepaid taxes	**8,958,600**	12,649,227
Unconsumed supplies	**6,978,302**	6,476,989
Restricted short-term investment	–	11,329,160
Others	**5,030,392**	1,698,860
	₱58,223,768	₱45,002,639

Restricted short-term investment pertains to a time deposit placed by MACS to guaranty an institutional catering contract. In 2015, the time deposit matured and was renewed by MACS with a two-year term. Accordingly, this was presented as part of "Deposits and other noncurrent assets" in the 2015 consolidated balance sheet.

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

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

9. Investments in Associates

	Percentage of ownership interest	2015	2014
Acquisition costs:			
LTP	**49**	**₱935,759,560**	₱935,759,560
CPCS	**40**	**5,000,000**	5,000,000
MacroAsia WLL	**35***	**2,310,175**	2,310,175
		943,069,735	943,069,735
Accumulated equity in net earnings:			
Beginning of year		**(38,619,271)**	(148,846,095)
Share in net earnings for the year		**313,405,233**	128,226,824
Dividends declared to the Company		**(26,000,000)**	(18,000,000)
End of year		**248,785,962**	(38,619,271)
Share in re-measurement losses on defined benefit plan of associates:			
Beginning of year		**(70,629,572)**	(155,662,465)
Remeasurement gains (losses) on defined benefit plan for the year		**(9,265,974)**	85,032,893
End of year		**(79,895,546)**	(70,629,572)
Share in foreign currency translation adjustments:			
Beginning of year		**(172,111,426)**	(176,800,404)
Net foreign currency translation adjustments for the year		**43,267,780**	4,688,978
End of year		**(128,843,646)**	(172,111,426)
Impairment loss on investment in MacroAsia WLL (Note 20)		**(246,515)**	–
		₱982,869,990	₱661,709,466

** Effective ownership interest through MACS*

As of December 31, 2015 and 2014, the shares of stock of the associated companies are not traded in public and as such, have no publicly traded price quotation.

In 2015, the Group recognized provision for the probable loss on the investment in immaterial associate equivalent to its remaining carrying amount.

LTP
On July 12, 2000, the Company entered into an agreement with Lufthansa Technik AG, a corporation organized and existing under the laws of the Federal Republic of Germany, and formed LTP. LTP provides maintenance, repairs and overhaul services on aircraft and components at the NAIA, MCIAA, Diosdado Macapagal International Airport and Davao International Airport. The agreement provides for supermajority (i.e., two-thirds) vote of directors for the approval of the annual budget as well as other critical corporate acts of the agreement. The registered office address of LTP is LTP Technical Center, MacroAsia Ecozone, Villamor Airbase, Pasay City.

CPCS
CPCS is the Company's first in-flight catering venture, which started commercial operations in 1996. It is the only in-flight catering company at Mactan-Cebu International Airport and serves both domestic and international airlines. The registered office address of the CPCS is 1st Ave. Extension, Block B6, MEZ I, Lapu-lapu City.

MacroAsia WLL
On June 5, 2012, MACS entered into a Shareholders' Agreement with individuals to establish MacroAsia WLL, a national institutional catering and laundry company in Doha, Qatar. As of December 31, 2015, MacroAsia WLL has not yet started its commercial operations.

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

	2015	
	LTP	**CPCS**
Current assets	**₱2,800,781,030**	**₱56,291,936**
Noncurrent assets	**3,179,047,615**	**3,125,016**
Current liabilities	**2,728,772,970**	**16,186,437**
Noncurrent liabilities	**1,280,488,764**	**–**
Equity before foreign currency translation adjustments	**2,233,513,124**	**43,230,513**
Foreign currency translation adjustments	**(262,946,216)**	**–**
Equity	**1,970,566,908**	**43,230,513**
Proportion of the Group's ownership	**49%**	**40%**
Carrying amount of the investment	**₱965,577,785**	**₱17,292,205**
Revenue	**₱7,740,773,739**	**₱184,569,109**
Direct costs	**5,789,918,425**	**101,292,270**
Gross profit	**1,950,855,314**	**83,276,839**
Net income	**582,948,106**	**69,401,652**
Other comprehensive income	**(16,929,056)**	**(2,426,842)**
Total comprehensive income	**566,019,050**	**66,974,810**
Proportion of the Group's ownership	**49%**	**40%**
Group's share in total comprehensive income	**₱277,349,335**	**₱26,789,924**

	2014	
	LTP	CPCS
Current assets	₱2,864,678,992	₱51,800,017
Noncurrent assets	2,593,870,592	6,315,059
Current liabilities	2,609,308,025	16,859,374
Noncurrent liabilities	1,532,995,294	–
Equity before foreign currency translation adjustments	1,667,494,073	41,255,702
Foreign currency translation adjustments	(351,247,808)	–
Equity	1,316,246,265	41,255,702
Proportion of the Group's ownership	49%	40%
Carrying amount of the investment	₱644,960,670	₱16,502,281
Revenue	₱6,150,493,011	₱136,079,822
Direct costs	4,409,561,214	79,644,445
Gross profit	1,740,931,797	56,435,377
Net income	226,401,850	43,224,793
Other comprehensive income	173,058,364	585,732
Total comprehensive income	399,460,214	43,810,525
Proportion of the Group's ownership	49%	40%
Group's share in total comprehensive income	₱195,735,505	₱17,524,210

The Group has interest in an immaterial associate that is accounted for using the equity method. The financial information of this associate follows:

The carrying amount of immaterial associate as of December 31, 2014 amounted to ₱246,515 (nil in 2015).

The associates have no contingent liabilities or capital commitments as of December 31, 2015 and 2014.

. Material Partly-owned Subsidiary

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

Summarized balance sheets:

	2015	2014
Current assets	**₱559,301,253**	₱371,186,010
Noncurrent assets	**258,224,937**	260,972,721
Current liabilities	**399,163,113**	276,135,377
Noncurrent liabilities	**9,532,317**	9,589,423
Equity -	**408,830,760**	346,433,931
Attributable to non-controlling interest	**120,168,736**	69,286,786

Summarized statements of income:

	2015	2014
Revenue	**₱1,168,768,029**	₱1,046,764,900
Direct costs	**798,529,480**	734,878,490
Operating expenses	**303,705,310**	290,243,399
Net income -	**60,947,699**	34,755,620
Attributable to non-controlling interest	**14,141,738**	6,951,124

Summarized statements of comprehensive income:

	2015	2014
Net income	**₱60,947,699**	₱34,755,620
Other comprehensive income	**1,498,183**	3,084,043
Total comprehensive income	**62,445,882**	37,839,663
Attributable to non-controlling interest	**14,467,036**	7,567,933

Summarized statements of cash flows:

	2015	2014
Cash flows from operations	**₱114,348,448**	₱42,242,833
Cash flows used in investing activities	**(49,729,345)**	(32,521,103)
Cash flows used in financing activities	**–**	(20,000,000)

Effective on September 14, 2015, the 13% ownership of the Company to MACS amounting to ₱36.4 million was sold and transferred to the noncontrolling interests (see Note 27).

11. Property and Equipment

	2015			
	January 1, 2015	**Additions**	**Disposal**	**December 31, 2015**
Cost				
Land and land improvements	**₱124,370,916**	**₱–**	**₱–**	**₱124,370,916**
Building and leasehold improvements	**354,523,897**	**7,050,640**	**–**	**361,574,537**
Kitchen and other operations equipment	**290,746,668**	**25,356,463**	**–**	**316,103,131**
Transportation equipment	**180,060,222**	**32,511,291**	**(953,604)**	**211,617,909**
Helicopter unit and spare parts	**115,646,739**	**4,349,889**	**–**	**119,996,628**
Aviation equipment	**248,001,682**	**24,921,842**	**–**	**272,923,524**
Drilling equipment	**5,735,469**	**–**	**–**	**5,735,469**
Office furniture, fixtures and equipment	**67,129,997**	**10,378,441**	**(34,294)**	**77,474,144**
Construction in progress	**–**	**834,549**	**–**	**834,549**
	1,386,215,590	**105,403,115**	**(987,898)**	**1,490,630,807**
Accumulated Depreciation and Amortization				
Land improvements	**(10,392,156)**	**(90,179)**	**–**	**(10,482,335)**
Buildings and leasehold improvements	**(314,085,423)**	**(12,865,180)**	**–**	**(326,950,603)**
Kitchen and other operations equipment	**(241,268,893)**	**(13,222,271)**	**–**	**(254,491,164)**

(Forward)

	2015			
	January 1, 2015	**Additions**	**Disposal**	**December 31, 2015**
Accumulated Depreciation and Amortization				
Transportation equipment	**(₱124,886,931)**	**(₱15,207,724)**	**₱953,601**	**(₱139,141,054)**
Helicopter unit and spare parts	**(81,941,473)**	**(7,458,513)**	**–**	**(89,399,986)**
Aviation equipment	**(145,246,551)**	**(21,209,357)**		**(166,455,908)**
Drilling equipment	**(5,735,469)**	**–**	**–**	**(5,735,469)**
Office furniture, fixtures and equipment	**(67,401,196)**	**(6,612,515)**	**34,287**	**(73,979,424)**
	(990,958,092)	**(76,665,739)**	**987,888**	**(1,066,635,943)**
Net Book Value	**₱395,257,498**	**₱28,737,376**	**(₱10)**	**₱423,994,864**

	2014					
	January 1, 2014	Acquisition from WBSI (Note 14)	Additions	Disposal	Reclassification	December 31, 2014
Cost						
Land and land improvements	₱31,931,927	₱–	₱92,438,989	₱–	₱–	₱124,370,916
Building and leasehold improvements	346,237,671	1,418,824	6,867,402	–	–	354,523,897
Kitchen and other operations equipment	275,276,801	59,764	15,410,103	–	–	290,746,668
Transportation equipment	175,990,514	2,789,242	5,307,414	(4,026,948)	–	180,060,222
Helicopter unit and spare parts	114,143,490	–	1,503,249	–	–	115,646,739
Aviation equipment	233,388,859	–	15,115,404	(502,581)	–	248,001,682
Drilling equipment	5,735,469	–	–	–	–	5,735,469
Office furniture, fixtures and equipment	59,688,382	528,895	6,960,109	(47,389)	–	67,129,997
Construction in progress	28,702,186	–	–	–	(28,702,186)	–
	1,271,095,299	4,796,725	143,602,670	(4,576,918)	(28,702,186)	1,386,215,590
Accumulated Depreciation and Amortization						
Land improvements	(10,350,280)	–	(41,876)	–	–	(10,392,156)
Building and leasehold improvements	(274,917,289)	(402,001)	(38,766,133)	–	–	(314,085,423)
Kitchen and other operations equipment	(225,790,737)	(29,165)	(15,448,991)	–	–	(241,268,893)
Transportation equipment	(113,210,970)	(1,301,645)	(14,401,259)	4,026,943	–	(124,886,931)
Helicopter unit and spare parts	(74,045,305)	–	(7,896,168)	–	–	(81,941,473)
Aviation equipment	(126,537,747)	–	(19,211,377)	502,573	–	(145,246,551)
Drilling equipment	(5,410,950)	–	(324,519)	–	–	(5,735,469)
Office furniture, fixtures and equipment	(61,609,944)	(290,243)	(5,543,577)	42,568	–	(67,401,196)
	(891,873,222)	(2,023,054)	(101,633,900)	4,572,084	–	(990,958,092)
Net Book Value	₱379,222,077	₱2,773,671	₱41,968,770	(₱4,834)	(₱28,702,186)	₱395,257,498

Acquisitions of property and equipment on credit amounting to ₱1.8 million and ₱1.4 million in 2015 and 2014, respectively, are included as part of "Accounts payable and accrued liabilities" account as of December 31, 2015 and 2014, respectively. These are treated as noncash investing activities in the consolidated statements of cash flows. The outstanding amount in 2014 was paid in 2015.

Depreciation and amortization is distributed as follows:

	2015	2014	2013
Direct costs (Note 19)	**₱58,448,987**	₱72,752,447	₱68,126,740
General and administrative expenses (Note 20)	**18,216,752**	28,881,453	26,328,539
	₱76,665,739	₱101,633,900	₱94,455,279

The helicopter unit was depreciated based on 170, 139 and 176 flying hours in 2015, 2014 and 2013, respectively.

