

MEGAWIDE CONSTRUCTION CORPORATION
Company's Full Name

**20 N. Domingo Street,
Barangay Valencia
Quezon City**
Company's Address

655-1111
Telephone Number

December 31
Fiscal Year Ending
(Month & Day)

SEC FORM 17-Q
Form Type

September 30, 2019
Period Ended Date

(Secondary License Type and File Number)

cc: Philippine Stock Exchange

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the Quarterly Period Ended **September 30, 2019**
2. SEC Identification Number **CS200411461**
3. BIR Tax Identification No. **232-715-069-000**
4. Exact Name of Issuer as Specified in its Charter **Megawide Construction Corporation**
5. Province, Country or other Jurisdiction of Incorporation or Organization **Philippines**
6. Industry Classification Code (SEC use only)
7. Address of Principal Office **No. 20 N. Domingo Street,
Barangay Valencia, Quezon City
Postal Code 1112**
8. Issuer's Telephone Number, including Area Code **(02) 655-1111**
9. Former Name, Former Address and Fiscal Year, if Changed since Last Report **Not Applicable**
10. Securities registered pursuant to Section 8 and 12 of the SRC, or Section 4 and 8 of the RSA:

Title of Each Class	Number of Shares Outstanding	Amount of Debt Outstanding (₱)
Common	2,075,026,517	0
Preferred	40,000,000	0

11. Are any or all these securities listed on a stock exchange?

Yes No

If yes, state the name of such stock exchange and classes of securities listed therein:

Philippine Stock Exchange - Common and Preferred Shares

12. Check whether the issuer:

has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder of Section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

Yes No

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

Yes No

PART I –FINANCIAL INFORMATION

Item 1. Financial Statements

The interim Consolidated Financial Statements of Megawide Construction Corporation (“Megawide”) as of September 30, 2019 with comparative figures as of December 31, 2018 and September 30, 2018, Cash Flows and Schedule of Aging Accounts Receivable is incorporated by reference as Exhibit 1.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

A. RESULTS OF OPERATIONS

Review of results for the nine (9) months ended September 30, 2019 as compared with the results for the nine (9) months ended September 30, 2018

Diversified engineering and infrastructure conglomerate Megawide Construction Corporation (“the Company”) posted a consolidated net profit of P835 million for the third quarter of 2019. Of the total, 52% came from the construction business, 45% from airport operations, and the remaining 3% is contributed by airport merchandising and terminal operations.

In terms of revenues, the construction segment contributed 77%, amounting to P10.5 billion, as it continued to ramp activities and sustain its recovery, coming from a record order book in 2018. In the third quarter of the year, construction recorded P4.3 billion in revenue, 20% higher than the previous quarter. Airport operations delivered P2.7 billion, 25% higher year-on-year, and contributed 20% to total revenue, as passenger volume and retail spaces increased. The balance came from airport merchandising and terminal operations, which contributed 3%.

The Company’s consolidated EBITDA reached P3.5 billion, 2% higher from the same period last year.

REVENUES

The Company posted consolidated revenues of P13.7 billion for the nine months (9) months ended September 30, 2019.

Construction

The construction segment contributed 77% of the Group's total revenue amounting to P10.5 billion as the Company continues to ramp up operations on newly awarded contracts. In the third quarter of the year, revenue rose 20% from the previous quarter. On-going projects which contributed to third quarter's revenue included Clark Airport Project, Araneta's Gateway Mall 2, 8990 Ortigas and Tondo Projects, Golden Bay's Aspire Corporate Plaza, Double Dragon projects, Megaworld's Worldwide Plaza, The Albany Luxury Residences, Gentry Manor, International Finance Center and One Manchester, Prince Jun's University Tower 5, Maynilad's 88 MLD Las Pinas Water Reclamation, HT Land's Mandani Bay and Midland's Taft East Gate.

The new contracts secured in the first nine months of 2019 reached P14.6 billion, which included Megaworld's One Fintech Tower, Empire East Highlands Mall, La Victoria, Two Mcwest and Suntrust Finance Center, as well as Emerald's The Corner House and Johndorf Venture's Plumera Residential Mactan. This brought total order book to P52.2 billion as of the end of September 2019 and provides revenue visibility for the next 2 to 3 years. In terms of mix, residential projects comprised 58%; office, commercial, and industrial at 37%, while infrastructure projects contributed 5%, attributable to the Clark International Airport EPC contract.

Airport Operations

Airport operations delivered revenues of P2.7 billion, 25% higher year-on-year, and contributed 20% to the total consolidated revenue as of the third quarter of 2019. This was driven largely by the 10% growth in total passenger volume to 9.5 million passengers, with international and domestic passengers growing 8% and 10%, respectively. Domestic passengers comprised 66% of the total passenger mix while international passengers comprised 34%. Air traffic volume likewise increased by 6%, with international traffic increasing by 9% and domestic traffic improving by 5%.

Per segment, share of Passenger Service Charge (PSC), representing 55% of airport revenues, increased by 23% to P1.5 billion driven by the double-digit growth in passenger throughput. In addition, non-aero or commercial revenues grew by 29% to P900 million and contributed 33% to airport operations. The remaining 12% is accounted for by aero-related revenues, which increased by 19% to P325 million.

Airport Merchandising

Meanwhile, airport merchandising contributed 2% to consolidated revenue. However, with the continued influx of foreign tourists in Terminal 2 and the planned expansion in the newly renovated Terminal 1, airport merchandising is expected to improve its contribution moving forward.

Terminal Operations

Terminal operations, which accounted 1% of the remaining consolidated revenue, posted revenue of P207 million, representing cost recovery of terminal operations related expenses in compliance with IFRIC 12, *Service Concessionaire Arrangement*, and lease income from commercial and office space.

Since its opening last November 2018, passenger foot traffic in the terminal grew to an average of 51,000 passengers daily as of September 2019 from less than 5,000 at the start of operations. In addition, the number of trips originating from the terminal increased from less than 500 daily in November 2018, which were limited only to buses, to almost 3,500 trips daily as of September 2019, now comprised of city, provincial and long-haul buses, modern and traditional jeepneys, and domestic shuttle services.

COSTS AND EXPENSES

Direct Costs increased by 14% or P1.3 billion

The movement in direct cost was consistent with the movement in revenue across all three segments taking in consideration full year impact on the take up of depreciation on the opening of MCIA's terminal 2 and additional cost to operate it.

Gross Profit is at 24% or P3.3 billion

Consolidated gross profit amounted to P3.3 billion in the third quarter of 2019, translating to a consolidated gross profit margin of 24%. The construction business contributed P1.5 billion or 45% of the Group's gross profit while airport operations accounted for P1.6 billion or 48%. The balance came from the airport merchandising and terminal operations segments.

Other Operating Expenses increased by 13% or P125 million

Net Other Operating Expenses for the nine-month period amounted to P1.1 billion, largely attributable to overhead expenses associated with the operation of Terminal 2 starting July 2018, and terminal operation costs which were consolidated beginning August 2018.

Finance Costs-net amounts to P1.1 billion

The increase in finance costs was mainly due to the existing loan to the construction of Terminal 2, which was previously capitalized while the asset is under construction, and additional loans to finance the Clark Airport construction.

Net Other Income amounts to P80 million

Net other income for the third quarter mainly pertained to equipment rental and sale.

B. FINANCIAL CONDITION

Review of financial conditions as of September 30, 2019 as compared with financial conditions as of December 31, 2018

ASSETS

Current Assets increased by 20% or by P4.8 billion

The following discussion provides a detailed analysis of the increase in current assets:

Cash and Cash Equivalents increased by 10% or P601 million

The increase in cash & cash equivalents was mainly due to increase short-term commercial papers.

Trade and Other Receivables increased by 29% or by P2.9 billion

The construction receivables increased due to projects with milestone payment terms such as Clark International Airport, Department of Education Phase 2, University Tower 5 and Plumera. Retention receivables increased relative to accomplishments for the period. Retention receivables pertain to progress billings which is withheld by the project owner equivalent to 5% to 10% of the contract cost. Retention receivables are collected upon issuance of the certificate of completion by the project owner.

Financial Assets at fair value through profit or loss decreased by 100% or by P26 million

This account pertains to derivative asset of GMCAC on interest rate swap. In 2019, the transaction resulted to derivative liability which is included as part of trade and other payables.

Construction Materials increased by 6% or by P54 million

The increase in construction materials is due to increase in the number of ongoing projects during the period, which is consistent with the increase in the amount of direct cost.

Contract assets increased by 23% or P693 million

The increase is mainly due to newly awarded contracts, which are on mobilization phase, and contract asset related to terminal operations.

Other Current Assets increased by 12% or by P575 million

The increase is mainly due to advances made by the Parent to its suppliers and subcontractors for its new projects, for which related downpayments were received from customers. This also includes increase in excess CWT and refundable deposits and bonds of the Group and advance payment of real property tax for the airport.

Non-Current Assets increased by 10% or by P4.0 billion

The following discussion provides a detailed analysis of the increase in non-current assets:

Investments in Associates and Joint Ventures increased by 2% or by P22 million

The increase is a result of take up share in the net gains on the Group's investment in joint venture.

Concession Assets increased by 4% or by P1.1 billion

The increase is due to capital investments of GMCAC related to the rehabilitation of the Terminal 1 of MCIA.

Property, Plant and Equipment increased by 10% or by P571 million

The Group procured certain construction equipment in 2019 that will support specification requirement of the ongoing projects.

Investment Properties increased by 29% or by P987 million

The increase is due to capital investment for commercial spaces in 2019. MWMTI has a Concession Agreement with the government to build and operate the PITX for 35 years and also allows for the construction and development of office buildings and commercial establishments which was recorded as investment in properties in the books of MWMTI. The terminal started operations in 2018 while commercial spaces on four towers were completed in August 2019.

Other Non-Current Assets increased by 45% or by P1.3 billion

The increase is mainly due to the additional placement of unrestricted cash amounting to P971 million in the restricted funds of GMCAC's "Cash Flow Waterfall Accounts" as required under the Omnibus Loan and Security Agreement to match the new loan availments of GMCAC. In addition, the adoption of PFRS 16, Leases consequently increased the right of use of asset account from nil to P61 million as at September 30, 2019.

LIABILITIES AND EQUITY

Current Liabilities increased by 31% or by P5.1 billion

The following discussion provides a detailed analysis of the increase in current liabilities:

Interest-Bearing Loans and Borrowings-Current increased by 51% or by P3.3 billion

The increase is due to the availment of short-term loans of the Parent and MGCJV, Inc., the joint venture of the Parent and GMR Group established to construct the new Clark International Airport.

Trade and Other Payables increased by 11% or by P592 million

The increase is due to advance payment received by MWMTI, the terminal operation segment, for its leasable space. The Company requires rental advance, security deposit and construction bond upon contract execution. In addition, increase is also due to volume and timing of purchases and payments to suppliers and subcontractors and the accrual of interest on the loans of the Group.

Advances from Customers increased by 38% or by P1.3 billion

The increase is due to the receipt of downpayment for new projects.

Contract liabilities decreased by 8% or P90 million

The decrease in contract liabilities is due to the catch up of cost billing of subcontractors with revenue billings to clients for ongoing projects particularly for projects nearing completion.

