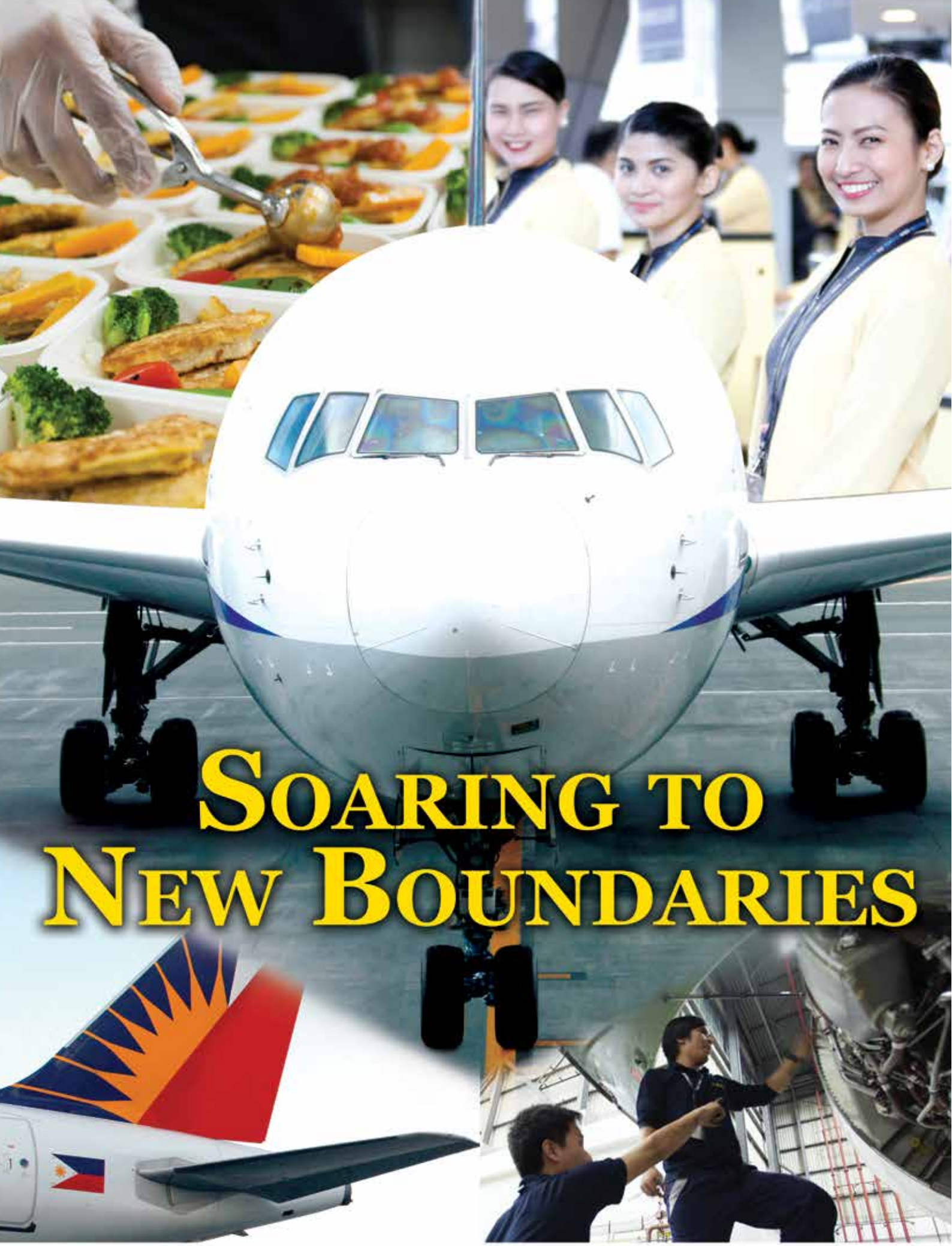
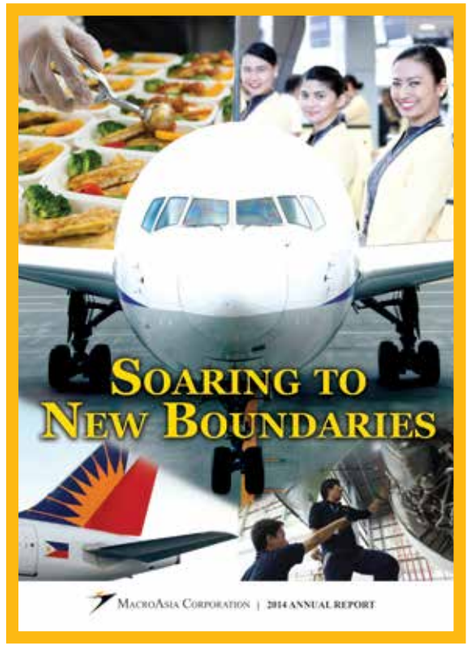


SOARING TO NEW BOUNDARIES

MACROASIA CORPORATION | **2014 ANNUAL REPORT**



>>About the Cover

Traditional aviation services like line maintenance, ground handling and airline catering have always defined the key boundaries of MacroAsia's work for shareholder value generation and service excellence. MacroAsia's evolution from a mining company in the 1970's to its current stature as an aviation services provider manifests the operating teams' growth, driven by a strong focus on these business boundaries that defined strategies, leadership goals and performance analytics.

Nearing two decades of growth in the aviation services, MacroAsia's capability and capacity has grown. The boundaries of its businesses have also expanded to now include heavy base maintenance even for the A380s, one fete that is deserving for a technical team that can compete globally; foray into the provision of food services for prestigious institutional clients beyond airlines, winning accounts on public tender because of reputation and track record; mining exploration services for third party accounts; and the recent foray into water treatment and distribution for concession areas.

In these new boundaries of business, MacroAsia's commitment to soar will continue, powered by its committed workforce of professionals and driven by engaged stakeholders like you.

Together, we will soar to new boundaries!

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ABOUT US

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

MAC pursues its core operations through its five subsidiaries namely: MacroAsia Air Taxi Services, Inc. (MAATS), a helicopter charter service provider and also offers fixed based operations (FBO) for non-scheduled flights; MacroAsia Properties Development Corporation (MAPDC), a developer of the MacroAsia Special Economic Zone at the Ninoy Aquino International Airport. It is also pursuing the development of a water supply projects outside Manila; MacroAsia Catering Services, Inc. (MACS), a majority-owned subsidiary that operates in Ninoy Aquino International Airport (NAIA). It offers in-flight catering to the majority of international airline clients that fly to Manila and also serves the food requirements of selected non-airline clients outside the airport; MacroAsia Airport Services Corporation (MASCORP), the only airport services and ground handling company that operates in three NAIA terminals. It also operates in Mactan Cebu International Airport and Kalibo International Airport; and 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, for aircraft maintenance, repair, and overhaul (MRO) and Cebu Pacific Catering Services, Inc (CPCS), currently the only in-flight catering company that operates at the Mactan-Cebu International Airport (MCIA).

MAC Group will continue to focus in the field of aviation services as a core revenue segment, but at the same time, pursue businesses related to resource development, especially in projects involving mining related to MAC's rich mining history from the 1970s, and water resources, particularly in water treatment for distribution to concession areas.

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.

Our Motto

We will passionately pursue our vision with:

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

Core Values

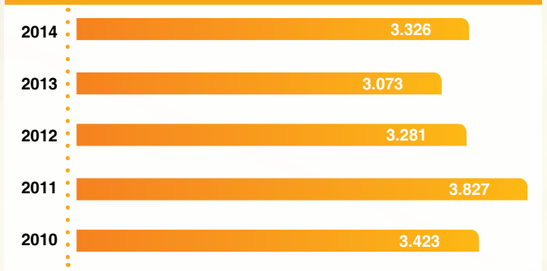
Our way of life in MacroAsia is built on the fundamental ideal of service to all stakeholders, especially our customers. In doing so, we are guided by:

- **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.

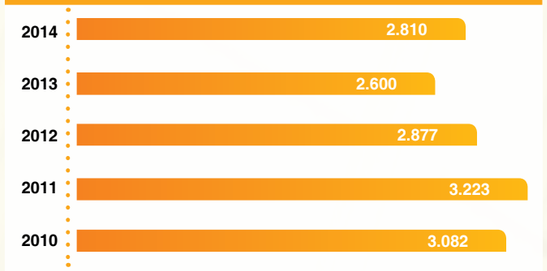
MacroAsia Corporation and Subsidiaries

Financial Highlights

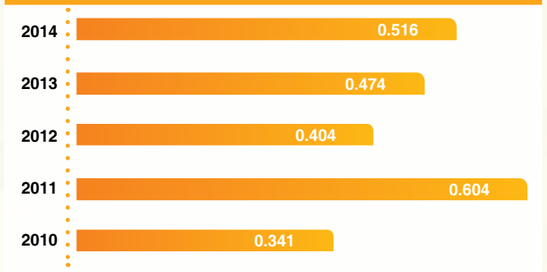
ASSETS (IN PHP BILLIONS)



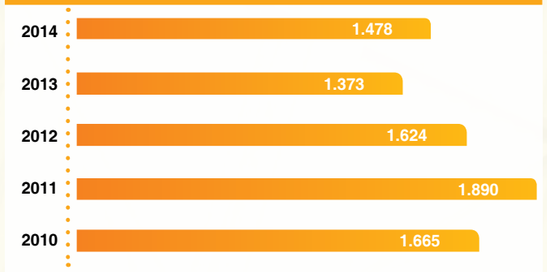
EQUITY (IN PHP BILLIONS)



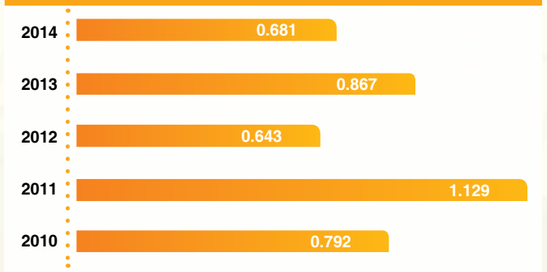
LIABILITIES (IN PHP BILLIONS)



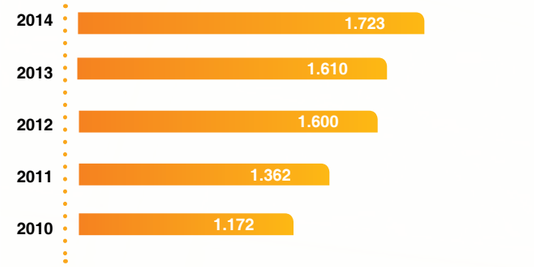
RETAINED EARNINGS (IN PHP BILLIONS)



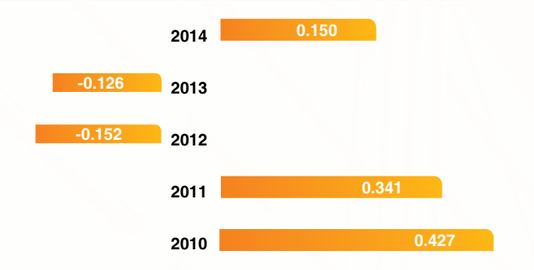
CASH AND CASH EQUIVALENTS (IN PHP BILLIONS)



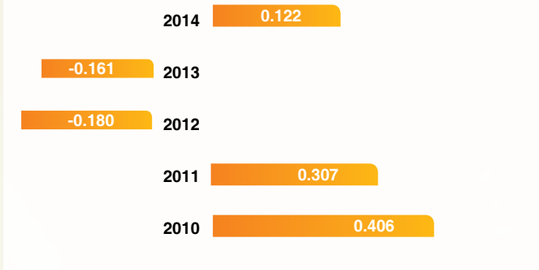
REVENUES (IN PHP BILLIONS)



EARNINGS BEFORE INTEREST AND TAXES (IN PHP BILLIONS)



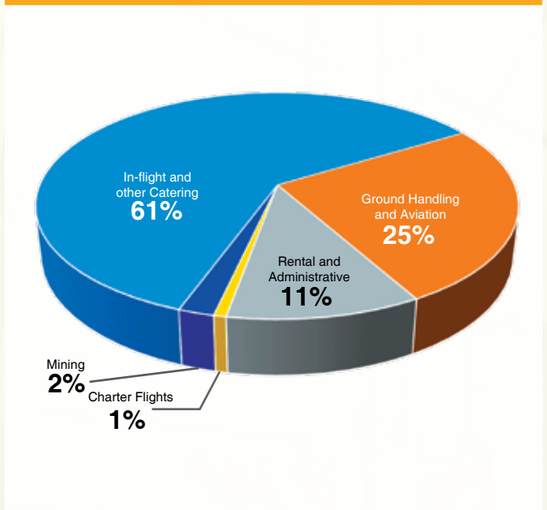
NET INCOME (IN PHP BILLIONS)



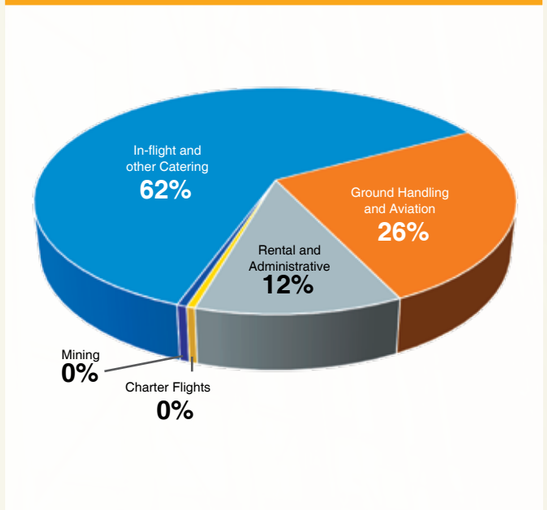
RATIOS AND PERCENTAGES

	2010	2011	2012	2013	2014
Current	5.88:1	4.02:1	4.11:1	4.58:1	4.18:1
Debt to Equity	N/A	4.00%	N/A	1.00%	3.10%
Return on Assets	11.86%	8.07%	(5.24%)	(5.35%)	3.15%
Return on Equity	13.22%	9.28%	(6.46%)	(6.70%)	4.20%

REVENUE BY SEGMENT 2014



REVENUE BY SEGMENT 2013



Chairman's Message

Dear Fellow Stakeholders,

It gives me great pleasure to assess that year 2014 is a better year for our operating companies, and that the prospects for sustainable growth are evident as we move on to 2015. Our Group returned to profitability on a consolidated basis in 2014, and the profit-generating investments of our business units are foreseen to reap new benefits this 2015.

STABLE PHILIPPINE ECONOMY:

On a global perspective, many of the markets where our airline clients operate continue to be faced with various challenges such as security concerns due to geopolitical issues, peace and order concerns in the Middle East, health scare from MERS or EBOLA Virus, currency volatility and suppressed consumer confidence in the traditional economies. These factors continue to make operations in the airline industry challenging, although some relief was provided by lower fuel prices compared to previous years.

The Philippines, as evaluated by the Bangko Sentral Ng Pilipinas (BSP) in its 2014 annual report, continues to enjoy an economy of relative strength, with a growth trajectory appearing to be broad-based, providing the basis for a durable and sustainable economic expansion and growth over the medium-term. Low interest rates, aggressive infrastructure improvement efforts, political stability and stable inflation had also encouraged investments in various sectors. The industry boom also comes on the back of sustained growth in tourism and business process outsourcing (BPO).

Undeniably, the growth in local industries, and the strong OFW remittance inflows translate into higher earnings and spending potential for our countrymen. Thus, the demand for airline travel also grew, fueling the growth in the local aviation industry which we serve. These positive indicators augur well for Filipino businesses like us, especially since we are largely dependent on local-based airline clients for our key businesses in aircraft maintenance, repair and overhaul (MRO), ground handling and airline catering.

OPPORTUNITES ARISING FROM THE COUNTRY'S AVIATION STATUS BEING BACK TO U.S. CATEGORY 1:

In April 2014, Philippine aviation achieved one important milestone: the restoration of the Philippines into US Category 1 status. This upgrade came six years after the country's safety downgrade to Category 2. The Federal Aviation Authority (FAA) designates audited countries as Category 2 if in the judgment of the FAA's inspectors, they did not meet International Civil Aviation Organization (ICAO) Standards. During the period of downgrade, airlines of the downgraded country cannot launch additional flights to the United States or change aircraft types used on existing routes.

With the country's return to Category 1, Philippine Airlines (PAL), a major client of MacroAsia, now has the flexibility again to change or grow its routes to the United States. The United States, home to a sizeable population of Filipinos, is a key market for PAL. PAL is now able to replace its ageing B747 on US routes to San Francisco and Los Angeles with more modern and fuel efficient B777 aircraft. It can also increase flights to existing US cities in its network, and introduce new routes to cities such as New York starting in March 2015. The growth of PAL is also cascading to MacroAsia which is PAL's service provider in MRO and ground handling.

COST LEADERSHIP INITIATIVES AND BREAKING NEW GROUND:

Our continuing focus on the core segments of our businesses allowed us to reinforce our position across our markets in aviation services. At the same time, we have also pushed for selective business expansion to expand our revenue-generating capabilities.

Our key investment, Lufthansa Technik Philippines (LTP), progressed in its cost leadership initiatives as it refocused its business towards heavy base maintenance, rather than line maintenance of aircraft. In 2014, it started working for the development of a second A380 hangar. This hangar, which LTP expects to be operational by November 2015, will enable LTP to service two A380s at the same time. LTP has already signed an exclusive, long-term agreement with Qantas for the base and heavy maintenance of the 12 Airbus A380s of the airline. Aside from this, LTP is set to service the A380s of Lufthansa as well.

Our inflight catering business in NAIA has evolved in 2014, as it now competitively provides food services and management for esteemed institutional clients outside of the airport. Today, it is providing food products and services to Asian Development Bank, some BPO companies, hotels and casinos. Because of substantive growth in this non-airline revenue segment, our subsidiary is investing on additional capacity through a new food commissary/kitchen outside of NAIA.

After gaining experience in operating a revenue-generating water re-use facility in the MacroAsia Ecozone, our properties and development subsidiary has ventured further to do water distribution for concession areas like what Maynilad or Manila Water is doing. Through a subsidiary, it is set to commercially open in August 2015 the Solano Waterworks System in Nueva Vizcaya. After more than a year of building a water treatment plant and laying the water pipelines in the town proper, this new business will enable the treatment of surface water from the Magat River and the distribution of such treated water to business and household customers in the town.

These projects, among others, entail the deployment of the Group's resources into new profit-generating endeavors. More than the availability of credit lines for our Group, our disciplined approach to working capital and cash management in the previous years has allowed us to accumulate the free cash flow to fund the foregoing investments. Thus, we have positioned MacroAsia for stronger growth in the future.

SUSTAINABILITY AND GOVERNANCE:

As service providers, maintenance of stakeholder trust is an indispensable part of our culture. Our hearts and minds have always been attuned to our clients, to the community where we operate in, and to our employees that we have always held highly as our partners at work.

Today, we remain committed to invest in initiatives that relate to quality systems, education and continual training, capacity building for our workforce and the community where we operate, and environmental/statutory compliance, while consistently working to increase stakeholder values.

A culture of strong governance and transparency shall continue to permeate business units, since we believe that this is the foundation for the long-term creation of value. Our adherence to corporate governance and best practices plays a key role in keeping the trust of our various stakeholders, while managing our own risks and opportunities as well.

APPRECIATION:

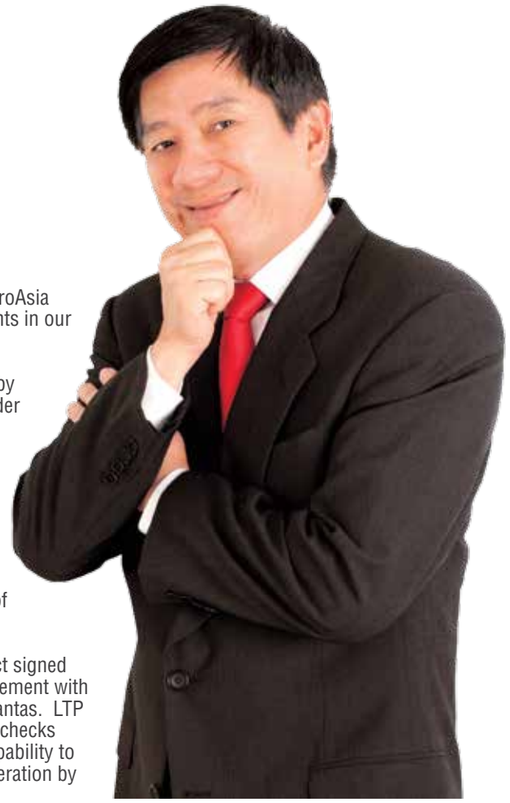
As we look back in 2014, the Board and the operating teams feel that much is owed to the trust and confidence bestowed on us by our shareholders, clients and other stakeholders. Especially when we were navigating the difficult times before 2014, we found the inspiration and passion to face the challenges because of the consistency of our stakeholders' support and trust.