The costs of fully depreciated property and equipment which are still in use amounted to ₱733.4 million and ₱821.3 million as of December 31, 2014 and 2013, respectively.

12. Investment Property

The Group's investment property pertains to a parcel of land held for future development which amounted to ₱143.9 million as of December 31, 2015 and 2014. In 2013, the Group recognized full recovery of impairment losses on investment property (see Note 22). The fair value of the investment property amounted to ₱258.0 million which is based on the appraisal report rendered by a Philippine SEC-accredited professional firm of appraisers as of March 18, 2015 (see Note 31).

The independent appraiser used the "Market Data Approach" in valuing the property. This approach considers the sales and listings and other market data of comparable properties registered within the vicinity of the property being valued. Factors such as location, size, shape of lot, highest and best use and time element were also taken into consideration in order to estimate the fair value of the property.

Operating expense incurred in relation to investment property pertains to real property taxes which are included as part of "Taxes and licenses" and amounted to ₱0.4 million in 2015 and ₱0.2 million in 2014 and 2013 (see Note 20).

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

13. AFS Investments

	2015	2014
Debt - Philippine government treasury bonds	**₱65,630,600**	₱66,197,600
Equity - Golf club share and other proprietary and equity shares	**40,138,300**	37,138,300
	₱105,768,900	₱103,335,900

Investment in bonds

a. The Company had investments in Philippine government treasury bonds which carry interest rates of 3.25% to 6% in 2015, 2014 and 2013. The effective interest rates are 3% in 2015, and 6% in 2014 and 2013.

In 2013, the Company disposed some of its outstanding investments in Philippine government treasury bonds amounting to ₱109.4 million, realizing a total gain of ₱41.2 million (see Note 22). Total proceeds from the sale amounted to ₱244.8 million.

As of December 31, 2015 and 2014, outstanding investment in Philippine government treasury bonds amounted to ₱65.6 million and ₱66.2 million, respectively.

Total interest earned from these government bonds (including the amortization of premium) amounted to ₱1.8 million, ₱2.3 million and ₱1.1 million in 2015, 2014 and 2013 respectively (see Note 22).

b. In prior years, the Company had investments in various corporate bonds. In 2013, the Company disposed certain investments in corporate bonds for a total gain of ₱8.6 million (see Note 22). Total proceeds from the sale amounted to ₱176.3 million.

In 2014, the Company disposed all of its outstanding investments in corporate bonds amounting to ₱39.7 million, realizing a total gain of ₱0.8 million (see Note 22). Total proceeds from the sale amounted to ₱41.5 million.

Total interest income earned from these corporate bonds (including the amortization of premium) amounted to ₱2.3 million and ₱7.1 million in 2014 and 2013, respectively (see Note 22).

Investment in equity shares

The Group's investments in golf club share and other proprietary and equity shares are carried at fair value based on published club share quotes that are publicly available from the local dailies and from the website of club share brokers.

Fair value

The changes in fair values of AFS investments are presented in other comprehensive income and the cumulative changes in fair value are presented as "AFS investments reserve" account in equity section of the consolidated balance sheets.

The movement of AFS investments reserve follows:

	2015	2014
Beginning balance	**₱9,082,599**	₱2,688,890
Changes in fair value of AFS investments, net of tax effect amounting to (₱300,000) in 2015 and (₱700,000) in 2014	**2,133,000**	5,625,890
Fair value changes of AFS investments sold and recycled through profit or loss*	**–**	767,819
Ending balance	**₱11,215,599**	₱9,082,599

**Included under "Gain on sale of investments in bonds" account (see Note 22).*

Deferred income tax liabilities on the fair value changes of the AFS equity investments amounted to ₱1.4 million and ₱1.1 million as of December 31, 2015 and 2014, respectively (see Note 25).

14. Service Concession Right

	2015	2014
Beginning balance	**₱99,665,179**	₱–
Additions	**184,798,685**	99,665,179
Transfer from deferred project costs (Note 15)	**17,393,517**	–
	₱301,857,381	₱99,665,179

The cost of service concession right pertains to incurred construction costs in relation to the construction of water treatment plant and pipe laying activities. The amortization of the service concession right has not started as SNVRDC has not yet started its commercial operations. SNVRDC is the operating entity of the waterworks system in connection with MAPDC's agreement with the Municipality Government of Solano, Nueva Vizcaya (Solano) (see Note 28).

Pursuant to Philippine Interpretation IFRIC 12, the Group recognizes intangible assets in accordance with the accounting policies stated in Note 2. Service concession right pertains to costs incurred for the construction of the waterwork facility.

Advances to contractors pertain to SNVRDC's advance payments for its two major contractors as required by the construction agreements. The payments serve as the mobilization fee of the major contractors and are diminished by the contractors through progress billings, which is considered as non-cash activity in 2015 consolidated statement of cash flows. Outstanding balance is presented as "Advances to contractors" under "Deposits and other noncurrent assets" in the consolidated balance sheets.

15. Deposits and Other Noncurrent Assets

	2015	2014
Deferred project costs	**₱40,596,262**	₱63,473,737
Deposits (Note 28)	**24,214,691**	19,639,957
Tax credit certificates (Note 8)	**–**	18,080,753
Advances to contractors (Note 14)	**5,190,597**	48,466,997
Goodwill	**17,531,232**	17,531,232
Restricted investment (Note 8)	**11,329,160**	–
Prepaid rent (Note 28)	**7,896,833**	8,051,823
Plan asset (Note 21)	**4,946,835**	82,796
Others	**8,086,641**	451,674
	₱119,792,251	₱175,778,969

Deferred project costs

As of December 31, "Deferred project costs" include:

	2015	2014
Maragondon Bulk Water project costs	**₱34,067,350**	₱34,067,350
Engineering design, consultancy, development and geodetic surveys costs	**6,528,912**	29,406,387
	₱40,596,262	₱63,473,737

a. Maragondon Bulk Water project costs

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

signed amended sale agreements, respectively with shareholders of WBSI and ICH, related to the acquisition of additional 12.6% shares in WBSI and the corresponding rights to the Maragondon Bulk Water Supply Project. Prior to 2014, the Group accounted for its investment in WBSI shares and payments made to WBSI former stockholders as "Project advances and investment" in view of the Group's right to refund from WBSI stockholders the total payments made if the water permits inherent in the project are not secured.

In 2014, the Group entered into a compromise agreement with the former stockholders of WBSI where a final consideration for the Water Project was agreed. The reduced consideration is due to the unsecured permits which are still unavailable as of date of the compromise agreement. The compromise agreement confirmed the Group's control over WBSI. Accordingly, the Group accounted for WBSI as its subsidiary (see Note 3). Further, as a result of the compromise agreement, the Group paid additional ₱18.3 million to WBSI former stockholders. As of December 31, 2015 and 2014, total payments pertaining to the Water Project amounted to ₱34.1 million, which is included as part of the "Deferred project costs" account in the consolidated balance sheets.

b. Others

In relation to the Group's water-related projects, the Group incurs expenditures related to the technical feasibility studies which include engineering designs, consultancy fees, geodetic surveys and other project costs. As of December 31, 2015 and 2014, these costs amounted to ₱6.5 million and ₱29.4 million, respectively, and are included as part of the "Deferred project costs" account in the consolidated balance sheets. In 2015, MAPDC assigned the deferred charges amounting to ₱23.0 million to SNV, which formed part of the "Service concession right" account presented in the 2015 balance sheet (see Note 14).

Goodwill
The goodwill recognized by the Group amounting to ₱17.5 million as of December 31, 2015 and 2014 resulted from the Company's acquisition of a non-controlling interest (13%) from a previous stockholder of MACS in 2006. The carrying amount of goodwill is allocated to MACS, the cash-generating unit.

16. Notes Payable

On December 23, 2013, MASCORP obtained a three-year term loan amounting to ₱27.0 million for general corporate purposes and to finance its liabilities. The loan is payable in equal monthly installments which commenced in January 2014. The loan carried an interest of 5.5% per annum subject to monthly re-pricing.

On February 25, 2014, MASCORP obtained five-year term loans from a local bank amounting to ₱37.0 million (with initial interest rate of 5.25% per annum subject to monthly re-pricing) and US$0.99 million equivalent to ₱44.5 million (with initial interest rate of 4.06% per annum, inclusive of 10.00% onshore tax subject to monthly re-pricing) to finance its liabilities. The loans will be payable in 60 equal and successive monthly amortization commencing at the end of the first month from initial drawn down date of the loan.

As of December 31, 2015 and 2014, current portion of the notes payable amounted to ₱25.7 million and ₱25.3 million while the noncurrent portion amounted to ₱36.2 million and

₱60.5 million, respectively. Interest expense incurred amounted to ₱3.4 million and ₱4.0 million in 2015 and 2014, respectively (see Note 22).

17. Accounts Payable and Accrued Liabilities

	2015	2014
Accounts payable:		
Trade	**₱120,376,674**	₱74,423,567
Non-trade	**56,783,517**	43,846,151
Related parties:		
Trade (Note 18)	**11,483,899**	14,916,247
Accrued:		
Utilities and others	**32,070,942**	20,930,663
Rental	**3,344,460**	6,837,477
Construction costs	**22,848,538**	10,962,633
Service fees (Note 28)	**13,181,684**	8,762,122
Outside services	**7,711,071**	9,575,262
Personnel cost	**2,732,180**	869,563
Provision for probable losses	**9,700,000**	6,683,857
Retentions Payable	**31,050,403**	10,599,125
Output VAT	**41,536,776**	25,285,360
Payable to government agencies	**35,112,441**	25,854,585
	₱387,932,585	₱259,546,612

Trade payables are incurred in the conduct of the Group's business with normal credit terms ranging from 30 to 45 days. Nontrade payables include concession privilege fee payable and payable to mine surveyor and subcontractor.

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

Accrued service fees pertain to the 20% (until September 13, 2015) and 33% (from September 14 to December 31, 2015) of the service fee declared by MACS, which is payable to SATS (see Note 28).

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

18. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. It includes companies in which one or more of the directors and/or shareholder of the Company either has a beneficial controlling interest or are in a position to exercise significant influence therein (i.e., affiliates). Transactions between the Company and its subsidiaries and the related balances are eliminated at consolidation and are no longer included in the disclosures.

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

(Amounts in millions)	Outstanding balance/ Amount of transactions		
Nature of Transaction	**2015**	2014	Terms and conditions
Affiliates:			
Deposits and cash equivalents (a)	**₱235.8**	₱159.2	On demand; prevailing interest rate
Interest income on deposits and cash equivalents (a)	**4.4**	3.0	On demand; prevailing interest rate
Rental deposit (b)	**0.2**	0.1	To be refunded at the end of lease term; non-interest bearing
Trust fund retirement plan (c)	**97.5**	85.6	Based on trustee agreement

(Amounts in millions)	Amount of Transactions			Outstanding Balance Receivable (Payable)		
Nature of Transaction	**2015**	2014	2013	**2015**	2014	Terms and Conditions
Affiliates:						
Interest income on deposits and cash equivalents (a)	**₱4.4**	₱3.0	₱4.0	**₱–**	₱–	On demand; prevailing interest rate
Office rent (b)	**2.9**	3.1	3.0	**–**	–	30 day, unsecured, non-interest bearing, unimpaired
Service fees from ground handling services (e and f)	**276.7**	233.4	236.6	**63.7**	47.7	30 day, unsecured, non-interest bearing, unimpaired
Equipment rent (h and l)	**4.0**	2.1	2.7	**(3.3)**	(7.1)	On-demand, unsecured, non-interest bearing
Catering services (k, n and o)	**65.2**	–	–	**26.7**	1.9	30 day, unsecured, non-interest bearing, unimpaired
share in passenger lounge (j)	**–**	0.1	4.7	**(7.5)**	(7.5)	On-demand, unsecured, non-interest bearing
Share in rental and utilities in MIAA (i)	**1.2**	1.4	1.2	**(0.9)**	(0.4)	On-demand, unsecured, non-interest bearing
Associated companies:						
Rent and administrative income from sublease of land (d)	**186.6**	188.9	187.9	**118.4**	118.0	25 years, non-interest bearing, includes impact of straight-line recognition of lease income
Service fee from contracted ground handling services (g)	**1.6**	–	–	**–**	–	30 day, unsecured, non-interest bearing, unimpaired
Service fee from preventive maintenance and waste water treatment services (k)	**1.6**	–	–	**1.6**	–	30 day, unsecured, non-interest bearing, unimpaired
Ground handling fee (h)	**3.5**	6.1	3.0	**(1.8)**	(2.3)	30 day, unsecured, non-interest bearing, unimpaired
Cash advances (m)	**–**	–	5.9	**–**	–	On-demand, unsecured, non-interest bearing

Outstanding balances at year-end are to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. In 2014 and 2013, the Group recognized provision for doubtful accounts pertaining to amounts owed by a related party amounting to ₱6.2 million and ₱1.3 million, respectively (nil in 2015).