Other Current Liabilities increased by 9% or by P21 million

The increase is due to the increase in tax liabilities of the Group such as withholding taxes which is tied up to the increase in trade and other payables.

Non-Current Liabilities increased by 10% or by P3.3 billion

The following discussion provides a detailed analysis of the increase in non-current liabilities:

Interest-Bearing Loans and Borrowings-Non-Current increased by 11% or by P3.3 billion

The increase is due to increase in loan availments of GMCAC and MWMTI during the period.

Deferred tax liabilities increased by 59% or by P248 million

The increase is due to the reversal of P125 million deferred tax asset, pertaining to the previously set up allowance for impairment losses on trade receivables which was written off during the period.

Other non-current liabilities decreased by 71% or by P262 million

The decrease is mainly due to the release of retention payable to subcontractors of GMCAC related to the construction of the MCIA Terminal 2.

Equity attributable to Parent increased by 2% or by P270 million

The increase is mainly the function of the Group's share in net income.

C. MATERIAL EVENTS AND UNCERTAINTIES

There are no other material changes in Megawide's financial position by five percent (5%) or more and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition of Megawide.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing Megawide's liquidity in any material way. Megawide does not anticipate having any cash flow or liquidity problems. It is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

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

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of Megawide.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of Megawide.

There are no explanatory comments on the seasonality of interim operations. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements of the interim period.

There are no material amounts affecting assets, liabilities, equity, net income or cash flows that are unusual in nature. Neither are there changes in estimates of amounts reported in prior interim period of the current financial year.

D. LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table sets forth information from Megawide's pro forma statements of cash flows for the period indicated:

(Amounts in P Millions)	For nine (9) months ended September 30	
	2019 UNAUDITED	2018 UNAUDITED
Cash Flow		
Net cash provided by (used in) operating activities	(66)	2,511
Net cash used in investing activities	(4,719)	(4,415)
Net cash provided by financing activities	5,385	3,695

Indebtedness

As of September 30, 2019, Megawide has not been in default in paying interests and principal amortizations.

Megawide is not aware of any events that will trigger direct or contingent financial obligations that are material to it, including any default or acceleration of an obligation.

E. RISK MANAGEMENT OBJECTIVES AND POLICIES

Megawide is exposed to a variety of financial risks in relation to its financial instruments. Its risk management is coordinated with the Board of Directors, and focuses on actively securing Megawide's short-to-medium term cash flows by minimizing the exposure to financial markets.

Megawide does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which it is exposed to are market risk, credit risk and liquidity risk. The detailed discussion of the impact of these risks are discussed in the quarterly financial statements, Exhibit 1.

F. KEY PERFORMANCE INDICATORS

Megawide's top KPIs are as follows:

Amounts in PhP Billion, except Ratios and Earnings per Share	September 30, 2019	September 30, 2018
Construction Order Backlog	P 52.23	P 50.09*
Current Ratio ¹	1.37	1.93
Book Value Per Share ²	5.21	5.70
Earnings per Share ³	.21	.52
Return on Assets ⁴	.01	.03
Return on Equity ⁵	.05	.09
Gross Profit Margin ⁶	.24	.28

*December 31, 2018

The KPIs were chosen to provide management with a measure of Megawide's sustainability on revenue growth (Construction Orders Backlog) financial strength (Current Ratio), and profitability (Earnings per Share, Return on Assets, Return on Equity, Gross Profit Margin).

Construction Orders Backlog corresponds to the value of any unfinished project phases. This provides a basis for near-term future sources of production and revenues for Megawide. Construction Order Backlog tends to increase when booked construction contracts or orders increase. A larger Construction Order Backlog is indicative of higher profits in the future.

PART II—OTHER INFORMATION

There are no any information not previously reported in a report on SEC Form 17-C.

¹ *Current Assets/Current Liabilities*

² *Total Equity/Issued and Outstanding Shares*

³ *Net Profit/Issued and Outstanding Shares*

⁴ *Net Profit/Average Shares*

⁵ *Net Profit / Average Equity*

⁶ *Gross Profit / Revenue*

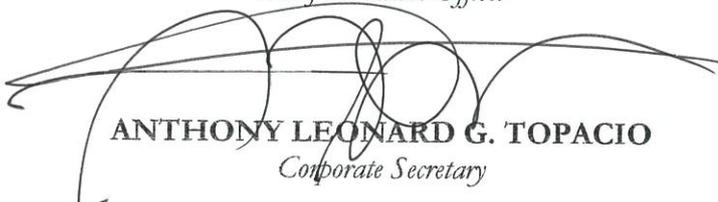
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in **CITY OF MAKATI** on NOV 15 2019.


EDGAR B. SAAVEDRA
President and Chief Executive Officer

By:


RAMON H. DIAZ
Chief Financial Officer


ANTHONY LEONARD G. TOPACIO
Corporate Secretary

SUBSCRIBED AND SWORNTO before me in **CITY OF MAKATI** on NOV 15 2019,
 affiants exhibiting to me their respective valid IDs, as follows:

NAME	Valid ID	DATE OF ISSUE/VALID UNTIL	PLACE OF ISSUE
Edgar B. Saavedra	Passport No. P0395124A	Valid until September 25, 2021	Manila
Anthony Leonard G. Topacio	Driver's License NO1-02-007474	Valid until February 22, 2022	Manila
Ramon H. Diaz	UMID ID No. 0113-0004888-4	Valid until _____	_____

Doc. No. 102 ;
 Page No. 27 ;
 Book No. IV ;
 Series of 2019.





KEN GADOR
 Commission No. M-268
 Notary Public for Makati City
 Until December 31, 2019
 6th Floor Don Pablo Building
 114 Amorsolo St., Legaspi Village, Makati City
 PTR No. 7345869/01.11.2019/Makati City
 IBP No. 066799/01.10.2019/Makati City
 MCLE No. VI-0017048/12.28.2018/Pasig City
 Roll No. 64538

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND DECEMBER 31, 2018
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>(Unaudited)</u> <u>30 September 2019</u>	<u>(Audited)</u> <u>31 December 2018</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	4	P 6,335,344,869	P 5,734,720,648
Trade and other receivables - net	5	13,157,750,627	10,212,127,250
Financial assets at fair value through profit or loss		-	26,290,139
Construction materials		919,476,721	865,035,029
Contract assets		3,754,069,042	3,060,770,976
Other current assets	7	<u>5,466,603,194</u>	<u>4,891,540,884</u>
Total Current Assets		<u>29,633,244,453</u>	<u>24,790,484,926</u>
NON-CURRENT ASSETS			
Financial assets at fair value through other comprehensive income		3,544,472	3,544,472
Investments in associates and joint venture	6	948,909,453	926,832,112
Concession assets	8	29,377,051,122	28,289,313,079
Property, plant and equipment - net	14	6,066,755,015	5,496,096,209
Investment properties	9	4,444,290,595	3,457,715,588
Other non-current assets	7	<u>4,263,399,226</u>	<u>2,941,723,207</u>
Total Non-current Assets		<u>45,103,949,883</u>	<u>41,115,224,667</u>
TOTAL ASSETS		<u>P 74,737,194,336</u>	<u>P 65,905,709,593</u>

	Notes	(Unaudited) 30 September 2019	(Audited) 31 December 2018
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	11	P 9,686,658,183	P 6,408,573,493
Trade and other payables	10	5,844,709,898	5,252,402,324
Advances from customers		4,813,628,251	3,485,005,709
Contract liabilities		1,095,601,810	1,185,476,962
Other current liabilities	12	254,558,156	233,817,574
		<u>21,695,156,298</u>	<u>16,565,276,062</u>
Total Current Liabilities			
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	11	33,653,552,352	30,371,690,492
Post-employment defined benefit obligation		180,540,445	176,798,596
Deferred tax liabilities - net		667,626,108	419,677,416
Other non-current liabilities	12	106,008,203	368,165,977
		<u>34,607,727,108</u>	<u>31,336,332,481</u>
Total Non-current Liabilities			
Total Liabilities		<u>56,302,883,406</u>	<u>47,901,608,543</u>
EQUITY			
Equity attributable to shareholders of the Parent Company:	15		
Common stock		2,399,426,127	2,399,426,127
Preferred stock		40,000,000	40,000,000
Treasury shares		(3,633,262,836)	(3,454,826,462)
Additional paid-in capital		8,776,358,765	8,776,358,765
Revaluation reserves		15,204,702	15,204,702
Other reserves		(22,400,287)	(22,474,837)
Retained earnings		7,200,719,818	6,752,591,330
		<u>14,776,046,289</u>	<u>14,506,279,625</u>
Total equity attributable to shareholders of the Parent Company			
Non-controlling interests		3,658,264,641	3,497,821,425
		<u>18,434,310,930</u>	<u>18,004,101,050</u>
Total Equity			
TOTAL LIABILITIES AND EQUITY		<u>P 74,737,194,336</u>	<u>P 65,905,709,593</u>

See Selected Notes to Interim Condensed Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(UNAUDITED)
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>30 September 2019</u>	<u>30 September 2018</u>
REVENUES	13		
Contract revenues		P 10,525,847,513	P 10,351,928,529
Airport operations revenues		2,713,608,308	2,179,500,780
Trading operations revenues		247,543,823	214,870,832
Terminal operations revenue		206,995,025	-
		<u>13,693,994,669</u>	<u>12,746,300,141</u>
DIRECT COSTS	14		
Contract costs		9,052,330,868	8,618,395,899
Costs of airport operations		1,129,647,848	458,840,012
Costs of trading operations		61,756,189	51,002,248
Costs of terminal operations		149,529,557	-
		<u>10,393,264,462</u>	<u>9,128,238,159</u>
GROSS PROFIT		3,300,730,207	3,618,061,982
OTHER OPERATING EXPENSES		<u>1,060,149,810</u>	<u>934,987,873</u>
OPERATING PROFIT		<u>2,240,580,397</u>	<u>2,683,074,109</u>
OTHER INCOME (CHARGES)			
Finance costs - net		(1,118,666,603)	(774,999,372)
Others - net		79,915,753	186,687,414
		<u>(1,038,750,850)</u>	<u>(588,311,958)</u>
PROFIT BEFORE TAX		1,201,829,547	2,094,762,151
TAX EXPENSE		<u>366,663,726</u>	<u>374,986,366</u>
NET PROFIT		<u>P 835,165,821</u>	<u>P 1,719,775,785</u>
Net Profit Attributable To:			
Shareholders of the Parent Company		P 649,722,605	P 1,321,173,906
Non-controlling interests		<u>185,443,216</u>	<u>398,601,879</u>
		<u>P 835,165,821</u>	<u>P 1,719,775,785</u>
Earnings per Share	16	<u>P 0.21</u>	<u>P 0.52</u>

See Selected Notes to Interim Condensed Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2019 AND 2018
(UNAUDITED)
(Amounts in Philippine Pesos)