Thus, we thank you all for the unwavering support and the opportunity to serve.

Sincerely yours,

W. SyCip
Chairman

President's Message



Dear Stakeholders of MacroAsia,

Year 2014 speaks of growth, turnaround performance and expansion for the MacroAsia Group, within the context of macroeconomic stability and continuing improvements in our country as a whole.

As a Group, we are better-positioned in our markets, and apparently appreciated by our clients and other stakeholders, as we turn two decades of doing business under the name "MacroAsia Corporation" by November 2015. Focusing on three core business units that we have, let me cite some indicators in 2014:

• MRO: Lufthansa Technik Philippines, our biggest investment, has returned to profitability after two challenging years of refocusing its business strategies. For line maintenance, LTP helped Philippine Airlines maintain a record high Technical Maintenance On time Performance (OTP). In 2014, LTP was able to reach an average of 99.24% OTP for PAL aircraft maintenance originals. This is an improvement from the average 99.11% OTP in 2013. LTP maintained a total of 44 aircraft from the fleet of PAL and PAL Express as of December 2014.

Today, LTP is assured of its business with key clients, marked by a 2-year contract signed for base and heavy maintenance with PAL, as well as an exclusive long-term agreement with Qantas Airways for the base and heavy maintenance of the 12 Airbus A380s of Qantas. LTP is also doing the cabin modification of Lufthansa's A340s, and is slated to do the checks for Lufthansa's A380s as well. With these developments, LTP is upgrading its capability to do heavy maintenance for the A380s, with a second A380 hangar coming into operation by November 2015.

• CATERING: MacroAsia Catering Services, has stayed its course as a caterer of choice, keeping its share of the foreign airlines market in NAIA above 60%. Its On Time Performance Record for the servicing of its clients in 2014 is 100%. More than this, its citations and awards were numerous, among which are:

1. Excellence in Catering Award for Singapore Airline (2nd Best Caterer within the worldwide network of providers of Singapore Airlines);
2. ANA's "Gold Awardee, Best Short Haul Caterer 2013" covering the entire short haul network of ANA, outperforming over 15 stations worldwide (2nd consecutive award); and
3. "Gold Award" from Cathay Pacific under the 2014 and 2013 Caterers' Performance Recognition Program (CPRP). In 2012, MACS was given the Diamond Award.

In 2014, MacroAsia Catering won the tender for the food services management of Asian Development Bank, a prestigious client, bagging a 3-year contract for this account. It has also grown its food business for non-airline clients, like BPOs and casinos. It is often the first choice in NAIA to service VVIP flights, for top dignitaries of the US, France, Spain, Australia, and Germany to name a few countries. Today, it is expanding its production capability through a catering subsidiary that will operate a new catering facility outside NAIA.

• GROUND HANDLING: MacroAsia Airport Services has completed in 2014 its program to further grow its capability through the acquisition of several ground support equipment (GSE), including the construction of its own motorpool inside NAIA's General Aviation Area.

It is the only ground handler in the airport whose services are rendered in NAIA Terminal 1, 2 and 3. This subsidiary is now serving Philippine Airlines/PALEx in Terminal 2 and 3, and Cebu Pacific in Terminal 3. Cebu Pacific engaged MacroAsia as a service provider for its foreign-bound flights in NAIA starting in 2014. MacroAsia feels honored for this fete of being a service provider for the two major local airlines of the country, underscoring the professionalism and competitiveness of our services and workforce in ground handling.

MacroAsia Airport Services was also recognized as the "Highest Quality Service Provider for the 2nd Quarter of 2014" among the ground handling companies in South East Asia that provide services to Korean Air.

Key Financial Highlights In 2014:

Continuing Growth In Revenues - Revenues from inflight catering contributed 61% of the total consolidated revenues, and this exceeded one billion pesos for the first time in 2014. From ₱991 million in 2013 catering revenues, 2014 saw catering revenues rise to ₱1.04 billion due to additional institutional clients serviced in 2014.

The revenues from ground-handling and aviation services rose to ₱441 million from ₱413 million in 2013, due to passenger check-in services for the international flights of Cebu Pacific in NAIA Terminal 3 starting on the second half of 2014. Revenues generated from our charter flight services in the amount of ₱12 million were up by almost half of 2013 revenues. Revenues from services for fixed-based operations contributed ₱3 million this year, consistent with 2013 revenues.

Mining service revenues continued to be generated from the exploration services being rendered for a third party client. This amounted to ₱35 million in 2014, a 288% growth from ₱9 million in 2013.

Net Profitability of the Group - The Group is reporting a consolidated net income after tax of ₱122 million in 2014, reflecting a turnaround into profitability from the past two years' consolidated losses of ₱161 million and ₱180 million in 2013 and 2012, respectively.

The Group's major subsidiaries posted stronger operating and financial results in 2014, including LTP and CPCS as affiliated companies. LTP, which keeps its books in US dollars, ended 2014 with a net profit of ₱226 million (equivalent pesos), coming from losses of ₱539 million in 2013. Our 49% stake in this JV translates into a profit share of ₱111 million in our 2014 consolidated books, in contrast to a ₱264 million share in LTP losses in 2013.

Financial Position and Cash Utilization:

With the positive results from operations, our total consolidated assets in 2014 grew to ₱3.3 billion, which is higher by 8% compared to ₱3.1 billion in 2013.

However, total cash and cash equivalents decreased to ₱681 million in 2014, a decline of 21% from previous year's ₱867 million, primarily due to key investments as follows:

- ₱33M for a new motorpool/maintenance facility for ground handling;
- ₱30M for new ground support equipment;
- ₱89M for a waterworks system project in Solano, which is designed to treat surface water from the Magat River and distributed about 10 million liters of treated water per day to household and business establishments in the town; and
- ₱92M for the acquisition of a lot and 3-storey building close to MacroAsia's vacant lots in Muntinlupa City, for development as a food commissary/kitchen for MacroAsia's non-airline clients.

Our financial position remains stable and continually improving, backed by the growth in our core businesses that generate the needed cash flow for our expansion. While our bank credit lines remain substantially untapped, we are funding growth in our operating companies using cash on hand or cash generated from operations.

In discussions with our Board regarding actual cash returns to our shareholders in the form of cash dividends though, we seek your understanding that Management deems it imperative to hold on to the parent company's cash for now, due to the funding requirements for the new projects that are currently being pursued. Not to mention, we are putting on standby, ₱262 million that maybe a probable shareholders' advance to LTP if necessary. LTP is currently investing US$25 million on a second A380 line for operational use by November 2015, and both its shareholders, Lufthansa Technik AG and MacroAsia have committed to support LTP by setting in total a US$12M bridge financing until LTP completes its financing plan for this project.

Today, we foresee that our cash-generating ability as a Group will be further enhanced when LTP's second A380 hangar and MacroAsia's treated water distribution business come online in 2015. Prospects are even brighter when the new food commissary for MacroAsia Catering is completed, with the support of its JV partner, SATS of Singapore.

Business Outlook In 2015

Notwithstanding the growth indicators above, Management looks at 2015 with guarded optimism.

Our catering and ground handling businesses remain vulnerable to current health scare risks arising from MERS and EBOLA, as our revenues will be affected by passenger and flight movements if health reasons curtail the airline industry.

While 2015 is a year before the country's national elections, we foresee no progressive change in the government's policies and directions on mining. Thus, our Infanta Nickel Project, which entails the re-opening of our old mine, will continue to be under care and maintenance. In the meantime that we are working to complete our operating permits, our mining staff and equipment shall continue to be engaged in exploration work for other mining companies.

Gratitude

Our operating teams have continually sought ways to expand our Group's ability to generate shareholder value. We remained motivated by the goals that we have set for our stakeholders, always keeping the attitude to do things well, even beyond expectations despite the challenges in our operating environment. Our workforce has remained union-free, constant and engaged, though we are faced with the onslaught of talent-seekers abroad.

However, we could have not reached where we are today, without your untiring support through the years.

On behalf of management and the operating teams, I thank all of you for your trust and confidence, and for providing the constant inspiration for us to give our best always.

Sincerely yours,

Joseph T. Chua
President and CEO

Lufthansa Technik Philippines, Inc.

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.

Celebrating 15 years of aircraft maintenance, repair, and overhaul operations in the Philippines this 2015, Lufthansa Technik Philippines (LTP) remains to be the biggest investment of MacroAsia Corporation (MAC) to date. It is a joint venture between MAC which owns 49% and Lufthansa Technik AG of Germany which holds 51% interest. Its main facility in Manila is located inside a special economic zone within the Ninoy Aquino International Airport.

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 aircraft 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.

>>2014 - Operating Results

After two consecutive years of losses, the company has finally posted a profit of US $5.1 million, 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 were, a fuselage docking system that gives a better access to both cabin floor levels, and dedicated equipment and workshops.

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 four (64) C-Checks and seven (7) 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 2014, LTP was able to reach an average of 99.24% OTP for PAL aircraft maintenance originals. This is an improvement from the average 99.11% OTP registered in 2013. LTP maintained a total of 44 aircraft from the fleet of PAL and PAL Express as of December 2014.

In November 2014, the company launched a program called

YES!LTP – Yield, Evolution, Sustainability – Long Term Perspective, which aims to increase LTP's competitiveness and strategic positioning in the Asian market.

In line with the YES!LTP program and in response to changing market potentials, LTP is staying flexible and building up new capabilities. Central to expanding capability is an increase in capacity. This 2015, LTP is expanding its main hangar to make room for a second A380 bay and another bay equipped with flexible docking systems that can accommodate base maintenance for the Boeing 777 and 787, and Airbus A350. The hangar extension is expected to be completed in November 2015.

>>2015 - Outlook

The last quarter of 2014 up to the first quarter of 2015 was a landmark period for LTP, as it secured contracts from its current, new, and returning customers. Early this year, PAL entrusted to LTP its Airbus fleet for base and heavy maintenance for another two years.

LTP continues to be Qantas's trusted MRO provider for its A380 fleet. The airline recently signed an exclusive 10-year agreement with LTP for base maintenance and modifications for its A380s. LTP also recently partnered with South Korea's Asiana Airlines with a 3-year base maintenance agreement covering Asiana's two A380s and five A320s in 2016.

With new contracts for A380 base maintenance and a hangar expansion on the way, LTP will be well-equipped to perform two A380 maintenance checks in parallel. It is also currently building up its base maintenance capability for the Boeing 777 which will be available in the first quarter of 2016.

MacroAsia Catering Services, Inc. (MACS) is MacroAsia Corporation's 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%.

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. The company has a 6,500 m² kitchen facility that was designed initially to produce a maximum of 10,000 meals per day. For several times in its operating history, MACS implemented phased-in expansion projects to increase its capacity. In 2014, MACS served over 3.8 million meals during the year.

MACS continues to retain its hold of the foreign airlines catering market in NAIA as it serves 64% of the foreign airlines market in NAIA. As a preferred caterer of foreign airlines, its clients consist of 13 international airlines with regular flights, namely: Air Niugini (PX), All Nippon Airways (NH), Cathay Pacific (CX), China Airways (CI), Dragon Air (KA), Emirates Airlines (EK), Etihad Airways (EY), Japan Airlines (JL), Korean Air (KE), Qantas Airways (QF), Qatar Airways (QR), Saudia Airlines (SV) and Singapore Airlines (SQ). Aside from these airlines, there are charter flights and VIP flights that are often serviced by MACS. MACS is also a preferred food provider for airline lounges in the airport.

>>2014 - Operating Results

In 2014, MACS' revenue portfolio reached more than Php1 billion for the first time in its operating history. Aside from the stable revenues from its airline catering portfolio, MACS was able to derive revenues from its venture into food provisioning and servicing for non-airline accounts. This non-airline segment contributed 15% of MACS' total revenues in 2014.

A significant non-airline account in 2014 is the 3-year Food Service Management Contract for Asian Development Bank, a premier account because of the international composition of its employees. Aside from this, MACS is serving food for prime BPO accounts and casinos/hotels.

MACS' service excellence is highlighted in 2014 by the following awards/recognition:

1. Excellence in Catering Award for Singapore Airline (2nd Best Caterer within the worldwide network of providers of Singapore Airlines);

2. ANA's "Gold Awardee, Best Short Haul Caterer 2013" covering the entire short haul network of ANA, outperforming over 15 stations worldwide (2nd consecutive award); and

3. "Gold Award" from Cathay Pacific under the 2014 and 2013 Caterers' Performance Recognition Program (CPRP). In 2012, MACS was given the Diamond Award.

>>2015 - Outlook

Due to saturation in the NAIA airline catering market and steep competition, aviation revenue from airline catering in 2015 is estimated to be stable and in line with 2014 performance.

On the other hand, MACS foresees growth in institutional catering. To support the said growth, MACS is setting up a non-aviation subsidiary to focus on the specific market. In addition, MACS will be establishing a separate catering facility that will serve as a commissary for non-airline clients. This facility will increase MACS' production capacity further.

MacroAsia Catering Services, Inc.

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.

MacroAsia Airport Services Corporation

MASCORP was recognized as the "Highest Quality Service Provider for the 2nd Quarter of 2014" among the Ground Handling companies in South East Asia

MacroAsia Airport Services Corporation (MASCORP) is a wholly-owned subsidiary of MacroAsia Corporation (MAC). It commenced its 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 Philippines 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 also established its presence in the Mactan Cebu International Airport and in the Kalibo International Airport, both international gateways in the Visayas.

>>2014 - Operating Results

MASCORP reported revenues of Php440 Million in 2014, an increase of 7% compared to 2013. Despite the revenue increase, the company's 2014 operating income is 23% lower, compared to 2013. As a labor-intensive service company, MASCORP was affected by the mandatory increase in minimum wage as implemented in January 2014. This cost increase could not immediately be passed on to airline clients, due to the nature of airline contracts for ground handling services that often require re-negotiation of rates for instances like these mandatory increases. Periodic repairs & maintenance of its ground service equipments (GSE), and interest expense from a loan availed in the first quarter of 2014 for working capital requirements also contributed to higher operating costs.

MASCORP was recognized as the "Highest Quality Service Provider for the 2nd Quarter of 2014" among the Ground Handling companies in South East Asia that provide services to Korean Air.

>>2015 - Outlook

MASCORP as a groundling handling service provider is dependent on the growth of its existing airline clients. For 2015, growth is foreseen in the business of its base client, Philippine Airlines (PAL). Since PAL has regained its flexibility to expand its routes to the USA due to the upgrade of the Philippines to FAA Category 1 status, new flights will be launched by PAL and some of these flights will likely be serviced by MASCORP. Also, as the Philippine economy remains stable and growing, the increase in local travelers will likely continue, and their choice of foreign airline carriers which are MASCORP clients as their providers will definitely benefit MASCORP. Thus, MASCORP is projecting a growth in its revenue portfolio, arising from internal growth of existing airline clients that are working to add new flights to their existing timetable to and from the Philippines.

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 MacroAsia Corporation, 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 m^2 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 2014 are Air Niugini, Air Asia Zest, Asiana Airlines, Cathay Pacific, Cebu Pacific Air, Korean Air and Philippine Airlines.

>>2014 - Operating Results

In 2014, the Company reported an increase in net income of 25%, compared to 2013. 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 2014.

>>2015 - Outlook

CPCS will continue to be aggressive in its marketing strategy 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. The winning PPP concessionaire intends to develop the airport and market it to new airline entrants, thereby increasing the potential airline catering market in Cebu. Moving forward, CPCS is confident that it will increase its revenue for year 2015, considering the growth of tourism and increase in commercial activities within Cebu.

Cebu Pacific Catering Services, Inc.

100% on-time performance in its operation.

MacroAsia Air Taxi Services, Inc.

MAATS, as a CAAP-AOC certified company, strictly adheres to the rules, standards and procedures as prescribed in the ICAO recognized Philippine Civil Air Rules. This includes compliance to the periodic audits conducted by the CAAP inspectors during the course of its operations.

MacroAsia Air Taxi Services, Inc. (MAATS) is a wholly-owned subsidiary of MacroAsia Corporation. It is one of the two companies that were incorporated in June of 1996. MAATS operates as a multi-role utility air charter service catering 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.

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

MAATS, as a CAAP-AOC certified company, strictly adheres to the rules, standards and procedures as prescribed in the ICAO recognized Philippine Civil Air Rules. This includes compliance to the periodic audits conducted by the CAAP inspectors during the course of its operations. Failure to comply would mean the cancellation of the commercial permit. Compliance includes the 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, aside from helicopter chartering, MAATS has added to its portfolio the provision of services for Fixed-Based Operations (FBO). These services are mainly to support and complement the MRO clients of Lufthansa Technik Philippines. FBO work deals mostly with providing solutions (non-maintenance and generally administrative/ liaison work), like securing all the necessary permits to allow for a smooth and trouble-free entry and exit of MRO flights.

>> 2014 - Operating Results

The company reported a net income of Php1.1 Million in 2014, an increase of 322% as compared to the net loss recorded in 2013. This is due to the higher number of chartered flights in 2014, as compared to 2013 when the helicopter underwent a long downtime due to mandatory maintenance and the prolonged process of renewing the company's operating permits. Aside from the chartered flights in 2014, the company also booked an increase of 37% in its income from FBO.

>> 2015 - Outlook

MAATS foresees an increase in the helicopter's flying hours as it grows its client base for commercial charter flights. It also expects a growth in FBO revenues, in line with the growth in the client portfolio of its associated company, Lufthansa Tecknik Philippines, Inc.

MacroAsia Properties Development Corporation (MAPDC) is one of the two companies that were incorporated in June 1996. Its purpose is to engage in the acquisition, development, and sale of real property, among others. After completion of its warehouse condominium project in Muntinlupa, the company suspended its operation, as it was affected by the economic crisis then.

In September 2000, the company re-started its commercial operations, this time as a developer and operator of the MacroAsia Special Ecozone, the only special economic zone at Ninoy Aquino International Airport (NAIA). Its locator is Lufthansa Technik Philippines, Inc. for a period of 25 years, renewable by another 25 years.

Within the Economic Zone, MAPDC commenced developing its business on renewable water systems, starting with a project to treat and recycle waste water from the ecozone, for non-domestic water supply of the ecozone. While allowing for revenues from water to be earned in the process, this project proved to be successful as this boosted the efforts of the ecozone partners to allow for the greater and faster recharging of the aquifer through minimized deep well use. This foray into the water business was followed by projects to treat water sourced from the surface, particularly from rivers, and sell such treated water in bulk or directly to household/business concession clients. Today, MAPDC has a bulk water supply project in Cavite that is currently in the development stage, and a complete waterworks system project in Solano, Nueva Vizcaya that will start commercial operation in 2015.

>>2014 - Operating Results

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 maintained its gross profit at the same level as last year. Year 2013 saw MAPDC reverse an impairment loss on investment property (Muntinlupa lots), back to its original acquisition cost. As 2013 benefitted from this one-time accounting gain from the reversal, the 2014 results reflect a bottom-line decrease of 93%. Another factor that contributed to this decrease in net income for 2014 is the take-up of expenses related to the water supply projects during the year. As pointed out, one of this projects is expected to be operational in the last half of 2015.

>>2015 - Outlook

The company's expansion in 2015 involves the development of the Sucat property as a site for a food commissary to be leased out to MacroAsia Catering.

