

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Megawide Construction Corp. and its subsidiaries** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2017, 2016 and 2015, in accordance with Philippine Financial Reporting Standards (PFRS), including the following additional supplemental information filed separately from the basic financial statements:

- a. Supplementary Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68;
- b. Reconciliation of Retained Earnings Available for Dividend Declaration;
- c. Schedule of PFRS and Interpretations adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017;
- d. Schedule of Financial Indicators for December 31, 2017 and 2016;
- e. Map showing the Relationship Between and Among the Company and its Related Entities;
- f. Schedule of Proceeds and the Expenditures for the Recent Public Offering; and,
- g. Details of Transactions with DOSRI.

Management responsibility on the financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors, appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the Board of Directors and stockholders has expressed its opinion on the fairness of presentation upon completion of such examination.



ENGR. EDGAR B. SAAVEDRA
Chief Executive Officer
195-661-064-000



OLIVER Y. TAN
Chief Financial Officer
208-264-817

SUBSCRIBED AND SWORN TO before me this
MAR 28 2018 at QUEZON CITY affiants
exhibiting to me their valid Tax Identification Numbers stated above.

Doc. No. 1461 ;
Page No. 4 ;
Book No. IV ;
Series of 2018.



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My Commission Expires on December 31, 2018



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FOR SEC FILING

Consolidated Financial Statements and
Independent Auditors' Report

**Megawide Construction Corporation
and Subsidiaries**

December 31, 2017, 2016 and 2015



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Report of Independent Auditors

The Board of Directors and Stockholders
Megawide Construction Corporation and Subsidiaries
(A Subsidiary of Citicore Holdings Investment, Inc.)
2nd Floor Spring Building
Arnaiz Avenue Corner P. Burgos St.
Pasay City

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Megawide Construction Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Certified Public Accountants

Punongbayan & Araullo is the Philippine member firm of Grant Thornton International Ltd

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Offices in Cavite, Cebu, Davao
BOA/PRC Cert of Reg. No. 0002
SEC Accreditation No. 0002-FR-4



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Consolidation Process

Description of the Matter

The Group's consolidated financial statements comprise the financial statements of Megawide Construction Corporation and its subsidiaries as enumerated in Note 1 to the consolidated financial statements. The Group's consolidation process is significant to our audit because of the complexity of the process. It involves identification and elimination of intercompany transactions to properly reflect realization of profits.

The Group's policy on consolidation process is more fully described in Note 2 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Among others, our audit procedures to address the risk associated with the Group's consolidation process are as follows:

- Obtaining an understanding of the Group structure and consolidation process, including the procedures for identifying intercompany transactions and reconciling intercompany balances; and,
- Testing significant consolidation adjustments, which include elimination of intercompany balances, revenues, expenses and investments and recognition of equity transactions, by identifying such intercompany transactions and balances among the entities or business activities within the Group.

(b) Revenue and Cost Recognition of Construction Contracts

Description of the Matter

The Group's revenue from construction contracts represents 87% of its total revenues. The Group uses the percentage of completion method to determine the appropriate amount to recognize as contract revenues and costs in a given period. In our view, the revenue recognition of construction contracts is significant to our audit as it involves significant management judgment and estimate on the stage of completion of each construction contract.

The Group's disclosures on revenue recognition of construction contracts, estimation uncertainty, contract revenues and contract costs are included in Notes 2, 3, 19 and 20 to the consolidated financial statements, respectively.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition of construction contracts, which was considered to be a significant risk, included the following:

- Updating our understanding of the Group's contract revenues and costs processes, and controls over the recognition and measurement of contract revenues and costs;
- Testing key controls including, among others, those over contract costs processes that significantly impact the stage of completion, namely: processing and approving job order, ordering and receiving of materials, allocating direct and indirect costs, and processing of payments;
- Examining construction contracts, on a sample basis, in the current period for contract prices, construction period, terms and other conditions, and compliance;
- Testing the schedules of contracts completed and on-going projects as of the end of the reporting period such as, but not limited to, verifying the mathematical accuracy of the schedules, agreeing beginning balances, and recalculating ending balances based on contract costs for the current period; and agreeing contract prices, on a sample basis, to construction contracts;
- Comparing the stage of completion as determined by third party surveyor engaged by the Group and its customers against the stage of completion used by the Group;
- Performing construction site visits of completed and on-going projects, on a sample basis, during the current period, and evaluating whether the methodology by which management determines the stage of completion for construction contracts is appropriate and consistent with prior periods;
- Testing modifications to the original contract through examination, on a sample basis, of changes orders, work authorization order, and applicable cost;
- Performing analytical review procedures on contract revenues and costs, prior period estimates and consistency with the developments during the current period, stage of completion, and final forecast project results based on our expectations, and following up variances from our expectations;
- Performing detailed analysis of progress billings and actual construction costs incurred by tracing a sample of transactions throughout the current period to source data to verify the propriety of reported amounts, and verifying the appropriateness of the Group's cut-off procedures on contract revenues; and,
- Evaluating the sufficiency and adequacy of disclosures in the Group's consolidated financial statements in accordance with PFRS.



(c) Recoverability of Past Due Receivables

Description of the Matter

The Group has past due receivables (i.e., more than one year) from certain third parties, which represent 6% of the Group's total contract and retention receivables arising from construction operations as of December 31, 2017. The Group evaluates these accounts based on available facts and circumstances affecting the counterparties. In our view, this matter is significant to our audit as it involves significant management judgment and estimate on the recoverability of these past due receivables.

The Group's disclosures on estimation uncertainty, Trade and Other Receivables account, and credit risk are included in Notes 3, 6 and 30 to the consolidated financial statements, respectively.

How the Matter was Addressed in the Audit

Our audit procedures, included among others, the following:

- Updating our understanding of the Group's credit and collection policy;
- Reviewing minutes of meetings of the Board of Directors to evaluate the Group's action plans and on-going measures to collect these receivables, including corroborating to related formal demand letters and legal replies;
- Performing detailed analysis of the Group's aging of receivables including, among others, testing the accuracy of the aging buckets on a sample basis, and checking subsequent collections or activities related thereto;
- Evaluating the Group's methodology for identifying credit risk and estimating future cash flows, including the debtors' payment abilities by examining payment and transaction history with the Group;
- Performing analytical review procedures including, among others, receivable turnover and other ratio analyses, prior period estimates on allowance for impairment and consistency with the developments during the current period based on our expectations and following up variances from our expectations; and,
- Evaluating the sufficiency and adequacy of disclosures in the Group's consolidated financial statements in accordance with PFRS.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the 2017 audit resulting in this independent auditors' report is Mailene Sigue-Bisnar.

PUNONGBAYAN & ARAULLO



By: **Mailene Sigue-Bisnar**
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 6616003 January 3, 2018, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 15, 2018)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-20-2018 (until Jan. 25, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 22, 2018

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	P 4,930,939,177	P 6,265,285,131
Trade and other receivables - net	6	6,527,752,500	4,929,489,405
Financial assets at fair value through profit or loss	7	3,209,481,581	4,673,051,661
Construction materials	8	577,294,069	451,306,702
Costs in excess of billings on uncompleted contracts	9	2,095,587,099	3,014,946,269
Other current assets	12	<u>1,358,089,942</u>	<u>1,637,230,252</u>
Total Current Assets		<u>18,699,144,368</u>	<u>20,971,309,420</u>
NON-CURRENT ASSETS			
Available-for-sale financial assets	10	933,317,631	932,580,830
Investments in associates and joint venture	11	1,104,218,566	896,612,177
Concession assets	13	25,608,295,463	20,338,717,871
Property, plant and equipment - net	14	5,218,064,265	5,267,044,181
Investment properties		135,610,000	-
Deferred tax assets - net	24	-	34,045,976
Other non-current assets	12	<u>2,719,165,512</u>	<u>2,644,244,383</u>
Total Non-current Assets		<u>35,718,671,437</u>	<u>30,113,245,418</u>
TOTAL ASSETS		<u>P 54,417,815,805</u>	<u>P 51,084,554,838</u>

	Notes	<u>2017</u>	<u>2016</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	16	P 2,561,487,851	P 2,688,904,068
Trade and other payables	15	5,245,248,904	6,008,806,196
Advances from customers	17	527,071,092	1,278,553,788
Billings in excess of costs on uncompleted contracts	9	939,417,541	1,368,557,545
Other current liabilities	18	<u>140,006,345</u>	<u>113,849,937</u>
Total Current Liabilities		<u>9,413,231,733</u>	<u>11,458,671,534</u>
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	16	26,386,980,490	23,073,759,911
Post-employment defined benefit obligation	22	173,266,213	112,500,317
Deferred tax liabilities - net	24	70,533,741	-
Other non-current liabilities	18	<u>238,359,359</u>	<u>230,087,948</u>
Total Non-current Liabilities		<u>26,869,139,803</u>	<u>23,416,348,176</u>
Total Liabilities		<u>36,282,371,536</u>	<u>34,875,019,710</u>
EQUITY			
Equity attributable to shareholders of the Parent Company:	25		
Common stock		2,399,426,127	2,399,426,127
Preferred stock		40,000,000	40,000,000
Treasury shares		(2,627,738,885)	(2,627,738,885)
Additional paid-in capital		8,776,358,765	8,776,358,765
Revaluation reserves		(3,949,890)	(67,124,521)
Other reserves		(22,474,837)	(22,474,837)
Retained earnings		<u>6,501,996,949</u>	<u>5,108,733,613</u>
Total equity attributable to shareholders of the Parent Company		15,063,618,229	13,607,180,262
Non-controlling interests		<u>3,071,826,040</u>	<u>2,602,354,866</u>
Total Equity		<u>18,135,444,269</u>	<u>16,209,535,128</u>
TOTAL LIABILITIES AND EQUITY		P <u>54,417,815,805</u>	P <u>51,084,554,838</u>

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2017	2016	2015
REVENUES	19			
Contract revenues		P 16,712,638,593	P 15,786,162,784	P 13,958,487,926
Airport operations revenues		2,298,404,890	1,871,978,237	1,483,891,826
Airport merchandising operations revenues		148,099,539	-	-
		<u>19,159,143,022</u>	<u>17,658,141,021</u>	<u>15,442,379,752</u>
DIRECT COSTS	20, 21			
Contract costs		14,084,101,553	13,426,336,857	11,868,970,116
Costs of airport operations		420,246,176	360,951,169	348,461,765
Costs of airport merchandising operations		40,797,109	-	-
		<u>14,545,144,838</u>	<u>13,787,288,026</u>	<u>12,217,431,881</u>
GROSS PROFIT		4,613,998,184	3,870,852,995	3,224,947,871
OTHER OPERATING EXPENSES	21	1,191,277,182	1,091,658,062	890,694,869
OPERATING PROFIT		<u>3,422,721,002</u>	<u>2,779,194,933</u>	<u>2,334,253,002</u>
OTHER INCOME (CHARGES)	23			
Finance costs		(822,016,926)	(669,991,929)	(557,086,991)
Finance income		168,426,343	184,426,387	141,846,177
Others - net		57,727,980	74,378,856	24,495,981
		<u>(595,862,603)</u>	<u>(411,186,686)</u>	<u>(390,744,833)</u>
PROFIT BEFORE TAX		2,826,858,399	2,368,008,247	1,943,508,169
TAX EXPENSE	24	579,049,390	448,312,507	469,483,345
NET PROFIT		<u>P 2,247,809,009</u>	<u>P 1,919,695,740</u>	<u>P 1,474,024,824</u>
Net Profit Attributable To:	1			
Shareholders of the Parent Company		P 1,781,192,211	P 1,559,090,997	P 1,273,682,741
Non-controlling interests		466,616,798	360,604,743	200,342,083
		<u>P 2,247,809,009</u>	<u>P 1,919,695,740</u>	<u>P 1,474,024,824</u>
Earnings per Share - Basic and Diluted	28	P 0.70	P 0.57	P 0.41