	For the quarter July to September				As of September 30			
	2019	2018	Variance	%	2019	2018	Variance	%
REVENUES								
Contract revenues	P 4,342,102,301	P 2,988,966,509	P 1,353,135,792	45%	P 10,525,847,513	P 10,351,928,529	P 173,918,984	2%
Airport operations revenues	917,515,605	857,354,080	60,161,525	7%	2,713,608,308	2,179,500,780	534,107,528	25%
Airport merchandising revenues	89,224,475	89,807,476	(583,001)	-1%	247,543,823	214,870,832	32,672,991	15%
Terminal operations revenue	161,620,457	-	161,620,457	100%	206,995,025	-	206,995,025	100%
	<u>5,510,462,838</u>	<u>3,936,128,065</u>	<u>1,574,334,773</u>	40%	<u>13,693,994,669</u>	<u>12,746,300,141</u>	<u>947,694,528</u>	7%
DIRECT COSTS								
Construction	3,788,726,944	2,415,113,203	1,373,613,741	57%	9,052,330,868	8,618,395,899	433,934,969	5%
Airport operation	375,386,205	273,685,409	101,700,796	37%	1,129,647,848	458,840,012	670,807,836	146%
Airport merchandising cost	21,996,652	20,035,070	1,961,582	10%	61,756,189	51,002,248	10,753,941	21%
Terminal operation	112,507,473	-	112,507,473	100%	149,529,557	-	149,529,557	100%
	<u>4,298,617,274</u>	<u>2,708,833,682</u>	<u>1,589,783,592</u>	59%	<u>10,393,264,462</u>	<u>9,128,238,159</u>	<u>1,265,026,303</u>	14%
GROSS PROFIT	<u>1,211,845,564</u>	<u>1,227,294,383</u>	<u>(15,448,820)</u>	-1%	<u>3,300,730,207</u>	<u>3,618,061,982</u>	<u>(317,331,776)</u>	-9%
OTHER OPERATING EXPENSES	<u>429,782,835</u>	<u>405,743,443</u>	<u>24,039,392</u>	6%	<u>1,060,149,810</u>	<u>934,987,873</u>	<u>125,161,937</u>	13%
OPERATING PROFIT	<u>782,062,729</u>	<u>821,550,940</u>	<u>(39,488,211)</u>	-5%	<u>2,240,580,397</u>	<u>2,683,074,109</u>	<u>(442,493,712)</u>	-16%
OTHER INCOME (CHARGES)								
Finance costs - net	(529,945,839)	(179,610,238)	(350,335,601)	195%	(1,118,666,603)	(774,999,372)	(343,667,231)	44%
Others - net	(15,599,216)	(50,368,161)	34,768,945	-69%	79,915,753	186,687,414	(106,771,661)	-57%
	<u>(545,545,055)</u>	<u>(229,978,399)</u>	<u>(315,566,656)</u>	137%	<u>(1,038,750,850)</u>	<u>(588,311,958)</u>	<u>(450,438,892)</u>	77%
PROFIT BEFORE TAX	<u>236,517,674</u>	<u>591,572,541</u>	<u>(355,054,867)</u>	-60%	<u>1,201,829,547</u>	<u>2,094,762,151</u>	<u>(892,932,604)</u>	-43%
TAX EXPENSE	<u>132,294,628</u>	<u>91,655,828</u>	<u>40,638,800</u>	44%	<u>366,663,726</u>	<u>374,986,366</u>	<u>(8,322,640)</u>	-2%
NET PROFIT	<u>P 104,223,046</u>	<u>P 499,916,713</u>	<u>(P 395,693,667)</u>	-79%	<u>P 835,165,821</u>	<u>P 1,719,775,785</u>	<u>(P 884,609,964)</u>	-51%
Net Profit Attributable To:								
Shareholders of the Parent Company	P 63,862,803	P 415,048,551	(P 351,185,748)	-85%	P 649,722,605	P 1,321,173,906	(P 671,451,301)	-51%
Non-controlling interests	40,360,243	84,868,162	(44,507,919)	-52%	185,443,216	398,601,879	(213,158,663)	-53%
	<u>P 104,223,046</u>	<u>P 499,916,713</u>	<u>(P 395,693,667)</u>	-79%	<u>P 835,165,821</u>	<u>P 1,719,775,785</u>	<u>(P 884,609,964)</u>	-51%
Earnings Per Share	<u>(P 0.00)</u>	<u>P 0.16</u>	<u>(P 0.16)</u>	-102%	<u>P 0.21</u>	<u>P 0.52</u>	<u>(P 0.31)</u>	-60%

See Selected Notes to Interim Condensed Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(UNAUDITED)
(Amounts in Philippine Pesos)

	Attributable to Shareholders of the Parent Company						Retained Earnings	Total	Non-controlling Interests	Total
	Common Stock	Preferred Stock	Treasury Shares	Additional Paid-in Capital	Revaluation Reserves	Other Reserves				
Balance at January 1, 2019	P 2,399,426,127	P 40,000,000	(P 3,454,826,462)	P 8,776,358,765	-	(P 22,474,837)	P 6,752,591,330	P 14,491,074,923	P 3,497,821,425	P 18,004,101,050
Acquisition of treasury shares	-	-	(178,436,374)	-	-	-	-	(178,436,374)	-	(178,436,374)
Cash dividends	-	-	-	-	-	-	(201,594,117)	(201,594,117)	(25,000,000)	(226,594,117)
Total comprehensive income for the year	-	-	-	-	-	74,550	649,722,605	649,797,155	185,443,216	835,240,371
Balance at September 30, 2019	<u>P 2,399,426,127</u>	<u>P 40,000,000</u>	<u>(P 3,633,262,836)</u>	<u>P 8,776,358,765</u>	<u>-</u>	<u>(P 22,400,287)</u>	<u>P 7,200,719,818</u>	<u>P 14,760,841,587</u>	<u>P 3,658,264,641</u>	<u>P 18,434,310,930</u>
Balance at January 1, 2018	P 2,399,426,127	P 40,000,000	(P 2,627,738,885)	P 8,776,358,765	(P 3,949,890)	(P 22,474,837)	P 6,501,996,949	P 15,063,618,229	P 3,071,826,040	P 18,135,444,269
Effects of the adoption of new standard	-	-	-	-	-	-	(40,917,814)	(40,917,814)	-	(40,917,814)
Balance at January 1, 2018, as restated	2,399,426,127	40,000,000	(2,627,738,885)	8,776,358,765	(3,949,890)	(22,474,837)	6,461,079,135	15,022,700,415	3,071,826,040	18,094,526,455
Cash dividends	-	-	-	-	-	-	(210,750,000)	(210,750,000)	-	(210,750,000)
Total comprehensive income for the year	-	-	-	-	(8,263,159)	-	1,321,173,906	1,312,910,747	398,601,879	1,711,512,626
Balance at September 30, 2018	<u>P 2,399,426,127</u>	<u>P 40,000,000</u>	<u>(P 2,627,738,885)</u>	<u>P 8,776,358,765</u>	<u>(P 12,213,049)</u>	<u>(P 22,474,837)</u>	<u>P 7,571,503,041</u>	<u>P 16,124,861,162</u>	<u>P 3,470,427,919</u>	<u>P 19,595,289,081</u>

See Selected Notes to Interim Condensed Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(UNAUDITED)
(Amounts in Philippine Pesos)

	30 September 2019	30 September 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 1,201,829,547	P 2,094,762,151
Adjustments for:		
Finance costs	1,188,343,643	870,674,441
Depreciation and amortization	1,120,355,603	683,044,124
Finance income	(522,152,788)	(95,675,069)
Equity in net gains of associates and joint venture	(22,077,341)	(23,995,236)
Loss on fair value change of AFS financial assets	-	10,109,624
Gain on disposals of property, plant and equipment	-	(157,180)
Operating profit before working capital changes	2,966,298,664	3,538,762,855
Increase in trade and other receivables	(2,765,623,377)	(952,691,643)
Increase in construction materials	(54,441,692)	(8,044,382)
Increase in contract assets	(693,298,066)	(680,163,837)
Increase in other current assets	(693,702,793)	(485,488,751)
Increase (decrease) in trade and other payables	174,045,907	(298,894,713)
Increase in advances from customers	1,328,622,538	1,653,916,429
Decrease in contract liabilities	(89,875,152)	(353,205,996)
Increase (decrease) in other liabilities	(241,417,190)	119,768,534
Increase in post-employment defined benefit obligation	3,741,849	16,568,973
Cash generated from (used in) operations	(65,649,312)	2,550,527,469
Cash paid for income taxes	(580,733)	(39,983,656)
Net Cash From (Used in) Operating Activities	(66,230,045)	2,510,543,813
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to concession assets	(1,435,625,729)	(2,602,793,044)
Proceeds from disposal of available-for-sale financial assets	-	929,773,159
Investment properties	(986,575,007)	(3,086,006,313)
Assets acquired from subsidiary	-	(460,917,176)
Increase in other non-current assets	-	(397,746,875)
Acquisitions of property, plant and equipment,	(1,453,379,795)	(428,986,594)
Increase in investment in trust fund	(1,211,422,947)	-
Interest received	342,152,788	94,498,829
Reclassification (acquisition) of investment in joint venture	-	304,243,826
Loss on fair value change of AFS financial assets	-	(10,109,624)
Proceeds from sale of property, plant and equipment	-	1,693,440
Proceeds from sale of financial assets at fair value through profit or loss	26,290,139	1,241,724,114
Net Cash Used in Investing Activities	(4,718,560,551)	(4,414,626,258)
<i>Balance carried forward</i>	(P 4,784,790,596)	(P 1,904,082,445)

	<u>30 September 2019</u>	<u>30 September 2018</u>
<i>Balance brought forward</i>	(P 4,784,790,596)	(P 1,904,082,445)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from interest-bearing loans and borrowings	14,864,205,062	4,803,035,584
Repayment of interest-bearing loans and borrowings	(8,304,258,511)	(1,329,457,275)
Loan acquired from subsidiary	-	825,000,000
Interest paid	(769,501,243)	(393,100,753)
Dividends paid	(226,594,117)	(210,750,000)
Acquisition of treasury shares	(<u>178,436,374</u>)	<u>-</u>
Net Cash From Financing Activities	<u>5,385,414,817</u>	<u>3,694,727,556</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	600,624,221	1,790,645,111
CASH ACQUIRED FROM SUBSIDIARY	-	61,352,946
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>5,734,720,648</u>	<u>4,930,939,177</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>P 6,335,344,869</u>	<u>P 6,782,937,234</u>

See Selected Notes to Interim Condensed Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND DECEMBER 31, 2018 AND SEPTEMBER 30, 2018
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

Megawide Construction Corporation (the Parent Company) was incorporated in the Philippines on July 28, 2004 and is engaged in the general construction business, including constructing, enlarging, repairing, or engaging in any work upon buildings, houses and condominium, roads, plants, bridges, piers, waterworks, railroads and other structures. It performs other allied construction business like the construction and sale of precast items, concrete production, and purchase sale and/or lease of formworks system and construction equipment.

On January 28, 2011, the Philippine Stock Exchange (PSE) and the Securities Exchange Commission (SEC) approved the Parent Company's application for the listing of its common stock. The approval covered the initial public offering of 292.0 million unissued common shares of the Parent Company at P7.84 offer price per share and the listing of those shares in PSE's main board on February 18, 2012. On December 3, 2014, the Parent Company made a primary offer of 40.0 million preferred shares at an offer price of P100.0 per share. These preferred shares are also listed in the PSE.