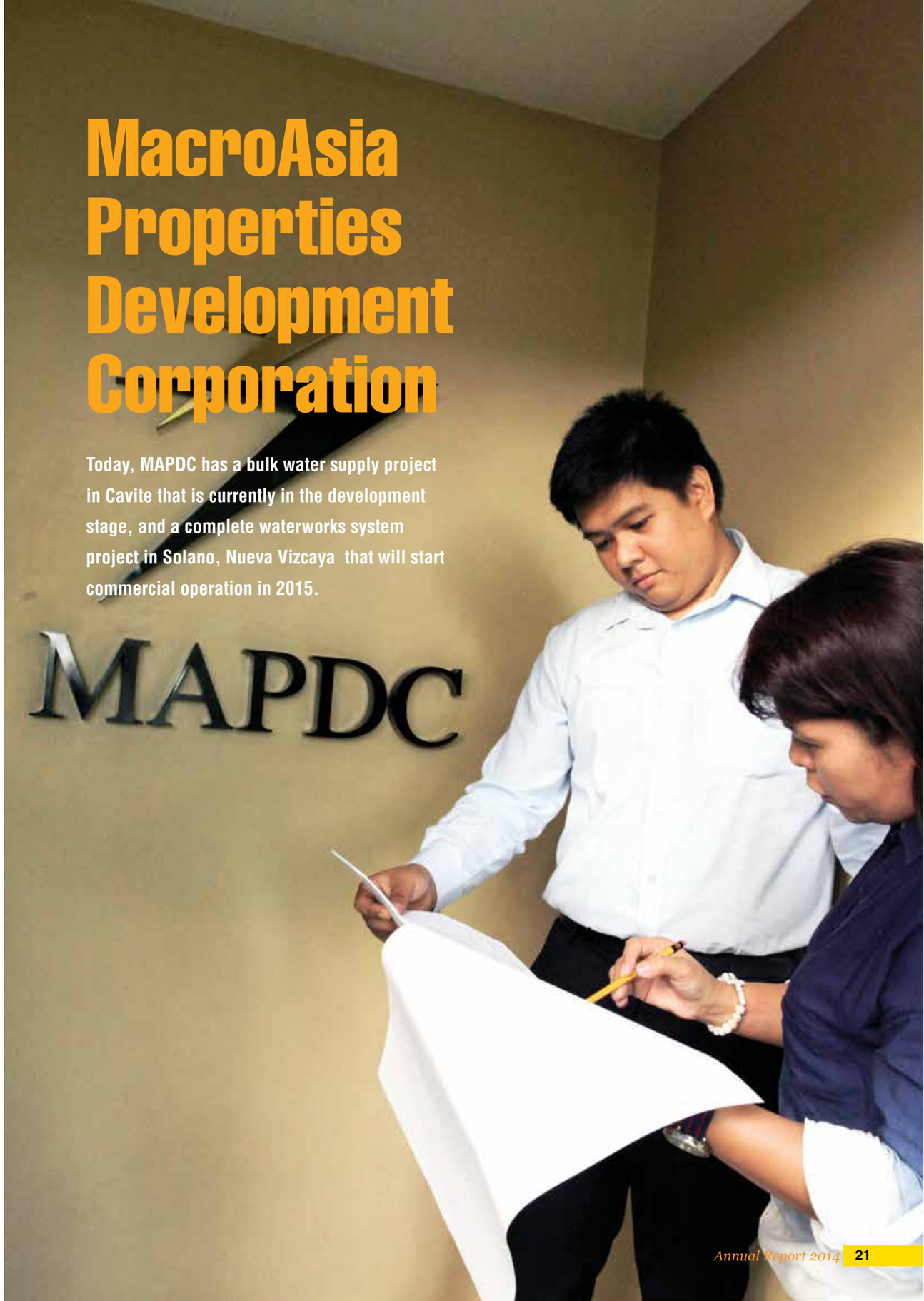
In addition, the water supply project (10 million liters per day) for Solano, Nueva Vizcaya will be operational in 2015 and revenue will be expected in the same year.

MAPDC is also pursuing the replication in Mactan, Cebu, of the MacroAsia Ecozone in NAIA, at a smaller scale though. It is in the process of applying for an economic zone status for lands leased to it by the Mactan Cebu International Airport Authority (MCIAA), including land currently leased by LTP for hangar and aircraft parking inside the airport.

With the above projects, MAPDC is optimistic about its future revenue sources, even as ecozone operations in NAIA remain relatively flat and predictable, considering the fixed nature and size of the current business, as no more land in NAIA can be annexed to grow the current ecozone.

MacroAsia Properties Development Corporation

Today, MAPDC has a bulk water supply project in Cavite that is currently in the development stage, and a complete waterworks system project in Solano, Nueva Vizcaya that will start commercial operation in 2015.



MacroAsia Mining Corporation

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.

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 and Southern Dinagat Island 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 for the extension of the exploration activity immediately north of Nonoc Island which is under the jurisdiction of the Municipality of Cagdianao, Province of Dinagat Island.

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 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 encompassing areas in the barangays of Ipilan, Maasin and Mambalot 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 Mineral Production Sharing Agreement (denominated as MPSA 220-2005-IVB).

In line with the MPSA, MAC implemented a 7-phase exploration program to re-assess the extent of mineralization of the tenement. The results of the 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.

Mineral Resource Base

The Report on Exploration Results and Mineral Resource Estimate for MAC's Infanta Nickel Project is based on 2,751 vertical drill holes with a total meterage of 47,274 and 480 vertical test pits with aggregate depth of 2,568 m, driven over 535.5 hectares equivalent to 48% of the total MPSA area. The exploration resulted in the collection of 54,412 samples, which were analyzed for nickel, iron and 12 other elements/oxides.

Geostatistical modeling of the ore deposit involved the estimation of 152,671,288 mining blocks with 5m x 5m x 3m dimension. The nickel laterite deposit consists of three ore types: limonite, earthly saprolite and rocky saprolite, with average thickness of 6.0m, 4.5m, and 7.3m, respectively.

At 0.8% nickel cut-off grade, the PMRC based resource estimate consists of the following resource classes:

Resource Classification	Tonnage and Average Grade
MEASURED	13,475,000 DMT @ 1.22% Ni
INDICATED	36,536,000 DMT @ 1.08% Ni
INFERRED	3,736,000 DMT @ 1.04% Ni
TOTAL RESOURCES	53,747,000 DMT @ 1.11% Ni

The MEASURED resource is supported by sampling interval of 25m x 25m spacing, INDICATED resource is based on data acquired from samples at 50m x 50m spacing and INFERRED resource is based on samples obtained from at least 100m x 100m spacing.

At a contemplated mine production rate of 1 million tonnes per year, extraction of the MEASURED reserves will last for at least 13 years. During this time, concurrent exploration activities are expected to upgrade the classifications of INDICATED and INFERRED resources into MEASURED reserves that will extend the productive life of the mine.

Activity In 2014

As part of the requirements in keeping the MPSA active, an Order of Survey is required by MGB Region 4. Along the Order of Survey is a bond to be paid to MGB Regional Office 4. Perimeter survey is now being conducted to cover the perimeter boundary with monuments every 300m interval from the first corner of the MPSA. The requirement is aimed mainly on establishing at least a fourth order survey monument recognized by NAMRIA. The survey started on October 8, 2014 and resumed last February 2015.

Corporate Social Responsibility

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 61 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 Study Tour Program. In this Program, MACS' 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 18,215 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. In 2014, the company donated a two-classroom school building, and completed the renovation of another two-classroom school building in San Juan Bano Elementary School in Arayat, Pampanga. Through its dedicated CSR arm and direct involvement of its employees, LTP has completed and turned over 61 education-based projects to date. In partnership with HELP Alliance, LTP started the construction of four (4) classrooms for the students of Old Kawayan Elementary School in Tacloban City.

Nursery and Reforestation Project

MacroAsia continued 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.

Disaster Relief

The Philippines has always been struck by calamities, especially typhoons. Typhoon Yolanda towards the end of 2013 was a strong tropical cyclone that devastated most of Tacloban and nearby areas, with destructive effects that require years of repair and rehabilitation. MacroAsia, like other partners that were concerned for the recovery and rebuilding of Tacloban and the other affected areas, continued in 2014 to contribute in its small way to the relief efforts to alleviate the plight of the affected communities. Relief and reconstruction activities took much time and effort, and much of the logistics base for transport to affected areas is in the airports in NAIA and Mactan, Cebu. As a ground handler, MacroAsia supported many relief flights at waived charges or on a cost-recovery basis. Its helicopter also flew missions in the Tacloban area, as a support to foreign medical teams.

For several days in January 2014, the MacroAsia Group, with support from SATS, its JV Partner, and the Tan Yan Kee Foundation, distributed retort meal packs that were sent by SATS from Singapore to beneficiaries in several barangays outside of Tacloban.

Blood Letting Activities

MACS has always been steadfast in providing service to its customers. As a service-oriented company, it genuinely cares for other 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 last 21-22 April 2014 at the MACS Training Room. A total of 36 blood donors contributed about 15,800 cc to the blood bank.

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 nine members. Of the board directors, two (2) are Independent Directors, namely, Mr. Johnip G. Cua who chairs the Audit, Compensation and Mining Committees, and Mr. Ben C. Tiu.

Mr. Washington SyCip chairs the Board of Directors and Mr. Joseph T. Chua is the President/CEO 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, 2014 to December 31, 2014, the Board of Directors convened four (4) times, consisting of three (3) Regular Board Meetings, and one (1) Organizational Board Meeting.

The following table shows each Board Member and the corresponding attendance related to the four (4) Board Meetings held in 2014:

Board of Directors	Meetings Attended
Chairman	
Washington Z. SyCip	4/4
Directors	
Joseph T. Chua	4/4
Harry C. Tan	4/4
Lucio K. Tan, Jr.	4/4
Jaime J. Bautista	4/4
George Y. SyCip	4/4
Carmen K. Tan	4/4
Independent Directors	
Johnip G. Cua	4/4
Ben C. Tiu	4/4

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 twice during the year.

Compensation Committee:

The Compensation Committee is comprised of five (5) 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 six (6) 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, including the Chief Executive Officer. Except for the Chief Executive Officer, the members are non-executive, including the two (2) 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 and further update in July 2014 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/CEO, 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 2014, 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

FINANCIAL PERFORMANCE:

The Group is reporting a consolidated net income after tax of ₱121.9 million in 2014, reflecting a turnaround into profitability from the past two years' losses of ₱161 million and ₱180 million in 2013 and 2012, respectively.

The Group's major subsidiaries posted stronger operating and financial performances in 2014, including its affiliates, LTP and CPCS.

Revenues from In-flight catering which contributed 61% of the total revenues had reached one billion pesos for the first time since it started operations. From last year's ₱991 million, the current year's revenue of ₱1.04 billion is brought about by additional institutional clients serviced in 2014. The revenues from ground-handling and aviation services rose to ₱441 million from ₱413 million in 2013. The growth is due to passenger-check services for the international flights of Cebu pacific in NAIA Terminal 3, beginning on the second half of 2014. Revenues generated from our charter flight services in the amount of ₱12 million were up by almost half, due to more flying hours in 2014, compared to longer chopper ground time experienced in 2013 arising from permitting delays and the period of mandated repairs and maintenance of the chopper. FBO revenues contributed ₱3 million this year, consistent with last year's revenue. Revenues from property rental in the MacroAsia Ecozone remained the same. In compliance with Philippine Accounting Standards (PAS) 17, lease rental was accounted on a straight-line basis over the lease term. Administrative fees also remained at the same level as 2013. Our mining service revenues are generated from exploratory drilling and sampling of nickel laterite services agreement with a third party. Revenues from exploration services amounted to ₱35 million, a 288% growth from last year's ₱9 million.

With the higher cost of personnel-related expenses due to the higher required manpower of our catering and ground handling subsidiaries, coupled by mandatory salary adjustments, and the expenses pertaining to the exploration contract obtained by our mining subsidiary, the group posted an increase of ₱99 million in its direct costs, from ₱1.23 billion in 2013 to ₱1.39 billion in 2014. Direct costs ratio of 77% is 1% higher from the 76% level in 2013, mainly due to the higher labor cost ratio of our ground handling subsidiary. General and administrative expenses amounting to ₱375 million in 2013 increased by 14% to ₱428 million in 2014 due to resulting labor requirement of an institutional client and largely because of the provision for probable losses on input tax and TCCs (tax credit certificates) based on the experience of the group with the BIR.

Interest income amounting to ₱13 million remained lower by ₱7 million in 2014, due to lower level of short term investments held by the company. Financing charges increased by ₱4.1 million compared to last year's ₱.6 million, due to the loans obtained by our ground-handling subsidiary in December 2013 and early 2014 from the local bank.

Other income and charges decreased by ₱58.6 million as against ₱101.6 million in 2013. Last year's other income consists of the gain on sale of investment in bonds (recorded gain at ₱49.7 million in 2013) and foreign currency fluctuation resulting to an exchange gain of ₱29.3 million. Another component is the increase in the appraisal value of the property held by MAPDC for several years now which resulted in the reversal of the allowance for losses of ₱17.3 million that was kept in the books in prior years thus bringing back the value of the property to its original acquisition cost by end of 2013. In 2014, the main contributors of other income are reversals of prior year




KEY PERFORMANCE INDICATORS

	Return on Net Sales		Return on Investments		Return on Equity		Cost Ratio		Expense Ratio	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Consolidated	6.67%	(10.56%)	4.07%	(6.63%)	4.20%	(6.70%)	77.12%	76.37%	24.82%	23.33%
MACS	3.32%	4.65%	10.03%	14.95%	10.03%	14.95%	70.20%	69.62%	27.73%	25.04%
MAPDC	0.73%	1.63%	0.79%	11.60%	0.79%	11.60%	93.45%	93.60%	7.42%	4.75%
MASCORP	1.94%	2.69%	3.57%	6.42%	5.56%	7.60%	84.55%	83.23%	11.49%	12.56%
MAATS	10.26%	(6.30%)	6.36%	(1.59%)	6.36%	(1.59%)	97.33%	117.00%	42.93%	72.54%

accruals amounting to ₱19.4 million and foreign exchange gains of ₱12.5 million.

Equity in net income/loss of associates represents MAC's proportionate share in the net income/loss of its associated companies, LTP and CPCS. The changes in the equity share in net income/loss from period to period are dependent upon the results of operations of the associated companies. In 2014, our MRO business exhibited a turnaround from last year's share in net loss of ₱263.7 million to this year's share in income of P₱111 million. Meanwhile, our catering associate in Cebu continues to contribute income, with ₱17.2 million booked in 2014, surpassing the prior year's income of ₱13.9 million.

The Group posted a provision for income tax in the amount of ₱24 million in 2014, lower by 31% as compared to 2013's ₱34.7 million.

Management remains confident about the Group's future. LTP is foreseen to continue its profitability, as it strives to strengthen its base maintenance capability to service foreign airlines, and thus, will become less reliant on line maintenance as a key revenue segment. Continuous growth shall also be driven by new business opportunities in the food business segment. Catering business will grow with the establishment of a new food commissary outside the airport. Ground handling opportunities will also be derived from more flights from Philippine Airlines as a base client, and there is a possibility of ground handling expansion in other secondary airports as required by PAL. The water distribution business will also start commercially in the next few months, enabling a new revenue segment to develop.

FINANCIAL POSITION:

The consolidated total assets of ₱3.3 billion is higher by 8% compared to ₱3.1 billion in 2013. This is primarily due to the new investments by the company pertaining to the water projects and acquisition of ground support equipment.

Total cash and cash equivalents amounting to ₱681 million decreased by 21% from last year's ₱867 million, primarily due to the advances to contractors and investments in water projects in 2014. MacroAsia Properties also purchased in cash, close to about ₱100 million, the lot and 3-storey building beside its Muntinlupa properties, for lease and development by MacroAsia Catering into a new kitchen/commissary. Accounts receivable increased by ₱41 million or 11% from ₱68 million in 2013, mainly due to trade receivables of our catering and ground handling subsidiaries arising from new clients gained in 2014. The inventory level decreased by ₱3 million from ₱47 million in 2013 to ₱44 million as of December 31, 2014.

Other current assets, which represent restricted short-term investment, tax credit certificates (TCC), unused input taxes, creditable withholding and prepaid taxes, other prepaid expenses for insurance covers, rent, utilities, and unconsumed supplies, were recorded at ₱101 million, net of allowance for probable losses, as of December 31, 2014, posting an increase of ₱39 million as compared to 2013, principally due to the accumulation of input taxes by our catering subsidiary.

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are contributed by the share in cumulative translation adjustments for LTP due to foreign exchange fluctuations, cash dividends that were declared and actually received from LTP and CPCS during the current reporting period, and the incremental equity share in net earnings of the associated companies. The company recorded a growth of 43% from ₱462 million in 2013 to ₱662 million in 2014. This is mainly attributable to the share in the net income of LTP in 2014.

The 4% rise in property and equipment, from ₱380 million in 2013 to ₱395 million in 2014, is mainly driven by the investments in water-related projects, acquisition of land by MAPDC and the acquisition of catering support equipment by MACS. The investment property of ₱143.8 million pertains to land held for future development by MAPDC. The continuing rise in the property's appraised fair value for several years now no longer justifies the need to book an allowance for loss, and thus the land is now booked at its original acquisition cost, which is still conservatively below the prevailing appraised/market value for the property. The deferred mine exploration cost of ₱233 million remained at the same level as 2013.

Accrued rental receivable and payable are equal in amount, in compliance with PAS 17, which requires the straight-line recognition of operating lease income and expense over the term of the lease. Also, deferred rent expense and unearned rent income are equal in amount as of year-end. These four accounts will be nil after the termination of the lease and sub-lease arrangement of MAPDC with MIAA and LTP.

Available-for-sale investments, in the amount of ₱103 million as of December 31, 2014 posted a decline of 24% from ₱136.8 million in 2013 due to the sale of bonds held. The account consists of Philippine government treasury bonds, corporate bonds, and equity shares. Service concession right amounting to ₱99.7 million pertains to incurred construction costs in relation to the construction of water treatment plant and pipe laying activities of SNVRDC. This asset was accounted for in accordance to IFRIC 12, Service Concession Arrangements, under the intangible asset model as it received the right to charge users of public service. Advances to contractors of ₱48.5 million pertains to payments made to two major contractors as required in their construction agreements.

Deferred income tax assets increased by 27% or ₱4.5 million, from ₱16.9 million in 2013 to ₱21.4 million in 2014, primarily due to the increase in DTA pertaining to remeasurement losses and additional input VAT provision of losses of our catering subsidiary. Deposits and other noncurrent assets increased by 53%, from ₱82 million in 2013 to ₱127 million in 2014, due to the deferred project costs of water-related projects amounting to ₱64 million previously recognized as project advances amounting to ₱18 million. Other noncurrent assets account includes among others, prepayments on rent, retirement benefits, and goodwill of ₱17.5 million, booked during the Company's acquisition of the 13% minority interest of Compass (formerly Eurest International B. V.) in MACS.

Total liabilities posted an increase of 9% or ₱43 million from 2013's ₱474 million to this year's ₱516 million. This is largely due to the outstanding ₱68 million from new loans obtained in 2014 by our ground handling subsidiary, MASCORP, from a local bank as an additional source of working capital requirement and to finance its liabilities. This is in addition to the ₱27 loan obtained last December 2013 which has an outstanding balance of ₱18 million. Accounts payable and accrued liabilities decreased by ₱11 million (or 4%) due to lower outstanding obligations of our catering and ground-handling subsidiaries as of December 31, 2014. Accrued retirement benefits payable of ₱15 million decreased by ₱4 million from last year's ₱19 million, owing to larger increases in the fair value of plan assets as compared to the increase in retirement obligations of the company based on the results of actuarial valuation.

Dividends payable of ₱8.6 million represents the total outstanding checks payable to the Company's stockholders as of current year-end.

The deferred tax liability in the amount of ₱1.1 million stemmed from the fair value changes of available-for-sale investments.

The Company's share in foreign currency translation adjustments of LTP in the amount of ₱176.8 million last year decreased by ₱4 million to this year's ₱172 million, in accordance to Philippine Accounting Standard (PAS) 21, "The Effects of Changes in Foreign Exchange Rates". The available-for-sale reserve in the amount of ₱9 million represents the unrealized gain on available-for-sale investments due to higher quoted market prices as of December 31, 2014.

The Company re-acquired through its Share Buy-back Program a total of 16,596,000 shares for ₱49.4 million as of December 31, 2014.

Movement in the "non-controlling interests" depends on the results of operations of MACS. This account reflects the 20% equity share of SATS (JV Partner of MAC) in the catering JV. As of December 31, 2014, non-controlling interests amounted to ₱70 million.

Board of Directors

Washington Z. SyCip
Chairman of the Board
Chairman - Investment and Nomination Committees
Vice Chairman - Compensation Committee

Mr. Sycip, 93, Filipino - American, has served as Chairman of the Board of directors since August 1997. He is also the Chairman of the Board of Lufthansa Technik Philippines, Inc. (July 2000-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-Present), Philippine National Bank (December 1999-Present), State Land Group (July 1996-Present) among others.

Harry C. Tan
Vice Chairman of the Board
Vice Chairman – Risk Management Committee
Member – Nomination, Audit and Compensation Committees

Mr. Tan, 69, Filipino, has served as Director since July 2008. He serves as the Vice Chairman and Treasurer of LT Group Inc. (February 2013-Present). He is the Vice Chairman of Eton Properties Philippines Inc. (February 2007-Present) and Eton City, Inc. (2008 - Present) among others. He is also the President of Century Park Hotel (1986-Present) and Vice-Chairman and Treasurer of Lucky Travel Corp. (1990-Present). He serves as a Director of Asia Brewery Inc. (1979-Present), Basic Holdings Corp. (1989-Present), Tanduay Distillers, Inc. (1997-Present) and Philippine National Bank (2013-Present). He formerly sits as the Chairman for Tobacco Board of Fortune Tobacco Corporation (1971 - March 2010) and was a Director and Treasurer of PAL Holdings, Inc. (Aug. 1994-Oct 2014).