Group

a. The Group has outstanding Peso and US dollar-denominated short-term investments as well as current and savings deposits, which bear interest based on prevailing market rates with an affiliated local bank under common control. Total deposits and cash equivalents amounted to ₱235.8 million and ₱159.2 million as of December 31, 2015 and 2014, respectively. Interest income amounted to ₱4.4 million, ₱3.0 million and ₱4.0 million in 2015, 2014 and 2013, respectively.

b. MAC leases from the local affiliated bank the office space it currently occupies. The lease agreement is for a period of two years up to October 2011, with an annual rental rate that is subject to review every year. The contract of lease was renewed for a period of two years starting October 16, 2011 and expired on October 15, 2013. The lease agreement has not been renewed but MAC continues to lease the office space under the last term and condition. Total rent expense amounted to ₱2.3 million in 2015, ₱2.5 million in 2014 and ₱2.4 million in 2013.

   On the other hand, MMC also entered into a two-year lease contract with the local affiliated bank for its office space starting on November 1, 2011. The monthly rental fee is subject to a fixed price escalation rate of 5% starting on November 1, 2012. MMC has rental deposit amounting to ₱0.2 million equivalent to three months advanced rental and is refundable and non-interest bearing. The discounting effect is not significant to the Group. The parties thereafter amended the contract of lease postponing the commencement of the lease term to January 1, 2012 and shortening the lease period to 22 months. The lease agreement has not been renewed but MMC continues to lease the office space. Total rent expense in 2015, 2014 and 2013 amounted to ₱0.6 million.

c. The Group has a trust fund for its retirement plan with the local affiliated bank. As of December 31, 2015 and 2014, the fund assets amounted to ₱97.5 million and ₱85.6 million, respectively (see Note 21).

MAPDC

d. MAPDC has a contract with LTP covering the sub-lease of a parcel of land located within NAIA. The contract, which commenced on September 1, 2000, is for a period of 25 years and renewable for another 25 years thereafter, subject to mutual agreement of the parties. The rental charge, which is at normal market rate, is subject to a fixed price escalation and deposit. Monthly fee due from LTP is equivalent to MAPDC's cost of leasing the land from MIAA, plus administrative fees (see Note 28). Rental and administrative income amounted to ₱186.6 million, ₱188.9 million and ₱187.9 million in 2015, 2014 and 2013, respectively.

   MAPDC received refundable rental deposit from LTP amounting to ₱24.6 million (presented as "Rental deposit" account in the consolidated balance sheets), which is valued and reported at its accreted value of ₱6.1 million and ₱5.3 million as of December 31, 2015 and 2014, respectively. Accretion of interest (included as part of "Financing charges" account) amounted to ₱0.8 million, ₱0.7 million and ₱0.6 million in in 2015, 2014 and 2013 (see Note 22). The difference between the face amount and present value of the deposits at inception date of ₱19.1 million is treated and presented as "Unearned rent income" in the consolidated balance sheets. It is being amortized on a straight-line basis over the term of the lease. The related amortization amounted to ₱1.0 million in 2015, 2014 and 2013. As of December 31, 2015 and 2014, the unearned rent income amounted to ₱9.3 million and ₱10.3 million, respectively.

   Further, as a result of the straight-line recognition of operating lease income, accrued rental receivable was recognized which amounted to ₱118.4 million and ₱118.0 million as of December 31, 2015 and 2014, respectively.

MASCORP

e. MASCORP provides ground handling services to Air Philippines, Inc. (Air Phil.), an affiliated company under common control. Fees for these services amounted to ₱83.3 million, ₱78.9 million and ₱105.8 million in 2015, 2014 and 2013, respectively. The related receivables as of December 31, 2015 and 2014 amounted to ₱21.2 million and ₱18.6 million, respectively (see Note 6).

f. MASCORP provides ground handling services to Philippine Airlines, Inc. (PAL), an affiliated company under common control. Fees for these service amounted to ₱193.4 million, ₱154.5 million and ₱130.8 million in 2015, 2014 and 2013, respectively. The related receivables as of December 31, 2015 and 2014 amounted to ₱42.5 million and ₱29.1 million, respectively, and are presented under "Receivables" in the consolidated balance sheets (see Note 6).

g. MASCORP bills LTP for ground handling services it rendered to clients contracted by LTP. MASCORP recognized revenues amounting to ₱1.6 million in 2015 and nil in 2014.

h. MASCORP also pays LTP for ground handling services rendered by the latter to MASCORP's clients. Fees for these services amounted to ₱3.5 million, ₱6.1 million and ₱3.0 million in 2015, 2014 and 2013, respectively. The related payables as of December 31, 2015 and 2014 amounted to ₱1.8 million and ₱2.3 million, respectively (see Note 17).

i. MASCORP also leases ground support equipment from PAL with total rental cost amounting to ₱3.3 million, ₱2.1 million and ₱2.7 million in 2015, 2014 and 2013, respectively. Outstanding payable as of December 31, 2015 and 2014 relating to this transaction amounted to ₱3.2 million and ₱6.3 million, respectively (see Note 17).

j. MASCORP pays Air Phil. its shares on the rental and utilities in MIAA amounting to ₱1.2 million, ₱1.4 million and ₱1.2 million in 2015, 2014 and 2013, respectively. Outstanding payable as of December 31, 2015 and 2014 relating to this transaction amounted to ₱0.9 million and ₱0.4 million, respectively (see Note 17).

k. In 2015, MASCORP started rendering waste water treatment services and preventive maintenance services for the ground support equipment of LTP amounting to ₱1.6 million (see Note 6).

MACS

l. MACS has outstanding payable to PAL aggregating to ₱7.5 million as of December 31, 2015 and 2014, respectively, representing PAL's share in the results of operation of the passenger lounge at NAIA (see Note 17).

m. MACS has outstanding receivables to PAL from catering services provided in previous years which amounted to ₱1.9 million as of December 31, 2015 and 2014 (see Note 6).

n. MACS leased airline catering equipment from PAL. Lease expense amounted to ₱0.7 million in 2015 (nil in 2014 and 2013). Outstanding payables relating to this transaction as of December 31, 2015 and 2014 amounted to ₱0.1 million and ₱0.8 million, respectively (see Note 17).

o. In 2013, MACS provided an unsecured and non-interest bearing cash advances to MacroAsia WLL amounting to ₱5.9 million. In 2014, MACS provided an allowance for probable losses for the total outstanding balance of cash advances to MacroAsia WLL amounting to ₱5.9 million.

p. In 2015, MACS provided catering services to an airline lounge of PAL amounting to 62.0 million. Total outstanding receivable from Mabuhay Lounge amounted to ₱21.6 million (see Note 6).

q. MACS provided catering services to Air Phil. in 2015 amounting to ₱3.2 million which remained outstanding as of December 31, 2015 (see Note 6).

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

Nature	Revenue and other income recognized by:	Costs and expenses recognized by:	2015	2014	2013
				(In Millions)	
Service fees	MAC	MACS	**₱41.2**	₱38.7	₱33.1
Service fees	MAC	MASCORP	**16.6**	0.7	12.0
Chopper rental	MAC	MAATS	**1.3**	1.3	1.0
Technical management fees	MAPDC	MSFI	**0.8**	–	–
Land and building rental	MAPDC	MSFI	**1.0**	–	–
Technical management fees	MAPDC	SNVRDC	**4.8**	–	–
Land rental	MAPDC	SNVRDC	**0.2**	–	48.0
Dividend revenue	MAC	MAATS	**–**	15.0	2.9

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

Nature	Assets recognized by:	Liabilities recognized by:	December 31 2015	2014
				(In Millions)
Due from/to related parties	MAC	MASCORP	**₱32.2**	₱–
	MAC	MAPDC	**255.7**	368.1
	MAC	MMC	**41.4**	24.5
	MAC	MAATS	**0.3**	5.5
	MAC	ASSC	**0.3**	0.3
	MAC	MACS	**1.4**	–
	MAPDC	MAATS	**0.0**	–
	MAPDC	MMC	**4.2**	4.1
	ASSC	MMC	**3.0**	–
	MAPDC	SNVRDC	**215.7**	47.9
	CBRI	WBSI	**0.4**	–
	MAPDC	PWRI	**0.2**	0.2
	MACS	MSFI	**1.2**	–
	CBRI	MAATS	**–**	3.0
	MAATS	MAPDC	**–**	5.4
	MAPDC	WBSI	**–**	40.5
Trade receivables/payables	MAC	MACS	**151.8**	144.6
	MACS	MASCORP	**0.2**	0.2
	MAPDC	SNVRDC	**11.8**	4.1
	MAC	MAATS	**6.0**	9.0
	MAPDC	MSFI	**2.0**	–
	MMC	MAATS	**–**	0.4
	MAC	MASCORP	**–**	15.7
	MAC	MAPDC	**–**	0.4
	MAC	MMC	**–**	2.0
	MAPDC	MAATS	**–**	0.1
	MAATS	MASCORP	**–**	0.9

Compensation of Key Management Personnel

The short-term benefits of the Company's key management personnel amounted to ₱65.15 million, ₱62.05 million and ₱60.24 million in 2015, 2014 and 2013, respectively. There are no termination benefits or share-based payments granted to key management personnel.

19. Net Service Revenue and Direct Costs

Net Service Revenue

	2015	2014	2013
Gross service revenue	**₱2,032,136,400**	₱1,830,231,762	₱1,719,908,393
Less discount	**110,689,782**	107,038,982	109,788,936
	₱1,921,446,618	₱1,723,192,780	₱1,610,119,457

Direct costs

	2015	2014	2013
Food	**₱494,909,384**	₱412,834,939	₱408,888,635
Salaries and wages	**337,397,495**	279,760,778	232,097,904
Leases (Note 28)	**161,466,052**	161,473,267	161,473,267
Concession privilege fee (Note 28)	**114,946,799**	106,892,886	99,129,972
Contractual services	**83,765,585**	75,815,323	74,913,962
Depreciation and amortization (Note 11)	**58,448,987**	72,752,447	68,126,740
Overhead	**50,164,621**	70,585,700	62,126,082
Employee benefits (Note 21)	**31,227,413**	25,938,816	19,440,159
Repairs and maintenance	**30,293,039**	26,729,089	19,056,260
Rent (Note 28)	**18,636,498**	16,554,691	16,267,928
Supplies	**12,022,099**	17,374,914	19,284,765
Laundry	**9,900,876**	11,931,065	10,227,882
Insurance	**9,044,459**	8,822,072	9,547,140
Storage and brokerage	**751,363**	2,511,617	2,909,344
Exploratory drilling	**–**	17,825,019	7,774,630
Others	**30,875,979**	21,101,354	18,355,047
	₱1,443,850,649	₱1,328,903,977	₱1,229,619,717

20. Operating Expenses

	2015	2014	2013
Selling -			
Advertising and promotions	**₱2,888,703**	₱2,892,411	₱3,417,050
General and administrative:			
Salaries and wages	**112,518,039**	105,805,761	102,904,955
Actual and provisions for probable losses (Notes 6, 8, 9 and 17)	**64,038,282**	51,494,461	12,200,120
Employee benefits (Note 21)	**57,985,901**	48,837,860	62,798,030
Rent (Notes 18 and 28)	**32,192,619**	19,350,478	17,416,032