On September 22, 2014, the SEC approved the Parent Company's amendment of articles of incorporation, which includes: (i) the Parent Company's power to extend corporate guarantees to its subsidiaries and affiliates; and, (ii) the increase in its authorized capital stock of P5,000.0 million divided into 4,930.0 million common shares and 70.0 million cumulative, non-voting, non-participating, non-convertible to common shares and redeemable, at the option of the Parent Company, perpetual preferred shares. Both common and preferred shares have a par value of P1.0 per share.

On August 16, 2017, Megacore Holdings, Inc. (Megacore) acquired 313,786,575 shares representing 14.7% ownership over the Parent Company from Citicore Holdings Investment, Inc. (Citicore). This resulted to a decrease in Citicore's ownership from 66.7% to 51.0%.

On December 22, 2017, Megacore further acquired additional shares from Citicore which resulted to an increase in Megacore's equity interest to the Parent Company equivalent to 28.9% or 617,709,197 beginning December 2017.

The Parent Company remains a subsidiary of Citicore which owns and controls 33.3% of the issued and outstanding capital stock of the Parent Company because Citicore still directs the overall business operations of the Parent Company through its Chairman and Chief Executive Officer, who is also the President of Citicore.

On December 20, 2017, the state-owned Social Security System acquired a total of 110,532,500 shares or equivalent to 5.2% interest of the Parent Company through purchase of 3.45% stake held by Megacore and the remaining interest from the public.

Citicore is a company incorporated in the Philippines and is engaged in the business of a holding company through buying and holding shares of other companies. The registered address of Citicore and the Parent Company, which is also their principal place of business, is at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

1.2 Subsidiaries, Associates and Joint Arrangements

The Parent Company holds ownership interest in the following subsidiaries, associates and joint arrangements (together with the Parent Company, collectively hereinafter referred to as the “Group”), which are all incorporated in the Philippines:

Subsidiaries/Associates/Joint Operations Joint Ventures	Notes	Percentage of Effective Ownership	
		September 30, 2019	December 31, 2018
Subsidiaries:			
GMR Megawide Cebu Airport Corporation (GMCAC)	a	60%	60%
Megawatt Clean Energy, Inc. (MCEI)	b	70%	70%
GMI, Inc. (GMI)	c	50%	50%
Megawide Land, Inc. (MLI)	d	100%	100%
Megawide Construction (BVI) Corporation (MCBVI)	e	100%	100%
MWM Terminals, Inc. (MWMTI)	i	100%	100%
Megawide Terminals, Inc. (MTI)	h	100%	100%
<i>Accounted for as Asset Acquisition –</i>			
Altria East Land, Inc. (Altria)	f	100%	100%
Associates:			
Megawide World Citi Consortium, Inc. (MWCCI)	g	51%	51%
Citicore Megawide Consortium, Inc. (CMCI)	g	10%	10%
Joint Operations:			
Megawide GISPL Construction Joint Venture (MGCJV)	j	50%	50%
Megawide GISPL Construction Joint Venture, Inc. (MGCJVI)	k	50%	50%
Joint Ventures:			
Mactan Travel Retail Group Corp. (MTRGC)	l	25%	25%
Select Service Partners Philippines Corp. (SSPPC)	m	25%	25%

a) GMCAC

GMCAC was incorporated in the Philippines and registered in the Philippine SEC in 2014. GMCAC’s primary purpose is to construct, develop, operate and maintain the Mactan Cebu International Airport (MCIA), including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility (MCIA Project). GMCAC started commercial operations on November 1, 2014. GMCAC was established for the purpose of implementing the provisions of the Concession Agreement that was signed on April 22, 2014 between the Parent Company and GMR Infrastructure Limited (GIL), and the Department of Transportation and Communications (currently, the Philippine Department of Transportation or DOTr) and Mactan-Cebu International Airport Authority (MCIAA) (collectively, the Grantors). GIL is an entity duly organized and registered in India. DOTr and MCIAA are the agencies of the Philippine Government vested with the power and authority to develop dependable and coordinated transportation systems and to principally undertake the economical, efficient, and effective control, management, and supervision of the MCIA Project. GMCAC’s registered address, which is also its principal place of business, is located at Mactan-Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City.

b) MCEI

MCEI was incorporated in 2014 to engage in the development of clean or renewable energy sources for power generation. Its registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City.

c) GMI

GMI was incorporated in the Philippines in 2016, primarily engaged in general merchandise operations. GMI registered address, which is also its principal place of business, is located at Mactan-Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City. GMI started its commercial operations in March 2017.

On March 15, 2017, the Parent Company sold 2,000,000 shares or 10% interest of GMI to GMR Holdings Overseas (Singapore) Pte. Ltd. (GHOSPL). On December 31, 2017, GMI is 50% owned by the Parent Company. The Parent Company still consolidates its ownership in GMI after the sale transaction because major decisions involving entering and negotiating Supply and Delivery Agreements with Duty Free Philippines Corporation still rests with the Parent Company. In line with this, the Parent Company retains control over GMI's operations.

d) MLI

MLI was incorporated in 2016 primarily to engage in real estate and related business. MLI's registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City. MLI has 60% direct ownership interest in Megawide Cold Logistics, Inc. (MCLI), a newly incorporated domestic entity in 2016 that was established to engage in logistics operations. MCLI has not yet started commercial operations to date.

e) MCBVI

On June 20, 2017, the Parent Company acquired a 100% ownership interest in MCBVI, an entity incorporated in the territory of British Virgin Islands to primarily engage in buying and holding shares of other companies. MCBVI registered address, which is also its principal place of business, is Marcy Building, 2nd floor, Purcell Estate, Road Town Tortola, British Virgin Islands. In 2018, MCBVI has commenced business operations.

f) Altria

The transfer of shares by Altria to the Parent Company is accounted for as an asset acquisition since it does not constitute an acquisition of business (see Note 6.4).

g) MWCCI and CMCI

The Group's investments in MWCCI and CMCI are accounted for as investments in associates since the ownership of the Parent Company does not result to control over the entities' relevant activities.

h) MTI

MTI (formerly WM Property Management, Inc.) is an entity incorporated and registered on November 11, 2011 to establish, own, manage, administer, operate, maintain, and carry the business of providing property management services, either directly or through third parties, but not limited to the services of rent collection, tenant and lease management, marketing and advertising, repair and maintenance, liaison and other similar services. MTI's registered address and principal place of business is at Waltermart Building, 8001 Epifanio delos Santos Avenue, Veterans Village, Quezon City, Metro Manila.

In August 09, 2018, the Company purchased 344.5 million shares or 100% ownership interest from shareholders of MTI with a purchase price of P344.1 million. MTI owns 49% interest over MWMTI.

i) MWMTI

MWMTI is a joint venture arrangement formed on February 10, 2015 by the Parent Company and MTI, both exercising joint controls to direct the relevant activities of MWMTI. The joint venture shall undertake the development and implementation of the Southwest Integrated Transport System Project (ITS Project) granted by the Philippine Government to MWMTI under a Build-Operate-Transfer Agreement through the DOTr.

With the acquisition of MTI shares in 2018, the Parent Company now effectively owns 100% ownership interest in MWMTI. Prior to 2018, the interests in MWMTI is accounted for as joint arrangements as the Parent Company exercises joint control over the arrangements' relevant activities.

j) MGCJV

MGCJV is an unincorporated joint venture formed in 2014 by the Parent Company and GMR Infrastructure (Singapore) PTE Limited – Philippines Branch (GISPL) each owning 50% interest and exercising joint control. MGCJV was established to provide construction of works for the renovation and expansion of the MCIA Project and other airport related construction projects of the Group (see Note 6.3).

k) MGCJVI

MGCJVI is an incorporated joint arrangement formed on January 31, 2018 by the Parent Company owning 50% interest and GISPL with 45% interest and GMR Holdings Overseas (Singapore) PTE Limited owning the remaining 5%. The Parent Company and GMR both exercising joint control. MGCJVI was established to provide general construction business including construction, improvement and repair of Clark Airport project.

l) MTRGC

MTRGC was incorporated and registered under the laws of the Republic of the Philippines with the SEC on March 21, 2018 to develop, set-up, operate, maintain and manage the duty paid outlets at the locations in the Mactan Cebu International Airport (see Note 6.2). It started operations in the same year of incorporation.

m) SSPPC

SSPPC was incorporated and registered under the laws of the Republic of the Philippines with the SEC on March 13, 2018 to develop, set-up, operate, maintain and manage food and beverage outlets at specified locations in Terminal 1 and Terminal 2 of Mactan Cebu International Airport and the provision of related services thereto (see Note 6.2). It started operations in the same year of incorporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these interim condensed consolidated financial information are consistent with those of the annual consolidated financial statements for the year ended December 31, 2018.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

This interim condensed consolidated financial information has been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all of the information and disclosures required in the annual audited consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as of and for the year ended December 31, 2018.

The interim condensed consolidated financial statements have been prepared using the measurement basis specified by PFRS for each type of asset, liability, income and expenses. The measurement bases are fully described in the accounting policies below and in the succeeding pages.

(b) Presentation of Consolidated Financial Statements

The interim condensed consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group opted to present a single interim condensed consolidated statement of comprehensive income.

(c) Functional and Presentation Currency

These interim condensed consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the interim consolidated financial statements are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2019 that are Relevant to the Group

The Group adopted for the first time the following new standard, amendments, interpretations, and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PAS 28 (Amendments)	:	Investment in Associates – Long-term Interest in Associates and Joint Ventures
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Tax Treatments
Annual Improvements to PFRS (2015-2017 Cycle)	:	
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends
PAS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization
PFRS 3 and PFRS 11 (Amendments)	:	Business Combinations; Joint Arrangements, Remeasurements of Previously Held Interests in a Joint Operations.

Discussed below and in the succeeding pages are the relevant information about these standards, interpretation and improvements.

- (i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset). The adoption of this standard did not result in any adjustment in the Group's interim condensed consolidated financial statements.
- (ii) PAS 28 (Amendments), *Investment in Associates – Long-term Interest in Associates and Joint Ventures*. The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The adoption of this standard did not result in any adjustment in the Group's interim condensed consolidated financial statements.
- (iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the “solely payments of principal and interests” (SSPI) test. As such, the financial assets containing prepayment features with negative

compensation may still be classified at amortized cost or at FVOCI. The adoption of this standard did not result in any adjustment in the Group's interim condensed consolidated financial statements.

- (iv) PFRS 16, *Leases*. The new standard replaces PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. For lessees, it requires to account for leases "on-balance-sheet" by recognizing a "right-of-use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similarly to a financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The Group has adopted this standard using modified retrospective approach for the first time as at January 1, 2019. Under this approach, the information as at and for the year ended December 31, 2018 were not restated. The Group also chose to apply the relief options for short-term leases and leases of low value assets.

As of September 30, 2019, Right of use of assets, included as part of other noncurrent assets amounts to P61.3 million, related amortization for 2019 amounts to P10.6 million (see Note 7.8).

- (v) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. The adoption of this standard did not result in any adjustment in the Group's interim condensed consolidated financial statements.