Carmen K. Tan
Director
Member – Audit and Investment Committees

Ms. Tan, 74, Filipino, has served as Director since July 2012. She currently serves as a Director of the following companies: Asia Brewery Inc., Buona Sorte Holdings, Inc., Dominium Realty & Construction Corp.; Eton City, Inc., Foremost Farms, Inc., Fortune Tobacco Corporation; Fortune Tobacco International Corp.; Himmel Industries, Inc., LT Group Inc., Lucky Travel Corp., Manufacturing Services & Trade Corp.; PAL Holdings Inc., Paramount Land Equities Inc., PMFTC Inc., REM Development Corporation, Progressive Farms, Inc.; Saturn Holdings Inc., Shareholdings, Inc., Sipalay Trading Corp., Tanduay Distillers, Inc., Tangent Holdings Corporation, The Charter House, Inc.

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

Mr. Tan, 48, Filipino, has served as Director since August 1997. He is currently the President of Tanduay Distillers, Inc. (2009-Present) and the Executive Vice President of Fortune Tobacco Corporation (1997-Present). He is the Chairman of the Board of MacroAsia Mining Corporation and Airport Specialists' Services Corporation and a Director of MacroAsia Airport Services Corporation and MacroAsia Catering Services Inc. He is a Member of the Executive Committee of Foremost Farms, Inc. (1994-Present). He also serves as Director of ETON Properties Phils. Inc. (2007–Present) and served as President of ETON Properties Phils., Inc. (Febraury 2015-Present), LT Group (2013-Present), Philippine Airlines (2003-Present), Philippine National Bank (2007- Present) and PMFTC Inc. (2010 – Present).

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

Mr. Chua, 59, Filipino, has served as Director since August 1997 and is the President and CEO of MacroAsia Corporation from July 2003 to the Present. He is also the President of MacroAsia Catering Services, Inc. (July 2003-Present), MacroAsia Airport Services Corp. (2000-Present), MacroAsia Properties Development Corporation (2013-Present), MacroAsia Air Taxi Services, Inc. (July 2004-Present), MacroAsia Mining Corporation (Dec. 2012- Present), and Watergy Business Solutions Inc. (2014-Present). He is the Chairman of the Board of J.F. Rubber Phils. (1993-Present), Cavite Business Resources Inc. (2011-Present). He also serves as a Director of Bulawan Mining Corporation (June 2009-Present), ETON Properties Philippines, Inc. (May 2013 - Present) and Lufthansa Technik Philippines, Inc. (2000-Present). He served as the Managing Director of Goodwind Development Corp. (1983-2012) and serves as President from 2013 to Present. He served as a Director of Philippine National Bank from May 2014 to May 2015 and serves as Director of PAL Holdings Inc. from Oct. 23, 2014 to Present.

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

Mr. Bautista, 58, Filipino, a Certified Public Accountant (CPA) has served as Director since August 1997. He is currently the Chairman of the Board of MacroAsia Airport Services Corporation and Watergy Business Solutions Inc. He's the Director and Treasurer of MacroAsia Catering Services, Inc. (1997-Present) and serves a Director in MacroAsia Properties Development Corporation and Cavite Business Resources Inc. He is the Vice Chairman, Board of Trustees-University of the East (1991-Present), Board of Trustees member of University of the East Ramon Magsaysay Medical Center Foundation (1991-Present), the Treasurer of Tan Yan Kee Foundation (2009-Present). He was a Member of the Board of Directors of Air Philippines (2001- March 2012). He resumed his position as the President and Chief Operating Officer (COO) of Philippine Airlines Inc. and PAL Holdings Inc. last October 2014. Prior to his current appointment, he served as PAL's President and COO from August 2004 to April 2012.

George Y. SyCip
Director
Member – Investment and Mining Committees

Mr. SyCip, 58, American, has served as Director since July 1996. He is the Chairman of the Board of MacroAsia Catering Services, Inc. (1997-Present), MacroAsia Properties Development Corporation and MacroAsia Air Taxi Services, Inc. and serves as a Director of Alliance Select Foods International, Inc. (2006-Present), Beneficial Life Insurance Company (July 1996-Present) FMF Development Corporation (July 1996-Present), MacroAsia Air Taxi Services, Inc. (1997-Present) and Paxys, Inc. (October 2004-Present). He also had a career in banking and finance, including American Express International Banking Corporation, Sun Hung Kai Securities Ltd., Crocker Bank, and United Savings Bank, where he served as Chief Financial Officer up to 1989. Mr. SyCip received his BA from Stanford University and his MBA from Harvard Business School.

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

Mr. Cua, 58, 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, 62, Filipino, has served as an Independent Director since July 2013. He serves as the Chairman of the Board of 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 serves as the President of JTKC Equities, Inc. (1993-Present). He also serves as Director of I-Remit Inc. (2006-Present) and Tera Investments, Inc. (2001-Present).

Executive Management Team

Amador T. Sendin
Chief Financial Officer
Vice President – Administration & Business Development

Mr. Sendin, 52, Filipino, a Certified Public Accountant (CPA), has served as an Executive Officer since October 2003. He is currently the Treasurer of MacroAsia Properties Development Corporation, and the Treasurer and Director of MacroAsia Airport Services Corporation, MacroAsia Air Taxi Services Inc, MacroAsia Mining Corporation (2004-Present), Cavite Business Resources Inc. and Watergy Business Solutions Inc. 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, Bachelor of Science in Psychology, and a Certificate in Organizational Development. He has also completed a Management Development Program in Switzerland.

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

Mr. Chua, 59, Filipino, has served as Director since August 1997 and is the President and CEO of MacroAsia Corporation from July 2003 to the Present. He is also the President of MacroAsia Catering Services, Inc. (July 2003-Present), MacroAsia Airport Services Corp. (2000-Present), MacroAsia Properties Development Corporation (2013-Present), MacroAsia Air Taxi Services, Inc. (July 2004-Present), MacroAsia Mining Corporation (Dec. 2012- Present), and Watergy Business Solutions Inc. (2014-Present). He is the Chairman of the Board of J.F. Rubber Phils. (1993-Present), Cavite Business Resources Inc. (2011-Present). He also serves as a Director of Bulawan Mining Corporation (June 2009-Present), ETON Properties Philippines, Inc. (May 2013 - Present) and Lufthansa Technik Philippines, Inc. (2000-Present). He served as the Managing Director of Goodwind Development Corp. (1983-2012) and serves as President from 2013 to Present. He served as a Director of Philippine National Bank from May 2014 to May 2015 and serves as Director of PAL Holdings Inc. from Oct. 23, 2014 to Present.

Ramon N. Santos
Vice President - Mining

Mr. Santos, 56, Filipino, a Mining Engineer and Geologist with MBA and Ms Ap Sc in Mining and Mineral Technology, 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), ERM Indonesia (2006-2009) and PT ENV Indonesia (2009-2010).

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

Ms. Moya, 55, Filipino, has served as an Executive Officer since May 1999. She is the Corporate Secretary of MacroAsia Catering Services Inc. (2004-Present), MacroAsia Airport Services Corp. (2004-Present), MacroAsia Properties Development Corp. (2004-Present), Philippine Airlines, Inc. (2014-Present) and a Director and Corporate Secretary in MacroAsia Air Taxi Services, Inc. (2004-Present), Kabuhayan, Kaunlaran, & Kalikasan, Inc. (2006- Present) and MacroAsia Mining Corp. (2000-Present), Cavite Business Resources Inc. (2011- Present), SNV Resources Development Corp. (2013-Present) and Watergy Business Solutions Inc. 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. Florentino M. Herrera III
Corporate Secretary

Atty. Herrera III, 63, Filipino, was elected as corporate secretary last December 16, 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, among others. 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., Dream 6750, Inc., Dunes and Eagle Land Development Corp., Econolink Investments, Inc., Filgrow Corporation, Filsyn Corp., Fontana Resources Corporation, Genshare Holdings Corporation, Hare Services 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.

MACROASIA CORPORATION

AUDIT COMMITTEE REPORT

March 12, 2015

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 2014 that:

- MacroAsia's Audit Committee, composed of five members of the Board, two of whom are independent directors met twice 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 2014 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, 2014 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 2014.

Johnip G. Cua
Chairman
(Independent Director)

Harry C. Tan
Member

Jaime J. Bautista
Member

Carmen K. Tan
Member

Ben C. Tiu
Member
(Independent Director)

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

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, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, 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 stockholders.

SyCip Gorres Velayo & Co., the independent auditors, 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.

Washington SyCip
Chairman of the Board

Joseph T. Chua
President and Chief Executive Officer

Amador T. Sendin
Chief Financial Officer

Signed this 31st day of March 2015

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

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 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

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, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, 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
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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, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 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 February 13, 2016
Tax Identification No. 102-086-208
BIR Accreditation No. 08-001998-18-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751279, January 5, 2015, Makati City

March 31, 2015

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 18, 22 and 23)	**₱681,237,533**	₱867,380,929
Receivables (Notes 6, 18 and 23)	**408,750,678**	367,802,650
Inventories (Note 7)	**44,065,584**	47,041,678
Other current assets (Note 8)	**101,252,075**	62,226,299
Total Current Assets	**1,235,305,870**	1,344,451,556
Noncurrent Assets		
Available-for-sale (AFS) investments (Note 13)	**103,335,900**	136,791,871
Investments in associates (Note 9)	**661,709,466**	461,760,771
Property and equipment (Note 11)	**395,257,498**	379,222,077
Investment property (Note 12)	**143,852,303**	143,852,303
Service concession right (Note 15)	**99,665,179**	–
Accrued rental receivable (Note 18)	**118,031,312**	117,649,865
Advances to contractors (Note 15)	**48,466,997**	–
Input taxes - net (Note 8)	**128,711,152**	144,640,191
Deferred income tax assets - net (Note 25)	**21,360,200**	16,856,778
Deferred rent expense (Note 28)	**10,290,482**	11,243,849
Deferred mine exploration costs (Note 32)	**233,308,688**	233,308,688
Deposits and other noncurrent assets (Notes 14, 18, 21 and 28)	**127,311,983**	83,076,360
Total Noncurrent Assets	**2,091,301,160**	1,728,402,753
TOTAL ASSETS	**₱3,326,607,030**	₱3,072,854,309
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 17, 18, 23 and 28)	**₱259,546,612**	₱270,123,735
Notes payable - current portion (Note 16 and 22)	**25,254,560**	9,000,000
Income tax payable	**2,237,204**	1,185,597
Dividends payable	**8,620,761**	12,620,761
Total Current Liabilities	**295,659,137**	292,930,093
Noncurrent Liabilities		
Notes payable - net of current portion (Notes 16 and 22)	**60,472,773**	18,000,000
Accrued rental payable (Note 28)	**118,031,312**	117,649,865
Accrued retirement benefits payable (Note 21)	**15,333,726**	19,260,151
Other employee benefits (Note 21)	**10,000,529**	9,538,576
Unearned rent income (Note 18)	**10,290,482**	11,243,849
Rental deposit (Note 18)	**5,328,763**	4,622,196
Deferred income tax liabilities (Notes 13 and 25)	**1,115,000**	415,000
Total Noncurrent Liabilities	**220,572,585**	180,729,637
Total Liabilities	**516,231,722**	473,659,730

(Forward)

	December 31	
	2014	2013
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 856 and 867 equity holders in 2014 and 2013, respectively)	**₱1,250,000,000**	₱1,250,000,000
Additional paid-in capital	**281,437,118**	281,437,118
AFS investments reserve (Note 13)	**9,082,599**	2,688,890
Share in foreign currency translation adjustments of an associate (Note 9)	**(172,111,426)**	(176,800,404)
Remeasurements on defined benefit plans (Note 21)	**14,402,661**	11,283,010
Share in remeasurements on defined benefit plan of associates (Note 9)	**(70,629,572)**	(155,662,465)
Retained earnings (Note 27):		
Appropriated	**823,100,000**	788,100,000
Unappropriated	**654,797,069**	585,399,166
Treasury shares - 16,596,000 shares (Note 27)	**(49,418,660)**	(49,418,660)
	2,740,659,789	2,537,026,655
Non-controlling interests (Note 10)	**69,715,519**	62,167,924
Total Equity	**2,810,375,308**	2,599,194,579
TOTAL LIABILITIES AND EQUITY	**₱3,326,607,030**	₱3,072,854,309

See accompanying Notes to Consolidated Financial Statements.

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2014	2013	2012
NET SERVICE REVENUE (Note 19)			
In-flight and other catering (Note 18)	**₱1,046,764,899**	₱991,894,569	₱973,666,042
Ground handling and aviation (Note 18)	**440,562,222**	413,258,559	415,252,864
Rental and administrative (Note 18)	**188,881,639**	187,921,638	187,914,423
Exploratory drilling fees (Note 28)	**34,904,148**	9,163,174	10,290,299
Charter flights	**12,079,872**	7,881,517	12,574,235
	1,723,192,780	1,610,119,457	1,599,697,863
DIRECT COSTS (Notes 19 and 28)			
In-flight and other catering	**734,878,489**	690,509,483	684,728,667
Ground handling and aviation	**372,505,516**	344,225,185	323,898,744
Rental and administrative	**176,652,833**	175,900,641	176,367,192
Exploratory drilling expense	**35,657,085**	11,406,071	10,499,692
Charter flights	**9,210,054**	7,578,337	7,875,674
	1,328,903,977	1,229,619,717	1,203,369,969
GROSS PROFIT	**394,288,803**	380,499,740	396,327,894
SHARE IN NET INCOME (LOSS) OF ASSOCIATES (Note 9)	**128,226,824**	(251,868,481)	(148,403,979)
	522,515,627	128,631,259	247,923,915
OPERATING EXPENSES (Note 20)	**(427,641,252)**	(375,643,818)	(361,043,049)
INTEREST INCOME (Notes 5, 13, 18, 22, and 28)	**12,847,063**	19,884,763	19,688,213
FINANCING CHARGES (Notes 16, 18 and 22)	**(4,719,554)**	(612,880)	(2,286,071)
OTHER INCOME (CHARGES) - net (Note 22)	**42,913,824**	101,563,537	(56,125,693)
INCOME (LOSS) BEFORE INCOME TAX	**145,915,708**	(126,177,139)	(151,842,685)
PROVISION FOR INCOME TAX (Note 25)			
Current	**29,876,789**	28,340,775	34,966,600
Deferred	**(5,871,370)**	6,325,057	(7,024,853)
	24,005,419	34,665,832	27,941,747
NET INCOME (LOSS)	**₱121,910,289**	(₱160,842,971)	(₱179,784,432)
Attributable to:			
Equity holders of the Company	**₱114,979,503**	(₱170,047,500)	(₱186,160,179)
Non-controlling interests (Note 10)	**6,930,786**	9,204,529	6,375,747
	₱121,910,289	(₱160,842,971)	(₱179,784,432)
Basic/Diluted Earnings (Loss) Per Share (Note 26)	**₱0.09**	(₱0.14)	(₱0.15)

See accompanying Notes to Consolidated Financial Statements.

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
NET INCOME (LOSS)	**₱121,910,289**	(₱160,842,971)	(₱179,784,432)
OTHER COMPREHENSIVE INCOME (LOSS) - Net			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Net foreign currency translation adjustments (Note 9)	**4,688,978**	43,465,251	(60,741,752)
Changes in fair value of AFS investments - net of tax effect of ₱700,000, (₱1,050,000) and ₱1,300,000 in 2014, 2013 and 2012, respectively (Note 13)	**5,625,890**	(13,097,937)	26,019,120
Unrealized gain (loss) in fair value of AFS investments recycled to profit or loss through disposal (Note 13)	**767,819**	(14,067,293)	–
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Share in remeasurement gains (losses) on defined benefit plan of associates, net of tax effect (Note 9)	**85,032,893**	(42,966,223)	(49,668,669)
Remeasurement gains (losses) on defined benefit plans, net of tax effect of (₱905,761), ₱1,594,688 and (₱7,718,704) in 2014, 2013, and 2012, respectively (Note 21)	**3,736,460**	1,665,594	17,545,479
	99,852,040	(25,000,608)	(66,845,822)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱221,762,329**	(₱185,843,579)	(₱246,630,254)
Other comprehensive income (loss) attributable to:			
Equity holders of the Company	**₱99,235,231**	(₱24,394,364)	(₱68,981,358)
Non-controlling interests (Note 10)	**616,809**	(606,244)	2,135,536
	₱99,852,040	(₱25,000,608)	(₱66,845,822)
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	**₱214,214,734**	(₱194,441,864)	(₱255,141,537)
Non-controlling interests (Note 10)	**7,547,595**	8,598,285	8,511,283
	₱221,762,329	(₱185,843,579)	(₱246,630,254)

See accompanying Notes to Consolidated Financial Statements.

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

	Attributable to Equity Holders of the Company													
							Retained Earnings (Note 27)							
	Capital Stock	Additional Paid-in Capital	Share in Foreign Currency Translation Adjustments of an Associate (Note 9)	Remeasurements on Defined Benefit Plans (Note 21)	Share in Remeasurements on Defined Benefit Plans of Associates (Note 9)	AFS Investments Reserve (Note 13)	Appropriated	Unappropriated	Treasury Shares (Note 27)	Subtotal	Non-controlling Interests (Note 10)	Total
BALANCES AT DECEMBER 31, 2011	**₱1,250,000,000**	**₱281,437,118**	**(₱159,523,983)**	**(₱6,398,771)**	**(₱63,027,573)**	**₱3,835,000**	**₱708,100,000**	**₱1,182,212,550**	**(₱31,962,225)**	**₱3,164,672,196**	**₱58,651,977**	**₱3,223,324,173**
Total comprehensive income	-	-	(60,741,752)	15,409,943	(49,658,669)	26,019,120	-	(186,160,179)	-	(255,141,537)	8,511,283	(246,630,254)
Acquisition of treasury shares (Note 27d)	-	-	-	-	-	-	-	-	(17,456,435)	(17,456,435)	-	(17,456,435)
Appropriation of retained earnings	-	-	-	-	-	-	80,000,000	(80,000,000)	-	-	-	-
Cash dividends at ₱0.055 per share	-	-	-	-	-	-	-	(80,434,445)	-	(80,434,445)	-	(80,434,445)
Acquisition of non-controlling interest (Note 27b)	-	-	-	-	-	-	-	-	-	-	(2,062,496)	(2,062,496)
BALANCES AT DECEMBER 31, 2012	**1,250,000,000**	**281,437,118**	**(220,265,655)**	**9,011,172**	**(112,696,242)**	**29,854,120**	**788,100,000**	**835,617,926**	**(49,418,660)**	**2,811,639,779**	**65,100,764**	**2,876,740,543**
Investment of non-controlling interest in a newly incorporated subsidiary	-	-	-	-	-	-	-	-	-	-	468,875	468,875
Total comprehensive income (loss)	-	-	43,465,251	2,271,838	(42,966,223)	(27,165,230)	-	(170,047,500)	-	(194,441,864)	8,598,285	(185,843,579)
Cash dividends at ₱0.055 per share (Note 27c)	-	-	-	-	-	-	-	(80,171,260)	-	(80,171,260)	-	(80,171,260)
Cash dividends received by non-controlling interest at ₱16 per share (Note 27g)	-	-	-	-	-	-	-	-	-	-	(12,000,000)	(12,000,000)
BALANCES AT DECEMBER 31, 2013	**1,250,000,000**	**281,437,118**	**(176,800,404)**	**11,283,010**	**(155,662,465)**	**2,688,890**	**788,100,000**	**585,399,166**	**(49,418,660)**	**2,537,026,655**	**62,167,924**	**2,599,194,579**
Acquisition of non-controlling interest in a subsidiary during the year (Note 27b)	-	-	-	-	-	-	-	(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	-	-	-	-
Total comprehensive income	-	-	4,688,978	3,119,651	85,032,893	6,393,709	-	114,979,503	-	214,214,734	7,547,595	221,762,329
BALANCES AT DECEMBER 31, 2014	**₱1,250,000,000**	**₱281,437,118**	**(₱172,111,426)**	**₱14,402,661**	**(₱70,629,572)**	**₱9,082,599**	**₱823,100,000**	**₱654,797,069**	**(₱49,418,660)**	**₱2,740,659,789**	**₱69,715,519**	**₱2,810,375,308**

See accompanying Notes to Consolidated Financial Statements.

MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱145,915,708**	(₱126,177,139)	(₱151,842,685)
Adjustments for:			
Depreciation and amortization (Note 11)	**101,633,900**	94,455,279	81,220,130
Share in net loss (income) of associates (Note 9)	**(128,226,824)**	251,868,481	148,403,979
Interest income (Notes 5, 13, 18, 22 and 28)	**(12,847,063)**	(19,884,763)	(19,688,213)
Unrealized foreign exchange loss (gain) - net	**(11,217,296)**	(20,618,579)	7,472,606
Financing charges (Notes 16, 18 and 22)	**4,719,554**	612,880	2,286,071
Gain on sale of AFS investments (Note 22)	**(811,298)**	(49,782,205)	–
Retirement benefits costs (Note 21)	**16,369,229**	25,211,067	17,303,086
Provision for other long-term benefits (Note 21)	**751,970**	(1,326,258)	1,838,107
Reversal of impairment loss on investment property to cost (Notes 12 and 22)	**–**	(17,260,303)	–
Gain on sale of disposal of property and equipment	**–**	(788,460)	–
Impairment loss on AFS investments (Note 13)	**–**	–	400,000
Operating income before working capital changes	**116,287,880**	136,310,000	87,393,081
Decrease (increase) in:			
Receivables	**(40,948,028)**	(57,806,448)	83,611,891
Inventories	**2,976,094**	7,434,030	15,136,273
Advances to contractors	**(48,466,997)**	–	–
Other current assets	**(53,041,165)**	(38,653,085)	(14,161,226)
Increase (decrease) in accounts payable and and accrued liabilities	**2,754,963**	25,203,674	(44,263,223)
Additions to service concession right (Note 15)	**(89,066,055)**	–	–
Cash generated from (used in) operations	**(109,503,308)**	72,488,171	127,716,796
Interest received	**13,608,680**	20,740,941	14,233,774
Financing charges paid	**(4,012,987)**	–	(1,754,455)
Contributions to the retirement fund	**(14,992,917)**	(21,040,667)	(16,854,000)
Retirement benefits paid	**(228,946)**	(100,767)	(355,014)
Other employee benefits paid	**(290,017)**	–	–
Income taxes paid, including creditable withholding taxes	**(38,033,794)**	(29,659,769)	(37,259,705)
Net cash from (used in) operating activities	**(153,453,289)**	42,427,909	85,727,396

(Forward)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Note 11)	**(₱146,983,036)**	(₱112,296,582)	(₱143,789,101)
Proceeds from disposal of property and equipment	**4,834**	1,125,600	–
Acquisition of non-controlling interest in a subsidiary (Note 27)	**(10,581,600)**	–	–
Investment in MacroAsia WLL (Note 9)	**–**	–	(2,310,175)
Dividends received (Note 9)	**18,000,000**	24,000,000	158,032,320
Acquisitions of investment in AFS debt securities (Note 13)	**–**	(100,612,194)	(333,376,955)
Proceeds from sale of investment in bonds	**41,511,117**	421,052,326	–
Payments for project advances (Note 14)	**–**	(2,350,000)	–
Payments for deferred mine exploration costs (Note 32)	**–**	–	(17,221,541)
Returns from (payments for) refundable deposits and other noncurrent assets	**1,132,264**	2,319,346	(227,452)
Net cash from (used in) investing activities	**(96,916,421)**	233,238,496	(338,892,904)
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)	**(22,588,367)**	–	(131,022,311)
Contribution of non-controlling interest in a subsidiary	**–**	468,875	–
Dividends paid	**(4,000,000)**	(88,007,275)	(80,181,073)
Acquisition of treasury shares (Note 27)	**–**	–	(17,456,435)
Net cash from (used in) financing activities	**54,941,833**	(60,538,400)	(228,659,819)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**9,284,481**	9,441,677	(4,606,680)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(186,143,396)**	224,569,682	(486,432,007)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**867,380,929**	642,811,247	1,129,243,254
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱681,237,533**	₱867,380,929	₱642,811,247

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

Through 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, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were authorized for issuance by the Board of Directors (BOD) on March 31, 2015.

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 values. The consolidated financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency, and 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 year except for the adoption of the following amendments and Philippine interpretation based on the interpretation of the International Financial Reporting Standards Interpretations Committee (IFRIC) effective beginning January 1, 2014.

- PFRS 10, *Consolidated Financial Statements*, PFRS 11, *Joint Arrangements* and PAS 27, *Separate Financial Statements: Investment Entities* (Amendments). These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments are currently not relevant to the Group since none of the entities within the Group qualifies as investment entity under PFRS 10. The Company will continue to assess its Group entities in relation to identifying an investment entity.

- Philippine Accounting Standards (PAS) 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments). These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments did not have impact on the Group's financial statements since the Group has no offsetting arrangements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments). These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments did not have impact on the Group's financial position or performance.

- Philippine Interpretation IFRIC 21, *Levies*. IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. This interpretation did not have significant impact on the Group's financial statements as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements to PFRS (2010-2012 cycle)
In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment did not have material impact to the Group.

Annual Improvements to PFRS (2011-2013 cycle)
In the 2011-2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*. The amendment to PFRS 1 clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment did not have impact to the Group as it is not a first time PFRS adopter.

Accounting Standards, Amendments to Existing Standards
and Interpretations Effective Subsequent to December 31, 2014

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2014 are disclosed below. Except as otherwise indicated, the Group does not expect the adoption of the applicable new and amended standards to have a significant impact on its financial position or performance.

- PFRS 9, *Financial Instruments: Classification and Measurement.* PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The Group is currently assessing the impact of adopting this standard.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA). The Group will not opt to early adopt the standard.

The following new standards and amendments were already adopted by the FRSC but are still for approval by BOA.

Effective in 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments). 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. This amendment is effective for annual periods beginning on or after January 1, 2015. It is expected that this amendment would not be relevant to the Group since the Group's retirement plan is noncontributory.

- Annual Improvements to PFRS (2010 to 2012 cycle) which are effective for annual periods beginning on or after January 1, 2015. Except as otherwise stated, the Group does not expect these amendments to have a significant impact on the financial statements.

  - 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 performance condition must contain a service condition
    - A performance target must be met while the counterparty is rendering service
    - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
    - A performance condition may be a market or non-market condition
    - 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. The Group shall consider this amendment for 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:

    - 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'.
    - 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* and PAS 38, *Intangible Assets: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and 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.

  - 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. These amendments are not relevant to the Group.

- Annual Improvements to PFRS (2011-2013 cycle) which are effective for annual periods beginning on or after January 1, 2015. Except as otherwise stated, the Group does not expect these amendments to have a significant impact on the financial statements.

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

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

  - PFRS 13 - *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.* 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).

Effective in 2016

- PAS 16 and PAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments). 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. The amendments are effective prospectively 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 given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

- PAS 16 and PAS 41, *Agriculture - Bearer Plants* (Amendments). 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. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively 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 as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments). 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. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company does not intend to change its accounting for its subsidiaries and associates in the separate financial statements.

- PFRS 10 and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments). 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. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11 - *Accounting for Acquisitions of Interests in Joint Operations* (Amendments). 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.

- 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. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- 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 and are not expected to have a material impact to the Group. They include:

  - 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.

  - 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 - *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 - *Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39.* PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

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

- PFRS 9, *Financial Instruments* (2014). 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.

Deferred Effectivity

- Philippine Interpretation 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 Philippine SEC and the 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. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

The following new standard and amendments issued by the IASB has not yet been adopted by the FRSC.

- 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, 2017, with early adoption permitted.

- Amendments to International Accounting Standards (IAS) 1, *Presentation of Financial Statements*. In December 2014, the IASB issued the amendments to IAS 1. The amendments include narrow-focus improvements in five areas; namely, materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments are effective on or after January 1, 2016.

- Amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities*, and IAS 28, *Investments in Associates and Joint Ventures.* In December 2014, the IASB issued *Investment Entities: Applying the Consolidation Exception* (amendments to IFRS 10, IFRS 12 and IAS 28). The amendments address certain issues that have arisen in applying the investment entities exception under IFRS 10.

The Group is currently assessing the impact of IFRS 15 and the amendments to IAS 1 and IFRS 10, IFRS 12 and IAS 28 and plans to adopt the new and amended standards on their required effective dates once adopted locally.

Basis of Consolidation

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

	Nature of business	Percentage of Direct Ownership by MAPDC		Percentage of Ownership by MAC			
				2014		2013	
		2014	2013	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	–	–	**80**	–	80	–
WBSI	Water projects	**100**	–	–	**100**	–	–
SNV Resources Development Corporation (SNVRDC)	Water projects	**100**	100	–	**100**	–	100
Dragon Resources Development Corporation (DRDC)	Water projects	**100**	100	–	**100**	–	100
Cavite Business Resouces Inc. (CBRI)	Water projects	**99**	–	–	**99**	–	–
Panay Water Business Resources, Inc. (PWBRI)	Water projects	**90**	90	–	**90**	–	90

(1) *Ceased commercial operations effective May 1, 2001.*
(2) *Effective ownership interest through MAPDC and WBSI.*

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

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

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

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- 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.

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. 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.

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 14). After the initial recognition, goodwill is measured at cost less accumulated impairment loss.

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 Cebu Pacific Catering Services, Inc. (CPCS), 40%-owned, LTP, 49%-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) $ 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 by 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, 2014 and 2013, 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 properties with unrecognized fair value measurements (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 as 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 twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve 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
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred 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 a 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, 2014 and 2013.

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, 2014 and 2013, the Group's cash in banks and cash equivalents, receivables project advances 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, 2014 and 2013, 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, 2014 and 2013, the Group's investments in retail treasury and corporate 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.

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

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

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

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

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

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in 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, 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, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with the master netting agreements, and the related assets and liabilities are presented in the consolidated balance sheet.

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 input taxes, tax credit certificates, excess creditable withholding taxes and prepayments. Tax credit certificates 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. 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)

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 included as part of "Other current assets" and "Deposit and other noncurrent assets" in the consolidated balance sheet. The Group maintains an allowance for any possible disallowance of input VAT. A review of input VAT is made on a continuing basis to determine the adequacy of allowance for probable losses at each reporting date.

The net amount of VAT payable to taxation authority is included in "Accounts payable and accrued liabilities" in the consolidated balance sheet.

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 units and spare parts	3 to 5
Aviation equipment	2 to 10
Office furniture, fixtures and equipment	3 to 7
Drilling equipment	5

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 Properties

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

Service Concession Arrangements

The Group accounts for its service concession arrangements in accordance with Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, under the intangible asset model as it receives the right (license) to charge users of public service (see Note 15).

Revenue and Cost Recognition. The Group recognizes and measures revenue and cost in accordance with PAS 11, *Construction Contracts* and PAS 18, *Revenue*, for the services it performs. When the Group provides construction or upgrade services, the consideration received or receivable by the Group is recognized at its fair value. The revenue and cost from these services are recognized based on the percentage of completion measured principally on the basis of estimated completion of a physical proportion of the contract works, and by reference to the actual costs incurred to date over the estimated total cost of the project.

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

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, *Service Concession Arrangements*, 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 the 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 properties, 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 as of December 31 of each year.

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
Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the profit or loss for the year in accordance with 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.

Direct Costs 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.

General and administrative expenses, which include the cost of administering the business and are not directly associated with the generation of revenue, 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
- 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 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 pension 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 twelve 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 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.

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.

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.

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.

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.

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.

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, water-related projects and mining-related activities. 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.

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 parent 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, 2014 and 2013.

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.

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

Determination of the Company'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 Company, 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$.

Classification of financial instruments

The Group classifies a financial instrument, or its components, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial liability, a financial asset or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's consolidated balance sheets. The classification of the Group's financial instruments is disclosed in Note 30.

Impairment of AFS investments

For AFS debt investments, the Company assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Company 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 ₱66.2 million and ₱106.6 million as of December 31, 2014 and 2013, 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 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 ₱37.1 million and ₱30.2 million as of December 31, 2014 and 2013, 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 MAPDC's acquisition of WBSI shares, WBSI assigned and transferred its rights over the Water Project to ICH on September 15, 2010. Having regard to the substance of the agreements, the acquisition of WBSI shares is deemed to be linked to the acquisition of the Water Project from ICH and as such, the acquisition is treated as one transaction for accounting purposes. As of December 31, 2013, the sale and purchase agreement has not been consummated in view of certain water permits inherent in the Water Project that are yet to be secured. Accordingly, the investment in WBSI shares are still presented as part of "Project advances and investment" under the "Deposits and other noncurrent assets" account in the consolidated balance sheets.

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. This event confirmed the control of the MAPDC over WBSI. Accordingly, WBSI, as well as CBRI, which is WBSI's wholly owned subsidiary, was consolidated with the Group.

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 2014, 2013 and 2012 (see Note 18d). Rental expense amounted to ₱195.2 million in 2014 and 2013 and ₱188.1 million in 2012 (see Notes 18 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 and investment property 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.

In 2013, an impairment test was made on the Group's investment in LTP primarily due to losses incurred by LTP (See Note 9). The recoverable amount 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 in 2013 was13%.

Based on management's evaluation as of December 31, 2013, the Company's investment in LTP is not impaired. Management believes that no reasonably possible change in these key assumptions would cause the carrying value of the cash generating unit to materially exceed its recoverable amount.

In 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 not anymore present.

Except for the Group's investment in LTP in 2013, management believes that there are no impairment indicators on its investment in associates, property and equipment, investment property, deferred project costs, service concessions, and deferred mine exploration cost as of December 31, 2014 and 2013.

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, NuevaVizcaya (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 15).

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, 2014 and 2013, the fair value of the investment property is based on valuation performed by an accredited independent value (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 ₱408.8 million and ₱367.8 million as of December 31, 2014 and 2013, respectively. Allowance for doubtful accounts amounted to ₱13.1 million and ₱11.6 million as of December 31, 2014 and 2013, respectively (see Note 6).

The carrying value of the Group's project advances and investments related to advances made to ICH and its stockholders amounted to ₱15.6 million as of December 31, 2013 (see Note 14).

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.

The carrying value of inventories amounted to ₱44.1 million and ₱47.0 million, net of allowance for probable losses of ₱1.0 million as of December 31, 2014 and 2013, respectively (see Note 7).

Estimating allowances for probable losses on input taxes and tax credit certificates (TCC)
The Group estimates the level of provision for probable losses on input taxes and TCC based on the experience of the Group and assessment of counsels assisting the Group in processing the claims and negotiating the realization of TCC. As of December 31, 2014 and 2013, the carrying value of input taxes and TCC amounted to ₱203.0 million and ₱200.7 million, respectively. Allowance for probable losses amounted to ₱72.3 million and ₱66.6 million, respectively (see Notes 8 and 14).

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 2014 and 2013.

The carrying value of property and equipment as of December 31, 2014 and 2013 amounted to ₱395.3 million and ₱379.2 million, respectively (see Note 11).

Estimation of retirement benefits costs and obligation
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.

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 ₱15.3 million and ₱19.3 million as of December 31, 2014 and 2013, respectively (see Note 21). Pension asset amounted to ₱0.1 million and ₱0.5 million as of December 31, 2014 and 2013, respectively, and is included under "Deposit and other noncurrent assets" account (see Note 14). Retirement benefits cost amounted to ₱16.4 million, ₱25.2 million and ₱17.3 million in 2014, 2013 and 2012, respectively (see Note 21).

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 ₱31.0 million and ₱29.3 million as of December 31, 2014 and 2013, respectively. The Group also has unrecognized deferred income taxes primarily on the Company's and non-operating subsidiaries' temporary differences, NOLCO and MCIT (see Note 25).

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 in 2014 and 2013 is 9% , while for 2012 is 8%.

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, 2014 and 2013 (see Note 14).

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 2014 and 2013, the Group recognized provision for contingencies in the normal course of business amounting to ₱3.8 million and ₱4.7 million, respectively. Outstanding amounts of provision amounted to ₱3.8 million and ₱4.7 million as of December 31, 2014 and 2013, 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.

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, 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 and KIA.

- 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.

- 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 18d).

- 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.

- Associates - this segment represents the Group's investments in associates that are accounted for using the equity method. Information with respect to these associates are disclosed in Note 9.

The Group has only one geographic segment. There were no inter-segment sales in 2014, 2013 and 2012. In 2014, 2013 and 2012, ₱245 million (or 15%), ₱236.6 million (or 15%) and ₱288.6 million (or 18%), respectively of the Group's total revenue was derived from two customers. For this purpose, the customers pertain to an entity known to the Group to be under common control.

Segment assets include the operating assets used by a segment and consist principally of cash and cash equivalents, receivables, inventories, other current assets and property 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.

	2014	2013	2012
SERVICE REVENUE - External			
In-flight and other catering	**₱1,046,764,899**	₱991,894,569	₱973,666,042
Ground handling and aviation	**440,562,222**	413,258,559	415,252,864
Rental and administrative	**188,881,639**	187,921,638	187,914,423
Charter flights	**12,079,872**	7,881,517	12,574,235
Mining	**34,904,148**	9,163,174	10,290,299
Total segment and consolidated revenue	**₱1,723,192,780**	₱1,610,119,457	₱1,599,697,863

	2014	2013	2012
RESULT - Segment results			
In-flight and other catering services	**₱21,643,010**	₱52,965,130	₱54,362,410
Ground handling and aviation services	**17,416,929**	17,425,611	38,043,105
Rental and administrative services	**(1,836,966)**	3,103,994	4,700,991
Charter flights services	**(2,991,126)**	(7,057,119)	(556,260)
Mining	**(4,647,312)**	(16,814,278)	(15,341,992)
Water-related projects	**(22,106,130)**	–	–
Share in net income (loss) of associates	**128,226,824**	(251,868,481)	(148,403,979)
Total segment results	**135,705,229**	(202,245,143)	(67,195,725)
Unallocated corporate expenses and eliminations	**10,210,479**	76,068,004	(84,646,960)
Provision for income tax	**(24,005,419)**	(34,665,832)	(27,941,747)
Consolidated net income (loss)	**₱121,910,289**	(₱160,842,971)	(₱179,784,432)

	2014	2013	2012
OTHER INFORMATION			
Segment Assets			
In-flight and other catering services	**₱612,447,594**	₱615,546,351	₱583,748,359
Rental and administrative services	**259,391,390**	240,069,782	205,237,383
Ground handling and aviation services	**308,844,129**	316,191,613	281,775,851
Mining	**268,523,385**	255,730,152	259,809,386

(Forward)

	2014	2013	2012
Water-related projects	**₱194,016,874**	₱–	₱–
Charter flights services	**39,749,780**	43,150,035	36,122,471
Investments in associates	**661,709,466**	461,760,771	729,130,224
Total segment assets	**2,344,682,618**	1,932,448,704	2,095,826,674
Investment property	**143,852,303**	143,852,303	126,592,000
Deferred income tax assets	**21,360,201**	16,856,778	21,680,372
Unallocated corporate assets and eliminations	**816,711,908**	979,696,524	1,036,632,208
Consolidated total assets	**₱3,326,607,030**	₱3,072,854,309	₱3,280,728,254

	2014	2013	2012
Segment Liabilities			
In-flight and other catering services	**₱285,724,800**	₱323,324,797	₱276,838,966
Rental and administrative services	**444,181,494**	214,182,195	187,034,491
Ground handling and aviation services	**157,665,013**	172,775,377	147,535,689
Charter flights services	**22,942,035**	13,728,178	4,755,131
Mining	**43,681,420**	24,961,134	25,625,072
Water-related projects	**118,770,244**	–	–
Total segment liabilities	**1,072,965,006**	748,971,681	641,789,349
Deferred income tax liabilities	**1,115,000**	415,000	1,465,000
Eliminations	**(596,664,599)**	(312,955,761)	(260,280,808)
Unallocated corporate liabilities	**38,816,315**	37,228,810	21,014,170
Consolidated total liabilities	**₱516,231,722**	₱473,659,730	₱403,987,711
Capital Expenditures			
In-flight and other catering services	**₱21,191,943**	₱30,828,217	₱24,668,954
Rental and administrative services	**93,621,018**	1,423,349	3,391,149
Ground handling and aviation services	**17,413,349**	34,422,342	106,833,375
Charter flights services	**138,271**	2,360,426	430,166
Mining	**4,658,457**	955,625	8,260,181
Water-related projects	**101,390,214**	–	–
	₱238,413,252	₱69,989,959	₱143,583,825
Depreciation and Amortization			
In-flight and other catering services	**₱53,932,094**	₱50,958,133	₱47,265,910
Ground handling and aviation services	**31,854,805**	27,670,206	16,910,324
Rental and administrative services	**1,910,777**	2,208,066	2,673,714
Charter flights services	**1,372,546**	1,251,135	1,421,585
Mining	**2,622,945**	3,464,314	918,349
Water-related projects	**1,357,778**	–	–
Unallocated corporate depreciation and amortization	**8,582,955**	10,569,902	12,030,248
	₱101,633,900	₱96,121,756	₱81,220,130
Noncash Expenses Other than Depreciation and Amortization			
In-flight and other catering services	**₱48,094,461**	₱6,251,340	₱25,200,000
Ground handling and aviation services	**3,400,000**	4,562,386	–
Charter flights services	–	1,386,394	–
	₱51,494,461	₱12,200,120	₱25,200,000
Reversals of Impairment Loss			
Rental and administrative services	**₱–**	₱17,260,303	₱–

	2014	2013	2012
Cash Flows from Operating Activities			
In-flight and other catering services	**₱30,913,672**	₱106,385,180	₱128,135,821
Rental and administrative services	**(58,415,761)**	(30,301,587)	(103,681,761)
Ground handling and aviation services	**47,718,722**	(6,511,987)	57,084,930
Charter flights services	**(10,035,420)**	(8,230,882)	2,368,462
Mining	**(14,206,401)**	(1,587,209)	4,968,195
	(₱4,025,188)	₱59,753,515	₱88,875,647
Cash Flows from Investing Activities			
In-flight and other catering services	**(₱21,191,943)**	(₱36,290,891)	(₱26,979,132)
Rental and administrative services	**(270,147,255)**	174,777,582	(302,718,015)
Ground handling and aviation services	**(17,012,755)**	(29,105,383)	(108,471,592)
Charter flights services	**(138,270)**	(1,580,292)	(430,167)
Mining	**(4,658,457)**	(931,800)	(8,260,180)
	(₱313,148,680)	₱106,869,216	(₱446,859,086)
Cash Flows from Financing Activities			
In-flight and other catering services	**(₱20,000,000)**	(₱52,450,821)	(₱85,989,025)
Rental and administrative services	**286,037,714**	108,653,169	(97,953,955)
Ground handling and aviation services	**(24,106,838)**	29,954,184	45,497,133
Charter flights	**(6,684,000)**	–	–
Mining	**14,970,518**	–	4,479,098
	₱250,217,394	₱86,156,532	(₱133,966,749)

5. Cash and Cash Equivalents

	2014	2013
Cash on hand and cash in banks (Note 18a)	**₱150,018,490**	₱234,730,895
Short-term deposits (Note 18a)	**531,219,043**	632,650,034
	₱681,237,533	₱867,380,929

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 ₱7.6 million, ₱11.0 million and ₱13.5 million in 2014, 2013 and 2012, respectively (see Note 22).