(Forward)

	2015	2014	2013
Taxes and licenses (Note 12)	**₱23,487,973**	₱17,487,532	₱11,606,803
Professional and legal fees	**21,122,182**	20,610,144	15,691,888
Depreciation and amortization (Note 11)	**18,216,752**	28,881,453	26,328,539
Repairs and maintenance	**17,190,672**	21,097,329	22,798,233
Security and janitorial	**13,508,256**	13,214,339	11,793,217
Service fee (Note 28)	**13,141,790**	9,682,030	8,271,003
Utilities	**9,381,080**	10,611,423	8,619,111
Entertainment, amusement and recreation	**7,815,891**	5,755,078	5,038,329
Transportation and travel	**7,654,728**	4,609,302	4,360,514
Cleaning and other laboratory supplies	**5,849,790**	7,117,253	7,018,524
Mining expenses (Note 32)	**4,939,172**	4,953,533	13,291,897
Project expenses	**4,406,703**	20,178,795	–
Communications	**4,198,743**	3,981,390	4,252,347
Supplies	**4,032,250**	3,888,968	10,787,629
Directors' fees	**3,357,353**	2,881,618	3,255,147
Gas and oil	**2,877,037**	2,956,151	2,869,882
Insurance	**2,165,125**	2,664,754	3,677,887
Others	**25,827,231**	18,689,189	17,246,681
	455,907,569	424,748,841	372,226,768
	₱458,796,272	₱427,641,252	₱375,643,818

21. Employee Benefits Costs

Retirement Benefits Cost

The Group has a funded, non-contributory defined benefit group retirement plan, administered by a trustee, covering all of their permanent employees. The retirement benefit is equal to a certain percentage of the monthly final salary for every year of service. The fund is administered by a trustee bank which is responsible for investment strategy of the plan, in consultation with the Group's Management.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The components of retirement benefits cost recognized in profit or loss follow:

	2015	2014	2013
Current service cost	**₱18,362,877**	₱15,529,069	₱13,074,783
Net interest cost	**680,071**	840,160	839,567
Past service cost	**–**	–	11,296,717
	₱19,042,948	₱16,369,229	₱25,211,067

	2015	2014	2013
Portions recognized in:			
Direct costs (Note 19)	**₱10,648,362**	₱8,162,122	₱6,406,036
General and administrative expenses (Note 20)	**8,394,586**	8,207,107	18,805,031
	₱19,042,948	₱16,369,229	₱25,211,067

In 2013, MAC amended its retirement plan increasing the benefits of covered employees which resulted in past service cost amounting to ₱11.3 million.

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

	2015	2014	2013
Actuarial gain (loss) arising from changes in:			
Experience adjustments	**₱8,515,959**	₱7,806,902	₱5,547,259
Financial assumptions	**7,308,529**	(3,525,247)	(4,119,053)
Demographic assumptions	**(1,058,092)**	–	–
Remeasurement on plan assets	**(1,862,777)**	360,566	(1,675,474)
Changes in the effect of asset ceiling	**–**	–	318,174
	12,903,619	4,642,221	70,906
Tax effect	**(2,027,667)**	(905,761)	1,594,688
	₱10,875,952	₱3,736,460	₱1,665,594

Movements in asset ceiling adjustments in 2013 are as follows:

Beginning balance	₱302,132
Interest on the effect of asset ceiling	16,042
Changes in the effect of asset ceiling	(318,174)
Ending balance	₱–

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

	2015	2014
Present value of defined benefit obligation	**₱103,522,160**	₱100,851,544
Fair value of plan assets	**(97,461,937)**	(85,600,614)
	₱6,060,223	₱15,250,930

Movements in accrued retirement benefits payable and plan asset follow:

2015

	Accrued retirement benefits payable	Plan asset (Note 15)
Beginning balance*	**₱13,185,693**	**₱2,065,237**
Retirement benefits cost recognized in profit or loss	**9,390,968**	**9,651,980**
Contributions	**(5,100,000)**	**(10,230,036)**
Remeasurements in other comprehensive income	**(6,469,603)**	**(6,434,016)**
Ending balance	**₱11,007,058**	**(₱4,946,835)**

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

2014

	Accrued retirement benefits payable	Plan asset (Note 15)
Beginning balance*	₱19,061,625	(₱315,840)
Retirement benefits cost recognized in profit or loss	16,124,305	244,924
Contributions	(14,992,917)	–
Remeasurements in other comprehensive income	(4,630,341)	(11,880)
Benefits paid directly by the Company	(228,946)	–
Ending balance	₱15,333,726	(₱82,796)

** Beginning balance of accrued retirement benefits payable includes net plan asset of MAPDC amounting to ₱198,526, which was presented as part of plan asset as of December 31, 2013. The same amount was deducted from the beginning balance of plan asset. As of December 31, 2014, MAPDC has an accrued retirement liability position.*

The details of accrued retirement benefits payable and plan asset by entity are as follows:

	Accrued retirement benefits payable		Plan asset (Note 15)	
	2015	2014	**2015**	2014
MAC	**₱8,154,400**	₱8,547,315	**₱–**	₱–
MACS	**1,895,297**	2,692,041	**–**	–
MASCORP	**–**	1,420,150	**4,458,857**	–
MAPDC	**915,365**	657,629	**–**	–
MAATS	**41,996**	–	**–**	722,581
MMC	**–**	2,656,376	**487,978**	–
	11,007,058	15,973,511	**4,946,835**	722,581
Intercompany transfers	**–**	(639,785)	**–**	(639,785)
	₱11,007,058	₱15,333,726	**₱4,946,835**	₱82,796

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

	2015	2014
Beginning balance	**₱100,851,544**	₱88,562,026
Current service cost	**18,362,877**	15,529,069
Interest cost	**4,509,285**	4,114,223
Actuarial gain on retirement obligation	**(14,766,396)**	(4,281,655)
Benefits paid out of the Group's plan assets	**(5,435,150)**	(2,843,173)
Benefits paid by the Group	**–**	(228,946)
Ending balance	**₱103,522,160**	₱100,851,544

Changes in fair value of plan assets are as follows:

	2015	2014
Beginning balance	**₱85,600,614**	₱69,816,241
Interest income on plan assets	**3,829,214**	3,274,063
Contributions to the plan	**15,330,036**	14,992,917
Benefits paid	**(5,435,150)**	(2,843,173)
Remeasurement on plan assets	**(1,862,777)**	360,566
Ending balance	**₱97,461,937**	₱85,600,614
Actual return on plan assets	**₱1,966,437**	₱3,634,629

The major categories of plan assets are as follows:

	2015	2014
Cash and cash equivalents	**₱72,498,345**	₱60,493,522
Debt instruments:		
Government securities	**18,081,202**	20,612,130
Unquoted debt securities	**6,638,586**	4,261,860
Receivables	**243,804**	233,102
	₱97,461,937	₱85,600,614

The plan assets have diverse investments and do not have any concentration risk.

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining retirement benefits cost and obligations as of December 31 are shown below:

	2015	2014
Average discount rates	**4.87%-5.20%**	4.45%-4.56%
Average future salary increases	**5%**	5%

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

Assumptions:	**2015**	2014
Discount rate:		
+100 basis points	**(₱12,544,075)**	(₱13,451,473)
-100 basis points	**16,760,030**	18,439,032
Salary increase rate:		
+100 basis points	**16,106,457**	17,642,304
-100% basis points	**(12,379,399)**	(13,224,187)

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

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

Date of retirement:	**2015**	2014
1 year and less	**₱417,727**	₱435,830
more than 1 year to 5 years	**7,785,459**	5,531,066
more than 5 years to 10 years	**62,303,738**	55,385,938
more than 10 years to 15 years	**104,370,214**	103,000,968
more than 15 years to 20 years	**136,887,999**	109,959,285
more than 20 years	**3,518,444,788**	2,740,259,196

The Group expects to contribute ₱33.9 million in 2016. The Group does not currently employ any asset-liability matching strategies.

Employees can accumulate earned leave credits, which can be used anytime when needed by the employee or converted to cash, computed based on the employee's final rate upon separation (i.e., resignation or retirement). Accumulated leave credits are presented as "Other employee benefits" which amounted to ₱10.9 million and ₱10.0 million as of December 31, 2015 and 2014, respectively. Provision for accumulating leave credits amounted to ₱1.0 million, ₱0.8 million and (₱1.3 million) in 2015, 2014 and 2013, respectively.

22. Interest Income, Financing Charges, and Other Income

a. Interest income was derived from:

	2015	2014	2013
Cash and cash equivalents (Notes 5 and 18)	**₱6,537,837**	₱7,583,733	₱11,030,322
AFS investments (Note 13)	**1,819,500**	4,556,763	8,241,561
Accretion of refundable deposits (Note 28)	**859,225**	706,567	612,880
	₱9,216,562	₱12,847,063	₱19,884,763

b. Financing charges pertain to:

	2015	2014	2013
Notes payable (Note 16)	**₱3,398,516**	₱4,012,987	₱–
Accretion of refundable deposits (Note 18)	**814,576**	706,567	612,880
	₱4,213,092	₱4,719,554	₱612,880

c. Other income - net consist of:

	2015	2014	2013
Construction revenue (Note 15)	**₱202,192,202**	₱99,665,179	₱–
Construction costs (Note 15)	**(202,192,202)**	(99,665,179)	–
Sale of scrap materials	**–**	2,566,404	–
Office rental	**–**	980,376	–
Foreign exchange gain (Notes 23 and 30)	**36,120,323**	12,506,949	29,308,411
Gain on sale of investments in bonds (Note 13)	**–**	767,819	49,782,205
Reversal of prior years' accruals	**5,334,749**	19,358,658	534,511
Reversal of impairment loss on investment property (Note 12)	**–**	–	17,260,303
Reversal of long outstanding checks	**4,091,718**	–	–
Reclaimed water income	**1,170,088**	1,037,615	884,410
Special flight permits	**3,263,392**	3,132,973	3,256,997
Others - net	**848,781**	2,563,030	536,700
	₱50,829,051	₱42,913,824	₱101,563,537

23. Foreign Currency-denominated Monetary Assets and Liabilities

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

	2015			2014		
	US Dollar	**Chinese Renminbi (RMB or ¥)**	**Total Peso Equivalent**	US Dollar	Chinese Renminbi (RMB or ¥)	Total Peso Equivalent
Assets						
Cash and cash equivalents	**$8,925,276**	**¥–**	**₱420,023,503**	$7,948,676	¥54,316	₱355,854,829
Receivables	**6,443,725**	**–**	**303,241,682**	5,063,371	–	226,433,959
	15,369,001	**–**	**723,265,185**	13,012,047	54,316	582,288,788
Liabilities						
Accounts payable and accrued liabilities	**65,950**	**–**	**3,103,617**	115,517	–	5,165,920
Notes payable	**627,000**	**–**	**29,506,620**	–	–	–
	692,950	**–**	**32,610,237**	115,517	–	5,165,920
Net foreign currency-denominated assets	**$14,676,051**	**¥–**	**₱690,654,948**	$12,896,530	¥54,316	₱577,122,868

As of December 31, 2015 and 2014, the exchange rates of the Peso to US$ dollar were ₱47.06 and ₱44.72 to US$1, respectively, while the exchange rates of the Peso to RMB as of December 31, 2015 and 2014 were ₱7.27 and ₱7.18 to RMB1, respectively.

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

On August 31, 2000, MAPDC was registered with the PEZA and started commercial operations as the Ecozone Developer/Operator of the MacroAsia Special Ecozone at the Ninoy Aquino International Aiport (NAIA). At present, the MacroAsia Special Ecozone is the only existing ecozone within NAIA. Under the terms of its registration, MAPDC is subject to certain requirements and is entitled to certain tax benefits provided for under Republic Act No. (R.A.) 7916 (The Special Economic Zone Act of 1995), as amended by R.A. No. 8748, which include, among others, exemption from payment of all national internal revenue taxes and all local government imposed fees, licenses or taxes. In lieu thereof, MAPDC shall pay a 5% final tax on gross income earned from its operation of the MacroAsia Special Ecozone.