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
NET PROFIT		P 2,247,809,009	P 1,919,695,740	P 1,474,024,824
OTHER COMPREHENSIVE INCOME				
Item that will be reclassified subsequently to profit or loss				
Unrealized gain (loss) on fair value changes of available-for-sale (AFS) financial assets	10	8,263,159	(70,963,642)	-
Realized loss on sale of AFS financial asset	10	70,963,642	-	-
		<u>79,226,801</u>	<u>(70,963,642)</u>	<u>-</u>
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit plan	22	(21,711,134)	(22,452,017)	2,466,378
Tax income (expense)	24	6,513,340	6,735,605	(739,913)
		<u>(15,197,794)</u>	<u>(15,716,412)</u>	<u>1,726,465</u>
Other Comprehensive Income (Loss) – net of tax		<u>64,029,007</u>	<u>(86,680,054)</u>	<u>1,726,465</u>
TOTAL COMPREHENSIVE INCOME		P 2,311,838,016	P 1,833,015,686	P 1,475,751,289
Total Comprehensive Income Attributable To:				
Shareholders of the Parent Company		P 1,844,366,842	P 1,473,188,635	P 1,275,415,302
Non-controlling interests		<u>467,471,174</u>	<u>359,827,051</u>	<u>200,335,987</u>
		P 2,311,838,016	P 1,833,015,686	P 1,475,751,289

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

		Attributable to Shareholders of the Parent Company							Non-
Notes	Common Stock	Preferred Stock	Treasury Shares	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Retained Earnings	Total	In-
	P	P	P	P	P	P	P	P	P
1	2,399,426,127	40,000,000	(2,627,738,885)	8,776,358,765	(67,124,521)	22,474,837	5,108,733,613	13,607,180,262	P
	-	-	-	-	63,174,631	-	(367,928,875)	(387,928,875)	P
	-	-	-	-	-	-	1,781,192,211	1,844,366,842	P
	-	-	-	-	-	-	-	1,844,366,842	P
	2,399,426,127	40,000,000	(2,627,738,885)	8,776,358,765	(3,949,890)	22,474,837	6,501,996,949	15,063,638,229	P
	2,399,426,127	40,000,000	-	8,105,750,476	18,777,841	(22,474,837)	3,830,642,616	14,372,122,223	P
	-	-	(4,138,844,351)	-	-	-	-	(4,138,844,351)	P
	-	-	1,511,105,466	670,608,289	-	-	-	2,181,713,755	P
	-	-	-	-	(85,902,362)	-	-	(85,902,362)	P
	2,399,426,127	40,000,000	(2,627,738,885)	8,776,358,765	(67,124,521)	22,474,837	5,108,733,613	13,607,180,262	P
	2,399,426,127	40,000,000	-	8,105,750,476	17,045,280	(21,792,413)	2,837,959,875	13,278,389,345	P
	-	-	-	-	1,732,561	-	1,273,682,741	1,275,415,302	P
	-	-	-	-	-	-	(281,000,000)	(281,000,000)	P
	-	-	-	-	-	(682,424)	-	(682,424)	P
	2,399,426,127	40,000,000	-	8,105,750,476	18,777,841	(22,474,837)	3,830,642,616	14,372,122,223	P

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	P	2,826,858,399	P 2,368,008,247	P 1,943,508,169
Adjustments for:				
Depreciation and amortization	21	695,964,736	629,171,969	529,677,854
Finance costs	23	822,016,926	669,991,929	557,086,991
Finance income	23	(168,426,343)	(184,426,387)	(141,846,177)
Loss on sale of available for sale financial assets	10	78,487,134	-	-
Unrealized mark-to-market loss on interest rate swap	16, 23	18,927,939	-	-
Loss (gain) on disposals of property, plant and equipment	14, 23	(5,248,792)	(51,746,695)	1,700,527
Equity in net losses (gains) of associates and joint venture	11, 23	(3,606,389)	7,975,668	8,723,997
Operating profit before working capital changes		4,264,973,610	3,438,974,731	2,898,851,361
Decrease (increase) in trade and other receivables		(1,562,659,285)	2,884,503,149	(3,059,101,182)
Decrease (increase) in construction materials		(125,987,367)	(158,516,715)	29,670,815
Decrease (increase) in costs in excess of billings on uncompleted contracts		919,359,170	538,749,039	(797,578,627)
Increase in other current assets		(96,420,914)	(632,154,823)	(601,168,216)
Increase (decrease) in trade and other payables		(845,214,605)	(943,255,563)	3,788,580,213
Increase (decrease) in advances from customers		(751,482,696)	(413,663,864)	595,115,883
Increase (decrease) in billings in excess of costs on uncompleted contracts		(429,140,004)	778,141,799	436,500,688
Increase in other liabilities		34,427,819	140,761,831	141,143,399
Increase in post-employment defined benefit obligation		45,568,102	23,325,885	14,692,386
Cash generated from operations		1,453,423,830	5,656,865,469	3,446,706,720
Cash paid for income taxes		(98,908,449)	(51,616,711)	(66,339,140)
Net Cash From Operating Activities		1,354,515,381	5,605,248,758	3,380,367,580
CASH FLOWS FROM INVESTING ACTIVITIES				
Payment for concession assets	13	(5,419,652,784)	(4,087,736,170)	(1,409,156,814)
Proceeds from sale of financial assets at fair value through profit or loss	7	1,463,570,080	1,314,317,271	-
Proceeds from disposal of available-for-sale financial assets	10	921,512,866	-	-
Acquisition of available-for-sale financial asset	10	(921,510,000)	(1,001,874,995)	(625,005)
Acquisitions of property, plant and equipment, and computer software license	12, 14	(609,663,808)	(698,604,752)	(564,838,054)
Decrease (increase) in other non-current assets	12	(108,571,599)	1,236,195,721	(1,973,528,403)
Investment in joint venture	11	(204,000,000)	(85,793,818)	(43,746,135)
Interest received		134,822,533	175,889,910	131,591,569
Proceeds from sale of property, plant and equipment	14	16,043,442	137,780,533	4,195,337
Purchase of financial assets at fair value through profit or loss	7	-	-	(2,331,576,541)
Net Cash Used in Investing Activities		(4,727,449,270)	(3,009,826,300)	(6,187,684,046)
<i>Balance carried forward</i>		(P 3,372,933,889)	P 2,595,422,458	(P 2,807,316,466)

	Notes	2017	2016	2015
<i>Balance brought forward</i>		(P 3,372,933,889)	P 2,595,422,458	(P 2,807,316,466)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from interest-bearing loans and borrowings	16	5,100,663,558	6,026,169,060	19,242,961,529
Repayment of interest-bearing loans and borrowings	16	(1,933,787,135)	(2,805,905,275)	(16,341,616,712)
Interest paid		(752,235,635)	(623,310,993)	(557,086,991)
Dividends paid	25	(387,928,875)	(281,000,000)	(281,000,000)
Acquisition of treasury shares	25	-	(4,138,844,351)	-
Reissuance of treasury shares	25	-	2,181,713,755	-
Proceeds from investment of non-controlling interest	25	-	10,446,654	-
Payment of debt and equity issuance cost	12, 16	-	-	(387,412,315)
Repayments of amounts due to related parties		-	-	(24,573,939)
Net Cash From Financing Activities		2,026,711,913	369,268,850	1,651,271,572
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		11,876,022	24,986,807	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,334,345,954)	2,989,678,115	(1,156,044,894)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		6,265,285,131	3,275,607,016	4,431,651,910
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 4,930,939,177	P 6,265,285,131	P 3,275,607,016

Supplemental Information on Non-cash Investing and Financing Activities:

- (1) In 2017, the Parent Company sold 2,000,000 shares or 10% interest of Globemercants to GMR Holdings Overseas (Singapore) Pte. Ltd. The outstanding receivable arising from this transaction is presented as part of Other receivables under Trade and Other Receivables account in the 2017 statement of financial position (see Note 6).
- (2) Also in 2017, the Group reclassified certain parcels of land previously classified as property, plant and equipment to investment property (see Note 14).
- (3) In 2015, the Group purchased property, plant and equipment through finance leases with acquisition costs of P91.9 million (see Notes 14 and 16).

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016 AND 2015
(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 general construction works which involve site development, earthworks, structural and civil works, masonry works, and architectural finishes, electrical works, plumbing and sanitary works, fire protection works and mechanical works.

On January 28, 2011, the Philippine Stock Exchange (PSE) and the SEC approved the Parent Company’s application for the listing of its common stock. The approval covered the initial public offering (IPO) 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 (see Note 25.1).

On September 22, 2014, the Philippine Securities Exchange Commission (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 (see Note 25.1). Both common and preferred shares will 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 as of December 31, 2017.

The Parent Company remains as a subsidiary of Citicore which owns and controls 33.3% of the issued and outstanding capital stock of the Parent Company as of December 31, 2017 because Citicore still directs the overall business operations of the Parent Company through its Chief Executive Officer and President, who is also the President of Citicore.

On December 20, 2017, the state-owned Social Security System (SSS) 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, which is also its principal place of business, is at 20 N. Domingo Street, Brgy. Valencia, Quezon City while the registered office of the Parent Company is located at 2nd Floor Spring Building, Arnaiz Avenue Corner P. Burgos St., Pasay City. The Parent Company also maintains an office in its own building 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 Ventures	Notes	Percentage of Effective Ownership		
		2017	2016	2015
Subsidiaries:				
GMR Megawide Cebu Airport Corporation (GMCAC)	a	60%	60%	60%
Megawatt Clean Energy, Inc. (MCEI)	b	70%	70%	70%
Globemercants, Inc. (Globemercants)	c	50%	60%	-
Megawide Land, Inc. (MLI)	d	100%	100%	-
Megawide Construction (BVI) Corporation (MCBVI)	e	100%	-	-
<i>Accounted for as Asset Acquisition –</i>				
Altria East Land, Inc. (Altria)	f	100%	100%	100%
Associates:				
Megawide World Citi Consortium, Inc. (MWCCI)	g	51%	51%	51%
Citicore Megawide Consortium, Inc. (CMCI)	g	10%	10%	10%
Joint Operation –				
Megawide GISPL Construction Joint Venture (MGCJV)	h	50%	50%	50%
Joint Venture –				
MWM Terminals, Inc. (MWMTI)	h	51%	51%	51%

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 (see Note 13) 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) GlobemERCHANTS

GlobemERCHANTS was incorporated in the Philippines in 2016, primarily engaged in general merchandise operations. GlobemERCHANTS 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. GlobemERCHANTS started its commercial operations in March 2017.

On March 15, 2017, the Parent Company sold 2,000,000 shares or 10% interest of GlobemERCHANTS to GMR Holdings Overseas (Singapore) Pte. Ltd. (GHOSPL). As of December 31, 2017, GlobemERCHANTS is 50% owned by the Parent Company. The Parent Company still consolidates its ownership in GlobemERCHANTS after the sale transaction because major decisions involving entering and negotiating Supply and Delivery Agreements (SDA) with Duty Free Philippines Corporation (DFPC) still rests with the Parent Company. In line with this, the Parent Company retains control over GlobemERCHANTS' 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. As of December 31, 2017, MCLI has not yet started commercial operations.

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. As of December 31, 2017, MCBVI has not yet started commercial 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 11.2).

g) MWCCI

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 [see Notes 3.1(g), 3.1(h) and 11.1].

h) MCVJV

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 MCLA Project and other airport related construction projects of the Group (see Note 11.4).

i) MWMTI

MWMTI is a joint venture arrangement formed on February 10, 2015 by the Parent Company and WM Property Management, Inc. (Waltermart), both exercising joint control to direct the relevant activities of MWMTI (see Note 11.3). 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 (BOT Agreement) through the DOTr (see Note 27.4.2).