(vi) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's interim condensed consolidated financial statements as these amendments merely clarify existing requirements:

- PFRS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.
- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.
- PFRS 3 (Amendments), *Business Combinations* and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

(b) *Effective Subsequent to 2019 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2019, which are adopted by FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's interim condensed consolidated financial statements:

- (i) PAS 1 and PAS 8 (Amendments), *Definition of Material* (effective from January 1, 2020). The amendments clarify the definition of "material" and to align the definition used in the Conceptual Framework and the standards themselves. Based on the final amendment, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments are still subject to the approval of the Board of Accountancy.
- (ii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when

determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

3. SEGMENT REPORTING

The Group's operating businesses are recognized and managed separately according to the nature of services provided with a segment representing a strategic business unit. The Group's business segments follow:

3.1 *Business Segments*

- (a) *Construction* – principally refers to general construction business, including constructing and sale of precast items and concrete production.
- (b) *Airport Operations* – mainly relate to the business of building, rehabilitating, renovating, constructing, developing, operating, and maintaining the MCI, including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility.
- (c) *Airport Merchandising* – mainly engaged in importing, exporting, buying, selling and distributing goods, wares and merchandise within the airport facility.
- (d) *Terminal Operations* – relate to the business of building and developing the transport model system in Parañaque Integrated Terminal Exchange (PITX) and operating the commercial assets within the facility.

Other operations of the Group comprise the operations and financial control groups. These segments are also the basis of the Group in reporting to its executive committee for its strategic decision-making activities. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment revenues and expenses that are directly attributable to business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

3.2 *Segment Assets and Liabilities*

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

3.4 Reconciliation

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its interim condensed consolidated financial statements (amounts in thousands).

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Profit or loss		
Segment net profit	P 839,602	P 1,705,662
Other unallocated income (expense)	(4,436)	14,114
Net profit as reported in the interim condensed consolidated statements of income	<u>P 835,166</u>	<u>P 1,719,776</u>
	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Assets		
Total segment assets	P 80,540,230	P 72,496,026
Elimination of intercompany accounts	(6,032,033)	(12,742,170)
Other unallocated assets	<u>228,997</u>	<u>6,151,854</u>
Total assets as reported in the interim condensed consolidated statements of financial position	<u>P 74,737,194</u>	<u>P 65,905,710</u>
Liabilities		
Total segment liabilities	P 57,798,143	P 50,422,491
Elimination of intercompany accounts	(1,560,013)	(7,403,006)
Other unallocated liabilities	<u>64,753</u>	<u>4,882,124</u>
Total liabilities as reported in the interim condensed consolidated statements of financial position	<u>P 56,302,883</u>	<u>P 47,901,609</u>

3.5 Other Segment Information

The Group has not identified any segment based on geographical location since the Group's operation is concentrated in one country of location.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	September 30, 2019 (<u>Unaudited</u>)	December 31, 2018 (<u>Audited</u>)
Cash on hand	P 8,806,887	P 13,539,520
Cash in banks	4,851,076,247	3,527,325,055
Short-term placements	<u>1,475,461,735</u>	<u>2,193,856,073</u>
	<u>P6,335,344,869</u>	<u>P5,734,720,648</u>

Cash in banks generally earn interest based on daily bank deposit rates.

Short-term placements are made for varying periods from 14 to 90 days and earn annual effective interest of 2.0% to 6.0% in 2019 and 2018.

5. TRADE AND OTHER RECEIVABLES

This account consists of the following:

	Note	September 30, 2019 (<u>Unaudited</u>)	December 31, 2018 (<u>Audited</u>)
Contract receivables:			
Third parties		P4,453,756,689	P2,598,635,628
Related parties	17.1	<u>200,656,556</u>	<u>400,493,319</u>
		<u>4,654,413,245</u>	<u>2,999,128,947</u>
Retention receivables:			
Third parties		3,527,134,028	2,740,820,924
Related parties	17.1	<u>135,389,903</u>	<u>772,113,457</u>
		<u>3,662,523,931</u>	<u>3,512,934,381</u>
Advances to:			
Related parties	17.4	3,350,021,013	3,292,608,712
Officers and employees	17.3	<u>47,387,928</u>	<u>34,271,539</u>
		<u>3,397,408,941</u>	<u>3,326,880,251</u>
Receivables from:			
Airport operations		565,931,078	522,312,869
Sale of goods		99,060,515	84,368,858
Lease contracts		285,257,498	-
Other receivables		<u>509,248,057</u>	<u>183,034,254</u>
		13,173,843,265	10,628,659,560
Allowance for impairment		(<u>16,092,638</u>)	(<u>416,532,310</u>)
		<u>P13,157,750,627</u>	<u>P10,212,127,250</u>

Retention receivables pertain to progress billings which are withheld by the project owners equivalent to 5.0% or 10.0% as provided in the respective construction contract of each project. These will only be collected after a certain period of time upon acceptance by project owners of the certificate of completion.

Receivables from airport operations pertain to the Group's accrual of aeronautical, concession, rental and commercial revenues as authorized under the Concession Agreement and sale of souvenir items via credit line.

Trade and other receivables except advances to related parties do not bear any interest. All receivables, except Advances to officers and employees are subject to credit risk exposure.

All of the Group's trade and other receivables have been reviewed for indications of impairment. As of December 31, 2018, the Parent Company recognized allowance for impairment losses as approved by its BOD for its long outstanding disputed receivables with a certain client amounting to P305.5 million. The allowance was set-up based on the reasonable assessment on its on-going negotiation with the client. The Parent Company observed the slowdown of its collections from the said client starting 2015 and has received its last collection in November of the same year and has not subsequently collected any of its receivables since then. As early as 2013, the Parent Company has started the turn-over process until 2015 including time extensions but only two out of its seven projects were issued with actual related Certificates of Completion and Acceptance (COCA's). In 2019, the parties executed the settlement agreement. Accordingly, the related allowance for impairment losses provided in the previous years as well as related receivables were written off.

None of the outstanding receivables were found to be impaired using the provision matrix as determined by the management; hence, no amount of allowance for impairment have been recognized.

Total allowance for impairment for long outstanding contract, retention and airport receivables provided by the Parent Company and GMCAC amounted to P16.1 million and P416.5 million as of September 30, 2019 and December 31, 2018, respectively.

A reconciliation of the allowance for impairment at the beginning and end of September 30, 2019 and December 31, 2018 is as shown below.

	September 30, 2019	December 31, 2018
	(Unaudited)	(Audited)
Balance at beginning of year	P 416,532,310	P 110,693,217
Impairment losses	38,591	305,839,093
Write off	(400,478,263)	-
	<u>P 16,092,638</u>	<u>P 416,532,310</u>

6. EQUITY ADVANCES AND INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND ACQUISITION OF ASSETS

The carrying values of Investments in Associates and Joint Venture account are shown below:

	<u>Note</u>	September 30, 2019 (<u>Unaudited</u>)	December 31, 2018 (<u>Audited</u>)
Investments in:			
Associates	6.1	P 811,757,868	P 807,345,146
Joint venture	6.2	<u>137,151,585</u>	<u>119,486,966</u>
		<u>P 948,909,453</u>	<u>P 926,832,112</u>

The Parent Company has also investment in SSPI which are accounted for as financial asset at fair value through other comprehensive income as the Parent Company neither exercises control or significant influence over SSPI.

6.1 Equity Advances and Investments in Associates

The components of the carrying values of this account are as follows:

	September 30, 2019 (<u>Unaudited</u>)	December 31, 2018 (<u>Audited</u>)
Acquisition cost:		
MWCCI	P 580,890,000	P 580,890,000
CMCI	<u>200,000,000</u>	<u>200,000,000</u>
	<u>780,890,000</u>	<u>780,890,000</u>
Equity advances in MWCCI	<u>23,572,864</u>	<u>23,572,864</u>
Equity share in net profit:		
Balance at beginning of period	2,882,282	-
Reclassification to investment in subsidiaries	-	(4,488,123)
Equity in net profit for the period	<u>4,412,722</u>	<u>7,370,405</u>
Balance at end of period	<u>7,295,004</u>	<u>2,882,282</u>
	<u>P 811,757,868</u>	<u>P 807,345,146</u>

6.2 Interest in Joint Venture

This account includes the carrying values of the following components:

	September 30, 2019	December 31, 2018
	(<u>Unaudited</u>)	(<u>Audited</u>)
Acquisition costs:		
MTRGC	P 58,324,000	P 58,324,000
SSPPC	<u>58,324,000</u>	<u>58,324,000</u>
	<u>116,648,000</u>	<u>116,648,000</u>
Equity share in net profit:		
Balance at beginning of period	2,838,966	-
Equity in net profit for the period	<u>17,664,619</u>	<u>2,838,966</u>
Balance at end of period	<u>20,503,585</u>	<u>2,838,966</u>
	<u>P 137,151,585</u>	<u>P 119,486,966</u>

GMCAC has 41.66% interest in MTRGC and SSPPC, which are primarily engaged in the set-up, operation and management of duty paid retail, food and beverage outlets and provision of related services thereto in the airport terminals (T1 and T2).

6.3 Interest in Joint Operation

The Parent Company's interest in MGCJV and MGCJVI are accounted for as joint arrangement – joint operation and, as such, the Parent Company accounts for its interest in the relevant assets, liabilities, revenues and expenses of MGCJV and MGCJVI.

The relevant financial information of the Group's interest in MGCJV and MGCJVI which are included in the appropriate accounts in the Group's interim condensed consolidated statements of financial position and interim condensed consolidated statements of income are as follows:

	<u>Before Elimination</u>	<u>Elimination</u>	<u>After Elimination</u>
<u>September 30, 2019</u>			
<i>Assets:</i>			
Cash and cash equivalents	P 890,555,828	(P 110,653,344)	P 779,902,484
Trade and other receivables	3,270,382,586	(477,862,463)	2,792,520,123
Other current assets	51,869,654	(34,965,324)	16,904,330
Property, plant, and equipment – net	<u>11,938,608</u>	<u>(680,814)</u>	<u>11,257,794</u>
	<u>P 4,224,746,676</u>	<u>(P 624,161,945)</u>	<u>P 3,600,584,731</u>

	<u>Before</u>		<u>After</u>
	<u>Elimination</u>	<u>Elimination</u>	<u>Elimination</u>
<i>Liabilities:</i>			
Trade and other payables	P 934,227,474	(P 584,658,338)	P 349,569,136
Due to related parties	1,070,057	-	1,070,057
Loans payable	<u>2,891,900,000</u>	<u>-</u>	<u>2,891,900,000</u>
	<u>P 3,827,197,531</u>	<u>(P 584,658,338)</u>	<u>P 3,242,539,193</u>
 <u>September 30, 2019</u>			
<i>Revenues and Expenses:</i>			
Contract revenues	P 2,437,986,250	(P 368,353,080)	P 2,069,633,170
Contract costs	(1,953,017,348)	362,128,003	(1,590,889,345)
Other operating expenses	(241,822,847)	3,592,294	(238,230,553)
Finance cost- net	<u>(48,579,447)</u>	<u>-</u>	<u>(48,579,447)</u>
	<u>P 194,566,608</u>	<u>(P 2,632,783)</u>	<u>P 191,933,825</u>
 <u>December 31, 2018</u>			
<i>Assets:</i>			
Cash and cash equivalents	P 582,553,389	P -	P 582,553,389
Trade and other receivables	990,664,601	(280,828,089)	709,836,512
Other current assets	85,606,842	-	85,606,842
Property, plant, and equipment – net	<u>12,471,087</u>	<u>-</u>	<u>12,471,087</u>
	<u>P 1,671,295,919</u>	<u>(P 280,828,089)</u>	<u>P 1,390,467,830</u>
 <i>Liabilities:</i>			
Trade and other payables	P 339,490,739	P -	P 339,490,739
Due to related parties	22,966,790	-	22,966,790
Loan payable	<u>941,762,257</u>	<u>-</u>	<u>941,762,257</u>
	<u>P 1,304,219,786</u>	<u>P -</u>	<u>P 1,304,219,786</u>
 <u>September 30, 2018</u>			
<i>Revenues and Expenses:</i>			
Contract revenues	P 1,171,182,946	(P 1,171,182,946)	P -
Contract costs	(1,004,001,438)	1,004,001,438	-
Other operating expenses	(47,462,503)	47,462,503	-
Finance income- net	<u>36,795,082</u>	<u>-</u>	<u>36,795,082</u>
	<u>P 156,514,087</u>	<u>(P 119,719,005)</u>	<u>P 36,795,082</u>

6.4 Acquisition of Assets of Altria

On December 26, 2012, pursuant to a memorandum of agreement dated December 17, 2012, the Parent Company acquired 100% ownership interest in Altria. Altria is a company incorporated in the Philippines and holds an investment property in the form of land. The registered office of Altria, which is also its principal place of business, is located at Coastal Road Bangiad, San Juan, Taytay, Rizal.