6. Receivables

	2014	2013
Trade:		
Third parties	**₱322,995,497**	₱227,260,789
Related parties (Notes 18f, 18g, 18h and 18l)	**49,711,414**	75,190,541
Due from:		
Related parties (Notes 18e and 18n)	**–**	38,761,938
Officers and employees	**16,907,870**	12,344,665
Suppliers, contractors and others	**16,574,378**	5,096,300
Interest receivable	**2,573,415**	2,709,385
Other receivables	**13,071,974**	18,022,902
	421,834,548	379,386,520
Less allowance for doubtful accounts	**13,083,870**	11,583,870
	₱408,750,678	₱367,802,650

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 suppliers, contractors and others pertain to down payments for various purchases or operating expenses 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, 2011	**₱9,247,720**	**₱1,257,621**	**₱–**	**₱10,505,341**
Reversal of allowance (Note 22)	(2,600,000)	–	–	(2,600,000)
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**

7. Inventories

	2014	2013
At net realizable value:		
Food and beverage - net of allowance for probable losses of ₱1.0 million in 2014 and 2013	**₱38,409,554**	₱24,080,540
At cost - materials and supplies	**5,656,030**	22,961,138
	₱44,065,584	₱47,041,678

8. Other Current Assets

	2014	2013
Restricted short-term investment	**₱11,329,160**	₱–
Input taxes	**54,718,114**	36,159,364
Tax credit certificates	**30,737,274**	30,737,274
Prepaid expenses	**12,848,403**	11,898,779
Creditable withholding and prepaid taxes	**12,649,227**	11,543,095
Other current assets	**8,175,846**	1,093,736
	130,458,024	91,432,248
Less allowance for probable losses	**29,205,949**	29,205,949
	₱101,252,075	₱62,226,299

Restricted short-term investment pertains to a time deposit placed by the Company to guaranty an institutional catering contract.

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 tax credit

certificate can be used to pay any income tax due. 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 ₱31.3 million, ₱3.9 million and ₱25.2 million in 2014, 2013 and 2012, respectively (see Note 20).

Details of input taxes follow:

	2014	2013
Gross input tax	**₱226,526,961**	₱218,211,862
Less allowance for probable losses	**72,303,644**	66,618,256
	154,223,317	151,593,606
Less: noncurrent portion	**128,711,152**	144,640,191
	₱25,512,165	₱6,953,415

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.

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

9. Investments in Associates

	Percentage of ownership interest	2014	2013
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		**(148,846,095)**	119,022,386
Share in net income (loss) for the year		**128,226,824**	(251,868,481)
Dividends declared to the Company		**(18,000,000)**	(16,000,000)
End of year		**(38,619,271)**	(148,846,095)
Share in re-measurement losses on defined benefit plan of associates:			
Beginning of year		**(155,662,465)**	(112,696,242)
Remeasurement gains (losses) on defined benefit plan for the year		**85,032,893**	(42,966,223)
End of year		**(70,629,572)**	(155,662,465)
Share in foreign currency translation adjustments:			
Beginning of year		**(176,800,404)**	(220,265,655)
Net foreign currency translation adjustments for the year		**4,688,978**	43,465,251
End of year		**(172,111,426)**	(176,800,404)
		₱661,709,466	₱461,760,771

* *Effective ownership interest through MACS*

As of December 31, 2014 and 2013, the shares of stock of the associated companies are not traded in public and as such, have no publicly traded price quotation.

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, MCIA, 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, 2014, 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:

	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 cost	**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**

	2013	
	LTP	CPCS
Current assets	₱3,304,904,753	₱46,252,239
Noncurrent assets	2,385,352,451	6,262,575
Current liabilities	3,253,618,807	10,069,638
Noncurrent liabilities	1,529,421,690	–
Equity before foreign currency translation adjustments	1,268,033,858	42,445,176
Foreign currency translation adjustments	(360,817,151)	–
Equity	907,216,707	42,445,176
Proportion of the Group's ownership	49%	40%
Carrying amount of the investment	₱444,536,186	₱16,978,070
Revenue	₱7,309,076,067	₱118,653,033
Direct cost	6,115,481,861	73,613,444
Gross profit	1,193,594,206	45,039,589
Net income (loss)	(538,128,040)	34,694,801
Other comprehensive income (loss)	(87,710,215)	29,455
Total comprehensive income (loss)	(625,838,255)	34,724,256
Proportion of the Group's ownership	49%	40%
Group's share in total comprehensive income (loss)	(₱306,660,745)	₱13,889,702

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

	2014	2013
Carrying amount of immaterial associate	**₱246,515**	₱246,515
Amount of the Group's share in net loss	–	(2,063,661)

The associates have no contingent liabilities or capital commitments as of December 31, 2014 and 2013.

10. 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:

	2014	2013
Current assets	**₱371,186,010**	₱343,724,523
Noncurrent assets	**260,972,721**	288,194,542
Current liabilities	**276,135,377**	312,035,756
Noncurrent liabilities	**9,589,423**	11,289,041
Equity	**346,433,931**	308,594,268
Attributable to non-controlling interest	**69,286,786**	61,718,854

Summarized statements of income:

	2014	2013
Revenue	**₱1,046,764,899**	₱991,985,449
Direct costs	**734,878,490**	690,583,891
Operating expenses	**290,243,399**	248,436,428
Net income	**34,755,620**	46,121,667
Attributable to non-controlling interest	**6,951,124**	9,224,333

Summarized statements of comprehensive income:

	2014	2013
Net income	**₱34,755,620**	₱46,121,667
Other comprehensive income	**3,084,043**	(3,031,218)
Total comprehensive income	**37,839,663**	43,090,449
Attributable to non-controlling interest	**7,567,933**	8,618,090

Summarized statements of cash flows:

	2014	2013
Cash flows from operations	**₱30,913,672**	₱101,443,301
Cash flows used in investing activities	**(21,191,942)**	(30,678,146)
Cash flows used in financing activities	**(20,000,000)**	(52,450,821)
Dividends paid to non-controlling interest	–	8,000,000

As of December 31, 2014 and 2013, the equity attributable to non-controlling interest in PWBRI amounted to ₱428,733 and ₱449,070, respectively. Total comprehensive loss attributed to PWBRI amounted to ₱20,338 and ₱19,805 in 2014 and 2013, respectively.

11. Property and Equipment

	2014					
	January 1, 2014	**Acquisition from WBSI** (Note 14)	**Additions**	**Disposal**	**Reclassification**	**December 31, 2014**
Cost						
Building	**₱259,116,018**	**₱–**	**₱5,701,231**	**₱–**	**₱–**	**₱264,817,249**
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**
Office furniture, fixtures and equipment	**59,688,382**	**528,895**	**6,960,109**	**(47,389)**	**–**	**67,129,997**
Drilling equipment	**5,735,469**	**–**	**–**	**–**	**–**	**5,735,469**
Building and leasehold improvements	**87,121,653**	**1,418,824**	**1,166,171**	**–**	**–**	**89,706,648**
Land and land improvements	**31,931,927**	**–**	**92,438,989**	**–**	**–**	**124,370,916**
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**

(Forward)

	2014					
	January 1, 2014	Acquisition from WBSI (Note 14)	Additions	Disposal	Reclassification	December 31, 2014
Accumulated Depreciation and Amortization						
Building	(₱229,960,753)	₱–	(₱32,912,250)	₱–	₱–	(₱262,873,003)
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)
Office furniture, fixtures and equipment	(61,609,944)	(290,243)	(5,543,577)	42,568	–	(67,401,196)
Drilling equipment	(5,410,950)	–	(324,519)	–	–	(5,735,469)
Building and leasehold improvements	(44,956,536)	(402,001)	(5,853,883)	–	–	(51,212,420)
Land improvements	(10,350,280)	–	(41,876)	–	–	(10,392,156)
	(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

	2013				
	January 1, 2013	Additions	Disposal	Reclassificattion	December 31, 2013
Cost					
Building	₱252,242,882	₱6,873,136	₱–	₱–	₱259,116,018
Kitchen and other operations equipment	262,642,967	12,633,834	–	–	275,276,801
Transportation equipment	166,826,455	11,344,576	(2,180,517)	–	175,990,514
Helicopter unit and spare parts	113,782,721	360,769	–	–	114,143,490
Aviation equipment	227,923,565	6,167,184	(701,890)	–	233,388,859
Office furniture, fixtures and equipment	56,553,592	3,870,216	(994,355)	258,929	59,688,382
Drilling equipment	5,735,469	–	–	–	5,735,469
Building and leasehold improvements	60,535,104	26,586,549	–	–	87,121,653
Land and land improvements	14,134,432	17,797,495	–	–	31,931,927
Construction in progress	258,929	28,702,186	–	(258,929)	28,702,186
	1,160,636,116	114,335,945	(3,876,762)	–	1,271,095,299
Accumulated Depreciation and Amortization					
Building	(196,971,425)	(32,989,328)	–	–	(229,960,753)
Kitchen and other operations equipment	(215,496,210)	(10,294,527)	–	–	(225,790,737)
Transportation equipment	(102,833,036)	(12,530,253)	2,152,319	–	(113,210,970)
Helicopter unit and spare parts	(65,985,774)	(8,059,531)	–	–	(74,045,305)
Aviation equipment	(109,174,991)	(18,064,639)	701,883	–	(126,537,747)
Office furniture, fixtures and equipment	(57,286,941)	(5,008,423)	685,420	–	(61,609,944)
Drilling equipment	(4,263,856)	(1,147,094)	–	–	(5,410,950)
Building and leasehold improvements	(38,844,668)	(6,111,868)	–	–	(44,956,536)
Land improvements	(10,100,664)	(249,616)	–	–	(10,350,280)
	(800,957,565)	(94,455,279)	3,539,622	–	(891,873,222)
Net Book Value	₱359,678,551	₱19,880,666	(₱337,140)	₱–	₱379,222,077

Acquisitions of property and equipment on credit amounting to ₱1.4 million and ₱2.0 million in 2014 and 2013, respectively, are included as part of "Accounts payable and accrued liabilities" account as of December 31, 2014 and 2013, respectively. These are treated as noncash investing activities in the consolidated statements of cash flows. The outstanding amount in 2013 was paid in 2014.

Depreciation and amortization is distributed as follows:

	2014	2013	2012
Direct costs (Note 19)	₱72,752,447	₱68,126,740	₱52,628,948
General and administrative expenses (Note 20)	28,881,453	26,328,539	28,591,182
	₱101,633,900	₱94,455,279	₱81,220,130

The helicopter unit was depreciated based on 139,176, and 246 flying hours in 2014, 2013 and 2012, respectively.

The costs of fully depreciated property and equipment which are still in use amounted to ₱705.2 million and ₱454.4 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 ₱143.8 million as of December 31, 2014 and 2013. In 2013, the Group recognized full recovery of impairment losses on investment property (see Note 22). As of December 31, 2014, the fair value of the investment property amounted to ₱258.0 million which is based on the appraisal report rendered by a recognized professional firm of appraisers (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 amounted to ₱0.2 million in each of the three years in the period ended December 31, 2014 (see Note 20).

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

13. AFS Investments

	2014	2013
Debt:		
Philippine government treasury bonds	₱66,197,600	₱66,871,704
Corporate bonds	–	39,743,367
Equity - Golf club share and other proprietary and equity shares	37,138,300	30,176,800
	₱103,335,900	₱136,791,871

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:

	2014	2013
Beginning balance	**₱2,688,890**	₱29,854,120
Fair value changes of AFS investments sold and recycled through profit or loss*	**767,819**	(14,067,293)
Changes in fair value of AFS investments, net of tax effect amounting to (₱700,000) in 2014 and ₱1,050,000 in 2013	**5,625,890**	(13,097,937)
Ending balance	**₱9,082,599**	₱2,688,890

**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 ₱1.1 million and ₱0.4 million as of December 31, 2014 and 2013, respectively (see Note 25).

a. The Company had investments in Philippine government treasury bonds which carry interest rate of 3.25% to 6% in 2014 and 2013 and 6.12% to 8% in 2012.

In 2013, the Company disposed certain 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, 2014 and 2013, outstanding investment in Philippine government treasury bonds amounted to ₱66.2 million and ₱66.9 million, respectively.

Total interest earned from these government bonds (including the amortization of premium) amounted to ₱2.3 million, ₱1.1 million and ₱3.2 million in 2014, 2013 and 2012 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.

As of December 31, 2013, investment in corporate bonds amounted to ₱39.7 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, ₱7.1 million and ₱2.5 million in 2014, 2013, and 2012 respectively (see Note 22).

c. 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.

In 2012, the Group determined that one of its investments in club shares is impaired because of the prolonged decline in fair value below its cost. As such, the Group recognized impairment loss on this club share for ₱0.4 million in 2012 (see Note 22).

14. Deposits and Other Noncurrent Assets

	2014	2013
Deferred project costs	**₱63,473,737**	₱–
Deposits (Note 28)	**19,639,957**	19,384,751
Tax credit certificates	**18,080,753**	18,080,753
Goodwill	**17,531,232**	17,531,232
Prepaid rent (Note 28)	**8,051,823**	8,455,038
Pension asset (Note 21)	**82,796**	514,366
Project advances and investment	–	18,876,088
Others	**451,685**	234,132
	₱127,311,983	₱83,076,360

Deferred project costs
As of December 31, 2014, "Deferred project costs" include:

Maragondon Bulk Water project costs	₱34,067,350
Engineering design, consultancy, development and geodetic surveys costs,	29,406,387
	₱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. Total payments made to WBSI former stockholders for the water rights as of December 31, 2013 amounted to ₱15.8 million.

Having regard to the substance of the agreements, the acquisition of WBSI shares is deemed to be linked to the acquisition of the water project from ICH and as such, the acquisition is treated as one transaction for accounting purposes. As of December 31, 2013, the acquisition of the Water Project has not yet been consummated in view of certain water permits inherent in the project that are yet to be secured. As such, the Group accounted for its investment in WBSI shares and payments made to WBSI former stockholders totaling to ₱19.1 million 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, 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 2014 balance sheet.

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, 2014, these costs amounted to ₱29.4 million and are included as part of the "Deferred project costs" account in the 2014 balance sheet.

Goodwill
The goodwill recognized by the Group amounting to ₱17.5 million as of December 31, 2014 and 2013 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.

15. Service Concession Right

As of December 31, 2014, the cost of service concession right amounted to ₱99.7 million. The amount 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 the 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 28e).

Pursuant to Philippine Interpretation IFRIC 12, the Group recognizes intangible assets in accordance with the accounting policies stated in Note 2. Service concession right mainly consist of 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 (see Note 28e).

16. Notes Payable

a. 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 carried an interest of 5.5% per annum subject to monthly re-pricing.

As of December 31, 2014, current and noncurrent portion of the loan both amounted to ₱9.0 million. Interest expense amounted to ₱1.3 million in 2014 (nil in 2013).

b. On February 25, 2014, MASCORP obtained five-year term loans from China Banking Corporation (CBC) amounting to ₱37.0 million and US$0.99 million to support working capital requirement and to finance its liabilities. The loans will be payable in 60 equal and successive monthly amortization commencing at the end of the 1st month from initial drawn down date of the loan. The Peso and US$ loans carry an interest of 5.25% and 4.06% per annum, respectively.

As of December 31, 2014, current and noncurrent portion of the loans amounted to ₱16.3 million and ₱51.5 million, respectively. Interest expense amounted to ₱2.8 million in 2014.

c. In 2012, MASCORP and MACS incurred interest expense amounting to ₱0.7 million and ₱1.1 million, respectively, from loans availed in 2011 which were settled in 2012.

17. Accounts Payable and Accrued Liabilities

	2014	2013
Accounts payable:		
Trade	**₱74,423,567**	₱95,805,620
Non-trade	**30,758,456**	53,626,727
Related parties		
Trade (Notes 18i, 18j and 18k)	**28,003,942**	9,590,703
Non-trade (Note 18e)	–	2,531,250
Accrued:		
Utilities and others	**81,144,816**	70,850,086
Payable to contractors	**10,599,124**	–
Service fee (Note 28c)	**8,762,122**	6,670,348
Volume discounts	–	8,120,447
Payable to government agencies	**25,854,585**	22,928,554
	₱259,546,612	₱270,123,735

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

Accrued expenses include the provision for probable loss which represents management's best estimate of probable cost of claims arising from the normal course of business that has been developed in consultation with the Company's legal counsel and is based upon an analysis of potential results.

Accrued volume discounts are incentives due to airline clients of MACS. Accrued service fee pertains to the 20% of the service fee declared by MACS, which is payable to SATS (see Note 28c).

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. 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	**2014**	2013	Terms and conditions
Affiliates:			
Deposits and cash equivalents (Note 18a)	**₱159.2**	₱148.3	On demand; prevailing interest rate
Interest income on deposits and cash equivalents (Note 18a)	**3.0**	4.0	On demand; prevailing interest rate
Rental deposit (Note 18b)	**0.1**	0.1	To be refunded at the end of lease term
Trust fund retirement plan (Note 18c)	**85.6**	69.8	Based on trustee agreement

(Amounts in millions)	Amount of Transactions			Outstanding Balance				Terms And
				Receivable		Payable		
Nature of Transaction	**2014**	2013	2012	**2014**	2013	**2014**	2013	Conditions
Affiliates:								
Office rent (Note 18b)	**₱3.1**	₱3.1	₱3.1	**₱–**	₱–	**₱–**	₱–	(a)
Service fees from ground handling services (Notes 18f and g)	**245.0**	236.6	228.7	**47.7**	73.2	–	–	(a)
Equipment rent (Notes 18i and m)	**2.1**	2.3	2.4	–	–	**3.0**	1.0	(c)
Catering services (Note18l)	–	–	77.6	**1.9**	1.9		–	(a)
Payable arising from share in passenger lounge (Note 18k)	**0.1**	4.7	3.2	–	–	**7.5**	8.0	(c)
Share in rental and utilities in MIAA (Note 18j)	**1.4**	2.0	1.9	–	–	**0.4**	0.5	(c)
Associated companies:								
Rent and administrative income from sublease of land (Note 18d)	**188.9**	187.9	187.9	**118.0**	117.6	–	–	(b)
Service fee from contracted ground handling services (Note 18h)	**0.3**	3.0	21.8	**0.1**	–	–	–	(a)
Cash advances (Note 18e)	–	–	2.5	–	–	–	2.5	(c)
Cash advances (Note 18e)	–	–	3.2	–	32.9	–	–	(c)
Cash advances (Note 18n)	–	5.9	–	–	5.9	–	–	(c)
Total				**₱167.7**	₱231.5	**₱10.9**	₱12.0	

(a) 30 day, unsecured, non-interest bearing, unimpaired
(b) 25 years, non-interest bearing, includes impact of straight-line recognition of lease income
(c) 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 2012).