The Group's interests in MGCJV and MWMTI are accounted for as joint arrangements as the Parent Company exercises joint control over the arrangements' relevant activities [see Notes 2.3(c), 3.1(g), 3.1(h), 11.3 and 11.4].

j) SSPI

In 2015, the Parent Company acquired investment in Silay Solar Power, Inc. (SSPI) representing 100% of SSPI's issued and outstanding capital stock. In 2016, the Parent Company's equity interest was reduced from 100% to 1% upon acquisition of a related party under common ownership. As control is determined to be temporary, the Group's equity investment in SSPI is only accounted for at cost [see Notes 3.1(g), 3.1(h) and 10].

1.3 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2017 (including the comparative consolidated financial statements as of December 31, 2016 and for the years ended December 31, 2016 and 2015) were authorized for issue by the Parent Company's Board of Directors (BOD) on March 22, 2018, as endorsed by its Audit and Compliance Committee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group and of the Parent Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

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

(b) Presentation of Consolidated Financial Statements

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

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These 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 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 2017 that are Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative
PAS 12 (Amendments)	:	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses

Annual Improvements to
PFRS (2014-2016 Cycle)
PFRS 12

: Disclosure of Interest in Other Entities –
Scope Clarification on Disclosure of
Summarized Financial Information for
Interests Classified as Held for Sale

Discussed below and in the succeeding pages are the relevant information about these amendments and annual improvements.

- (i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative*. The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

Management has applied these amendments in the current year and has not disclosed comparative figures as allowed by the transitional provisions. The Group's liabilities arising from financing activities include interest-bearing loans and borrowings and advances from and due to related parties. A reconciliation between the opening and closing balances of liabilities arising from financing activities are presented in Notes 16 and 26.

- (ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*. The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference. The application of these amendments has no impact on the Group's consolidated financial statements.

- (iii) Annual improvements to PFRS (2014-2016 Cycle) – PFRS 12 (Amendment), *Disclosure of Interests in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests Classified as Held for Sale*. The amendment clarifies that the disclosure requirements of PFRS 12 applies to interest in other entities classified as held for sale with practical concession in the presentation of summarized financial information. The amendment states that an entity need not present summarized financial information for interests in subsidiaries, associates, or joint ventures that are classified as held for sale. The amendment did not result in additional or changes in the disclosures in the Group's consolidated financial statements as the Group has no interest in other entities classified as held for sale.

(b) *Effective Subsequent to 2017 but not Adopted Early*

There are new PFRS, amendments, interpretations and annual improvements to existing standards effective for annual periods subsequent to 2017, which are adopted by the 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 consolidated financial statements:

- (i) PAS 40 (Amendments), *Investment Property – Reclassification to and from Investment Property* (effective from January 1, 2018). The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments provided a non-exhaustive list of examples constituting change in use.
- (ii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39, *Financial Instruments: Classification and Measurement*, and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
 - an expected loss model (ECL) in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
 - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income (FVTOCI) if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Based on an assessment of the Group's financial assets and liabilities as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most impacted by the application of PFRS 9 (2014):

- On classification and measurement of the Group's financial assets, management holds most financial assets to collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Management expects all the Group's financial assets currently classified as loans and receivables to continue to be classified and accounted for at amortized cost. However, a number of available-for-sale (AFS) financial assets and other financial assets are likely to be measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest.
- The ECL model will apply to the Group's trade receivables and AFS financial assets. For other financial assets and trade receivables, the Group will apply a simplified model of recognizing lifetime expected credit losses as these items do not have a significant financing component.
- The Group's equity securities currently classified as AFS financial asset, regardless if quoted or not, will be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition.

- (iii) 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 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.
- (iv) PFRS 15, *Revenue from Contracts with Customers* (effective January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Based on the Group's initial assessment of its revenue streams as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management determined that its significant source of revenue from contracts with customers covered by PFRS 15 pertains to construction contracts.

Based on the requirements of PFRS 15, the Group has assessed that its performance obligation on rendering of construction services is satisfied over time considering that, under existing laws and regulations, the Group does not have an alternative use on the assets being constructed and that it has rights to payment over the accomplishment to date.

The Group is currently assessing the impact of this standard on its construction and other revenue streams.

- (v) IFRIC 22, *Foreign Currency Transactions and Advance Consideration – Interpretation on Foreign Currency Transactions and Advance Consideration* (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

- (vi) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, only PAS 28 (Amendment), *Investment in Associates – Clarification on Fair Value through Profit or Loss Classification* (effective from January 1, 2018) is relevant to the Group. The amendment clarifies that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture.

Management has initially assessed that this amendment has no material impact on the Group's consolidated financial statements.

- (vii) PAS 28 (Amendment), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendment clarifies that the scope exclusion in PFRS 9 (2014) applies only to ownership interests accounted for using the equity method. Thus, the amendment further clarifies 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 (2014), which shall also include long term interests that, in substance, form part of the entity's net investment in an associate or joint venture. Management is currently assessing the impact of this amendment on the Group's consolidated financial statements.

- (viii) PFRS 9 (Amendment), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI. Management is currently assessing the impact of this new standard on the Group's consolidated financial statements.

- (ix) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

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 and depreciated or amortized. 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 those applied in PAS 17. 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.

Management is currently assessing the impact of this new standard on the Group's consolidated financial statements.

- (x) 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 tax 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. Management is currently assessing the impact of this interpretation on the Group's consolidated financial statements.
- (xi) 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 consolidated financial statements as these amendments merely clarify the 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.

2.3 Basis of Consolidation, Investments in Subsidiaries and Associates, and Interests in Joint Arrangements

The Group's consolidated financial statements comprise the accounts of the Parent Company, its subsidiaries, GMCAC, MCEI, MLI, MCBVI and Globemercants and its interest in MGCJV, as discussed in Note 1.2, after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries, associates and joint arrangements are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries, associates, interests in joint arrangements and non-controlling interests as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.12).

(b) *Investments in Associates*

Associates are those entities over which the Parent Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associates is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Parent Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Parent Company's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity in net profit (losses) of associates and joint venture as part of Others – net account under Other Income (Charges) section in the consolidated statement of income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.20).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Parent Company, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

(c) *Interests in Joint Arrangements*

(i) *Joint Operation*

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint control arises from a contractually agreed sharing of control in an arrangement, which exist only when decisions about the relevant activities require unanimous consent of the parties sharing control. For interests in joint operation, the Parent Company recognizes in its financial statements its assets including its share of any assets held jointly; its liabilities including its share of any liabilities incurred jointly; its revenue from sale of its share of the output arising from the joint operation; its expenses including its share of any expenses incurred jointly; and its share in the income from the sale of goods or services by the joint operation. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Parent Company and are measured and recognized in accordance with the relevant financial reporting standards.

(ii) *Joint Venture*

A jointly controlled entity is a corporation, partnership, or other entity in which two or more venturers have an interest, under a contractual arrangement that establishes joint control over the entity. Each venturer usually contributes cash or other resources to the jointly controlled entity. Those contributions are included in the accounting records of the venturer and recognised in the venturer's financial statements as an investment in the jointly controlled entity.

Investments in joint venture are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in the jointly controlled entity is subject to the purchase method. The purchase method involves the recognition of the jointly controlled entity's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the venturer's share of the identifiable net assets of the joint venture at the date of acquisition. Any goodwill or fair value adjustment attributable to the venturer's share in the joint venture is included in the amount recognized as investment in joint venture.

All subsequent changes to the ownership interest in the equity of the joint venture are recognized in the venturer's carrying amount of the investments. Changes resulting from the profit or loss generated by the joint venture are credited or charged against the Equity in net profit (losses) of associates and joint venture as part of Others – net account under Other Income (Charges) section in the consolidated statement of income.

Impairment loss is provided when there is objective evidence that the investments in joint venture will not be recovered (see Note 2.20).

Changes resulting from other comprehensive income of the jointly controlled entity or items recognized directly in the jointly controlled entity's equity are recognized in other comprehensive income or equity of the venturer, as applicable. However, when the venturer's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the venturer does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the venturer resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the jointly controlled entity are accounted for as a reduction of the carrying value of the investments.

(d) *Transactions with Non-controlling Interests*

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds interests in various subsidiaries, associates, and joint arrangements as presented in Notes 1.2 and 11.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) *Classification and Measurement of Financial Assets*

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss. A more detailed description of the categories of financial assets currently relevant to the Group is presented below and in the succeeding page.

(i) *Financial Assets at FVTPL*

This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the entity to be carried at FVTPL upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of the reporting period.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at FVTPL) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

(ii) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to Officers and Employees), Refundable security and bond deposits (presented under Other Current Assets account), and Investment in trust fund (presented under Other Non-current Assets account) in the consolidated statement of financial position. Cash and cash equivalents includes cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(iii) *AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are presented as Available-for-sale Financial Assets under Non-current Assets in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Group's AFS financial assets include investments in retail treasury bonds (RTB), golf club shares and certain equity investments (see Note 10).

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(b) *Impairment of Financial Assets*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group recognizes impairment loss based on the category of financial assets as follows:

(i) *Carried at Amortized Cost – Loans and Receivables*

If there is objective evidence that an impairment loss on loans and receivables carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(ii) *Carried at Fair Value – AFS Financial Assets*

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(iii) *Carried at Cost – AFS Financial Assets*

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(c) *Items of Income and Expense Related to Financial Assets*

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs account in the consolidated statement of income.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of the financial assets is measured.

(d) *Derecognition of Financial Assets*

The financial assets are (or where applicable, a part of financial asset or part of a group of financial assets) derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Construction Materials

Construction materials are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of construction materials includes all costs directly attributable to acquisition such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities. The net realizable value of construction materials is the current replacement cost.

2.6 Other Assets

Other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period are classified as non-current assets.

2.7 Acquisition of Asset

Acquisition of interest in an entity that holds investment property which does not constitute a business is accounted for as an asset acquisition. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participant. Under the asset purchase accounting, the purchase costs is allocated to identifiable assets and liabilities based on relative fair values of individual items; goodwill or gain on bargain purchase is not recognized; and transaction costs are capitalized.

2.8 Property, Plant and Equipment

Property, plant and equipment, except land and construction in progress, are carried at acquisition cost or construction cost less subsequent depreciation and any impairment losses. Land held for use in operations or administration is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on straight-line basis over the estimated useful lives of the assets as follows:

Building	25 years
Precast factory	25 years
Precast and construction equipment	3-15 years
Office furniture, fixtures and equipment	3-10 years
Transportation equipment	5 years

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction of the Group's building, batching plant and precast factory, and any applicable borrowing costs (see Note 2.22). The account is not depreciated until such time that the assets are completed and available for use.

Transportation equipment held under finance lease agreements (see Note 2.18) are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of lease, if shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.20).

The residual values and estimated useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge in depreciation is made in respect of these assets.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.9 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

The Group's investment property includes land which is carried at cost less any impairment in value. The carrying value of the investment property is reviewed for impairment when changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount and impairment losses are recognized in the statement of income.

2.10 Intangible Assets

The Group's intangible assets currently include acquired software licenses and concession assets as described in more detail as follows:

(a) Concession Assets

The Group accounts for its Concession Agreement (see Notes 1.2 and 13) under the intangible asset model as it receives the right (license) to charge users of the public service.