As of the reporting dates, Altria has no operations and its assets mainly pertain to the land where the Parent Company's precast and batching facilities are constructed. In accordance with Group's policy, the transaction is treated by the Group as an asset acquisition since the transaction does not constitute a business combination.

The purchase price upon acquisition was allocated among the following accounts based on their relative fair values:

Cash in bank	P	486,426
Bond deposits		1,500,958
Land		303,468,569
Accrued expenses	(100,000)
		<u>P305,355,953</u>

Subsequent to the date of acquisition, any changes in the carrying value of the net assets acquired in the books of Altria, including the expenses incurred in administering the property (i.e, property taxes), shall be updated in the books of the Parent Company on a line-by-line basis, as if they are consolidated into a single entity.

7. OTHER ASSETS

This account is composed of the following:

	<u>Note</u>	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Current:			
Advances to contractors and suppliers	7.1	P 2,059,884,845	P 1,776,206,219
Deferred fulfilment costs		1,633,328,066	1,633,221,503
Input VAT	7.2	1,007,290,918	880,640,102
Prepaid taxes	7.4	464,107,969	227,029,354
Refundable security and bond deposits		189,986,658	125,313,438
Prepaid subscription		50,743,621	7,347,069
Prepaid rent		19,556,901	3,560,596
Prepaid insurance		16,640,948	128,646,584
Development costs		1,840,006	1,840,006
Miscellaneous		23,222,262	107,736,013
		<u>5,466,603,194</u>	<u>4,891,540,884</u>
Non-current:			
Deferred input VAT	7.2	2,111,026,266	2,097,455,330
Investment in trust fund	7.6	1,651,035,006	680,421,727
Advances to suppliers		140,842,687	-
Deposits for condominium units	7.3	110,337,468	68,802,067
Right of use of assets	7.8	61,291,915	-
Deferred transaction cost	7.7	54,325,499	20,783,591
Refundable security deposits		46,627,835	36,422,529
Computer software license – net	7.5	44,406,553	36,980,796
Miscellaneous		43,505,997	857,167
		<u>4,263,399,226</u>	<u>2,941,723,207</u>
		<u>P 9,730,002,420</u>	<u>P 7,833,264,091</u>

7.1 *Advances to Contractors and Suppliers*

Advances to contractors and suppliers pertain to downpayments made by the Group for the construction of airport terminal facilities and purchase of property and equipment based on a certain percentage of the contract price. The initial payment will eventually be recouped or deducted from the amount payable of the Group either in a pro-rated basis or in full once billed by the contractors and supplier. These advances are classified as current since it would be applied payments for construction of assets to be classified as inventories.

7.2 *Input VAT/Deferred Input VAT*

Input VAT under other current assets pertains to the payment of VAT on purchases of services and goods that is recoverable within 12 months. Deferred input VAT pertains to the unamortized input VAT on purchases of capital goods exceeding P1.0 million and bid premium. Deferred input VAT arising from purchase of capital goods exceeding P1.0 million is to be amortized and credited against output tax evenly over five years or the life of the asset, whichever is shorter.

7.3 *Deposits for Condominium Units*

Deposits for condominium units represent initial downpayments made for the purchase of condominium units. These will be reclassified to investment property upon execution of contract to sell and deed of sale.

7.4 *Prepaid Taxes*

Prepaid taxes pertain to the excess of quarterly income tax payments over the current tax due during the year and creditable withholding taxes.

7.5 *Computer Software License – net*

The details of this account are presented below.

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cost	P 123,514,953	P 104,219,678
Accumulated amortization	(79,108,400)	(67,238,882)
	<u>P 44,406,553</u>	<u>P 36,980,796</u>

A reconciliation of the carrying amounts of computer software license at the beginning and end of the reporting periods is shown below.

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Balance at the beginning of year	P 36,980,796	P 43,912,786
Additions	19,732,391	2,066,511
Amortization expense for the year	(12,306,634)	(8,998,501)
Balance at the end of the period	<u>P 44,406,553</u>	<u>P 36,980,796</u>

The related amortization charges were recorded as part of Depreciation and amortization under Other Operating Expenses account in the interim condensed consolidated statements of income.

7.6 Investment in Trust Fund

On November 28, 2014, GMCAC's BOD authorized GMCAC to establish, maintain and operate trust and investment accounts with a local universal bank (Security Trustee). The investment in trust fund constitutes (i) Revenue Accounts; (ii) Future Major Maintenance Fund Account; (iii) Debt Service Reserve Accounts; (iv) Debt Service Payment Account; and, (v) Distribution Accounts, collectively referred to as "Cash Flow Waterfall Accounts" and Loan Disbursement Accounts under a certain Omnibus Loan and Security Agreement (OLSA) to ensure the prompt payment of the required amortization, interest and principal of the long-term loan.

The OLSA provided that the Security Trustee shall invest and reinvest the monies in the collateral accounts.

7.7 Deferred Transaction Cost

Deferred transaction cost represents legal and documentary stamp taxes paid and attributable to the amount of undrawn borrowing facility scheduled for drawdown in the subsequent reporting periods. Upon drawdown, the deferred transaction cost will be accounted for as debt issuance cost which is treated as a discount on the related debt and amortized using the effective interest rate method over the term of the related debt.

7.8 Right of Use of Assets – net

The details of this account are presented below.

	September 30, 2019 (Unaudited)
Cost	P 71,909,328
Accumulated amortization	(10,617,413)
	<u>P 61,291,915</u>

A reconciliation of the carrying amounts of right of use asset at the beginning and end of the reporting periods is shown below.

	September 30, 2019 (Unaudited)
Balance at the beginning of year	P -
Additions	71,909,328
Amortization expense for the year	(10,617,413)
Balance at the end of the period	<u>P 61,291,915</u>

The related amortization charges were recorded as part of Depreciation and amortization under Other Operating Expenses account in the interim condensed consolidated statements of income.

8. CONCESSION ASSETS

Concession Agreement refers to the agreement entered into by the Parent Company and GIL with DOTr and MCIA by virtue of Revised Implementing Rules and Regulations of Republic Act (R.A.) No. 6957, “*An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector and for Other Purposes*”, as Amended by R.A. No. 7718 (referred to as the “*BOT Law*”). Under the said agreement, GMCAC was granted by DOTr and MCIA an exclusive right to design, develop, and undertake the MCIA Project; and enjoy complete and uninterrupted possession of all movable and immovable assets for purposes of implementing the Project, whether tangible or intangible pertaining to concessionaire Operations and Maintenance (O&M) Facilities such as the existing assets, project land, assets produced, installed, built and created pursuant to the Concession Agreement, commercial assets, among others, (collectively referred as Project Assets). The Concession Agreement is for a period of 25 years commencing on O&M start date unless further extended pursuant to the Concession Agreement.

The MCIA Project comprises the following undertaking:

- Construction of Terminal 2 (T2), along with all Associated Facilities;
- Renovation and expansion, but not the demolition of Terminal 1 (T1) and Associated Facilities;
- Complete reconstruction of Terminal 2 Apron (T2 Apron);
- Capacity Augmentation;
- Development of Commercial Assets; and,
- Operation and Maintenance of the Concessionaire O&M Facilities and Commercial Assets.

Upfront fees include P14,404.6 million bid premium paid by GMCAC to the Philippine Government for the MCIA Project.

9. INVESTMENT PROPERTIES

The balance of this account is shown below:

	September 30, 2019	December 31, 2018
	(<u>Unaudited</u>)	(<u>Audited</u>)
Land	P 164,132,535	P 135,600,000
Infrastructure	<u>4,280,158,060</u>	<u>3,322,115,588</u>
	<u>P 4,444,290,595</u>	<u>P 3,457,715,588</u>

a. Land

Investment properties include parcels of land that are not used by the Group in the ordinary course of the business amounting to P164.1 million and P135.6 million as of September 30, 2019 and December 31, 2019, respectively. Based on management’s assessment, the carrying amounts of these assets are fully recoverable, hence, no impairment loss is required in both years.

b. Infrastructure

MWMTI was granted an exclusive right and obligation under the Concession Agreement. Relative to the arrangement, MWMTI incurred cost necessary to construct the facility. The separately identifiable accumulated costs incurred in the development of the Paranaque Integrated Terminal Exchange Project are allocated based on development and implementation plan for the terminal and commercial areas. Any change in the allocation arising from the necessary revisions in the implementation plan is accounted for prospectively in the condensed consolidated financial statements. The allocation of cost as of the end of the period is as follows:

	September 30, 2019	December 31, 2018
	(<u>Unaudited</u>)	(<u>Audited</u>)
Terminal area	P 456,867,131	P 456,867,131
Commercial area	<u>4,280,158,060</u>	<u>3,332,115,588</u>
	<u>P 4,737,025,191</u>	<u>P 3,788,982,719</u>

Costs incurred for the terminal area are presented as unbilled receivables under Contract Assets account in the condensed consolidated statements of financial position. Unbilled receivable is recognized to the extent of actual cost incurred for the period. Meanwhile, cost incurred for the commercial area are presented as part of Investment Properties in the consolidated statements of financial position. The Group considers the entire portfolio which comprise the Contract Assets and Investment Property in determining the recoverability of the carrying amounts of these assets taking into consideration the potential cash flow earnings, discounted to its present value of the property.