25. Income Taxes

a. The current provision for income tax in 2015, 2014 and 2013 consists of the MCIT of the Company, MAATS (for 2014 and 2013) and MAPDC (for 2013 income from unregistered activities), the RCIT of MACS and MASCORP (for 2015, 2014 and 2013) and MAATS (for 2015), the 5% tax on MAPDC's gross income from its PEZA-registered activities (see Note 24) and final tax on interest income of the Group.

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

	2015					
	MAC	**MACS**	**MASCORP**	**MAPDC**	**MAATS**	**SNVRDC**
Recognized directly in the statements of income:						
Deferred income tax assets on:						
Tax effect of:						
Allowances for:						
Probable losses	**₱–**	**₱30,267,807**	**₱–**	**₱–**	**₱–**	**₱–**
Doubtful accounts		**3,211,349**	**383,559**	**–**	**377,286**	**–**
NOLCO	**1,535,445**	**–**	**–**	**–**	**–**	**–**
Lease rental receivables	**–**	**–**	**–**	**5,920,277**	**–**	**–**
Accrued retirement benefits payable	**–**	**4,387,737**	**1,130,765**	**–**	**12,599**	**–**
Accrued sick leave	**–**	**–**	**359,749**	**–**	**109,646**	**–**
Accrued expenses not yet deductible	**–**	**370,668**	**888,614**	**–**	**139,089**	**–**
Allowance for inventory obsolescence	**–**	**300,000**	**–**	**–**	**–**	**–**
Unrealized foreign exchange loss	**–**	**–**	**193,862**	**–**	**–**	**–**
Unamortized past service cost	**–**	**587,281**	**854,461**	**–**	**191,156**	**–**
	1,535,445	**39,124,842**	**3,811,010**	**5,920,277**	**829,776**	**–**
Deferred tax liabilities on:						
Lease rental liabilities	**–**	**–**	**–**	**(5,920,277)**	**–**	**–**
Unrealized foreign exchange gain	**(1,535,445)**	**(2,464,771)**	**–**	**–**	**(482,835)**	**–**
Plan asset	**–**	**–**	**–**	**–**	**(21,265)**	**–**
	(1,535,445)	**(2,464,771)**	**–**	**(5,920,277)**	**(504,100)**	**–**
	–	**36,660,071**	**3,811,010**	**–**	**325,676**	**–**
Recognized directly in other comprehensive income:						
Deferred income tax liability on:						
Remeasurement gain	**–**	**(3,819,147)**	**(2,468,422)**	**–**	**(45,449)**	**–**
Fair value changes of AFS investments	**(1,415,000)**	**–**	**–**	**–**	**–**	**–**
	(1,415,000)	**(3,819,147)**	**(2,468,422)**	**–**	**(45,449)**	**–**
Deferred income tax assets (liabilities) - net	**(₱1,415,000)**	**₱32,840,924**	**₱1,342,588**	**₱–**	**₱280,227**	**₱–**

	2014					
	MAC	MACS	MASCORP	MAPDC	MAATS	SNVRDC
Recognized directly in the statements of income:						
Deferred income tax assets on:						
Tax effect of:						
Allowances for:						
Probable losses	₱–	₱12,929,309	₱–	₱–	₱–	₱–
Doubtful accounts		3,164,316	383,559	–	377,286	–
NOLCO	1,420,809	–	–	–	–	1,418,794
Lease rental receivables	–	–	–	5,901,565	–	–

(Forward)

	2014					
	MAC	MACS	MASCORP	MAPDC	MAATS	SNVRDC
Accrued retirement benefits payable	₱–	₱3,984,682	₱1,550,765	₱–	₱–	₱–
Accrued sick leave	–	–	430,708	–	109,646	–
Accrued expenses not yet deductible		148,777	660,028	–	–	–
Allowance for inventory obsolescence	–	300,000	–	–	–	–
Unamortized past service cost	–	676,389	520,417	–	218,941	–
	1,420,809	21,203,473	3,545,477	5,901,565	705,873	1,418,794
Deferred tax liabilities on:						
Lease rental liabilities	–	–	–	(5,901,565)	–	–
Unrealized foreign exchange gain	(1,420,809)	(625,442)	(69,895)	–	(491,449)	–
Plan asset	–	–	–	–	(21,265)	–
	(1,420,809)	(625,442)	(69,895)	(5,901,565)	(512,714)	–
	–	20,578,031	3,475,582	–	193,159	1,418,794
Recognized directly in other comprehensive income:						
Deferred income tax liability on:						
Remeasurement gain	–	(3,177,070)	(1,124,721)	–	(3,564)	–
Fair value changes of AFS investments	(1,115,000)	–	–	–	–	–
	(1,115,000)	(3,177,070)	(1,124,721)	–	(3,564)	–
Deferred income tax assets (liabilities) - net	(₱1,115,000)	₱17,400,961	₱2,350,861	₱–	₱189,595	₱1,418,794

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

	2015	2014	2013
Deductible temporary differences on:			
Allowances for probable losses on:			
Input VAT	**₱29,205,949**	₱29,205,949	₱29,205,949
Deferred mine exploration costs	**4,181,184**	4,181,184	4,181,184
Accrued retirement benefits payable	**14,038,486**	11,221,535	13,539,313
Unrealized foreign exchange losses	**4,181,184**	4,075,394	11,569,003
Accrued incentive pay	**1,271,970**	1,271,970	1,243,769
NOLCO	**79,754,165**	122,476,200	205,594,458
MCIT	**5,135,155**	5,062,072	4,384,308

MMC, ASSC, SNVRDC, PWBRI, MPRDC and MAPDC did not recognize deferred income tax assets on these temporary differences, MCIT and NOLCO as management believes that the said companies may not have enough taxable regular income against which these temporary differences and NOLCO can be used or RCIT payable against which the MCIT can be applied.

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

d. Excess MCIT can be deducted against the RCIT and NOLCO can be claimed as deduction from regular taxable income. As of December 31, the details of NOLCO and excess MCIT follow:

		2015		2014	
Year Incurred	Expiry Date	**NOLCO**	**MCIT**	NOLCO	MCIT
MAC					
2015	2018	**₱12,115,002**	**₱1,505,351**	₱–	₱–
2014	2017	**10,677,961**	**1,388,748**	10,677,961	1,388,748
2013	2016	**–**	**2,137,781**	–	2,137,781
2012	2015	**–**	**–**	93,238,245	1,432,268
		22,792,963	**5,031,880**	103,916,206	4,958,797
MMC					
2015	2018	**4,780,767**	**–**	–	–
2014	2017	**2,257,070**	**30,050**	2,257,070	30,050
2013	2016	**6,193,809**	**–**	6,193,809	–
		13,231,646	**30,050**	8,450,879	30,050
ASSC					
2015	2018	**40,621**	**–**	–	–
2014	2017	**42,764**	**–**	42,764	–
2013	2016	**42,181**	**–**	42,181	–
2012	2015	**–**	**–**	66,404	–
		125,566	**–**	151,349	–
SNVRDC					
2015	2018	**7,377,665**	**–**	–	–
2014	2017	**3,677,455**	**–**	3,677,455	–
2013	2016	**1,051,855**	**–**	1,051,855	–
		12,106,975	**–**	4,729,310	–
PWBRI					
2015	2018	**7,335**	**–**	–	–
2014	2017	**203,380**	**–**	203,380	–
2013	2016	**200,566**	**–**	200,566	–
		411,281	**–**	403,946	–
MPRDC					
2015	2018	**49,657**	**–**	–	–
2014	2017	**29,724**	**–**	29,724	–
		79,381	**–**	29,724	–
MAPDC					
2015	2018	**18,482,257**	**–**	–	–
2014	2017	**8,605,557**	**53,103**	8,605,557	53,103
2013	2016	**918,539**	**20,122**	918,539	20,122
		28,006,353	**73,225**	9,524,096	73,225
		₱79,754,165	**₱5,135,155**	₱127,205,510	₱5,062,072

e. Movements of NOLCO and MCIT are as follows:

	NOLCO		MCIT	
	2015	2014	**2015**	2014
MAC				
Beginning balance	**₱103,916,206**	₱210,313,224	**₱4,958,797**	₱4,351,050
Additions	**12,115,002**	10,677,961	**1,505,351**	1,388,748
Expired	**(93,238,245)**	(117,074,979)	**(1,432,268)**	(781,001)
Ending balance	**₱22,792,963**	₱103,916,206	**₱5,031,880**	₱4,958,797
MMC				
Beginning balance	**₱8,450,879**	₱6,193,809	**₱30,050**	₱–
Additions	**4,780,767**	2,257,070	**–**	30,050
Ending balance	**₱13,231,646**	₱8,450,879	**₱30,050**	₱30,050

	NOLCO		MCIT	
	2015	2014	**2015**	2014
ASSC				
Beginning balance	**₱151,349**	₱152,960	**₱–**	₱–
Additions	**40,621**	42,764	**–**	–
Expired	**(66,404)**	(44,375)	**–**	–
Ending balance	**₱125,566**	₱151,349	**₱–**	₱–
SNVRDC				
Beginning balance	**₱4,729,310**	₱1,051,855	**₱–**	₱–
Additions	**7,377,665**	3,677,455	**–**	–
Ending balance	**₱12,106,975**	₱4,729,310	**₱–**	₱–
PWBRI				
Beginning balance	**₱403,946**	₱200,566	**₱–**	₱–
Additions	**7,335**	203,380	**–**	–
Ending balance	**₱411,281**	₱403,946	**₱–**	₱–
MPRDC				
Beginning balance	**₱29,724**	₱–	**₱–**	₱–
Additions	**49,657**	29,724	**–**	–
Ending balance	**₱79,381**	₱29,724	**₱–**	₱–
MAPDC				
Beginning balance	**₱9,524,096**	₱918,539	**₱20,122**	₱20,122
Additions	**18,482,257**	8,605,557	**53,103**	53,103
Ending balance	**₱28,006,353**	₱9,524,096	**₱73,225**	₱73,225

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

	2015	2014	2013
Provision for (benefit from) income tax computed at the statutory tax rate	**₱116,411,235**	₱43,774,712	(₱37,853,142)
Adjustments resulting from:			
Share in net loss (earnings) of associates	**(94,021,570)**	(38,468,047)	75,560,544
Nondeductible expenses	**10,255,274**	3,277,740	1,618,358
Movements in deductible temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized	**14,034,572**	19,063,163	1,305,501
Derecognized deferred income tax assets	**1,418,794**	–	–
Interest income already subjected to final tax at lower rates or not subject to income tax	**(1,419,351)**	(3,642,149)	(5,965,429)
Provision for income tax	**₱46,678,954**	₱24,005,419	₱34,665,832

26. Basic/Diluted Earnings (Loss) Per Share

Basic/diluted earnings per share are computed as follows:

	2015	2014	2013
Net income (loss) attributable to equity holders of the Company	**₱327,750,585**	₱114,979,503	(₱170,047,500)
Divided by weighted average number of common shares outstanding	**1,233,404,000**	1,233,404,000	1,233,404,000
	₱0.27	₱0.09	(₱0.14)

27. Equity

Capital stock

a. Track record of registration of securities

On August 30, 1974, the Philippine SEC authorized the registration and licensing of the Company's securities with total par value of ₱20.0 million divided into 2,000,000,000 shares with a par value of ₱0.01 per share.

On March 22, 2000, the PSE authorized to list the Company's 750,000,000 shares, with a par value of ₱1.00 per share and 500,000,000 warrants divided into the following:

i. 250,000,000 shares to cover the 1:4 stock rights offering to stockholders of record as of April 12, 2000 at an offer price of ₱2.00 per share;
ii. 500,000,000 warrants to cover the 2:1 warrants offering attached to and detachable from the rights shares at a subscription price of ₱0.10 per warrant; and
iii. 500,000,000 shares to cover the underlying shares of warrants at an exercise price of ₱6.00 per share. Actual listing of the underlying common shares of the warrants shall take effect upon the exercise of the warrants.
iv. All warrants expired in 2005.

MAC's shares are listed and traded at the PSE and the approximate number of holders of its common equity as of December 31, 2015 and 2014 is 860 and 856, respectively.