The concession asset is recognized initially at cost. It consists of:

- (i) Upfront fees payments on the Concession Agreement, including the related borrowing costs;
- (ii) Directly attributable costs related to the acquisition of the concession assets; and,
- (iii) Cost of infrastructure constructed and under construction in accordance with the terms and conditions of the Concession Agreement. These are not recognized as property, plant and equipment of the Group but as an intangible asset.

Following initial recognition, the service concession asset is carried at cost less any accumulated amortization and any accumulated impairment losses. The service concession asset is amortized on a straight-line basis over the useful life of 25 years following the period covered by the Concession Agreement. Upfront fees and other directly attributable costs are amortized upon the effectivity of the Concession Agreement. Infrastructures are amortized when it is ready for use.

The period and method of amortization are reviewed at least at the end of each financial reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on the concession asset is recognized in the statement of income in the expense category consistent with the function of the concession asset.

Subsequent costs and expenditures related to infrastructures arising from the Group's commitments to the Concession Agreement are recognized as additions to the concession asset and are stated at cost. Capital expenditures necessary to support the Group's operation as a whole are recognized as property, plant and equipment and accounted for in accordance with the Group's accounting policy on Property, Plant and Equipment. When the Group has contractual obligations that it must fulfill as a condition of its license to: (i) maintain the infrastructure to a specified level of serviceability or, (ii) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service concession arrangement, it recognizes and measures these contractual obligations in accordance with the accounting policy on provisions. Repairs and maintenance and other expenses that are routinary in nature are expensed and recognized in the consolidated statement of income as incurred.

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

The carrying value of the service concession asset is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting period (see Note 2.20).

(b) *Acquired Computer Software Licenses*

Acquired computer software license (shown as part of Other Non-current Assets) is accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of three to five years as the lives of these intangible assets are considered finite. In addition, this is subject to impairment testing as described in Note 2.20.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software.

Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred. Costs that are directly attributable to the development phase of new customized software for information technology are recognized as intangible assets if, and only if, the Group can demonstrate all of the following recognition requirements:

- (i) technical feasibility of completing the prospective product for internal use or sale;
- (ii) the intangible asset will generate probable economic benefits through internal use or sale;
- (iii) intention and ability to complete, i.e., availability of sufficient technical, financial and other resources necessary for completion, and use or sell the asset; and,
- (iv) ability to measure reliably the expenditure attributable to the intangible asset during development.

Acquired computer software license is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an intangible asset is determined as the difference between the net disposal proceeds and carrying value of the asset, and is charged to profit or loss for the period.

2.11 Financial Liabilities

Financial liabilities, which include Interest-bearing Loans and Borrowings, Trade and Other payables [except output value-added tax (VAT) and other taxes payable], Security deposits and Retention payable (under Other Non-current Liabilities) are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss as part of Finance Costs in the consolidated statement of income.

Interest-bearing loans and borrowings are raised for support of funding of operations. Finance charges, including direct costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables are initially recognized at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Obligations under finance lease (included as part of Interest-bearing Loans and Borrowings) are recognized at amounts equal to the fair value of the leased property or, if lower, at the present value of minimum lease payments, at the inception of the lease (see Note 2.18).

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the BOD.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.12 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.20).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.13 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive committee; its chief operating decision-maker. The executive committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- post-employment benefit expenses;
- expenses relating to share-based payments, if any;
- research costs relating to new business activities; and,
- revenue, costs and fair value gains from investment property, if any.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

2.14 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.15 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.16 Construction Revenues and Cost

The Group uses the percentage of completion method to determine the appropriate amount to recognize as contract revenue and cost in a given period. The stage of completion is measured through surveys done by the Group's project engineers in accordance with terms, conditions and technical specifications stipulated in the contract. Contract cost is determined based on total estimated costs to complete the project, as determined by project engineers, taking into consideration the stage of completion of the projects.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recovered.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract based on the percentage of completion. When it is probable that total contract costs will exceed total contract revenues, the expected loss is recognized as an expense immediately.

The Group presents as asset the gross amount due from customers for contract works of all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings under current assets as Costs in Excess of Billings on Uncompleted Contracts. Progress billings not yet paid by customers and retention are included in Trade and Other Receivables account in the consolidated statement of financial position.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses) under current liabilities as Billings in Excess of Costs on Uncompleted Contracts.

Cash received from customers which will be applied to subsequent progress billings are presented as Advances from Customers account under the current liabilities section of the consolidated statement of financial position.

Additionally, as required under Philippine Interpretations IFRIC 12, *Service Concession Arrangements*, construction revenue and cost relating to construction or upgrade services of the concession asset is recognized by reference to the stage of completion of the contract in accordance with PAS 11. The consideration is measured at the fair value of the construction services provided.

2.17 Revenue and Expense Recognition

Revenue comprises revenue from rendering of services measured by reference to the fair value of consideration received or receivable by the Group for services rendered, excluding VAT and discounts.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

- (a) *Contract revenue* – Revenue from construction of buildings is recognized using the percentage of completion method based on the physical completion of the project, while revenues relating to construction or upgrade services of the concession assets is made by reference to the stage of completion of the contract (see Note 2.16).
- (b) *Aeronautical revenue* – Aeronautical revenues comprise passenger service charges, tacking fees, parking fees, and lighting fees. Aeronautical revenues are recognized as revenue when the related airport services have been rendered, the rates for such fees are currently provided under Administrative Order (AO) No. 2, Series of 2011, issued by MCIAA.
- (c) *Airport merchandising operations revenue* – Airport merchandising operations revenues relates to sale of food and non-food items within the premise of MCIA. Airport merchandising operations revenues are recognized when the risks and rewards of ownership of the goods have passed to the buyer.
- (d) *Concession revenue* – Concession revenues are generated through terminal concessionaires, tenants or airport service providers who pay monthly fees for using or accessing airport facilities to offer their goods and services to the general public and air traveling community. Payments are based on negotiated agreements with these parties, or are based on either a minimum monthly guarantee or on gross receipts. Concession revenue is recorded as it is earned. Some tenant agreements require self-reporting of concession operations and/or sales. The timing of concessionaire reporting and when revenue earned is recorded will determine when accruals are required for each tenant.
- (e) *Rental revenue* – Rental revenue comprise rental of check-in counter charged to airline companies and space rental charged to tenants. Rental from check-in counters is recognized when the related service have been rendered. Space rental is recognized on a straight-line basis over the lease term. Contingent revenue is recognized in the period in which the contingent event occurs.

- (f) *Commercial revenue* – Commercial revenues comprise advertising charges, car parking and car rental revenues. Car parking revenue comprises time-based charges from the operation of car parking services. Car rental revenue comprises concession charges from car rental companies. Revenue is recognized when the related services are provided.
- (g) *Management fee* – Fees are recognized when services are rendered.
- (h) *Interest income* – Income is recognized as the interest accrues taking into account the effective yield on the asset.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except for capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.22).

2.18 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

Leases, which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item, are classified as finance leases and are recognized as assets and liabilities in the consolidated statement of financial position at the inception of the lease at amounts equal to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Finance lease obligations, net of finance charges, are included as part of Interest-bearing Loans and Borrowings account in the consolidated statement of financial position.

For sale and leaseback transactions resulting in a finance lease, any excess of sales proceeds over the carrying amount of the asset is not immediately recognized as income by the Group (as seller-lessee) but deferred and amortized over the lease term. However, if the carrying amount of the asset exceeds the sales proceeds, the loss is immediately charged to profit or loss in the consolidated statement of income.

Leases, which do not transfer to the Group substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments (net of any incentive received from lessor) are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.19 Foreign Currency Transactions and Translation

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.20 Impairment of Non-financial Assets

The Group's investments in associates and joint venture, property, plant, and equipment, intangible assets which include concession assets and acquired computer software license, investment property and other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.21 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment defined benefit plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of a zero coupon government bond as published by Philippine Dealing & Exchange Corp. (PDEX) that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the consolidated statement of income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) *Post-employment Defined Contribution Plans*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) *Bonus Plans*

The Group recognizes a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments, and employees' performance evaluation attributable to a calendar year. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(d) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.22 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.23 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.24 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.25 Equity

Capital stock represents the nominal value of common and preferred shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock or reissuance of treasury shares. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserves comprise actuarial gains and losses due to remeasurements of post-employment defined benefit plan and the mark-to-market valuation of its AFS financial assets.

Other reserves represent GMCAC's equity transaction costs arising from the subscriptions to its shares of stocks.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled, reissued or disposed of.

Retained earnings represent all current and prior period results of operations as reported in the consolidated statement of income, reduced by the amounts of dividends declared.

2.26 Earnings Per Share

Basic earnings per share (EPS) is determined by dividing net profit attributable to shareholders of the Parent Company by the weighted average number of common shares subscribed and issued during the year after giving retroactive effect to any stock dividends, stock split or reverse stock split declared in the current year.

Diluted EPS is computed by adjusting the weighted average number of common shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding, hence, the diluted EPS is equal to the basic EPS.

2.27 Derivative Financial Instruments and Hedging

Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured and accounted for in the statement of financial position at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment or accounted for as derivative not designated for hedges.

The objective of hedge accounting is to match the impact of the hedged item and the hedging instrument in the statement of comprehensive income. To qualify for hedge accounting, the hedging relationship must comply with strict requirements such as the designation of the derivative as a hedge of an identified risk exposure, hedge documentation, probability of occurrence of the forecasted transaction in a cash flow hedge, assessment and measurement of hedge effectiveness, and reliability of the measurement bases of the derivative instruments.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group's derivative financial instruments are accounted for transactions not designated as hedges. Certain freestanding derivative instruments that provide economic hedges under the Group's policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. For bifurcated embedded derivatives in financial and nonfinancial contracts that are not designated or do not qualify as hedges, changes in the fair value of such transactions are recognized in the consolidated statement of income.

2.28 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Distinction Between Business Combination and Asset Acquisition

The Group determines whether the acquisition of an entity constitute a business combination or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a "business" taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of assets.

Management has assessed that the acquisition of ownership in Altria is to be accounted for as asset acquisition (see Note 11.2) since it does not constitute a purchase of business. Conversely, the purchases of ownership in GMCAC, MCEI, MLI, Globemercants and MCBVI are accounted for as investments in subsidiaries, while the purchases of ownership in MWCCI and CMCI are accounted for as investments in associates. Moreover, the acquisitions of interests in MGCJV and MWMTI are accounted for as interest in joint operation and joint venture, respectively (see Notes 1.2 and 11).

(b) Distinction Between Operating and Finance Leases

The Group has entered into various lease agreements as lessee and lessor. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Management has assessed that the lease agreements for transportation and other equipment in which the ownership is transferred to the Group is accounted for as finance lease. All other leases are accounted for as operating leases.

(c) Capitalization of Borrowing Costs

The Group determines whether the amount of finance costs qualifies for capitalization as part of the cost of the qualifying asset, or expensed outright. The accounting treatment for the finance costs is determined by assessing whether the asset is a qualifying asset taking into consideration the period of time to get the asset ready for its intended use. Failure to make the right judgment will result in misstatement of assets and net profit.

(d) *Impairment of AFS Financial Assets*

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, management assessed that the investment is not impaired. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

(e) *Accounting for Service Concession Arrangement*

Philippine Interpretation IFRIC 12 outlines an approach to account for contractual arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognized a financial asset and/or an intangible asset.

As discussed in Note 1.2, the Philippine Government acting through the DOTr and MCIAA executed a Concession Agreement with GMCAC whereby GMCAC was given an exclusive right to design, develop, and undertake the MCIA Project; and, enjoy complete and uninterrupted possession of the MCIA Project Assets for the purpose of implementing the MCIA Project.