10. TRADE AND OTHER PAYABLES

This account consists of the following:

	September 30, 2019	December 31, 2018
<u>Note</u>	(<u>Unaudited</u>)	(<u>Audited</u>)
Trade payables	P 1,940,890,040	P 2,532,212,397
Retention payable	2,038,314,577	1,833,586,935
Interest payable	545,552,268	126,709,868
Accrued expenses	524,105,086	506,694,982
Unearned income	303,407,103	-
Security deposits	137,318,587	142,147,175
Accrued salaries	136,013,680	37,707,726
Derivative liability	92,262,487	-
Advances from related parties	47,871,899	59,566,827
Others	<u>78,974,171</u>	<u>13,776,414</u>
	<u>P 5,844,709,898</u>	<u>P 5,252,402,324</u>

11. INTEREST-BEARING LOANS AND BORROWINGS

The details of short-term and long-term interest-bearing loans and borrowings are as follows:

	Notes	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Current:			
Bank loans	11.2 (b)	P 8,812,212,163	P 5,651,033,174
Notes payable	11.1	693,711,240	693,711,241
Obligations under finance lease		<u>180,734,780</u>	<u>63,829,078</u>
		<u>9,686,658,183</u>	<u>6,408,573,493</u>
Non-current:			
Bank loans	11.2 (a)	28,279,202,041	25,124,805,081
Notes payable	11.1	5,119,291,231	5,152,791,231
Obligations under finance lease		<u>255,059,080</u>	<u>94,094,180</u>
		<u>33,653,552,352</u>	<u>30,371,690,492</u>
		<u>P43,340,210,535</u>	<u>P36,780,263,985</u>

11.1 Notes Payable

(a) 2013 Notes Facility

On February 19, 2013, the Parent Company executed a notes facility agreement with a local universal bank. In this agreement, the Parent Company desired to offer and issue fixed-rate corporate notes in the aggregate principal amount of P4,000.0 million. The net proceeds of the notes after deducting direct issue costs, such as underwriting fees and commissions, documentary stamp tax and other expenses associated with the issuance, amounted to P3,957.3 million.

The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Parent Company.

The notes are issued in three tranches with the following details:

	<u>Principal</u>	<u>Term in Years</u>	<u>Interest Rate</u>
Tranche A	P 650,000,000	5	5%
Tranche B	3,250,000,000	7	6%
Tranche C	<u>100,000,000</u>	10	6%
	<u>P 4,000,000,000</u>		

The Parent Company has complied with all the debt covenants set forth in the notes facility agreement as the transactions during the intervening periods are under the ordinary course of business.

On February 23, 2018, the Parent Company has repaid the Tranche A of this notes payable.

(b) 2016 Various Notes Facility

In 2016, the Parent Company entered into various notes facility arrangement with a local bank to refinance the corporate note issued in 2011 and to finance its capital expenditure and general corporate requirements. The notes are issued with the following details:

<u>Date Issued</u>	<u>Principal</u>	<u>Term in years</u>	<u>Interest Rate</u>
September 16, 2016	P 650,000,000	10	5.5%
December 5, 2016	350,000,000	10	6.37%
December 16, 2016	<u>1,000,000,000</u>	10	6.37%
	<u>P 2,000,000,000</u>		

These 10-year corporate notes bear an interest rate based on the closing per annum rates of a ten (10)-year PDST-R2 rate on the PDS Group website plus a certain spread. The Parent Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.1.

The Parent Company has complied with all the debt covenants set forth in the notes facility agreement as the transactions during the intervening periods are under the ordinary course of business.

11.2 Bank Loans

(a) Omnibus Loan and Security Agreement – December 17, 2014

On December 17, 2014, GMCAC entered into a P20,000.0 million (which at GMCAC's option may be increased up to P23,300.0 million) OLSA with various local universal banks, as onshore lenders. On January 26, 2015, the parties amended the facility to include another universal bank as offshore lender to contribute US \$75.0 million (or equivalent to P3,500.0 million) into the facility. The facility has a term of 15 years, the repayment of which starts in 2019 and shall continue every year thereafter until 2030; and, interest requirements that are payable annually based on the following:

	<u>First 7 Years</u>	<u>Last 8 Years</u>
P20,000.0 million onshore loan	Sum of Base Rate 1 (PDST-R2 benchmark yield) and credit spread	Sum of Base Rate 2 (PDST-R2 benchmark yield) and credit spread
US\$75.0 million offshore loan	LIBOR plus credit spread	LIBOR plus credit spread

As security for timely payment of the loan and prompt observance of all provision of the Omnibus Agreement, certain assets are pledge as collateral on this loan.

(b) Other Bank Loans

In addition, the Group also obtained various bank loans with total outstanding balance of P8,812.2 million and P5,651.0 million as of September 30, 2019 and December 31, 2018, respectively, representing unsecured short-term loans from other local banks. The loans bear fixed annual interest rates ranging from 5.0 to 6.0% and 2.5% to 2.8% in 2019 and 2018.

12. OTHER LIABILITIES

The details of this account for nine months ended September 30 are as follows:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Current:		
Withholding taxes	P 177,684,220	P 102,406,787
Deferred output VAT	56,992,614	38,907,666
Income Tax Payable	7,596,456	-
Deferred revenue	-	25,928,897
Others	<u>12,284,866</u>	<u>66,574,224</u>
	<u>P 254,558,156</u>	<u>P 233,817,574</u>
Non-current:		
Security deposits	P 90,431,880	148,010,532
Unearned rent income	15,576,323	34,015,340
Retention payable	<u>-</u>	<u>186,140,105</u>
	<u>P 106,008,203</u>	<u>P 368,165,977</u>

13. REVENUES

13.1 Contract Revenues

This account pertains to construction revenue for the interim period.

13.2 Airport Operations Revenues

The details of this account for nine months ended September 30 are composed of the revenues from:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Aeronautical	P 1,488,970,900	P 1,207,354,804
Aero related	324,973,390	273,748,399
Non-aero related	<u>899,664,018</u>	<u>698,397,577</u>
	<u>P 2,713,608,308</u>	<u>P 2,179,500,780</u>

13.3 Airport Merchandising Operations Revenues

The details of this account are composed of the revenues from:

	September 30, 2019	September 30, 2018
	(<u>Unaudited</u>)	(<u>Unaudited</u>)
Food revenues	P 134,312,947	P 117,596,720
Non-food revenues	<u>113,230,876</u>	<u>97,274,112</u>
	<u>P 247,543,823</u>	<u>P 214,870,832</u>

13.4 Terminal Operations Revenue

The details of this account for nine months ended September 30, 2019 (nil for September 30, 2018) are composed of the revenues from:

Rental revenues:	
Office towers	P 93,085,685
Concessionaires	<u>37,200,971</u>
	130,286,656
Contract revenue	<u>76,708,369</u>
	<u>P 206,995,025</u>

The Paranaque Integrated Terminal Exchange (PITX) Project undertaken by the Group with the DOTr gives the Group the control over the terminal area and the right to collect concessionaire revenue. Contract assets include unbilled receivable which pertains to the cost of the terminal area which is to be recovered through the Grantor payments.

The revenue recognized by the Group relating to contract revenue on terminal operations is also the amount of cost incurred since its recognition is based on cost recovery method.

14. DIRECT COSTS

14.1 Contract Costs

The following is the breakdown of contract costs for the period ended September 30:

	September 30, 2019	September 30, 2018
	(<u>Unaudited</u>)	(<u>Unaudited</u>)
Outside services	P 3,912,781,642	P 3,826,490,925
Materials	3,492,894,272	3,280,874,240
Salaries and employee benefits	524,860,534	461,754,667
Project overhead	629,350,533	619,901,242
Depreciation and amortization	<u>492,443,887</u>	<u>429,374,825</u>
	<u>P 9,052,330,868</u>	<u>P 8,618,395,899</u>

Project overhead includes insurance, repairs and maintenance, gas and oil, travel and transportation, professional fees, utilities, municipal permits, taxes, security services, office supplies and various rental expenses of staging areas.

14.2 Costs of Airport Operations

The following is the breakdown of cost of services:

	September 30, 2019	September 30, 2018
	(Unaudited)	(Unaudited)
Amortization of concession asset	P 533,077,100	P 220,488,274
Utilities	210,551,239	109,183,396
Outside service	107,621,215	-
Repairs and maintenance	101,353,747	-
Salaries and other benefits	50,835,612	38,497,143
Airport operator's fee	34,133,657	25,895,575
Airline collection charges	26,307,871	20,583,285
Insurance	25,338,987	17,277,846
Technical service charges	21,043,226	-
Others	19,385,194	26,914,493
	<u>P 1,129,647,848</u>	<u>P 458,840,012</u>

14.3 Costs of Airport Merchandising Operations

The following is the breakdown of cost of trading:

	September 30, 2019	September 30, 2018
	(Unaudited)	(Unaudited)
Cost of goods sold:		
Cost of food	P 33,938,284	P 27,552,721
Cost of non-food	27,594,996	23,181,513
Freight-in	254,849	-
Spoilage and pilferages	-	335,079
Purchase discounts	(31,940)	(67,065)
	<u>P 61,756,189</u>	<u>P 51,002,248</u>

14.4 Costs of Terminal Operations

The details of this account for the period ending September 30, 2019 (nil for September 30, 2018) are shown below.

Outside services	P 85,821,825
Utilities	49,553,825
Taxes and licenses	4,510,641
Depreciation	4,354,178
Salaries and benefits	4,310,786
Repairs and maintenance	978,302
	<u>P 149,529,557</u>

15. EQUITY

15.1 Dividends

In 2019 and 2018, the Parent Company's BOD approved the declaration cash dividends of P1.76 per share or equivalent to P70.3 million per quarter to holders of preferred shares, which were taken out of the unrestricted earnings of the Parent Company as of December 31, 2018 and 2017, respectively. The series of record dates and payments are as follows:

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
<u>2019:</u>				
Approval dates	January 8, 2019	April 3, 2019	July 8, 2019	
Record dates	February 13, 2019	May 16, 2019	August 14, 2019	
Payment dates	March 3, 2019	June 3, 2019	September 3, 2019	
<u>2018:</u>				
Approval dates	January 30, 2018	May 3, 2018	August 11, 2018	October 30, 2018
Record dates	February 15, 2018	May 18, 2018	August 16, 2018	November 16, 2018
Payment dates	March 3, 2018	June 3, 2018	September 3, 2018	December 3, 2018

The dividends on the preferred shares bear cumulative, non-participating cash dividends based on the issue price, payable quarterly in arrears every dividend payment date, at the fixed rate of 7.025% per annum from listing date.

15.2 Treasury shares

On July 20, 2016, the Parent Company's BOD approved the buy-back of 410.8 million common shares held by Sybase Equity Investment Corporation at a price equal to the 7-trading day volume weighted average price ending on July 28, 2016 or equivalent to P10.03 per share. Total purchase price of the treasury shares including incidental cost of the buy-back amounted P4.138.8 million.

On October 20, 2016, the Parent Company's BOD approved the sale of its 150.0 million treasury shares at P14.90 per share. Net proceeds of the sale of treasury share amounted to P2,181.7 million, net of incidental cost of the transaction. Outstanding balance of the treasury shares after the sale is 260.8 million treasury shares at cost P2,627.7 million.

On October 1, 2018, the Parent Company's BOD approved a share buyback program worth up to P2.0 billion over a period of two years. Total cost to acquire treasury shares in 2019 amounted to P99.5 million which is equivalent to 5.5 million shares and P827.1 million for 2018, which is equivalent to 48.8 million shares.

16. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Net profit attributable to shareholders of the Parent Company	P 649,722,605	P 1,321,173,906
Dividends on cumulative preferred shares	(210,750,000)	(210,750,000)
Income available to shareholders of the Parent Company	438,972,605	1,110,423,906
Divided by weighted average number of outstanding common shares	<u>2,088,716,961</u>	<u>2,138,577,497</u>
Basic and diluted EPS	<u>P 0.21</u>	<u>P 0.52</u>

The Group does not have dilutive potential common shares outstanding as of September 30, 2019 and 2018; hence, diluted EPS is equal to the basic EPS.

17. RELATED PARTY TRANSACTIONS

17.1 Rendering of Services

In the normal course of business, the Group provides construction services to related parties under common ownership, associate, a certain previous shareholder and other related parties. The related revenue from these transactions amounted to P160.61 million and P1,593.3 million in 2019 and 2018, respectively. These revenues are recorded as part of Contract Revenues account in the interim condensed consolidated statements of income. Services rendered to the above related parties are based on normal terms similar to terms that would be available to non-related parties.

The outstanding contract receivables from these transactions, which are generally unsecured and settled through cash within three to six months, and the related retention receivables, which can only be collected after a certain period of time upon acceptance by project owners of the certificate of completion, are presented as part of Contract and Retention receivables under Trade and Other Receivables account in the condensed consolidated statements of financial position (see Note 5).

Through application of the ECL model based on the lifetime expected credit loss wherein the Group used its historical experience, external indicators and forward-looking information to calculate the ECL using the provision matrix, no significant amount of impairment losses was required to be recognized for the periods ended September 30, 2019 and 2018.

17.2 Rental of Land and Building

The Group is a lessee of certain parcels of land and building owned by related parties under common ownership.

In September 30, 2019 and 2018, the Group recognized rent expense amounting to P0.75 million and P2.0 million, respectively, from the lease agreement with Megapolitan Realty and Development Corporation (Megapolitan), an entity owned by the Group's stockholders and their close family members, for the land where the Group's building is located. The Group has no outstanding payables from the rental transaction with Megapolitan as of September 30, 2019 and 2018.

17.3 Advances to Officers and Employees

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures that are to be liquidated 60 days from the date the cash advances were received. The outstanding receivables from these transactions are presented as part of Trade and Other Receivables (see Note 5).

No impairment losses were recognized in September 30, 2019 and 2018 for these advances.

17.4 Advances to and from Related Parties

The Group obtained unsecured, noninterest-bearing cash advances from certain related parties to finance portion of its working capital requirement payable upon demand. The outstanding balance from these transactions is shown under Trade and Other Payables account in the interim condensed consolidated statements of financial position (see Note 10).

The Group provided unsecured, interest-bearing cash advances to its associates and certain related parties under common ownership for their working capital requirements. The outstanding balance from this transaction is shown under Trade and Other Receivables account in the interim condensed consolidated statements of financial position (see Note 5). Further, no impairment losses were recognized in September 30, 2019 and December 31, 2018 for these advances.

The Group's outstanding receivables from and payables to the same related parties as presented can be potentially offset to the extent of their corresponding outstanding balances.

18. COMMITMENTS AND CONTINGENCIES

There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying interim condensed consolidated financial information. Management is of the opinion, that losses, if any, from these items will not have any material effect on its interim condensed consolidated financial information.

19. SEASONAL OR CYCLICALITY OF OPERATIONS

Due to the seasonal nature of the airport operation business, higher revenues and operating profits are usually expected in the months of January, April, May, July and December. Higher revenues from these months are mainly attributed to the increased traffic during the peak holiday season in the Philippines and other neighbouring countries.

20. CHANGES IN ACCOUNTING ESTIMATES

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or in estimates of amounts reported in prior financial years.

21. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to its financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 22. The main types of risk are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with the Group's Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Group is exposed to are described below and in the succeeding paragraphs.

21.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from its US dollar-denominated cash and cash equivalents and loans payable which have been used to fund the Cebu Mactan Airport project. The principal and interest of the loans payable will be funded by the US dollar-denominated sales generated by the airport operation. Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency transactions.

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually made at fixed rates.

The Group is exposed to changes in market rates through its cash in banks and short-term placements which are subject to monthly repricing intervals and some short-term working capital loans which are subject to variable interest rate. Any increase in finance costs due to changes in interest rates will be mitigated by the finance income on cash and cash equivalents and short-term placements.

(c) *Other Price Risk Sensitivity*

The Group's market price risk arises from its financial assets at fair value through profit or loss carried at fair value, except for interest rate swap asset and short-term commercial papers measured at amortized cost that approximates their fair values. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investment and at some extent, diversifying the investment portfolio in accordance with the limit set by the management. As of December 31, 2018, these financial assets are valued at P26.3 million, and Nil in September 30, 2019.

In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored for further fluctuations in existing market yield rates.

21.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, such as the granting of loans and receivables to customers and related parties, and placing deposits with local banks and investment in bonds.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the interim condensed consolidated statements of financial position or in the detailed analysis provided in the notes to the interim condensed consolidated financial statements, as summarized below.

		September 30, 2019	December 31, 2018
	<u>Notes</u>	(<u>Unaudited</u>)	(<u>Audited</u>)
Cash and cash equivalents	4	P 6,335,344,869	P 5,734,720,648
Trade and other receivables – net	5	13,157,750,627	10,212,127,250
Refundable security and bond deposits	7	236,614,493	161,735,967
Investment in trust fund	7	1,651,035,006	680,421,727
Contract asset		<u>3,754,069,042</u>	<u>3,060,770,976</u>
		<u>P 25,134,814,037</u>	<u>P 19,849,776,568</u>

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and trade and other receivables as described below.

(a) *Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) *Trade and Other Receivables*

Of the gross carrying amount of trade and other receivables, a substantial portion is due from various related parties as of September 30, 2019 and December 31, 2018. The Group mitigates the concentration of its credit risk by regularly monitoring the age of its receivables from the related parties and ensuring that collections are received within the agreed credit period. Moreover, the related advances from customers will be offset against the trade and other receivables.

Contract receivables are usually due within 45 to 60 days and do not bear any interest.

Some of the unimpaired trade receivables are past due as at the end of the reporting period. No other financial assets are past due at the end of the reporting period. The contract receivables that are past due but not impaired are shown in the succeeding page.

As of September 30, 2019 and December 31, 2018, none of the outstanding receivables and contract assets were found to be impaired using the provision matrix determined by the management; hence, no amount of allowance for impairment have been recognized.

The Group's management considers that the financial assets which are past due but not impaired for each reporting period are of good credit quality based on historical default rates. The balance of such receivables relates to reputable companies that have a good track record with the Group.

(c) *Investment in Trust Fund*

As of September 30, 2019 and December 31, 2018, the Group is exposed to credit risk on its investments in UITF, short-term commercial papers and trust fund. However, the Group has assessed that such risk is minimal since the counterparties are reputable listed leasing company and financial institutions with high quality external credit ratings.

(d) *Refundable Security and Bond Deposits*

The Group is not exposed to any significant credit risk exposures to its lessors as lease agreements were executed with reputable entities. The Group can negotiate, before the end of the lease term, to apply deposit to rentals due.

22.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for six-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

	<u>September 30, 2019, (Unaudited)</u>		
	<u>Current</u>		<u>Non-current</u>
	<u>Within 6 Months</u>	<u>6 to 12 Months</u>	<u>1 to 5 Years</u>
Interest-bearing loans and borrowings	P 9,505,923,403	P 180,734,780	P33,653,552,352
Trade and other payables	5,844,709,898	-	-
Security deposits (gross of unearned income)	-	-	<u>90,431,880</u>
	<u>P15,350,633,301</u>	<u>P 180,734,780</u>	<u>P33,743,984,232</u>
	<u>December 31, 2018 (Audited)</u>		
	<u>Current</u>		<u>Non-current</u>
	<u>Within 6 Months</u>	<u>6 to 12 Months</u>	<u>1 to 5 Years</u>
Interest-bearing loans and borrowings	P 5,651,033,174	P 63,829,078	P31,065,401,733
Trade and other payables	5,252,402,324	-	-
Security deposits (gross of unearned income)	-	-	148,010,532
Retention payable (under other non-current liabilities)	-	-	<u>186,140,105</u>
	<u>P10,903,435,498</u>	<u>P 63,829,078</u>	<u>P31,399,552,370</u>

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of reporting periods.

22. CATEGORIES, OFFSETTING AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the interim condensed consolidated statements of financial position are shown below.

	Notes	<u>September 30, 2019 (Unaudited)</u>		<u>December 31, 2018 (Audited)</u>	
		<u>Carrying Values</u>	<u>Fair Values</u>	<u>Carrying Values</u>	<u>Fair Values</u>
Financial Assets					
At amortized cost:					
Cash and cash equivalents	4	P 6,335,344,869	P 6,335,344,869	P 5,734,720,648	P 5,734,720,648
Trade and other receivables – net	5	13,157,750,627	13,157,750,627	10,212,127,250	10,212,127,250
Refundable security and bond deposits	7	236,614,493	236,614,493	161,735,967	161,735,967
Investment in trust fund	7	1,651,035,006	1,651,035,006	680,421,727	680,421,727
Contract assets		<u>3,754,069,042</u>	<u>3,754,069,042</u>	<u>3,060,770,976</u>	<u>3,060,770,976</u>
		<u>25,134,814,037</u>	<u>25,134,814,037</u>	<u>19,849,776,568</u>	<u>19,849,776,568</u>
Financial assets at FVOCI:					
Club shares		1,044,472	1,044,472	1,044,472	1,044,472
Investment in SSPI		<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>
		<u>3,544,472</u>	<u>3,544,472</u>	<u>3,544,472</u>	<u>3,544,472</u>
		<u>P 25,138,358,509</u>	<u>P 25,138,358,509</u>	<u>P 19,853,321,040</u>	<u>P 19,853,321,040</u>
Financial Liabilities					
At amortized cost:					
Interest-bearing loans and borrowings	11	P 43,340,210,535	P 43,340,210,535	P 36,780,263,985	P 36,223,346,073
Trade and other payables	10	5,844,709,898	5,844,709,898	5,252,402,324	5,252,402,324
Security deposits	12	90,431,880	90,431,880	148,010,532	148,010,532
Retention payable*	12	-	-	186,140,105	186,140,105
		<u>P 49,275,352,313</u>	<u>P 49,275,352,313</u>	<u>P 42,366,816,946</u>	<u>P 41,809,899,034</u>

*Under Other Non-current Liabilities

There were neither transfers between Level 1 and 2 nor changes in Level 3 instruments in both periods.

MEGAWIDE CONSTRUCTION CORPORATION
AGING OF RECEIVABLES
as of September 30, 2019

Segment	Current	1 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	Over 180 Days	Total
Construction	3,508,906,227	501,293,421	33,511,252	70,813,245	59,597,533	201,151,937	1,290,512	277,849,118	4,654,413,245
Airport	327,479,038	61,849,338	44,077,711	41,973,031	30,184,638	10,284,739	14,667,806	35,414,777	565,931,078
Merchandising	28,811,416	37,926,735	32,322,364	-	-	-	-	-	99,060,515
Terminal	271,249,268	-	10,831,647	2,544,249	-	376,470	-	255,864	285,257,498
Total	4,136,445,949	601,069,494	120,742,974	115,330,525	89,782,171	211,813,146	15,958,318	313,519,759	5,604,662,336