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

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

Treasury shares

c. Treasury stock

On July 16, 2010, the Company's BOD approved the Share Buyback Program (the Program) involving a total cash outlay of ₱50.0 million for the repurchase of the outstanding common shares of the Company from the market, using the trading facilities of the Philippine Stock Exchange (PSE). The Program will not involve any active or widespread solicitation for stockholders to sell. Repurchase of shares of stock will be done during the period of the Program at such prices perceived by the Company to be lower than the inherent value of the share. The Program will run until the ₱50.0 million authorized cash outlay is fully utilized or until such time that the Company's BOD may direct, subject to appropriate disclosures to the PSE and the Philippine SEC.

There was no reacquisition of shares in 2015, 2014 and 2013. In 2012, the Company reacquired 6,125,000 shares for ₱17.5 million.

Retained earnings

d. Restriction on retained earnings of the Company

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

- Undistributed earnings of subsidiaries and equity in net earnings of associates amounting to ₱404.4 million and ₱151.7 million as of December 31, 2015 and 2014, respectively.
- Cost of treasury shares amounting to ₱49.4 million as of December 31, 2015 and 2014.
- Deferred income tax assets amounting to ₱41.5 million and ₱34.2 million as of December 31, 2015 and 2014.

e. Appropriation of retained earnings

On December 12, 2015, MACS' BOD approved the appropriation of ₱50.0 million of retained earnings for the purchase of additional catering delivery trucks in 2016 and the business expansion program in the next two years.

On December 12, 2014, the MACS' BOD approved the appropriation of its retained earnings amounting to ₱50.0 million for plant expansion in addition to the appropriation in 2012. MACS' BOD allocated this appropriation for MACS' plans to operate an offsite commissary within the next two years.

On September 26, 2012, MACS' BOD approved the appropriation of its retained earnings which amounted to ₱50.0 million for various investments to expand business and renovation of facilities of MACS. On December 31, 2013, MACS' BOD has allotted this appropriation for the operation of an offsite commissary within the next two years.

On June 21, 2012, MASCORP's BOD approved the appropriation of its retained earnings which amounted to ₱30.0 million for business expansion. The expansion program is expected to run for another two years.

On December 12, 2011 and July 15, 2011, the Company's BOD approved the appropriation of the Company's retained earnings which amounted to ₱393.1 million and ₱300.0 million, respectively, for the mining development projects and water project, respectively. The water

project is expected to be completed and operational on the first quarter of 2016. As to the mining project, the Company intends to start development activities and mining operations on 2015, after the period allotted for the extension of exploration, if on-going studies indicate favorable economics.

On December 12, 2011, MAATS' BOD approved the appropriation of its retained earnings which amounted to ₱15.0 million for purposes of expanding the business of MAATS, particularly the construction of an aircraft hangar. Acquisition was planned to be made in 2015 or earlier. In 2014, however, MAATS' BOD reversed the appropriated amount and declared as dividend.

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

Date Approved	Per share	Stockholder of Record Date	Date of Payment
December 14, 2015	₱0.075	January 4, 2016	January 28, 2016
March 25, 2013	0.065	April 24, 2013	May 19, 2013

g. Cash dividends received by non-controlling interest

On December 10, 2013, MACS' BOD approved the declaration of cash dividends amounting to ₱20.0 million or ₱16 per share payable on or before April 15, 2014.

On March 27, 2013, MACS' BOD approved the declaration of cash dividends amounting ₱20.0 million or ₱16 per share payable on or before May 15, 2013 and another ₱20.0 million or ₱16 per share payable on or December 31, 2013. These were fully paid in 2013.

Dividends attributed to non-controlling interest amounted to ₱12.0 million. This was fully settled in 2014.

h. Acquisition of and divestment to non-controlling interest

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

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

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

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

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

28. Significant Agreements and Commitments

Concession Agreements

MACS and MASCORP have concession agreements with MIAA and Mactan-Cebu International Airport Authority (MCIAA) [the airport authorities] to exclusively operate within the airport authorities' premises. MACS operates an in-flight catering service for civil and/or military aircraft operating at NAIA and or MDA. The concession agreement of MACS is renewable every year upon mutual agreement of the parties. In 2013, the concession agreement of MACS was renewed for a period of three years commencing on June 1, 2013 and expiring on May 31, 2016 or earlier depending upon the MIAA development plan affecting the area. The agreement is renewable yearly up to three years, subject to certain conditions. Meanwhile, MASCORP operates domestic and international groundhandling services at Terminals 1 and 2, MCIAA and KIA. The concession agreement of MASCORP is for a period of one year, subject to renewal at the sole option of the airport authorities. In consideration of the concession privilege, MACS and MASCORP pay the airport authorities a monthly concession privilege fee equivalent to 7% of monthly gross income on catering services and groundhandling services, respectively.

Concession privilege fee amounted to ₱114.9 million, ₱106.9 million, and ₱99.1 million in 2015, 2014 and 2013, respectively, which is presented under direct costs (see Note 19).

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

Lease Agreements

a. In 1996, the Company assigned all its rights and obligations to MACS under the lease agreement it entered in the same year with MIAA for the use of a parcel of land where the catering concession facilities are located. The lease contract is for a period of 10 years from the start of the construction of the facilities, renewable every five years under such terms and conditions as may be agreed upon by both parties. Minimum annual rental payment amounts to ₱8.5 million. Upon expiration of the lease agreement, both parties mutually agreed to continue the lease on a renewable short-term basis using the terms in effect during the last year that the original lease agreement was in force.

   In 2004, the Supreme Court (SC) issued a decision declaring current rental charges of MIAA at ₱35.55 per square meter (the current rate) as null and void. From 2004 to August 2013, MACS settles the lease charges using the contested rate notwithstanding the SC's ruling on the validity of such rate.

   The lease contract between MACS and MIAA expired in July 2008. One of the provisions of the lease agreement is that MACS will transfer to MIAA all permanent improvements which MACS might have constructed in the leased premises upon the expiration of the original lease or upon cancellation of the lease agreement.

In October 2013, MACS renewed the lease agreement with MIAA for a period of three years commencing on June 1, 2013 and expiring on May 31, 2016 or earlier, depending upon the MIAA development plan affecting the area, renewable yearly up to three years, subject to certain conditions. Total minimum lease payment for this lease agreement as of December 31 follows:

	2015	2014
Within one year	**₱6,123,488**	₱14,696,372
After one year up to end of lease contract	–	6,123,488
	₱6,123,488	₱20,819,860

Lease expense relating to this lease agreement amounted to ₱16.1 million in 2015 and 2014, and ₱11.3 million in 2013 (see Notes 19 and 20).

b. On August 7, 2000, MAPDC entered into a lease contract with MIAA covering the use of a parcel of land for 25 years of 23 hectares of land within NAIA. Significant terms and conditions of the contract are as follows:

i. MAPDC is allowed to sub-lease the leased property to an affiliate. Since the leased property is declared as an economic zone, the sublease is preferably extended by MAPDC to an entity which is also PEZA-registered.

ii. MAPDC and/or its sub-lessee intends to invest US$200 million over the next five years by introducing additional capabilities and enhancing the competitiveness in terms of productivity, quality, turnover time and customer orientation.

iii. The monthly rental fee shall be ₱53.34 per square meter, or a total of ₱12.1 million, with guaranty deposit of two months advance rental. The rental and other charges shall be subject to a fixed price escalation of 5% starting on the sixth year and by another 5% on years 11, 16 and 21. The escalation shall be on a compounded basis.

iv. The contract may be terminated and cancelled at the instance of MAPDC if:

- MAPDC, its sub-lessee or any of its successors-in-interest, cease to operate their business; and or
- MIAA or the government decides to transfer the airport to another location, making it impossible for MAPDC to conduct its business.

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

	2015	2014
Within one year	**₱168,137,800**	₱162,800,092
After one year but not more than five years	**851,898,186**	843,491,296
Five years up to end of lease contract	**647,330,259**	823,875,219
	₱1,667,366,245	₱1,830,166,607

The rental deposit made to MIAA amounting to ₱24.6 million is reported at amortized cost in the consolidated balance sheets. The carrying value of the deposit amounted to ₱6.2 million and ₱5.3 million as of December 31, 2015 and 2014, respectively, and is included as part of "Deposits and other noncurrent assets" account. The difference between the face amount of the refundable deposit and its present value at the inception of the lease, amounting to ₱20.0 million, is treated as a deferred rent expense and is being amortized over the lease term. Related amortization amounted to ₱0.9 million in 2015, 2014 and 2013. Accretion of the rental deposit (included as part of "Interest income" account) amounted to

₱0.8 million, ₱0.7 million and ₱0.6 million in 2015, 2014, and 2013, respectively. As of December 31, 2015 and 2014, deferred rent expense amounted to ₱9.4 million and ₱10.3 million, respectively.

Further, as a result of the straight-line recognition of operating lease expense, accrued rental payable was recognized which amounted to ₱118.4 million and ₱118.0 million as of December 31, 2015 and 2014, respectively.

Rent expense amounted to ₱161.5 million in 2015, 2014 and 2013 (see Note 19).

c. On June 5 and November 6, 2015, MAPDC entered into two lease contracts with Mactan-Cebu International Airport Authority (MCIAA) covering the use of parcels of land for 25 years for 23,703 hectares and 20,000 hectares of land, respectively. Significant terms and conditions of the contract are as follows:

i. MAPDC is allowed to sub-lease the leased property.

ii. The first contract, dated June 5, 2015, prescribes that monthly rental fee shall be ₱59.15 per square meter or a total of ₱1.4 million, with advance rent equivalent to one year rent. The lease rental shall be subject to a fixed price escalation of 5% starting on the sixth year and by another 5% on the 11th, 16th and 21st years. The escalation shall be on a compounded basis. MAPDC is also given a period of six months for site preparation and construction period.

iii. The second contract, dated November 6, 2015, prescribes that monthly rental fee shall be ₱65.00 per square meter or a total of ₱1.3 million, with advance rent equivalent to one year rent. The lease rental shall be subject to a fixed price escalation of 5% starting on the sixteenth year and by another 5% on 21st year. The escalation shall be on a compounded basis. MAPDC is also given a period of six months for site preparation and construction period.

Future minimum rentals payable as of December 31, 2015 under MAPDC's operating lease agreement with MCIAA are as follows:

Within one year	**₱32,335,555**
After one year but not more than five years	**162,931,950**
Five years up to end of lease contract	**668,964,698**
	₱864,232,203

The total rental deposit made to MCIAA amounting to ₱8.1 million is reported at amortized cost in the consolidated balance sheet. The carrying value of the deposit amounted to ₱2.55 million as of December 31, 2015 and is included as part of "Deposits and other noncurrent assets" account. The difference between the face amount of the refundable deposit and its present value at the inception of the lease, amounting to ₱5.6 million, is treated as a deferred rent expense and is being amortized over the lease term. Related amortization amounted to ₱0.9 million in 2015. Accretion of the rental deposit (included as part of "Interest income" account) amounted to 0.04 million in 2015. As of December 31, 2015, deferred rent expense amounted to ₱5.5 million.

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

Rent expense amounted to ₱12.8 million in 2015 (see Note 20).

d. MASCORP has a lease agreement with MIAA for the lease of office space and staging area in the following locations:

i. Terminal 1 on a month-to-month basis, with a monthly rental of ₱504,409 and ₱418,659 in 2015 and 2014, respectively.

ii. Terminal 2 on a month-to month basis, with a monthly rental of ₱19,807 in 2015 and 2014.

iii. Terminal 3 on a month-to-month basis, with a monthly rental of ₱156,544 in 2015 and 2014.

One of the provisions of the lease agreement is that MASCORP will transfer to MIAA all permanent improvements which MASCORP might have constructed in the lease premises upon the expiration of the original lease or upon cancellation of the lease agreement due to breach or violation of the terms and conditions of MIAA, or termination without renewal or extension of the terms of the lease. All permanent improvements shall automatically become the absolute property of MIAA and MASCORP shall have no right of reimbursement of the cost.