At the end of the concession period, GMCAC shall hand-over the MCIA Project and the Project Assets to the Grantors without cost, free from any liens and encumbrances, including all improvements made to the airport facilities, commercial assets, works in progress, and right to receive revenues. In addition, GMCAC shall be entitled to collect and receive concession revenue consisting of revenues on account of passenger service charge, airport parking fees, and tacking fees; other apron charges; and, revenues from commercial charges. GMCAC may apply for an increase of such fees following the procedures as set forth in the Concession Agreement.

The Group has identified that the Concession Agreement is within the scope of Philippine Interpretation IFRIC 12 and shall be accounted for using the intangible asset model, wherein the service concession asset is recognized as an intangible asset in accordance with PAS 38, *Intangible Assets*. The intangible asset is amortized using the straight-line method over the life of the concession agreement as management believes that straight-line method best reflects the pattern of consumption of the concession asset.

In April 2014, GMCAC paid upfront fees to the Philippine Government amounting to P14,404.6 million to undertake the implementation and operation of the MCIA Project in accordance with the Concession Agreement (see Note 13). The Group identified certain significant and key activities related to the MCIA Project, as also set forth in the Concession Agreement. As such, the upfront fees were allocated among these key activities using proportionate rates based on the expected construction/renovation costs as follows: (i) existing Terminal 1 infrastructure; (ii) construction of new passenger Terminal; (iii) renovation and expansion of Terminal; and, (iv) capacity augmentation. Subsequent project development costs will be capitalized as incurred on the specific key activities related to the Project.

(f) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition of provisions on contingencies are discussed in Note 2.15 and relevant disclosures are presented in Note 27.

(g) *Determination of Control, Joint Control and Significant Influence*

Judgment is exercised in determining whether the Group has joint control of an arrangement or significant influence over an entity. In assessing each interest over an entity, the Group considers voting rights, representation on the BOD or equivalent governing body of the investee, participation in policy-making process and all other facts and circumstances, including terms of any contractual arrangement.

Management considers that the Group has de facto control over Globemercants even though it effectively holds 50% of the ordinary shares. The Parent Company exercises control over the entity because major decisions involving entering and negotiating SDA with DFPC still rests with the Parent Company. In line with this, the Parent retains control over Globemercants' operations (see Note 1.2).

The Group has determined that it has significant influence in MWCCI and CMCI; hence, the investees are treated as associates (see Note 11.1). In addition, the Group has determined that it has joint control over MGCJV and MWMTI and shall recognize interests to such arrangements as joint operation and joint venture, respectively [see Notes 2.3(c), 11.3 and 11.4].

However, the Group has determined that its ownership interest in SSPI does not result in control or significant influence over SSPI (see Note 10).

The related key assumptions on the estimation uncertainty of certain interests in MWCCI, MWMTI and SSPI are discussed in Note 3.1(h).

(h) *Non-consolidation of Entities in which the Group Holds More than 50% Ownership*

The Parent Company's ownership interest in MWCCI in 2014 was accounted for as an associate even though it holds 51% ownership interest. In making the assessment of whether the Parent Company has control over the relevant activities of MWCCI, management considers that Citicore has the ultimate control since it effectively owns 66% and 83% of MWCCI in 2017 and 2016, respectively. Moreover, Citicore entered into a management agreement with MWCCI, whereby Citicore shall provide management services to MWCCI for the administration of its activities under the Modernization of the Philippine Orthopedic Center (MPOC) Project [see Note 11.1(a)]. The Parent Company's ownership interest in MWMTI in 2015 was accounted for as a joint venture even though it holds 51% ownership interest. In making the assessment of whether the Parent Company has control over the relevant activities of MWMTI, management considers that it has joint control with the other venturer, which holds 49% ownership, since both venturers have equal representations to MWMTI's BOD and all significant decisions and approvals to direct the relevant activities of MWMTI for the construction and eventual operation of the ITS Project with the DOTr require consensus of both parties (see Note 11.3).

Also, in 2015, the Parent Company's ownership interest in SSPI was accounted for as other investment even though it holds 100% ownership interest. The Parent Company determined that its control over SSPI is temporary as a related party under common ownership acquired 99% ownership interest and control in SSPI in 2016 resulting in a dilution of the Parent Company's ownership interest from 100% to 1% in the same year.

(i) *Distinction Between Investment Property and Owner Occupied Property*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the performance of the Group's construction activities and its supply process.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Accounting for Business Combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

As of December 31, 2017, the acquired controlling interests in GMCAC, MCEI, MLI, Globemercants and MCBVI are not acquired businesses accounted for as business combination since the Parent Company is one of the original investors. In addition, the acquired ownership in Altria is treated as asset acquisition and not as a business combination [see Notes 3.1(a) and 11.2].

(b) *Determining Percentage of Completion*

The Group uses the percentage of completion method in accounting for its construction contract revenues and costs. The use of the percentage of completion method requires the Group to estimate the stage of completion based on surveys done by the Group's engineers and total costs to be incurred on a per project basis. If the proportion of the percentage of completed projects or the total estimated costs per project differs from management's estimates, the amount of profit or loss would have changed.

(c) *Impairment of Trade and Other Receivables and Refundable Security and Bond Deposits*

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the customers and other counterparties, their current credit status based on known market forces, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6. The carrying value of Refundable security and bond deposits is shown in Note 12.

(d) *Fair Value Measurement for Financial Instruments*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's financial assets carried at FVTPL, investment in SSPI and other AFS financial assets, and the amounts of applicable fair value changes recognized on those assets are disclosed in Notes 7 and 10, respectively.

(e) *Determining Net Realizable Value of Construction Materials*

In determining the net realizable value of construction materials, management takes into account the most reliable evidence available at the time the estimates are made. The Group periodically reviews its construction materials for possible damaged and obsolete items. Items identified as obsolete are provided with impairment allowance.

Management has assessed that no allowance for obsolescence is required to be recognized on construction materials in 2017 and 2016.

(f) *Estimating Useful Lives of Intangible Assets and Property, Plant and Equipment*

The Group estimates the useful lives of intangible assets and property, plant and equipment based on the period over which the assets are expected to be available for use. The related estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

The carrying amount of intangible assets is analyzed in Notes 12 and 13. The carrying amount of property, plant and equipment is analyzed in Note 14.

There were no changes in the estimated useful lives of property, plant and equipment in 2017 and 2016, and intangible assets in 2017 and 2016. Actual results, however, may vary due to changes in estimates brought about by the changes in factors mentioned above.

(g) Principal Assumption for Estimation of Fair Value of Investment Property

The best evidence of fair value is the current selling prices of the parcels of land. In the absence of such information, the Group determined the amount within the range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

- i) Current prices in active market for properties of different nature, conditions or locations, adjusted to reflect those differences;
- ii) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;
- iii) Current prices for lease of similar assets; and,
- iv) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of possible lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rate that reflects current market assessment of the uncertainty in the amount and timing of cash flows.

(h) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2017 and 2016 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 24.2.

(i) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.20). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that no impairment losses are required to be recognized on the Group's non-financial assets in 2017, 2016 and 2015.

(j) *Valuation of Post-employment Defined Benefit*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of DBO, as well as the significant assumptions used in estimating such obligation are presented in Note 22.2.

4. 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:

4.1 *Business Segments*

- (a) *Construction* – principally refers to general construction business which involves site development, earthworks, structural and civil works, masonry works, and architectural finishes, electrical works, plumbing and sanitary works, fire protection works and mechanical works.
- (b) *Airport Operations* – mainly relate to the business of building, rehabilitating, renovating, constructing, developing, operating, and maintaining the MCLIA, including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport 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.

4.2 *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.

4.3 Analysis of Segment Information

Presented below are the relevant operating segment information about the results of operations and financial position of the business segments as of December 31, 2017 and 2016, and for the years ended December 31, 2017, 2016 and 2015 (amount in thousands).

	Construction			Airport Operations			Total	
	2017	2016	2015	2017	2016	2015	2017	2016
Costs of operations								
Segment Revenues	P 18,308,730	P 16,749,775	P 13,958,488	P 2,298,405	P 1,871,978	P 1,463,892	P 20,607,135	P 18,621,753
Cost of construction and other operating expenses:								
Cost of construction and airport operations excluding depreciation and amortization	14,956,866	13,769,266	11,521,375	270,170	254,037	238,922	15,227,036	14,023,303
Depreciation and amortization	552,423	485,462	347,595	174,808	118,677	109,540	727,231	604,139
Finance cost and other charges – net	274,847	151,741	245,031	330,812	251,479	136,390	605,659	403,220
Tax expense	540,185	430,398	254,843	20,718	17,914	214,640	560,903	448,312
Other expenses	745,476	720,131	520,415	386,899	327,281	283,267	1,132,375	1,047,412
	<u>17,069,797</u>	<u>15,556,998</u>	<u>12,889,259</u>	<u>1,183,407</u>	<u>969,388</u>	<u>982,759</u>	<u>18,253,204</u>	<u>16,526,386</u>
Segment Net Profit	P 1,238,933	P 1,192,777	P 1,069,229	P 1,114,998	P 902,590	P 501,133	P 2,353,931	P 2,095,367
Consolidated Statements of Financial Position								
Total Segment Assets	P 27,951,292	P 29,856,543	P 31,508,838	P 30,803,076	P 25,899,639	P 21,175,251	P 58,754,368	P 55,756,182
Total Segment Liabilities	P 14,010,557	P 16,828,703	P 17,351,820	P 23,205,215	P 19,418,912	P 15,595,170	P 37,215,772	P 36,247,615

4.4 Reconciliation

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Profit or loss			
Segment net profit	P 2,353,931	P 2,095,367	P 1,570,362
Other unallocated expense	(106,122)	(175,671)	(96,337)
Net profit as reported in the consolidated statements of income	<u>P 2,247,809</u>	<u>P 1,919,696</u>	<u>P 1,474,025</u>
Assets			
Total segment assets	P 58,754,368	P 55,756,182	P 52,684,088
Elimination of intercompany accounts	(4,718,684)	(4,805,314)	(4,207,674)
Deferred tax assets – net	-	34,046	-
Other unallocated assets	<u>380,132</u>	<u>99,641</u>	<u>38,420</u>
Total assets as reported in the consolidated statements of financial position	<u>P 54,417,816</u>	<u>P 51,084,555</u>	<u>P 48,514,834</u>
Liabilities			
Total segment liabilities	P 37,215,772	P 36,247,615	P 32,946,990
Elimination of intercompany accounts	(1,075,270)	(1,479,178)	(1,074,617)
Other unallocated liabilities	<u>141,870</u>	<u>106,583</u>	<u>38,258</u>
Total liabilities as reported in the consolidated statements of financial position	<u>P 36,282,372</u>	<u>P 34,875,020</u>	<u>P 31,910,631</u>

4.5 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.

Revenues from three major customers in 2017 and two major customers both in 2016 and 2015 accounted for 49%, 28% and 31% of the total revenues as presented in the consolidated statements of income, respectively.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows (see Note 26.4):

	Note	2017	2016
Cash on hand		P 8,775,423	P 56,544,581
Cash in banks	11.2	4,863,563,690	4,021,622,995
Short-term placements		<u>58,600,064</u>	<u>2,187,117,555</u>
		<u>P4,930,939,177</u>	<u>P6,265,285,131</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 1.0% to 2.0% in 2017, 1.2% to 1.8% in 2016, and 1.0% in 2015. Total interest income earned from these financial assets amounted to P66.1 million, P55.7 million and P34.8 million in 2017, 2016 and 2015, respectively, and is presented as part of Finance income under Other Income (Charges) account in the consolidated statements of income (see Note 23.2).