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 ₱159.2 million and ₱148.3 million as of December 31, 2014 and 2013, respectively. Interest income amounted to ₱3.0 million, ₱4.0 million and ₱2.4 million in 2014, 2013 and 2012, 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. Total rent expense amounted to ₱2.5 million in 2014, 2013 and 2012. The contract of lease was renewed for a period of two years starting October 16, 2011 and unless earlier terminated, shall expire 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.

   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 ₱147,610 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 2013 and 2012 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, 2014 and 2013, the fund assets amounted to ₱85.6 million and ₱69.8 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 ₱188.9 million in 2014 and ₱187.9 million in 2013 and 2012.

   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 ₱5.3 million and ₱4.6 million as of December 31, 2014 and 2013, respectively. Accretion of interest (included as part of "Financing charges" account) amounted to ₱0.7 million, ₱0.6 million and ₱0.5 million in in 2014, 2013 and 2012 (see Note 22b). 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. This is being amortized on a straight-line basis over the term of the lease. The related amortization amounted to ₱1.0 million in 2014, 2013 and 2012. As of December 31, 2014 and 2013, the unearned rent income amounted to ₱10.3 million and ₱11.2 million, respectively.

   Further, as a result of the straight-line recognition of operating lease income, accrued rental receivable was recognized which amounted to ₱118.0 million and ₱117.6 million as of December 31, 2014 and 2013, respectively.

e. MAPDC has an outstanding short-term, unsecured and non-interest bearing advances to WBSI amounting to ₱32.9 million as of December 31, 2013 (see Note 6). On the other hand, MAPDC has an outstanding short-term non-interest bearing advances from Cavite Business Resources, Inc. (CBRI) as of December 31, 2013 amounting to ₱2.5 million (see Note 17). In 2014, since WBSI and CBRI became subsidiaries of the Company, outstanding balances were eliminated.

MASCORP

f. MASCORP provides ground handling services to Air Philippines, Inc. (Air Phil.), an affiliated company under common control. Fees for these services amounted to ₱88.2 million, ₱105.8 million and ₱117.5 million in 2014, 2013 and 2012, respectively. The related receivables as of December 31, 2014 and 2013 amounted to ₱18.6 million and ₱25.6 million, respectively (see Note 6).

g. MASCORP provides ground handling services to Philippine Airlines, Inc. (PAL), an affiliated company under common control. Fees for these service amounted to ₱156.8 million, ₱130.8 million and ₱111.2 million in 2014, 2013 and 2012, respectively. The related receivables as of December 31, 2014 and 2013 amounted to ₱29.1 million and ₱47.6 million, respectively, and are presented under "Receivables" in the consolidated balance sheets (see Note 6).

h. MASCORP bills LTP for ground handling services it rendered on behalf of LTP's clients. Fees for these services amounted to ₱0.3 million, ₱3.0 million and ₱21.8 million in 2014, 2013 and 2012, respectively. The related receivables as of December 31, 2014 and 2013 amounted to ₱138 thousand and ₱30 thousand, respectively (see Note 6).

i. MASCORP also leases ground support equipment from PAL with total rental cost amounting to ₱2.1 million, ₱2.3 million and ₱1.8 million in 2014, 2013 and 2012, respectively. Outstanding payable as of December 31, 2014 and 2013 relating to this transaction amounted to ₱3.0 million and ₱1.0 million, respectively (see Note 17).

j. MASCORP pays to Air Phil. its shares on the rental and utilities in MIAA amounting to ₱1.4 million, ₱2.0 million and ₱1.9 million in 2014, 2013 and 2012, respectively. Outstanding payable as of December 31, 2014 and 2013 relating to this transaction amounted to ₱0.4 million and ₱0.5 million, respectively (see Note 17).

MACS

k. MACS has outstanding payable to PAL aggregating to ₱7.5 million and ₱8.0 million as of December 31, 2014 and 2013, respectively, representing PAL's share in the results of operation of the passenger lounge at NAIA (see Note 17).

l. MACS provided catering services to PAL with total revenue earned amounting to ₱77.6 million in 2012 (nil in 2014 and 2013). Receivables outstanding as of December 31, 2014 and 2013 amounted to ₱1.9 million (see Note 6).

m. MACS leased airline catering equipment from PAL. Lease expense amounted to ₱0.6 million in 2012 (nil in 2014 and 2013). There is no outstanding payable relating to this transaction.

n. In 2014 and 2013, MACS provided an unsecured and non-interest bearing cash advances to MacroAsia WLL amounting to ₱5.9 million. In 2014, MACS wrote off the total outstanding balance of cash advances to MacroAsia WLL amounting to ₱5.9 million.

Compensation of Key Management Personnel

The short-term benefits of the Company's key management personnel amounted to ₱62.05 million, ₱60.24 million and ₱58.7 million in 2014, 2013 and 2012, 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

	2014	2013	2012
Gross service revenue	**₱1,830,231,762**	₱1,719,908,393	₱1,687,606,346
Less discount	**107,038,982**	109,788,936	87,908,483
	₱1,723,192,780	₱1,610,119,457	₱1,599,697,863

Direct costs

	2014	2013	2012
Food	**₱412,834,939**	₱408,888,635	₱405,004,540
Salaries and wages	**279,760,778**	232,097,904	213,963,926
Leases (Note 28b)	**161,473,267**	161,473,267	161,466,052
Concession privilege fee (Note 28a)	**106,892,886**	99,129,972	95,806,611
Contractual services	**75,815,323**	74,913,962	76,857,286
Depreciation and amortization (Note 11)	**72,752,447**	68,126,740	52,628,948
Overhead	**70,585,700**	62,126,082	64,082,468
Repairs and maintenance	**26,729,089**	19,056,260	20,340,219
Employee benefits (Note 21)	**25,938,816**	19,440,159	18,301,379
Exploratory drilling	**17,825,019**	7,774,630	9,673,109
Supplies	**17,374,914**	19,284,765	17,964,431
Rent (Note 28b)	**16,554,691**	16,267,928	12,658,586
Laundry	**11,931,065**	10,227,882	8,749,701
Insurance	**8,822,072**	9,547,140	11,305,609
Storage and brokerage	**2,511,617**	2,909,344	4,820,488
Others	**21,101,354**	18,355,047	29,746,616
	₱1,328,903,977	₱1,229,619,717	₱1,203,369,969

20. Operating Expenses

	2014	2013	2012
General and administrative:			
Salaries and wages	**₱105,805,761**	₱102,904,955	₱103,279,573
Actual and provisions for probable losses (Notes 6, 7, 8 and 17)	**51,494,461**	12,200,120	25,200,000
Employee benefits	**48,837,860**	62,798,030	38,598,082
Depreciation and amortization (Note 11)	**28,881,453**	26,328,539	28,591,182

(Forward)

	2014	2013	2012
Repairs and maintenance	**₱21,097,329**	₱22,798,233	₱20,086,262
Professional and legal fees	**20,610,144**	15,691,888	17,665,582
Project expenses	**20,178,795**	–	–
Rent (Notes 18b and 28b)	**19,350,478**	17,416,032	13,955,364
Taxes and licenses (Note 12)	**17,487,532**	11,606,803	13,112,878
Security and janitorial	**13,214,339**	11,793,217	11,121,499
Utilities	**10,611,423**	8,619,111	8,272,360
Service fee (Note 28c)	**9,682,030**	8,271,003	8,761,623
Cleaning and other laboratory supplies	**7,117,253**	7,018,524	4,659,429
Entertainment, amusement and recreation	**5,755,078**	5,038,329	6,255,838
Mining expenses (Notes 28d and 32)	**4,953,533**	13,291,897	13,798,455
Transportation and travel	**4,609,302**	4,360,514	5,828,715
Communications	**3,981,390**	4,252,347	4,227,668
Supplies	**3,888,968**	10,787,629	8,261,662
Gas and oil	**2,956,151**	2,869,882	3,080,871
Directors' fees	**2,881,618**	3,255,147	3,164,951
Insurance	**2,664,754**	3,677,887	3,132,268
Others	**18,689,189**	17,246,681	17,334,958
	424,748,841	372,226,768	358,389,220
Selling -			
Advertising and promotions	**2,892,411**	3,417,050	2,653,829
	₱427,641,252	₱375,643,818	₱361,043,049

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:

	2014	2013	2012
Current service cost	**₱15,529,069**	₱13,074,783	₱14,948,329
Net interest cost	**840,160**	839,567	2,354,757
Past service cost	–	11,296,717	–
	₱16,369,229	₱25,211,067	₱17,303,086

(Forward)

	2014	2013	2012
Portions recognized in:			
Direct costs (Note 19)	**₱8,162,122**	₱6,406,036	₱8,799,275
General and administrative expenses (Note 20)	**8,207,107**	18,805,031	8,503,811
	₱16,369,229	₱25,211,067	₱17,303,086

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

	2014	2013
Present value of defined benefit obligation	**₱100,851,544**	₱88,562,026
Fair value of plan assets	**85,600,614**	69,816,241
	₱15,250,930	₱18,745,785

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

	2014	2013	2012
Actuarial gain (loss) arising from changes in:			
Experience adjustments	**(₱3,525,247)**	₱5,547,259	(₱4,191,366)
Financial assumptions	**7,806,902**	(4,119,053)	29,189,723
Demographic assumptions	–	–	–
Remeasurement on plan assets	**360,566**	(1,675,474)	567,958
Changes in the effect of asset ceiling	–	318,174	(302,132)
	4,642,221	70,906	25,264,183
Tax effect	**(905,761)**	1,594,688	(7,718,704)
	₱3,736,460	₱1,665,594	₱17,545,479

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	₱–

Movements in accrued retirement benefits payable and pension asset follow:

2014:

	Accrued retirement benefits payable	Pension asset (Note 14)
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 pension asset of MAPDC amounting to ₱198,526, which was presented as part of pension asset as of December 31, 2013. The same amount was deducted from the beginning balance of pension asset. As of December 31, 2014, MAPDC has an accrued retirement liability position.*

2013:

	Accrued retirement benefits payable	Pension asset (Note 14)
Beginning balance	₱16,157,863	(₱1,410,805)
Retirement benefits cost recognized in profit or loss	23,026,742	2,184,325
Contributions	(19,840,667)	(1,200,000)
Remeasurements in other comprehensive income	16,980	(87,886)
Benefits paid directly by the Company	(100,767)	–
Ending balance	₱19,260,151	(₱514,366)

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

	Accrued retirement benefits payable		Pension asset (Note 14)	
	2014	2013	**2014**	2013
MAC	**₱8,547,315**	₱13,539,313	**₱–**	₱–
MACS	**2,692,041**	4,343,927	–	–
MASCORP	**1,420,150**	1,376,911	–	–
MAPDC	**657,629**	–	–	198,526
MAATS	–	–	**722,581**	315,840
MMC	**2,656,376**	–	–	–
	15,973,511	19,260,151	**722,581**	514,366
Intercompany transfers	**(639,785)**	–	**(639,785)**	–
	₱15,333,726	₱19,260,151	**₱82,796**	₱514,366

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

	2014	2013
Beginning balance	**₱88,562,026**	₱64,201,339
Current service cost	**15,529,069**	13,074,783
Interest cost	**4,114,223**	3,400,040

(Forward)

	2014	2013
Past service cost	**₱–**	₱11,296,717
Actuarial gain on retirement obligation	**(4,281,655)**	(1,428,206)
Benefits paid out of the Group's plan assets	**(2,843,173)**	(1,881,880)
Benefits paid by the Group	**(228,946)**	(100,767)
Ending balance	**₱100,851,544**	₱88,562,026

Changes in fair value of plan assets are as follows:

	2014	2013
Beginning balance	**₱69,816,241**	₱49,756,413
Interest income on plan assets	**3,274,063**	2,576,515
Contributions to the plan	**14,992,917**	21,040,667
Benefits paid	**(2,843,173)**	(1,881,880)
Remeasurement on plan assets	**360,566**	(1,675,474)
Ending balance	**₱85,600,614**	₱69,816,241
Actual return on plan assets	**₱3,634,629**	₱901,041

The major categories of plan assets are as follows:

	2014	2013
Cash and cash equivalents	**₱60,493,522**	₱43,605,141
Debt instruments:		
Government securities	**20,612,130**	16,995,669
Unquoted debt securities	**4,261,860**	9,062,570
Receivables	**233,102**	152,861
	₱85,600,614	₱69,816,241

The government securities held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

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 are shown below:

	2014	2013
Average discount rates	**4.45%-4.46%**	4.4%-5%
Average future salary increases	**5%**	5%

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

Assumptions:	**2014**	2013
Discount rate:		
+100 basis points	**(₱13,487,473)**	(₱7,660,222)
-100 basis points	**18,439,032**	10,324,125

Assumptions:	2014	2013
Salary increase rate:		
+1%	**17,642,304**	17,504,738
-1%	**(13,224,187)**	(17,837,549)

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

Date of retirement:	2014	2013
1 year and less	**₱435,830**	₱1,036,475
more than 1 year to 5 years	**5,531,066**	6,678,393
more than 5 years to 10 years	**55,385,938**	45,518,651
more than 10 years to 15 years	**103,000,968**	115,043,183
more than 15 years to 20 years	**109,959,285**	111,791,240
more than 20 years	**2,740,259,196**	2,318,066,181

The Group expects to contribute ₱28.2 million in 2015. The Group does not currently employ any asset-liability matching strategies.

Other Employee Benefits

Employees can accumulate earned leave credits, which can be used anytime when needed by the employee or converted to cash, computed based on the employee's final rate upon separation (i.e., resignation or retirement). Accumulated leave credits are presented as "Other employee benefits" which amounted to ₱10.0 million and ₱9.5 million as of December 31, 2014 and 2013, respectively. Provision for accumulating leave credits amounted to ₱0.8 million, (₱1.3) million and ₱1.8 million in 2014, 2013 and 2012, respectively.

22. Interest Income, Financing Charges, and Other Income (Charges)

a. Interest income was derived from:

	2014	2013	2012
Cash and cash equivalents (Note 5)	**₱7,583,733**	₱11,030,322	₱13,492,768
AFS investments (Note 13)	**4,556,763**	8,241,561	5,663,830
Accretion of refundable deposits (Note 28b)	**706,567**	612,880	531,615
	₱12,847,063	₱19,884,763	₱19,688,213

b. Financing charges consists of:

	2014	2013	2012
Notes payable (Note 16)	**₱4,012,987**	₱–	₱1,754,456
Accretion of refundable deposits (Note 18d)	**706,567**	612,880	531,615
	₱4,719,554	₱612,880	₱2,286,071

c. Other income (charges) - net consist of:

	2014	2013	2012
Construction revenue (Note 15)	**₱99,665,179**	₱–	₱–
Construction costs (Note 15)	**(99,665,179)**	–	–
Reversal of prior years' accruals	**19,358,658**	534,511	–
Foreign exchange gain (loss) (Notes 23 and 30)	**12,506,949**	29,308,411	(59,732,308)
Gain on sale of investments in bonds (Notes 13a and 13b)	**811,298**	49,782,205	–
Reversal of impairment loss on investment property (Note 12)	–	17,260,303	–
Reversal of allowance for doubtful accounts (Note 6)	–	–	2,600,000
Impairment loss on AFS investments (Note 13c)	–	–	(400,000)
Reclaimed water income	**1,037,615**	884,410	–
Others - net	**9,199,304**	3,793,697	1,406,615
	₱42,913,824	₱101,563,537	(₱56,125,693)

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:

	2014			2013		
	US Dollar	Chinese Renminbi (RMB or ¥)	Total Peso Equivalent	US Dollar	Chinese RMB	Total Peso Equivalent
Assets						
Cash and cash equivalents	**$7,948,676**	**¥54,316**	**₱355,854,829**	$4,154,191	¥54,467	₱184,802,673
Receivables	**5,063,371**	–	**226,433,959**	1,920,697	–	85,269,373
AFS debt investments	–	–	–	2,223,673	–	98,719,960
	13,012,047	**54,316**	**582,288,788**	8,298,561	54,467	368,792,006
Liabilities						
Accounts payable and accrued liabilities	**$115,517**	**¥–**	**₱5,165,920**	$59,331	¥–	₱2,633,994
Net foreign currency-denominated assets	**$12,896,530**	**¥54,316**	**₱577,122,868**	$8,239,230	¥54,467	₱366,158,012

As of December 31, 2014 and 2013, the exchange rates of the Peso to US$ dollar were ₱44.72 and ₱44.39 to US$1, respectively, while the exchange rates of the Peso to RMB as of December 31, 2014 and 2013 were ₱7.18 and ₱7.31 to RMB1, respectively.

24. Registrations with the Board of Investments (BOI) and the Philippine Economic Zone Authority (PEZA)

a. On July 15, 2008, the Company registered with the BOI, under the Omnibus Investment Code of 1987, as a producer of beneficiated nickel ore. Under this registration with the BOI, the Company is entitled to certain tax and non-tax incentives including income tax holiday (ITH) for a period of six years from January 2009 or actual start of commercial operations,

whichever is earlier. As the mining operations have not yet started, no benefit from ITH was availed of in 2014, 2013 and 2012. As of December 31, 2014, the Company has ongoing request to the BOI to amend the submitted Project Timetable for mining operations from January 2009 to the fourth quarter of 2015.

b. 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 2014, 2013 and 2012 consists of the MCIT of the Company, MAATS (for 2014, 2013 and 2012) and MAPDC (for 2013 income from unregistered activities), the RCIT of MACS, MASCORP (for 2014, 2013 and 2012), 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:

	2014						
	MAC	MMC	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	–	–
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)	–
Pension 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

(Forward)

	2014						
	MAC	MMC	MACS	MASCORP	MAPDC	MAATS	SNVRDC
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

	2013					
	MAC	MACS	MASCORP	MAPDC	MAATS	MMC
Recognized directly in the statements of income:						
Deferred income tax assets on:						
Tax effect of:						
Allowances for:						
Probable losses	₱–	₱11,142,692	₱–	₱–	₱–	₱–
Doubtful accounts	–	2,714,316	383,559	–	377,286	–
NOLCO	4,118,387	–	–	–	–	–
Lease rental receivables	–	3,158,515	–	5,862,421	–	–
Accrued retirement benefits payable	–	–	1,957,330	–	–	–
Accrued sick leave	–	–	337,535	–	46,184	–
Accrued expenses not yet deductible	–	163,097	523,027	–	–	–
Unrealized foreign exchange loss	–	–	284,186	–	122,618	–
Advances from customer	–	–	–	–	–	25,226
Allowance for inventory obsolescence	–	300,000	–	–	–	–
Unamortized past service cost	–	765,497	154,796	–	246,726	–
	4,118,387	18,244,117	3,640,433	5,862,421	792,814	25,226
Deferred tax liabilities on:						
Lease rental liabilities	–	–	–	(5,862,421)	–	–
Unrealized foreign exchange gain	(4,118,387)	(2,326,241)	–	–	–	(25,226)
Pension asset	–	–	–	–	(30,151)	–
	(4,118,387)	(2,326,241)	–	(5,862,421)	(30,151)	(25,226)
	–	15,917,876	3,640,433	–	762,663	–
Recognized directly in other comprehensive income:						
Deferred income tax liability on:						
Remeasurement gain	–	(1,855,337)	(1,531,285)	–	(64,601)	–
Fair value changes of AFS investments	(415,000)	–	–	–	–	–
	(415,000)	(1,855,337)	(1,531,285)	–	(64,601)	–
Deferred income tax assets (liabilities) - net	(₱415,000)	₱14,062,539	₱2,109,148	₱–	₱698,062	₱–

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:

	2014	2013	2012
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
Unrecoverable creditable withholding taxes	–	–	1,747,707
Impairment in value of investment property	–	–	17,260,303
Accrued retirement benefits payable	**11,221,535**	13,539,313	6,163,668
Unrealized foreign exchange losses	**4,075,394**	11,569,003	4,503,154
Accrued incentive pay	**1,271,970**	1,243,769	–
NOLCO	**122,476,200**	205,594,458	323,960,449
MCIT	**5,062,072**	4,384,308	3,349,970

MAC, MMC, ASSC, PWBRI, DRDC 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 and capital gains against which these temporary differences and NOLCO can be used or RCIT payable against which the MCIT can be applied.