On August 10, 2009, the Company paid surety cash deposit to MIAA amounting to ₱2.0 million as requirement for the renewal of the lease agreement. Currently, management is in discussions with necessary parties to ensure the renewal of the lease. As negotiation with MIAA is handled at the Group level, the offer has also not been accepted by MASCORP. Meanwhile, MIAA continues to bill and MASCORP continues to pay the rental fee based on current rates.

Rent expense amounted to ₱6.9 million, and ₱5.7 million and ₱6.4 million in 2015, 2014 and 2013, respectively (see Note 20).

e. MASCORP has lease agreements with Sky Freight Center located at Ninoy Aquino Avenue, Paranaque City for its office space. The first lease is for a period of five years, commencing on April 16, 2012 until April 15, 2017, subject to 5% escalation starting on the third year of the lease term. The second lease is for a period of five years, commencing on October 1, 2015 until September 30, 2020, subject to 5% escalation starting on second year of the lease term. Total rent expense charged to operations for both leases amounted to ₱1.5 million in 2015 and ₱1.2 million in 2014 and 2013 (see Note 20). Total security deposit paid amounted to ₱2.4 million and ₱2.3 million as of December 31, 2015 and 2014, and was included under the "Deposits and other noncurrent assets" account (see Note 15).

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

	2015	2014
Within one year	**₱1,737,418**	₱1,248,526
After one year but not more than five years	**2,183,377**	1,698,699
	₱3,920,795	₱2,947,225

f. The Company has several lease agreements with third party lessors covering the use of parcels of land for 35 years in Palawan starting 2010. In 2012, the Company entered into additional lease of land with another third party lessor. The leased properties will be used by the

Company as drying area and/or stockpile of its mine products and other related purposes (see Note 32). The Company prepaid the rental charges up to 18 to 30 years with unamortized amount of ₱8.5 million as of December 31, 2015 and 2014, respectively, and is included under "Deposits and other noncurrent assets" account (see Note 15). Rental rates are subject to escalation during the lease periods. Rental expense charged to operations amounted to ₱0.6 million in 2015, 2014 and 2013. This is included as part of "Mining expenses" under "Operating expenses" account (see Note 20).

Service Fee Agreements

In 2007, MACS BOD passed a resolution whereby MACS shall pay service fee to the Company and SATS provided that MACS' profit before tax, after calculating the service fee, is not less than the amount of service fee. The fee shall be equivalent to 5% of quarterly net sales, which shall be divided according to the equity ratio between the Company and SATS of 80% and 20% share, respectively. Starting September 14, 2015, the total service fees shall be divided according to the equity ratio of 67% and 33% between MAC and SATS, respectively. Total service fee recognized by MACS amounted to ₱54.5 million, ₱48.4 million and ₱41.4 million in 2015, 2014 and 2013, respectively. SATS' corresponding share of the service fee amounted to ₱13.1 million, ₱9.7 million and ₱8.3 million in 2015, 2014 and 2013, respectively (see Note 20). Outstanding payable to SATS amounted to ₱13.2 million and ₱8.8 million as of December 31, 2015 and 2014, respectively (see Note 17).

Exploratory Service Agreements

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

Revenue recognized amounted to ₱36.5 million in 2015, ₱34.9 million in 2014 and ₱9.2 million in 2013, while the outstanding receivables balance, included as part of "Trade receivables - third parties", as of December 31, 2015 and 2014 amounted to ₱19.0 million and ₱11.8 million, respectively.

Waterworks System Agreements

a. On February 12, 2013, MAPDC entered into a Memorandum of Agreement (theAgreement) with Solano to design, construct, commission and maintain a new and complete waterworks system in Solano, Nueva Vizcaya ("Service Area"). The Agreement is for a period of 25 years from February 12, 2013 subject to renewal based on the provisions of the Agreement.

MAPDC is allowed to bill or invoice and collect payment from its customers for services rendered, including one-time service and installation charge and meter and consumption deposit. After a certain period from commencement date, MAPDC shall pay Solano service fee per cubic meter of water sold. For purposes of implementing the services, MAPDC incorporated SNVRDC to serve as the operating entity (See Note 14).

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

29. Capital Management

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

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders repurchase or issue new shares. The Group is not subject to externally imposed capital requirements as of December 31, 2015 and 2014. Further, no changes were made in the objectives, policies or processes for each of the three years in the period ended December 31, 2015.

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:

	2015	2014
Capital stock	**₱1,250,000,000**	₱1,250,000,000
Additional paid-in-capital	**281,437,118**	281,437,118
Retained earnings	**1,710,293,529**	1,477,897,069
Treasury shares	**(49,418,660)**	(49,418,660)
	₱3,192,311,987	₱2,959,915,527
Net income	**₱341,358,497**	₱121,910,289
Return on equity	**10.69%**	4.12%

30. Financial Risk Management Objectives and Policies

Risk Management Structure

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

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

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

Financial Risk Management
The Group's principal financial instruments comprise cash and cash equivalents and some external liabilities which were availed of primarily to fund operations. The Group has other financial assets and financial liabilities such as trade receivables and payables which arise directly from operations.

The main risks, arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk and liquidity risk. The BOD reviews and approves policies for managing these risks and they are summarized as follows:

Foreign currency risk
The Group's transactional currency exposure arises from sales in currencies other than its functional currency and retaining its cash substantially in currency other than its functional currency. Approximately an average of 87% of MACS' and 74% of MASCORP's revenue are denominated in US$. In addition, the Group closely monitors the foreign exchange rates fluctuations and regularly assesses the impact of future foreign exchange movements on its operations. Foreign currency monetary assets and liabilities are disclosed in Note 23.

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

	Movement in US$ and RMB	Increase (decrease) in Income before Income Tax US$	Increase (decrease) in Income before Income Tax RMB
		(in millions)	
2015	**Increase of 3%**	**(₱20.7)**	**₱–**
	Decrease of 3%	**20.7**	**–**
2014	Increase of 4%	23.1	0.05
	Decrease of 4%	(23.1)	(0.05)
2013	Increase of 5%	(13.4)	(0.02)
	Decrease of 5%	13.4	0.02

The Group reported net foreign exchange gain of ₱36.1 million, ₱12.5 million and ₱29.3 million in 2015, 2014 and 2013, respectively (see Note 22).

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

The Group trades only with related parties and duly evaluated and approved creditworthy third parties. It is the Group's policy that all customers and counterparties that wish to trade with the Group, particularly on credit terms, are subjected to credit verification procedures. In addition, receivable balances are monitored on a continuous basis with the result that the Group's exposure to bad debts is not significant. The Group has major concentration of credit risk given that the Group's cash and cash equivalents are deposited in the local affiliated bank. Further, MASCORP's major customers include PAL and Air Phil. MMC also has a single customer. However, since these companies are related parties and the local affiliated bank is one of the country's reputable banks, management believes that the Company is not exposed to any significant risk.

With respect to credit risk arising from financial assets, the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying values of these instruments. The Group only deals with financial institutions that have been approved by the BOD of the Company and those of its subsidiaries. The Group does not require any collateral and other credit enhancements.

Credit quality per class of financial assets
The credit quality of financial assets is managed by the Group using internal credit ratings.

The next tables show the credit quality of the Group's financial assets and an aging analysis of past due but not impaired receivables.

December 31, 2015:

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

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

December 31, 2014:

	Neither past due nor impaired			Past due or	
	High Grade	**Standard Grade**	**Sub-standard Grade**	**individually impaired**	**Total**
Loan and receivable:					
Cash in bank and cash equivalents*	₱680,209,788	₱–	₱–	₱–	₱680,209,788
Receivables:					
Trade	158,830,385	41,756,342	–	172,120,184	372,706,911
Due from officers and employees	16,907,870	–	–	–	16,907,870
Interest receivables	2,573,415	–	–	–	2,573,415
Other receivables	9,847,087	–	–	3,224,887	13,071,974
Deposits	19,639,957	–	–	–	19,639,957
AFS investments-					
Retail treasury and corporate bonds	66,197,600	–	–	–	66,197,600
	₱954,206,102	₱41,756,342	₱–	₱175,345,071	₱1,171,307,515

**Exclusive of cash on hand amounting to ₱1,027,745 as of December 31, 2014.*

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

a. High Grade - settlements are obtained from counterparty following the terms given to the counterparty.
b. Standard Grade - some reminder follow-ups are performed to obtain settlement from the counterparty.
c. Sub-standard Grade - constant reminder follow-ups are performed to collect accounts from counterparty.
d. Impaired - difficult to collect with some uncertainty as to collectability of the accounts.

The aging analysis of receivables as of December 31 are as follows:

	Past Due but not Impaired					
	Less than 30 days	**30 to 60 days**	**61 to 90 days**	**More than 90 days**	**Impaired**	**Total**
2015	**₱46,265,023**	**₱66,030,662**	**₱29,637,274**	**₱52,141,499**	**₱13,240,647**	**₱207,315,105**
2014	37,153,642	58,588,286	23,408,940	43,110,333	13,083,870	175,345,071

Impairment assessment
The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group assesses impairment on an individual account basis.

Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention even at interim.

Interest rate risk
The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's notes payable with floating interest rates. The Group has a practice of keeping its interest-bearing liabilities to third parties within a threshold that can be serviced through operating cash flows. Management closely monitors the behaviour of interest rates to ensure that cash flow interest rate risk is kept within management's tolerable level. Finally, interest-bearing liabilities are ordinarily incurred on a short-term basis only.

The table below sets forth the estimated change in the Group's income before income tax (through the impact on the variable rate borrowings) due to parallel changes in the interest rate curve in terms of basis points (bp) as of December 31, 2015 and 2014, 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 2015	Increase (decrease) in income before income tax 2014	Increase (decrease) in loss before income tax 2013
		(in millions)	
100 bp rise	**(₱0.84)**	(₱0.86)	₱0.27
100 bp fall	**0.84**	0.86	(0.27)
50 bp rise	**(0.42)**	(0.43)	0.14
50 bp fall	**0.42**	0.43	(0.14)

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

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

In addition, MASCORP has obtained an omnibus line of credit for ₱100.0 million (or USD equivalent) and bills purchase line for ₱20.0 million. The omnibus line of credit is available by way of short-term promissory notes with interest, while the bills purchase line is available for settlement of the Company's obligation through the bank. This line of credit is available until January 31, 2016. This was subsequently renewed on January 28, 2016 and shall be available until January 31, 2017. MASCORP has not drawn any amount from the line of credit.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual and undiscounted repayment obligations. Repayments which are subject to notice are

treated as if notice were to be given immediately. The table also analyses the maturity profile of the Group's financial assets held for managing liquidity in order to provide complete view of the Group's contractual commitments and liquidity.