6. TRADE AND OTHER RECEIVABLES

This account consists of the following:

	Notes	2017	2016
Contract receivables:			
Third parties		P2,230,023,178	P1,227,231,301
Related parties	26.1	<u>383,959,298</u>	<u>210,104,666</u>
	19.1	<u>2,613,982,476</u>	<u>1,437,335,967</u>
Retention receivables:			
Third parties		2,438,299,144	1,572,673,502
Related parties	26.1	<u>816,603,413</u>	<u>711,016,667</u>
	19.1	<u>3,254,902,557</u>	<u>2,283,690,169</u>
Advances to:			
Related parties	26.6	293,154,166	880,014,043
Officers and employees	26.3	<u>21,895,765</u>	<u>18,172,143</u>
		<u>315,049,931</u>	<u>898,186,186</u>
Receivables from airport operations		<u>333,242,965</u>	<u>271,218,569</u>
Other receivables	26.2, 26.9(d)	<u>121,267,788</u>	<u>53,099,664</u>
		6,638,445,717	4,943,530,555
Allowance for impairment		<u>(110,693,217)</u>	<u>(14,041,150)</u>
		<u>P6,527,752,500</u>	<u>P4,929,489,405</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 (see Note 19.2).

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 (see Note 30.2).

All of the Group's trade and other receivables have been reviewed for indications of impairment. During the year, the Group has set-up an allowance as approved its BOD for its long outstanding disputed receivables with a certain client amounting to P94.9 million. The allowance was set-up based on the Group's reasonable assessment on its on-going negotiation with the client. The Group felt 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 Group 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). Notwithstanding the issuance of COCA's on these two projects, the related receivables have remained outstanding as of end of 2017. Further, despite numerous reconciliations and follow-ups made by the Group in 2015 up to the end of 2017, no final settlement arrangement has been agreed upon between the two parties. At present, the Group is continuously in talk with the client to settle the disputed receivables amicably.

Total allowance for impairment for long outstanding contract, retention and airport receivables provided by the Parent Company and GMCAC amounted to P110.7 million and P14.0 million as of December 31, 2017 and 2016, respectively. No impairment losses were recognized in 2015.

A reconciliation of the allowance for impairment at the beginning and end of 2017 and 2016 is shown below.

	Note	<u>2017</u>	<u>2016</u>
Balance at beginning of year		P 14,041,150	P 9,208,879
Impairment losses	23.1	<u>96,652,067</u>	<u>4,832,271</u>
Balance at end of year		<u>P 110,693,217</u>	<u>P 14,041,150</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account is composed of the following:

	<u>2017</u>	<u>2016</u>
Short-term commercial papers	P3,207,553,457	P4,671,151,008
Unit investment trust funds (UITF)	<u>1,928,124</u>	<u>1,900,653</u>
	<u>P 3,209,481,581</u>	<u>P 4,673,051,661</u>

Short-term commercial papers are unsecured, short-term debt instruments issued by a private corporation with high-quality debt ratings with interest rate of 1.2% to 1.8%. These investments are designated by the Group to be carried at fair value through profit or loss upon initial recognition. Total interest income earned from these debt securities amounted to P102.4 million, P128.7 million and P107.0 million in 2017, 2016 and 2015, respectively (see Note 23.2).

As of December 31, 2017 and 2016, the fair values of financial assets at FVTPL amounted to P3,209.5 million and P4,673.1 million, respectively. The fair value change in 2017, 2016 and 2015 is not significant; hence, such was no longer recognized in those years.

8. CONSTRUCTION MATERIALS

This account consists of the following:

	<u>2017</u>	<u>2016</u>
Consumables and spare parts	P 170,312,581	P 94,076,254
Rebars	115,771,409	75,894,416
Mechanical electrical plumbing and fireproof materials	85,786,135	62,086,054
Hardware	81,536,055	37,370,785
Precast	49,394,756	87,559,175
Others	<u>74,493,133</u>	<u>94,320,018</u>
	<u>P 577,294,069</u>	<u>P 451,306,702</u>

Certain scrap construction materials were sold for P0.6 million, P1.6 million and P1.4 million in 2017, 2016 and 2015, respectively. Proceeds from the sale are presented as part of Others – net account under the Other Income (Charges) section in the consolidated statements of income (see Note 23.3).

Others pertain to construction materials which include painting materials, nails and adhesive items.

9. COSTS AND BILLINGS ON UNCOMPLETED CONTRACTS

An analysis of these accounts is shown below.

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Total costs incurred on uncompleted contracts (work in progress)	19.1	P43,454,156,149	P56,858,697,689
Total billings on uncompleted contracts (progress billings)		(42,297,986,591)	(55,212,308,965)
		<u>P 1,156,169,558</u>	<u>P 1,646,388,724</u>

The net amounts are included in the consolidated statements of financial position under the following accounts:

	<u>2017</u>	<u>2016</u>
Costs in excess of billings on uncompleted contracts (shown under current assets)	P 2,095,587,099	P 3,014,946,269
Billings in excess of costs on uncompleted contracts (shown under current liabilities)	(939,417,541)	(1,368,557,545)
	<u>P 1,156,169,558</u>	<u>P 1,646,388,724</u>

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

AFS financial assets pertain to the Group's investments in medium to long term RTB in 2017 and 2016, certain equity investment acquired in 2015 wherein the Parent Company does not exercise control or significant influence (see Note 1.2) and golf club shares. The details of AFS financial assets are shown below.

	<u>2017</u>	<u>2016</u>
Investments in RTB	P 929,773,159	P 929,036,358
Investment in SSPI – at cost	2,500,000	2,500,000
Golf club shares	<u>1,044,472</u>	<u>1,044,472</u>
	<u>P 933,317,631</u>	<u>P 932,580,830</u>

The reconciliation of the carrying amounts of AFS financial assets are as follows:

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	P 932,580,830	P 1,669,477
Disposal of RTB	(929,036,358)	-
Additions of RTB	921,510,000	1,000,000,000
Unrealized gain (loss) on fair value change of RTB	8,263,159	(70,963,642)
Investment in SSPI	<u>-</u>	<u>1,874,995</u>
Balance at end of year	<u>P 933,317,631</u>	<u>P 932,580,830</u>

In 2017 and 2016, RTB with an original face value of P922.0 million and P1,000.0 million, respectively, was purchased and held indefinitely. These may be sold in response to liquidity requirements and changes in market conditions. The Group recognized gain amounting to P8.3 million in 2017 and loss amounting to P71.0 million in 2016 due to fair value changes of AFS financial assets, which is presented as Unrealized Gain (Loss) on Fair Value Changes of AFS Financial Assets in the 2017 and 2016 consolidated statements of comprehensive income.

In 2017, the Group sold the RTB amounting to P1,000.0 million at P921.5 million. Consequently, the Group recognized a loss amounting to P78.5 million which is presented as Loss on sale of AFS financial assets under Finance Costs section in the 2017 statement of profit or loss (see Note 20.1).

As discussed in Notes 1.2, 3.1(g), 3.1(h), the Group has equity interest of 1% as of December 31, 2017 and 2016, respectively over its investment in SSPI. The Group accounted for its investment in SSPI at cost (see Note 1.2) as it determined that its control over SSPI as of December 31, 2015 is temporary.

SSPI was incorporated in the Philippines on August 7, 2015 and established for the operation of solar power and other clean or renewable energy infrastructure. SSPI has started commercial operations in 2016. Its registered office, which is also its principal place of business, is located at 20 N. Domingo Street, Barangay Valencia, Quezon City.

Moreover, management has assessed that the carrying value of these investments is recoverable and that there is no indication or permanent decline in fair value; hence, no impairment loss is required in 2017, 2016 and 2015.

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE AND ACQUISITION OF ASSETS

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

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Investments in:			
Associates	11.1	P 799,974,741	P 794,439,423
Joint venture	11.3	<u>304,243,825</u>	<u>102,172,754</u>
		<u>P 1,104,218,566</u>	<u>P 896,612,177</u>

The significant commitments related to the associates and joint venture are discussed in Note 27.

These associates and joint venture are not listed in the local stock exchange; hence, the fair value of the shares cannot be determined reliably. However, management believes that the carrying amounts of the investments are fully recoverable based on either the prospect of the business or the recoverable amount from the net assets of these associates and joint ventures.

11.1 Investments in Associates

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

	<u>Note</u>	<u>2017</u>	<u>2016</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 (losses):			
Balance at beginning of year		(10,023,441)	(5,477,909)
Equity in net profit (losses) for the year	23.3	<u>5,535,318</u>	<u>(4,545,532)</u>
Balance at end of year		<u>(4,488,123)</u>	<u>(10,023,441)</u>
		<u>P 799,974,741</u>	<u>P 794,439,423</u>

(a) MWCCI

MWCCI was incorporated in the Philippines on January 16, 2014 and is primarily established to undertake and implement the construction of a 700-bed capacity super-specialty tertiary orthopedic hospital (New Hospital Facility), under the MPOC Project. MWCCI's registered office, which is also its principal place of business, is at 20 N. Domingo Street, 1112 Valencia, Quezon City.

As of December 31, 2017 and 2016, the Parent Company has 51% ownership interest in MWCCI.

MWCCI sent a Notice of termination of its BOT Agreement with the Department of Health (DOH), which was accepted by DOH in 2016. MWCCI is undertaking measures to recover compensation costs from DOH and believes that it will ultimately recover in full the costs it incurred relative to the MPOC Project. Accordingly, the Parent Company has not recognized any impairment losses for its investment in MWCCI.

(b) *CMCI*

The Parent Company, together with Citicore, formed CMCI as a consortium for the construction of classrooms in regions 3 and 4 under the build-lease-transfer Public Private Partnership (PPP) agreement with the Philippine Department of Education (DepEd) ownership interest (see Note 27.3). CMCI was incorporated in the Philippines on October 15, 2012 and is primarily engaged in general construction business. CMCI's registered address, which is also its principal place of business, is located at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

As of December 31, 2017 and 2016, the Parent Company owns 10% interest in CMCI as a joint venture partner. The rights and powers of the Parent Company over the management and control of CMCI are exercised through a seat in the BOD of CMCI. Taking this into consideration, the Group concluded that it has significant influence over the investee; accordingly, the investment is accounted for as an investment in an associate.

The table below presents the unaudited and audited financial information of MWCCI and CMCI, respectively, as of and for years ended December 31, 2017 and 2016 of the associates (amounts in thousands).

		<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Revenues</u>	<u>Net Income (Loss)</u>
2017:					
	MWCCI	P 1,192,459	P 87,447	P -	(P 41)
	CMCI	8,598,151	6,392,523	522,158	55,560
2016:					
	MWCCI	P 1,192,459	P 87,552	P -	(P 1,840)
	CMCI	9,303,059	7,151,037	574,381	(36,069)

As of December 31, 2017 and 2016, the Parent Company did not receive any dividends from its associates.

The shares of stocks of the associates are not listed in the PSE; hence, the fair values of their shares cannot be determined reliably. Management assessed that although the fair values cannot be determined, carrying values are not impaired.

11.2 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 December 31, 2017 and 2016, Altria has no operations and its assets mainly pertain to the land where the Parent Company's precast and batching facilities are constructed (see Note 14). In accordance with Group's policy (see Note 2.7), 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:

	<u>Notes</u>	
Cash in bank	5	P 486,426
Bond deposits	12	1,500,958
Land	14	303,468,569
Accrued expenses	15	(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. The difference shall be charged directly to profit or loss as part of Others – net account under the Other Income (Charges) section in the consolidated statements of income (see Note 23.3). In 2017, 2016 and 2015, the Parent Company charged P1.1 million, P0.8 million and P1.3 million, respectively, to profit or loss to account for the expenses incurred by Altria, net of changes in cash in bank, bond deposits and accrued expenses (see Note 23.3).