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

		2014		2013	
Year Incurred	Expiry Date	NOLCO	MCIT	NOLCO	MCIT
MAC					
2014	2017	**₱10,677,961**	**₱1,388,748**	₱–	₱–
2013	2016	–	**2,137,781**	–	2,137,781
2012	2015	**93,238,245**	**1,432,268**	93,238,245	1,432,268
2011	2014	–	–	117,074,979	781,001
		103,916,206	**4,958,797**	210,313,224	4,351,050
MMC					
2014	2017	**2,257,070**	**30,050**	–	–
2013	2016	**6,193,809**	–	6,193,809	–
		8,450,879	**30,050**	6,193,809	–
ASSC					
2014	2017	**42,764**	–	–	–
2013	2016	**42,181**	–	42,181	–
2012	2015	**66,404**	–	66,404	–
2011	2017	–	–	44,375	–
		151,349	–	152,960	–
SNVRDC					
2014	2017	**3,677,455**	–	–	–
2013	2016	**1,051,855**	–	1,051,855	–
		4,729,310	–	2,461,856	–
PWBRI					
2014	2017	**203,380**	–	–	–
2013	2016	**200,566**	–	200,566	–
		403,946	–	200,566	–

(Forward)

		2014		2013	
Year Incurred	Expiry Date	NOLCO	MCIT	NOLCO	MCIT
DRDC					
2014	2017	**₱29,724**	**₱–**	₱–	₱–
		29,724	–	–	–
MAPDC					
2014	2017	**8,605,557**	**53,103**	–	–
2013	2016	**918,539**	**20,122**	918,539	20,122
		9,524,096	**73,225**	918,539	20,122
		₱127,205,510	**₱5,062,072**	₱218,830,953	₱4,384,308

e. Movements of NOLCO and MCIT are as follows:

	NOLCO		MCIT	
	2014	2013	2014	2013
MAC				
Beginning balance	**₱210,313,224**	₱323,765,931	**₱4,351,050**	₱3,349,970
Additions	**10,677,961**	–	**1,388,748**	2,137,781
Expired	**(117,074,979)**	(100,990,220)	**(781,001)**	(1,136,701)
Application	–	(12,462,487)		–
Ending balance	**₱103,916,206**	₱210,313,224	**₱4,958,797**	₱4,351,050
MMC				
Beginning balance	**₱6,193,809**	₱–	**₱–**	₱–
Additions	**2,257,070**	6,193,809	**30,050**	–
Ending balance	**₱8,450,879**	₱6,193,809	**₱30,050**	₱–
ASSC				
Beginning balance	**₱152,960**	₱194,518	**₱–**	₱–
Additions	**42,764**	42,181	–	–
Expired	**(44,375)**	(83,739)	–	–
Ending balance	**₱151,349**	₱152,960	**₱–**	₱–
SNVRDC				
Beginning balance	**₱1,051,855**	₱–	**₱–**	₱–
Additions	**3,677,455**	1,051,855	–	–
Ending balance	**₱4,729,310**	₱1,051,855	**₱–**	₱–
PWBRI				
Beginning balance	**₱200,566**	₱–	**₱–**	₱–
Additions	**203,380**	200,566	–	–
Ending balance	**₱403,946**	₱200,566	**₱–**	₱–
DRDC				
Beginning balance	**₱–**	₱–	**₱–**	₱–
Additions	**29,724**	–	–	–
Ending balance	**₱29,724**	₱–	**₱–**	₱–
MAPDC				
Beginning balance	**₱918,539**	₱–	**₱20,122**	₱–
Additions	**8,605,557**	918,539	**53,103**	20,122
Ending balance	**₱9,524,096**	₱918,539	**₱73,225**	₱20,122
MAATS				
Beginning balance	**₱–**	₱–	**₱–**	₱66,224
Additions	–	–	–	–
Application	–	–	–	(66,224)
Ending balance	**₱–**	₱–	**₱–**	₱–

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

	2014	2013	2012
Provision for (benefit from) income tax computed at the statutory tax rate	**₱43,774,712**	(₱37,853,142)	(₱45,552,806)
Adjustments resulting from:			
Share in net income (loss) of associates	**(38,468,047)**	75,560,544	44,521,194
Nondeductible expenses	**3,277,740**	1,618,358	1,653,450
Movements in deductible temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized	**19,063,163**	1,305,501	31,521,731
Interest income already subjected to final tax at lower rates or not subject to income tax	**(3,642,149)**	(5,965,429)	(4,201,822)
Provision for income tax	**₱24,005,419**	₱34,665,832	₱27,941,747

26. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share are computed as follows:

	2014	2013	2012
Net income (loss) attributable to equity holders of the Company	**₱114,979,503**	(₱170,047,500)	(₱186,160,179)
Divided by weighted average number of common shares outstanding*	**1,233,404,000**	1,233,404,000	1,242,935,186
	₱0.09	(₱0.14)	(₱0.15)

** The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year.*

27. Equity

a. 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 ₱151.7 million and ₱54.2 million as of December 31, 2014 and 2013, respectively.
- Cost of treasury shares amounting to ₱49.4 million as of December 31, 2014 and 2013.
- Deferred income tax assets amounting to ₱1.4 million and ₱4.1 million as of December 31, 2014 and 2013.

b. Appropriation of retained earnings

On December 12, 2014, the MACS' BOD approved the appropriation of its retained earnings amounting to ₱50.0 million for plant expansion. MACS' BOD allocated this appropriation for the company's 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 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 last quarter of 2015. 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 is to be made in 2015 or earlier. In 2014, however, MAATS' BOD reversed the appropriated amount to declare as dividend during the year.

c. 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
March 25, 2013	₱0.065	April 24, 2013	May 19, 2013
March 7, 2012	0.065	April 24, 2012	May 18, 2012

d. Treasury stock

On July 16, 2010, the BOD approved the Share Buyback Program (the Program) involving a total cash outlay of ₱50.0 million for the repurchase of the outstanding common shares of the 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 BOD may direct, subject to appropriate disclosures to the PSE and the SEC.

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

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

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 and 2014	1,233,404,000

f. Track record of registration of securities

On August 30, 1974, the 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 Philippine Stock Exchange, Inc. 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 Philippine Stock Exchange, Inc. and the approximate number of holders of its common equity as of December 31, 2014 and 2013 is 856 and 867, respectively.

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. Outstanding payable as of December 31, 2013 amounted to ₱4.0 million, which was paid in 2014.

h. Acquisition of non-controlling interest

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

In 2012, MAC paid for the subscription payable of all of the previous non-controlling stockholders of MMC bringing MAC's ownership over MMC from 67% to 100%. The carrying value of the interest acquired as of that date amounted to ₱2.1 million.

28. Significant Agreements and Commitments

a. Concession Agreements

MACS and MASCORP have concession agreements with Manila International Airport Authority (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. In 2012, the concession agreement of MACS was renewable every year upon mutual agreement of the parties. In 2013, the concession agreement of MACS is 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 ₱106.9 million, ₱99.1 million, and ₱95.8 million in 2014, 2013 and 2012, respectively, which is presented under direct cost (see Note 19).

b. Lease Agreements

i. 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. As of December 31, 2012, the lease agreement was not renewed.

In October 2013, MACS has renewed the lease agreement with MIAA for a period of three (3) years commencing on June 1, 2013 and expiring on May 31, 2016 or earlier, depending upon the MIAA development plan affecting the area, renewable yearly up to three years, subject to certain conditions. Total minimum lease payment for this lease agreement follow:

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

Lease expense relating to this lease agreement amounted to ₱16.1 million in 2014 and 2013, ₱11.3 million in 2012.

ii. 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:

1. 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.

2. 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.

3. 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.

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

   a. MAPDC, its sub-lessee or any of its successors-in-interest, cease to operate their business; and or
   b. 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:

	2014	2013
Within one year	**₱162,800,092**	₱160,131,238
After one year but not more than five years	**843,491,296**	659,874,143
Five years up to end of lease contract	**823,875,219**	1,140,534,742
	₱1,830,166,607	₱1,960,540,123

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 ₱5.3 million and ₱4.6 million as of December 31, 2014 and 2013, 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 2014, 2013 and 2012. Accretion of the rental deposit (included as part of "Interest income" account) amounted to ₱0.7 million, ₱0.6 million and ₱0.5 million in 2014, 2013, and 2012, respectively. As of December 31, 2014 and 2013, deferred rent expense amounted to ₱10.3 million and ₱11.2 million, respectively.

Further, as a result of the straight-line recognition of operating lease expense, accrued rental payable was recognized which amounted to ₱118.0 million and ₱117.6 million as of December 31, 2014 and 2013, respectively.

Rent expense amounted to ₱161.5 million in 2014, 2013 and 2012 (see Note 19).

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

1. Terminal 1 on a month-to-month basis.

2. Terminal 2 on a month-to month basis.

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 ₱5.7 million, and ₱6.4 million and ₱3.9 million in 2014, 2013 and 2012, respectively.

iv. In 2012, MASCORP entered into a lease agreement with Sky Freight Center located at Ninoy Aquino Avenue, Paranaque City for its office space. The 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. Total rent expense charged to operations amounted to ₱1.2 million in 2014 and 2013. MASCORP paid security deposit amounting to ₱2.3 million which was included under the "Deposits and other noncurrent assets" account (see Note 14).

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

	2014	2013
Within one year	**₱1,248,526**	₱1,191,465
After one year but not more than five years	**1,698,699**	2,896,983
	₱2,947,225	₱4,088,448

v. 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 totalling ₱8.5 and ₱9.0 million as of December 31, 2014 and 2013, respectively, and is included under "Deposits and other noncurrent assets" account (see Note 14). Rental rates are subject to escalation during the lease periods. Rental expense charged to operations amounted to ₱0.6 million in 2014, 2013 and 2012. This is included as part of "Mining expenses" under "Operating expenses" account (see Note 19).

c. Service Fee

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. Total service fee recognized by MACS amounted to ₱48.4 million, ₱41.4 million and ₱43.8 million in 2014, 2013 and 2012, respectively. SATS' corresponding share of the service fee amounted to ₱9.7 million, ₱8.3 million and ₱8.8 million in 2014, 2013 and 2012, respectively. Outstanding payable to SATS amounted to ₱8.8 million and ₱6.7 million as of December 31, 2014 and 2013, respectively (see Note 17).

d. 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 ₱34.9 million, ₱9.2 million and ₱10.3 million in 2014, 2013 and 2012, respectively, while the outstanding receivables balance as of December 31, 2014 and 2013 amounted to ₱11.8 million and ₱4.0 million, respectively.

e. Waterworks System Agreement

On February 12, 2013, MAPDC entered into a Memorandum of Agreement (the Agreement) with Solano to design, construct, commission and maintain a new and complete waterworks system in Solano, Nueva Vizcaya ("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 15).

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, 2014 and 2013. Further, no changes were made in the objectives, policies or processes for each of the three years in the period ended December 31, 2014.

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:

	2014	2013
Capital stock	**₱1,250,000,000**	₱1,250,000,000
Additional paid-in-capital	**281,437,118**	281,437,118
Treasury shares	**(49,418,660)**	(49,418,660)
Retained earnings	**1,477,897,069**	1,373,499,166
	₱2,959,915,527	₱2,855,517,624
Net income (loss)	**₱121,910,289**	(₱160,842,971)
Return on equity	**4.12%**	-5.63%

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 90% of MACS' and 63% of MASCORP's revenue in 2014, 2013, and 2012, respectively, 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 (amounts in millions):

	Movement in US$ and RMB	Increase (decrease) in Income before Income Tax US$	Increase (decrease) in Income before Income Tax RMB
2014	**Increase of 4%**	**₱23.1**	**₱0.05**
	Decrease of 4%	**(23.1)**	**(0.05)**

	Movement in US$ and RMB	Increase (decrease) in Loss before Income Tax US$	Increase (decrease) in Loss before Income Tax RMB
2013	Increase of 5%	(₱13.4)	(₱0.02)
	Decrease of 5%	13.4	0.02
2012	Increase of 4%	(11.6)	–
	Decrease of 4%	11.6	–

The Group reported net foreign exchange gain of ₱12.5 million and ₱29.3 million in 2014 and 2013, respectively, and net foreign exchange loss of ₱59.7 million in 2012 (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, 2014:

	Neither past due nor impaired			Past due or individually impaired	Total
	High Grade	Standard Grade	Sub-standard Grade		
Loan and receivable:					
Cash in bank and cash equivalents*	**₱680,209,788**	**₱–**	**₱–**	**₱–**	**₱680,209,788**
Receivables:					
Trade	**158,830,386**	**41,756,342**	**–**	**172,120,184**	**372,706,911**
Due from related parties	–	–	–	–	–
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	**20,335,958**	**–**	**–**	**–**	**20,335,958**
AFS investments-					
Retail treasury and corporate bonds	**66,197,600**	**–**	**–**	**–**	**66,197,600**
	₱954,902,104	**₱41,756,342**	**₱–**	**₱175,345,071**	**₱1,172,003,516**

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

December 31, 2013:

	Neither past due nor impaired			Past due or individually impaired	Total
	High Grade	Standard Grade	Sub-standard Grade		
Loan and receivable:					
Cash in bank and cash equivalents*	₱866,454,493	₱–	₱–	₱–	₱866,454,493
Receivables:					
Trade	93,626,585	27,107,932	29,341,649	152,375,164	302,451,330
Due from related parties	38,761,938	–	–	–	38,761,938
Due from officers and employees	12,344,665	–	–	–	12,344,665
Interest receivables	2,709,385	–	–	–	2,709,385
Other receivables	14,651,493	–	–	3,371,409	18,022,902
Deposits	19,384,751	–	–	–	19,384,751
Project advances and investment**	–	15,572,088	–	–	15,572,088
AFS investments-					
Retail treasury and corporate bonds	106,615,071	–	–	–	106,615,071
	₱1,154,548,381	₱42,680,020	₱29,341,649	₱155,746,573	₱1,382,316,623

**Exclusive of cash on hand amounting to ₱926,436 as of December 31, 2013.*
***Exclusive of nonfinancial assets of ₱3,304,000 as of December 31, 2013.*

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
2014	**₱37,153,642**	**₱58,588,286**	**₱23,408,940**	**₱43,110,333**	**₱13,083,870**	**₱175,345,071**
2013	₱33,378,250	₱55,822,716	₱20,796,741	₱34,164,996	₱11,583,870	₱155,746,573

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, 2014 and 2013, 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 2014	Increase (decrease) in loss before income tax 2013	Increase (decrease) in loss before income tax 2012
100 bp rise	**(₱0.86 million)**	₱0.27 million	₱39.5 million
100 bp fall	**0.86 million**	(0.27 million)	(39.5 million)
50 bp rise	**(0.43 million)**	0.14 million	19.7 million
50 bp fall	**0.43 million**	(0.14 million)	(19.7 million)

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 an available credit line for ₱20.0 million as of December 31, 2014. The line of credit is available through drawing of checks up to the approved credit line and will be effective up to November 2015. As of December 31, 2014, there was no amount drawn against this 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, 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**
Available for sale - debt	–	**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*

December 31, 2013:

	<1 year	>1-2 years	>2-3 years	>5 years	Total
Loans and receivables:					
Cash and cash equivalents	₱867,380,929	₱–	₱–	₱–	₱867,380,929
Receivables:					
Trade	302,451,330	–	–	–	302,451,330
Due from related parties	38,761,938	–	–	–	38,761,938
Due from officers and employees	12,344,665	–	–	–	12,344,665
Interest receivable	2,709,385	–	–	–	2,709,385
Other receivables	18,022,902	–	–	–	18,022,902
Deposits*	–	–	–	39,951,100	39,951,100
Project advances and investment**	15,572,088	–	–	–	15,572,088
Available for sale - debt	–	106,615,071	–	–	106,615,071
	1,257,243,237	106,615,071	–	39,951,100	1,403,809,408

(Forward)

	<1 year	>1-2 years	>2-3 years	>5 years	Total
Other financial liabilities:					
Accounts payable and accrued liabilities***	₱241,694,069	₱–	₱–	₱–	₱241,694,069
Notes payable****	10,275,313	9,773,438	9,272,708	–	29,321,459
Dividends payable	12,620,761	–	–	–	12,620,761
Deposit*****	–	–	–	24,588,996	24,588,996
	264,590,143	9,773,438	9,272,708	24,588,996	308,225,285
Liquidity position	₱981,069,224	₱96,841,633	(₱9,272,708)	₱15,362,104	₱1,084,000,253

** Inclusive of accretion of interest of ₱20,566,349.*
*** Exclusive of nonfinancial assets of ₱3,304,000 as of December 31, 2013.*
**** Exclusive of nonfinancial liabilities of ₱28,429,666.*
***** Inclusive of interest to maturity of ₱2,321,459*
******Inclusive of accretion of interest of ₱19,966,800*

31. Fair Value

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

As at 31 December 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,	**₱66,197,600**	**₱66,197,600**	**₱–**	**₱–**
Golf club shares	2014	**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 14)	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**

As at 31 December 2013:

			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		₱66,871,704	₱66,871,704	₱–	₱–
Corporate bonds	December 31,	39,743,367	39,743,367	–	–
Golf club shares	2013	30,176,800	30,176,800	–	–

(Forward)

			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 for which fair value is disclosed:					
Investment property (Note 12)	December 17, 2013	₱143,852,303	₱–	₱–	₱174,064,000
Deposits (Note 14)	December 31, 2013	30,767,121	–	–	30,767,121
Liabilities for which fair value is disclosed					
Deposits (Note 18)	December 31, 2013	16,004,566	–	–	16,004,566

There have been no transfers between Level 1 and 2 in 2014 and 2013.

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 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. The highest and best use of the property at the measurement date would be for industrial or residential condominium use. For strategic reasons, the property is not being used in this manner.

32. Deferred Mine Exploration Costs and Mining-Related Activities

As of December 31, 2014 and 2013, 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 DENR and the Company.

In 2008, the Supreme Court has ruled with finality that the Company has vested and 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 Department of Environment and Natural Resources (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.

Additions to deferred mine exploration costs primarily pertain to drilling, assay analysis, geological survey and site management expenditures.

Administrative expenses related to the mining exploration activities are expensed as incurred and presented under "Mining expenses" account in the consolidated statements of income. These amounted to ₱5.0 million, ₱13.3 million and ₱13.8 million in 2014, 2013 and 2012, 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.

COMMITTEES, OTHER ENTITIES AND SHAREHOLDER INFORMATION

NOMINATION COMMITTEE
Washington Z. SyCip – Chairman
Harry C. Tan – Member
Johnip G. Cua – Member (Independent Director)
Marivic T. Moya – Member (Non-Voting)

AUDIT COMMITTEE
Johnip G. Cua – Chairman (Independent Director)
Harry C. Tan – Member
Jaime J. Bautista – Member
Ben C. Tiu – Member (Independent Director)
Carmen K. Tan – Member

COMPENSATION COMMITTEE
Johnip G. Cua – Chairman (Independent Director)
Washington Z. SyCip – Vice Chairman
Harry C. Tan – Member
Lucio K. Tan, Jr. – Member
Jaime J. Bautista – Member

INVESTMENT COMMITTEE
Washington Z. SyCip – Chairman
Lucio K. Tan, Jr. – Member
Johnip G. Cua – Member (Independent Director)
Joseph T. Chua – Member
George Y. SyCip – Member
Carmen K. Tan – Member

RISK MANAGEMENT COMMITTEE
Jaime J. Bautista – Chairman
Harry C. Tan – Vice-Chairman
Ben C. Tiu – Member (Independent Director)
Joseph T. Chua – Member
Lucio K. Tan, Jr. – Member
Johnip G. Cua – Member (Independent Director)

MINING COMMITTEE
Johnip G. Cua – Chairman (Independent Director)
Joseph T. Chua – Member
George Y. SyCip – Member
Lucio K. Tan, Jr. – Member

BANKS
Philippine National Bank
(formerly Allied Banking Corporation)
Head Office
6754 Ayala Avenue, Makati City

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

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

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

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

Asia United Bank
Paseo de Roxas, Makati Branch
G/F, 111 Paseo de Roxas
Corner Legaspi St.
Makati City

RCBC
Dela Rosa Business Centre
Sterling Centre, Ormaza corner Dela Rosa St .,
Legaspi Village , Makati City

STOCK AND TRANSFER AGENT
Philippine National Bank
(formerly Allied Banking Corporation)
Trust Banking Group
4th Floor, Allied Bank Center
6754 Ayala Avenue, Makati City

INDEPENDENT AUDITORS
SyCip Gorres Velayo & Co.
6760 Ayala Avenue
Makati City

STOCK CODE
Philippine Stock Exchange - MAC

FINANCIAL CALENDAR
Year Ended 31st December 2014
Annual Report Announcement – 15 April 2015
Annual General Stockholders' Meeting – 17 July 2015
First Quarter Interim Results Announcement – 15 May 2015

INVESTOR RELATIONS
For further information about MacroAsia Corporation, please contact

ATTY. MARIVIC T. MOYA
Compliance Officer/ Corporate Information Officer
12th Floor, Allied Bank Center, 6754 Ayala Avenue
Makati City, 1226, Philippines
Tel No.: +63 8402001
Email: mtmoya@macroasiacorp.com

Lufthansa Technik Philippines

MacroAsia Catering Services

MacroAsia Airport Services Corporation

Cebu Pacific Catering Services

MacroAsia Air Taxi Services, Inc.

MacroAsia Properties Development Corporation

MacroAsia Mining Corporation

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)
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)
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 1301
Tel Nos.: +63 2 8539723

>>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

Soaring to New Boundaries

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