December 31, 2015:

	<1 year	>1-2 years	>2-3 years	>5 years	Total
Loans and receivables:					
Cash and cash equivalents	₱693,325,827	₱–	₱–	₱–	₱693,325,827
Receivables:		–	–	–	
Trade	518,738,651	–	–	–	518,738,651
Due from officers and employees	15,476,326	–	–	–	15,476,326
Interest receivable	3,028,390	–	–	–	3,028,390
Other receivables	22,889,299	–	–	–	22,889,299
Deposits*	–	–	–	48,212,858	48,212,858
AFS investments-					
Retail treasury and corporate bonds	–	–	65,630,600	–	65,630,600
	1,253,458,493	–	65,630,600	48,212,858	1,367,301,951
Other financial liabilities:					
Accounts payable and accrued liabilities**	352,907,747	–	–	–	352,907,747
Notes payable***	27,998,996	18,004,998	20,050,892	–	66,054,886
Dividends payable	101,126,061	–	–	–	101,126,061
Deposit****	–	–	–	39,596,190	39,596,190
	482,032,804	18,004,998	20,050,892	39,596,190	559,684,884
Liquidity position	₱771,425,689	(₱18,004,998)	₱45,579,708	₱8,616,668	₱807,617,067

** Inclusive of accretion of interest of ₱19,859,781.*
***Exclusive of nonfinancial liabilities of ₱35,069,039.*
**** Inclusive of interest to maturity of ₱2,321,459.*
******Inclusive of accretion of interest of ₱19,260,232.*

December 31, 2014:

	<1 year	>1-2 years	>2-3 years	>5 years	Total
Loans and receivables:					
Cash and cash equivalents	₱681,237,533	₱–	₱–	₱–	₱681,237,533
Receivables:		–	–	–	
Trade	372,706,911	–	–	–	372,706,911
Due from officers and employees	16,907,870	–	–	–	16,907,870
Interest receivable	2,573,415	–	–	–	2,573,415
Other receivables	13,071,974	–	–	–	13,071,974
Deposits*	–	–	–	40,195,739	40,195,739
AFS investments-					
Retail treasury and corporate bonds	–	66,197,600	–	–	66,197,600
	1,086,497,703	66,197,600	–	40,195,739	1,192,891,042
Other financial liabilities:					
Accounts payable and accrued liabilities**	241,594,196	–	–	–	241,594,196
Notes payable***	88,048,792	–	–	–	88,048,792
Dividends payable	8,620,761	–	–	–	8,620,761
Deposit****	–	–	–	39,596,190	39,596,190
	338,263,749	–	–	39,596,190	377,859,939
Liquidity position	₱748,233,954	₱66,197,600	₱–	₱599,549	₱815,031,103

** Inclusive of accretion of interest of ₱19,859,781.*
***Exclusive of nonfinancial liabilities of ₱17,952,416.*
**** Inclusive of interest to maturity of ₱2,321,459.*
******Inclusive of accretion of interest of ₱19,260,232*

31. Fair Value

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

2015

			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 measured at fair value:					
Available for sale financial investments (Note 13)					
Government securities	December 31, 2015	₱65,630,600	₱65,630,600	₱–	₱–
Golf club shares		40,138,300	40,138,300	–	–
Assets for which fair value is disclosed:					
Investment property (Note 12)	December 31, 2015	143,852,303	–	–	257,959,500
Deposits (Note 15)	December 31, 2015	16,208,078	–	–	16,208,078
Liabilities for which fair value is disclosed					
Deposits (Note 18)	December 31, 2015	6,342,339	–	–	6,342,339

2014

			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 measured at fair value:					
Available for sale financial investments (Note 13)					
Government securities	December 31, 2014	₱66,197,600	₱66,197,600	₱–	₱–
Golf club shares		37,138,300	37,138,300	–	–
Assets for which fair value is disclosed:					
Investment property (Note 12)	December 31, 2014	143,852,303	–	–	257,959,500
Deposits (Note 15)	December 31, 2014	16,208,078	–	–	16,208,078
Liabilities for which fair value is disclosed					
Deposits (Note 18)	December 31, 2014	5,328,763	–	–	5,328,763

There have been no transfers between Level 1 and 2 in 2015 and 2014.

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

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

AFS investments
Fair value of the quoted notes and bonds is based on exit price at the reporting date.

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).

32. Deferred Mine Exploration Costs and Mining-Related Activities

As of December 31, 2015 and 2014, deferred mine exploration costs follow:

Beginning/ending balance	₱237,489,872
Less accumulated impairment loss	4,181,184
	₱233,308,688

Infanta Nickel Project
Deferred mine exploration costs pertain to costs incurred by the Company in the exploration of its mining property located in Brooke's Point, Palawan, the Infanta Nickel Project (the Project).

The Project is the Company's tenement under a Mineral Production Sharing Agreement (MPSA) with the government. The MPSA is a consolidation of the Company's eight mining lease contracts with the Government that were granted under Commonwealth Act No. 137 and P.D. 463. In the 1970's, the Company operated the mine as an export producer of beneficiated nickel laterite. As such, it had sales and purchase agreements with Sumitomo Metal Mining Co., Ltd. of Japan, and thus, had made shipments of nickel ore to Japan in the 1970's until very low nickel prices forced the operations to be suspended. The previous quarry and road network within the tenement still exist and is currently being maintained for future use.

The MPSA runs for a term not exceeding 25 years from the date of the grant of the MPSA, and is renewable for another term not exceeding 25 years under the same terms and conditions, without prejudice to changes that will be mutually agreed upon by the Department of Environment and Natural Resources (DENR) and the Company.

In 2008, the Supreme Court has ruled with finality that the Company has vested legal rights to its MPSA; and with the grant of the environmental compliance certificate (ECC) in 2010 for operations by the DENR, the Company has secured two major permits necessary to bring back the mine to operations. Currently, the Company is working on the acquisition of a Certificate of Pre-condition (CP) from the National Commission on Indigenous Peoples (NCIP) and approval of its Declaration of Mining Feasibility from the Mines and Geosciences Bureau. Simultaneously, it has ongoing discussions with potential partners for the development of the project for the best interest of the various stakeholders.

In 2010, the exploration efforts of the Company resulted in the delineation of 10.8 million dry metric ton of measured mineral resource with average grade of 1.30% nickel (Ni) and 31.28% iron (Fe) at 1% NI cut-off. The reserves calculation was validated by the Mines and Geosciences Bureau (MGB) to be acceptable. MGB's independent calculation revealed a measured mineral resource of 12.8 million dry metric ton with average grade of 1.29% Ni and 32.20% Fe at 1.0% Ni cut off.

On September 13, 2010, the Company received the ECC for operations of the Project. The ECC was granted by the DENR, after a thorough project review and series of consultations were conducted principally under the supervision of the Environmental Management Bureau (EMB) and Environmental Impact Assessment Review Committee.

The recovery of deferred mine exploration costs depends upon the success of exploration activities and future development of the mining properties, as well as the discovery of recoverable reserves in quantities that can be commercially produced. The Company has cumulative impairment loss of ₱4.2 million considering the market condition in prior years.

On January 30, 2015, the Company executed a Deed of Assignment of MPSA 220 and MPSA 221 to MMC. However, it cannot take effect yet as there were no renewed Exploration Periods granted to both MPSAs. As of December 31, 2015, the Company has submitted the necessary requirements for the renewal of Exploration Period of the two MPSAs; hence, awaiting approval by the MGB.

Administrative expenses related to the mining exploration activities are expensed as incurred and presented under "Mining expenses" under "Operating expenses" account. These amounted to ₱4.9 million, ₱5.0 million and ₱13.3 million in 2015, 2014 and 2013, respectively (see Note 20).

Deeds of Assignment with Bulawan Mining Corporation (BUMICO)
In 2012, the Company entered into two deeds of assignment with BUMICO. The first deed of assignment covered BUMICO's rights, title to, interests and obligations under the former's application for exploration permit with the MGB of the DENR over certain properties in Basay, Negros Oriental under Exploration Permit Application No. 000103 VII. In consideration, the Company paid BUMICO ₱16.0 million, which is included under "Deferred mine exploration costs" account in the consolidated balance sheets. The said assignment was approved by the Regional Director of the MGB on January 28, 2013.

The second deed of assignment covered BUMICO's rights, interests and obligations under an Operating Agreement with Philex Mining Corporation (PHILEX). The Operating Agreement granted PHILEX the exclusive right and privilege to take over, as an independent contractor, the working and operation of Mineral Claims as defined in the Operating Agreement for a period of 25 years. In consideration, the Company offered its technical services for BUMICO to tie up with PHILEX. The said deed of assignment was consented by PHILEX. Currently, PHILEX has no operations over the Mineral Claims. Once PHILEX resumes the operations of and generates income from the Mineral Claims, the Company shall be entitled to royalty payments and that BUMICO shall be entitled to a certain percentage of such royalties.

33. Subsequent Event

On March 4, 2016, LTP declared $2.0 million cash dividends payable on April 15, 2016 to MAC and Lufthansa Technik AG. MAC's share in the dividend declaration is $0.98 million.

COMMITTEES, OTHER ENTITIES AND SHAREHOLDER INFORMATION

Nomination Committee

Dr. Lucio C. Tan - Chairman
Washington Z. SyCip - Member (NED)
Johnip G. Cua - Member (ID)
Atty. Marivic T. Moya - Non-Voting Member

Audit Committee

Johnip G. Cua - Chairman (ID)
Carmen K. Tan - Member (NED)
Michael G. Tan - Member (NED)
Jaime J. Bautista - Member (ED)
Ben C. Tiu - Member (ID)

Compensation Committee

Johnip G. Cua - Chairman (ID)
Lucio K. Tan Jr. - Member (NED)
Michael G. Tan - Member (NED)
Jaime J. Bautista - Member (ED)

Investment Committee

Dr. Lucio C. Tan - Chairman
Washington Z. SyCip - Member (NED)
Carmen K. Tan - Member (NED)
Lucio K. Tan Jr. - Member (NED)
Michael G. Tan - Member (NED)
Joseph T. Chua - Member (ED)
Johnip G. Cua - Member (ID)

Risk Management Committee

Jaime J. Bautista - Chairman (ED)
Lucio K. Tan, Jr. - Member (NED)
Michael G. Tan - Member (NED)
Joseph T. Chua - Member (ED)
Johnip G. Cua - Member (ID)
Ben C. Tiu - Member (ID)

Mining Committee

Johnip G. Cua - Chairman (ID)
Lucio K. Tan, Jr - Member (NED)
Michael G. Tan - Member (NED)
Joseph T. Chua - Member (ED)

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

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

Independent Auditors

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
Makati City

Investor Relations

For further information about MacroAsia Corporation, please contact

Ms. Jenna Mae V. Diaz Financial Accountant
12th Floor, Allied Bank Center, 6754 Ayala Avenue
Makati City, 1226, Philippines
Tel No.: +63 8402001
Email: jvdiaz@macroasiacorp.com

Stock Code

Philippine Stock Exchange – MAC

Financial Calendar

Year Ended 31st December 2015
Annual Report Announcement – 15 April 2016
Annual General Stockholders' Meeting – 15 July 2016
First Quarter Interim Results Announcement – 13 May 2016

DIRECTORY OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Lufthansa Technik Philippines, Inc. (LTP)
(A Joint Venture with MacroAsia Corporation)
MacroAsia Special Economic Zone
Villamor, Airbase, Pasay City 1309, Philippines
Tel Nos.: + 63 2 8552222
Fax Nos.: +63 2 8559392
http://www.ltp.com.ph

MacroAsia Catering Services, Inc. (MACS)
(Formely MacroAsia – Eurest Catering Services, Inc.)
Asia Site, West Service Road, Merville Exit,
NAIA, Pasay City 1300, Philippines
Tel Nos.: +63 2 8282011
Fax Nos.: +63 2 8284717
http://www.macroasiacatering.com

MacroAsia Airport Services Corporation (MASCORP)
(Formerly MacroAsia – Menzies Airport Services Corporation)
Room 450, 4th Floor IPT Building,
NAIA, Pasay City 1300, Philippines
Tel Nos.: +63 2 8795886
Fax Nos.: +63 2 8795882
Website: http://www.mascorp.ph

Cebu Pacific Catering Services, Inc. (CPCS)
1st Avenue Extension, Block B6
Mactan Economic Zone,
Lapu-Lapu City, Philippines
Tel Nos.: +63 32 3405838/ +63 32 3405848/+63 32 3405858
Fax Nos.: +63 32 3405358

MacroAsia Air Taxi Services, Inc. (MAATS)
No. 18 Marigold Street Ext., Barangay 200, Zone 20 Rivera Village, NAIA
Pasay City Philippines 1300
Tel Nos.: +63 2 5534847

MacroAsia Properties Development Corporation (MAPDC)
MacroAsia Special Economic Zone
Villamor Airbase ,
Pasay City 1309, Philippines
Tel Nos.: +63 2 8535201
Fax Nos.: +63 2 8535200

MacroAsia Mining Corporation (MMC)
12th Floor, Allied Bank Center,
6754 Ayala Avenue,
Makati City 1226, Philippines
Tel Nos.: +63 2 8402001
Fax Nos.: +63 2 8401892

Airport Specialists' Services Corporation (ASSC)
12th Floor, Allied Bank Center,
6754 Ayala Avenue,
Makati City 1226, Philippines
Tel Nos.: +63 2 8402001
Fax Nos.: +63 2 8401892

MACROASIA CORPORATION

Building a Stable Future

12th Floor, Allied Bank Center
6754 Ayala Avenue, Makati City
1226, Philippines

Tel No.: +63 2 8402001
Fax No.: +63 2 8401892

www.macroasiacorp.com