In 2017, the Land acquired from Altria under Property, Plant and Equipment has a market value of P1,125.7 million (see Note 14).

11.3 Interest in Joint Venture

MWMTI was incorporated in the Philippines on February 3, 2015 and established primarily to engage in the business of constructing, operating, and maintaining integrated transport system terminals, stations, hubs and all allied business in relation thereto, including the construction, operations and maintenance of the commercial assets and establishments, pursuant to the Concession Agreement that was signed on February 25, 2015 by MWMTI and DOTr (see Note 27.4.2). MWMTI is effectively owned by the Parent Company and Waltermart at 51% and 49%, respectively. However, as more fully discussed in Note 3.1(h), the Parent Company and Waltermart are exercising joint control over MWMTI. As of December 31, 2017 and 2016, MWMTI has not yet started commercial operations. The ground breaking ceremony occurred in October 2016 following the receipt of the Notice to Proceed from the DOTr.

The carrying value of the interest in joint venture are as follows:

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Acquisition cost		P 102,172,754	P 43,381,936
Additions		204,000,000	62,220,954
Equity share in net losses	23.3	(1,928,929)	(3,430,136)
Balance at end of year		<u>P 304,243,825</u>	<u>P 102,172,754</u>

The following table presents the audited financial information as of and for the periods ended December 31, 2017 and 2016 of MWMTI (amounts in thousands).

	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Revenues</u>	<u>Net Loss</u>
2017	P 1,837,321	P 1,240,685	P 153,460	(P 3,858)
2016	P 205,578	P 5,084	P 8,363	(P 6,860)

11.4 Interest in Joint Operation

As discussed in Note 1.2, MGCJV shall undertake the construction works for the renovation and expansion of the MCLIA Project. Also, as discussed in Note 2.3(c)(i), the Parent Company's interest in MGCJV is 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. As of and for the years ended December 31, 2017 and 2016, the relevant financial information of the Group's interest in MGCJV which are included in the appropriate accounts in the Group's 2017 and 2016 consolidated statements of financial position and consolidated statements of income is as follows:

	<u>Before Elimination</u>	<u>Elimination</u>	<u>After Elimination</u>
December 31, 2017			
<i>Assets:</i>			
Cash and cash equivalents	P 374,239,411	P -	P 374,239,411
Trade and other receivables	693,067,305	(693,067,305)	-
Other current assets	40,680,165	-	40,680,165
Property, plant, and equipment – net	<u>2,315,853</u>	<u>-</u>	<u>2,315,853</u>
	<u>P 1,110,302,734</u>	<u>(P 693,067,305)</u>	<u>P 417,235,429</u>
<i>Liabilities:</i>			
Trade and other payables	P 154,751,254	P -	P 154,751,254
Due to related parties	7,145,237	-	7,145,237
Billings in excess of cost on uncompleted contracts	679,243,974	-	679,243,974
Other liabilities	<u>17,573,194</u>	<u>-</u>	<u>17,573,194</u>
	<u>P 858,713,659</u>	<u>P -</u>	<u>P 858,713,659</u>
<i>Revenues and Expenses:</i>			
Contract revenues	P 1,585,891,105	(P 1,585,891,105)	P -
Contract costs	(1,378,467,936)	1,378,467,954	-
Other operating expenses	(86,545,405)	40,229,700	(46,315,705)
Finance income	<u>53,750,713</u>	<u>-</u>	<u>53,750,713</u>
	<u>P 174,628,477</u>	<u>(P 167,193,451)</u>	<u>P 7,435,008</u>

	<u>Before</u>		<u>Elimination</u>		<u>After</u>
	<u>Elimination</u>		<u>Elimination</u>		<u>Elimination</u>
<i>December 31, 2016</i>					
<i>Assets:</i>					
Cash and cash equivalents	P 433,600,064	P -		P 433,600,064	
Trade and other receivables	693,585,743	(693,585,743)		-	
Other current assets	20,764,203	-		20,764,203	
Property, plant, and equipment – net	<u>2,878,459</u>	<u>-</u>		<u>2,878,459</u>	
	<u>P 1,150,828,469</u>	<u>(P 693,585,743)</u>		<u>P 457,242,726</u>	
<i>Liabilities:</i>					
Trade and other payables	P 111,385,577	P -		P 111,385,577	
Due to related parties	300,102,466	(293,370,070)		6,732,396	
Billings in excess of cost on uncompleted contracts	549,380,831	-		549,380,831	
Other liabilities	<u>3,897,190</u>	<u>-</u>		<u>3,897,190</u>	
	<u>P 964,766,064</u>	<u>(P 293,370,070)</u>		<u>P 671,395,994</u>	
<i>Revenues and Expenses:</i>					
Contract revenues	P 963,612,613	(P 963,612,613)		P -	
Contract costs	(801,878,835)	801,878,835		-	
Other operating expenses	(68,691,171)	-		(68,691,171)	
Finance income	<u>18,716,745</u>	<u>-</u>		<u>18,716,745</u>	
	<u>P 111,759,352</u>	<u>(P 161,733,778)</u>		<u>(P 49,974,426)</u>	

11.5 Material Non-controlling Interests

Non-controlling interests pertain to the 40%, 30%, 50%, 40% equity ownership of minority stockholders in GMCAC, MCEI, Globemercants and MCLI, respectively. The Group determined that only the minority interest in GMCAC is considered as a material non-controlling interest, and accordingly, presented the relevant financial information for GMCAC below (see Note 25.5).

	<u>2017</u>	<u>2016</u>
Assets	P30,795,994,984	P25,893,389,356
Liabilities	3,198,133,981	19,412,662,331
Equity	27,597,861,003	6,480,727,025
Net profit	1,114,998,038	902,590,373

12. OTHER ASSETS

This account is composed of the following:

	Notes	2017	2016
Current:			
Advances to contractors and suppliers	12.1	P 702,853,344	P 724,167,317
Input VAT	12.2	470,309,253	700,849,447
Refundable security and bond deposits	11.2, 27.1.1	87,431,724	80,571,850
Prepaid taxes	12.4	55,320,252	50,662,733
Prepaid subscription		12,843,833	21,536,818
Prepaid rent		8,781,953	13,212,305
Prepaid insurance		7,932,589	16,312,830
Development costs		1,840,006	27,528,894
Miscellaneous		<u>10,776,988</u>	<u>2,388,058</u>
		<u>1,358,089,942</u>	<u>1,637,230,252</u>
Non-current:			
Input VAT	12.2	2,084,181,395	1,941,702,317
Investment in trust fund	12.6	413,649,488	197,680,058
Deposits for condominium units	12.3	68,802,067	68,802,067
Deferred transaction cost	12.7	47,478,365	87,420,673
Computer software license – net	12.5	43,912,786	42,959,892
Advances to land owners		30,731,055	-
Advances to contractors and suppliers	12.1	15,231,370	293,370,070
Refundable security deposits	27.1	10,888,652	10,406,160
Miscellaneous		<u>4,290,334</u>	<u>1,903,146</u>
		<u>2,719,165,512</u>	<u>2,644,244,383</u>
		<u>P 4,077,255,454</u>	<u>P 4,281,474,635</u>

12.1 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.

12.2 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 (see Note 13). 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.

Noncurrent portion of input VAT amounting to P1,961.9 million and P1,411.7 million as of December 31, 2017 and 2016, respectively, represents GMCAC's input VAT, consisting mainly from the payment of bid premium in 2014, which will be recovered in future years. The balance is to be transferred to input VAT under Other Current Assets systematically on the basis of the Group's projected output VAT payments over the term of the Concession Agreement (see Note 13).

12.3 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.

12.4 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.

12.5 Computer Software License – net

The details of this account are presented below.

	<u>2017</u>	<u>2016</u>
Cost	P 100,211,532	P 82,018,398
Accumulated amortization	(56,298,746)	(39,058,506)
	<u>P 43,912,786</u>	<u>P 42,959,892</u>

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

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Balance at beginning of year		P 42,959,892	P 43,411,873
Additions		14,684,810	5,946,114
Amortization expense for the year	21	(13,731,916)	(6,398,095)
Balance at end of year		<u>P 43,912,786</u>	<u>P 42,959,892</u>

The related amortization charges were recorded as part of Depreciation and amortization under Other Operating Expenses account in the consolidated statements of income (see Note 21).

12.6 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 [see Note 16.2(a)]. In 2017, portion of cash in bank was transferred to investment in trust fund based on the scheduled repayment of interest and principal.

The OLSA provided that the Security Trustee shall invest and reinvest the monies in the collateral accounts [see Note 16.2(a)].

12.7 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 method over the term of the related debt (see Note 16.2).

13. 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) (see Note 1.2). 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.

As of December 31, the breakdown of the capitalized concession assets is as follows:

	<u>Upfront Fees</u>	<u>Airport Infrastructure</u>	<u>Total</u>
December 31, 2017			
Cost			
Balance at beginning of year	P 16,411,101,518	P 4,173,448,370	P 20,584,549,888
Additions	<u>842,106,841</u>	<u>4,577,545,943</u>	<u>5,419,652,784</u>
Balance at end of year	<u>17,253,208,359</u>	<u>8,750,994,313</u>	<u>26,004,202,672</u>
Accumulated amortization			
Balance at beginning of year	(217,987,967)	(27,844,050)	(245,832,017)
Amortization for the year	<u>(100,609,831)</u>	<u>(49,465,361)</u>	<u>(150,075,192)</u>
Balance at end of year	<u>(318,597,798)</u>	<u>(77,309,411)</u>	<u>(395,907,209)</u>
Net carrying amount	<u>P 16,934,610,561</u>	<u>P 8,673,684,902</u>	<u>P 25,608,295,463</u>
December 31, 2016			
Cost			
Balance at beginning of year	P 15,643,646,276	P 853,167,442	P 16,496,813,718
Additions	<u>767,455,242</u>	<u>3,320,280,928</u>	<u>4,087,736,170</u>
Balance at end of year	<u>16,411,101,518</u>	<u>4,173,448,370</u>	<u>20,584,549,888</u>
Accumulated amortization			
Balance at beginning of year	(117,378,136)	(9,537,632)	(126,915,768)
Amortization for the year	<u>(100,609,831)</u>	<u>(18,306,418)</u>	<u>(118,916,249)</u>
Balance at end of year	<u>(217,987,967)</u>	<u>(27,844,050)</u>	<u>(245,832,017)</u>
Net carrying amount	<u>P 16,193,113,551</u>	<u>P 4,145,604,320</u>	<u>P 20,338,717,871</u>
January 1, 2016			
Cost	P 15,643,646,276	P 853,167,442	P 16,496,813,718
Accumulated amortization	<u>(117,378,136)</u>	<u>(9,537,632)</u>	<u>(126,915,768)</u>
Net carrying amount	<u>P 15,526,268,140</u>	<u>P 843,629,810</u>	<u>P 16,369,897,950</u>

Upfront fees include P14,404.6 million bid premium paid by GMCAC to the Philippine Government for the MCLIA Project. In addition, the capitalized borrowing costs amounted to P912.3 million and P769.0 million as at December 31, 2017 and 2016, respectively, at a capitalization rate of 4.31% to 7.87% in 2017 and 3.85% to 7.48% in 2016.

Cost of airport infrastructure pertains mainly to the design and renovation of passenger terminals and development works of the MCLIA Project. In 2017 and 2016, the additions to airport infrastructure amounting to P4,744.0 million and P3,488.4 million, respectively, include rehabilitation of the existing T1, construction of the new T2 building, and structural design and consultants of existing T1 and of T2.

As of December 31, 2017 and 2016, concession assets not yet available for use amounted to P22,969.5 million and P13,277.5 million, respectively. These are not amortized but tested for impairment at December 31, 2017 and 2016 in accordance with GMCAC's accounting policy.

14. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation at the beginning and end of December 31, 2017 and 2016 are shown below.

	Land (see Note 11.2)	Building	Precast Factory	Office Furniture, Fixtures and Equipment	Transportation Equipment	Precast and Construction Equipment	Construction in Progress	Total
December 31, 2017								
Cost	P 971,600,887	P 273,392,011	P 504,462,455	P 386,896,059	P 598,941,490	P 5,340,534,214	P 97,893,614	P 8,173,720,730
Accumulated depreciation	-	(63,937,512)	(129,532,642)	(175,646,147)	(372,818,156)	(2,213,722,001)	-	(2,955,656,465)
Net carrying amount	<u>P 971,600,887</u>	<u>P 209,454,499</u>	<u>P 374,929,806</u>	<u>P 211,249,912</u>	<u>P 226,123,334</u>	<u>P 3,126,812,213</u>	<u>P 97,893,614</u>	<u>P 5,218,064,265</u>
December 31, 2016								
Cost	P1,009,185,333	P 269,271,012	P 488,505,131	P 231,450,322	P 546,281,294	P 5,068,870,073	P 76,979,853	P 7,690,543,018
Accumulated depreciation	-	(50,445,423)	(102,424,775)	(135,045,903)	(291,402,358)	(1,844,180,378)	-	(2,423,498,837)
Net carrying amount	<u>P1,009,185,333</u>	<u>P 218,825,589</u>	<u>P 386,080,356</u>	<u>P 96,404,419</u>	<u>P 254,878,936</u>	<u>P3,224,689,695</u>	<u>P 76,979,853</u>	<u>P 5,267,044,181</u>
January 1, 2016								
Cost	P 786,893,457	P 267,109,191	P 475,818,880	P 175,882,890	P 491,790,484	P 4,584,346,332	P 85,923,704	P 6,867,764,938
Accumulated depreciation	-	(39,426,285)	(73,057,964)	(106,765,396)	(214,605,931)	(1,485,785,636)	-	(1,919,641,212)
Net carrying amount	<u>P 786,893,457</u>	<u>P 227,682,906</u>	<u>P 402,760,916</u>	<u>P 69,117,494</u>	<u>P 277,184,553</u>	<u>P3,098,560,696</u>	<u>P 85,923,704</u>	<u>P 4,948,123,726</u>

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of 2017 and 2016 is shown below.

	Land (see Note 11.2)	Building	Precast Factory	Office Furniture, Fixtures and Equipment	Transportation Equipment	Precast and Construction Equipment	Construction in Progress	Total
Balance at January 1, 2017, net of accumulated depreciation	P1,009,185,333	P 218,825,589	P 386,080,356	P 96,404,419	P 254,878,936	P 3,224,689,695	P 76,979,853	P 5,267,044,181
Additions	63,422,189	4,120,999	7,656,674	155,387,009	53,353,196	274,918,281	36,120,649	594,978,997
Reclassification	(101,006,635)	-	8,300,650	58,728	-	6,847,510	(15,206,888)	(101,006,635)
Disposal	-	-	-	-	(693,000)	(10,101,650)	-	(10,794,650)
Depreciation charges for the year	-	(13,492,089)	(27,107,874)	(40,600,244)	(81,415,798)	(369,541,623)	-	(532,157,628)
Balance at December 31, 2017, net of accumulated depreciation	<u>P 971,600,887</u>	<u>P209,454,499</u>	<u>P 374,929,806</u>	<u>P211,249,912</u>	<u>P 226,123,334</u>	<u>P3,126,812,213</u>	<u>P 97,893,614</u>	<u>P5,218,064,265</u>
Balance at January 1, 2016, net of accumulated depreciation	P 786,893,457	P 227,682,906	P 402,760,916	P 69,117,494	P 277,184,553	P 3,098,560,696	P 85,923,704	P 4,948,123,726
Additions	305,741,861	2,161,821	12,686,251	55,567,432	57,074,663	470,351,896	5,227,994	908,811,918
Reclassification	-	-	-	-	-	14,171,845	(14,171,845)	-
Disposal	(83,449,985)	-	-	-	(2,583,853)	-	-	(86,033,838)
Depreciation charges for the year	-	(11,019,138)	(29,356,811)	(28,280,507)	(76,796,427)	(358,394,742)	-	(503,857,625)
Balance at December 31, 2016, net of accumulated depreciation	<u>P1,009,185,333</u>	<u>P 218,825,589</u>	<u>P 386,080,356</u>	<u>P 96,404,419</u>	<u>P 254,878,936</u>	<u>P3,224,689,695</u>	<u>P 76,979,853</u>	<u>P5,267,044,181</u>

Construction in progress pertains to accumulated costs incurred in constructing a new precast warehouse, workers barracks and logistics department facility which are located in Taytay, Rizal.

The Land acquired from Altria under Property, Plant and Equipment has a market value of P1,125.7 million as of December 31, 2017 (see Note 11.2).

In 2012, the Parent Company entered into several sale and leaseback transactions for certain construction equipment and transportation equipment that resulted in a finance lease (see Note 27.2). There were no similar transactions thereafter. The Parent Company recognized gain on these transactions amounting to P46.6 million upon inception. The gain was deferred and is amortized over the term of the lease. The related amortization of the deferred gain amounted to P5.7 million in 2015 and is presented as part of Others – net under Other Income (Charges) account in the 2015 consolidated statement of income (see Note 23.3). This was fully amortized in 2015.

In 2017, 2016 and 2015, certain property and equipment were sold for P16.0 million P137.8 million and P4.2 million, respectively. As a result, the Group recognized gains amounting to P5.2 million and P51.7 million in 2017 and 2016, respectively, and loss amounting to P1.7 million in 2015, and are presented as Gain (loss) on disposals of property and equipment as part of Others – net under Other Income (Charges) account in the consolidated statements of income (see Note 23.3). Further, the significant portion of the sale transactions in 2016 was made to a related party under common ownership [see Note 26.9(d)].

The Group acquired several transportation equipment and construction equipment under finance leases. Outstanding liabilities from the finance leases as of December 31, 2017 and 2016 amounted to P205.8 million and P273.8 million, respectively, and are presented as Obligations under finance lease under Interest-bearing Loans and Borrowings in the consolidated statements of financial position (see Note 16.3).

In 2017, the Parent Company reclassified parcels of land previously classified as property, plant and equipment to investment property since these parcels of land are not used by the Group in its ordinary course of business or held for undetermined use (see Note 31.6).

As of December 31, 2017 and 2016, the gross carrying amounts of the Group's fully-depreciated property, plant and equipment that are still in use are P414.0 million and P259.0 million, respectively. The Group has no idle properties in any of the years presented.

Depreciation expense is charged to the following accounts in the consolidated statements of income:

	Notes	2017	2016	2015
Contract costs	20	P 483,038,875	P 462,170,233	P 400,780,751
Other operating expenses		<u>49,118,753</u>	<u>41,687,392</u>	<u>7,749,868</u>
	21	<u>P 532,157,628</u>	<u>P 503,857,625</u>	<u>P 408,530,619</u>

15. TRADE AND OTHER PAYABLES

This account consists of the following:

	Notes	2017	2016
Trade payables		P 2,846,737,769	P 4,298,402,585
Retention payable	18	1,571,317,746	1,054,422,831
Accrued expenses	11.2	305,255,812	365,872,721
Security deposits	27.1.2	201,336,838	46,765,164
Due to stockholders and related parties	26.6, 26.7	174,410,481	141,741,955
Interest payable	16	81,657,313	71,667,743
Accrued salaries		26,705,794	29,924,653
Others		<u>37,827,151</u>	<u>8,544</u>
		<u>P 5,245,248,904</u>	<u>P 6,008,806,196</u>

Retention payable pertains to amounts withheld from payments made to subcontractors to ensure compliance and completion of contracted projects ranging from 5% to 10% of every billing made by the contractor. Upon completion of the subcontracted projects, the amounts are returned to the subcontractors.

Accrued expenses include unreleased checks, unpaid utilities and unclaimed salaries and wages of resigned employees.

16. INTEREST-BEARING LOANS AND BORROWINGS

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

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Current:			
Bank loans	16.2, 26.5	P 2,485,500,000	P 2,595,000,000
Obligations under finance lease	14, 16.3, 27.2	<u>75,987,851</u>	<u>93,904,068</u>
		<u>2,561,487,851</u>	<u>2,688,904,068</u>
Non-current:			
Bank loans	16.2, 26.5	20,420,365,437	16,997,055,956
Notes payable	16.1, 26.5	5,836,791,231	5,896,791,231
Obligations under finance lease	14, 16.3, 27.2	<u>129,823,822</u>	<u>179,912,724</u>
		<u>26,386,980,490</u>	<u>23,073,759,911</u>
		<u>P 28,948,468,341</u>	<u>P 25,762,663,979</u>

The total unpaid interest from the foregoing interest-bearing loans and borrowings as of December 31, 2017 and 2016 amounted to P81.7 million and P71.7 million, respectively, and is presented as Interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

A reconciliation of the carrying amounts of interest bearing loans and borrowings at the beginning and end of the reporting period December 31, 2017 is shown below.

	<u>Notes</u>	
Balance at beginning of year		P 25,762,663,979
Availments		5,100,663,558
Repayments		(1,933,787,135)
Unrealized loss on interest rate swap	16.2, 23.3	<u>18,927,939</u>
Balance at end of year		<u>P28,948,468,341</u>

16.1 Notes Payable

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 nominal rates refer to the Philippine Dealing System Treasury Fixing (PDST-F) rates with respect to the term of each tranche plus an interest spread of 1.75% for Tranche A and B and 1.50% for Tranche C.

The notes, among other things, restrict the Parent Company's ability to:

- (a) incur any indebtedness to be secured by or to benefit from any lien, in favor of any creditor on, or in respect of any present or future assets or revenues or the right to receive income;
- (b) make any material change in the nature of its business from that being carried on as of the signing date;
- (c) enter into any merger or consolidation except if the issuer retains control of the surviving corporation, such merger or consolidation is required by law, and such merger does not result in material adverse effect;
- (d) amend its articles of incorporation and/or by-laws except as required by law;
- (e) declare or pay any cash dividend to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the notes are current and updated and provided that any such payment is made out of retained earnings and the debt to equity ratio of 2:1 are maintained;
- (f) sell, assign, lease, transfer, and/or dispose all or substantially all of its properties;
- (g) assign, transfer or otherwise convey any right to receive any of its income or revenues;
- (h) voluntarily suspend its business operations in a manner that will result in a material adverse effect;
- (i) extend any loan, advance or subsidy to any person;
- (j) permit its financial debt to equity ratio to exceed 2:1; and,
- (k) voluntarily prepay any indebtedness.

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.

In 2011, the Parent Company was granted another unsecured Notes payable facility up to P3,000.0 million by a local bank, to which P1,000.0 million was availed. The loan bears an annual interest of 6.5% payable in 5 years. In 2015, the carrying value of the loan is P1,000.0 million and was fully paid in 2016 through refinancing of an unsecured 10-year corporate note.

On September 16, 2016 and December 5, 2016, the Parent Company availed an unsecured 10-year corporate note amounting to P650.0 million and P350.0 million, respectively, to refinance the 5-year corporate note issued in 2011. On December 16, 2016 the Parent Company availed another P1,000.0 million unsecured 10-year corporate note for its general corporate requirements.

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 notes, among other things, restrict the Parent Company's ability to:

- (a) Engage in any business or make or permit any material change in the character of its business from that authorized on its amended articles of incorporation and by-laws;
- (b) Amendment of articles of incorporation and by-laws which would cause a material adverse effect or be inconsistent with the provisions of the finance document;
- (c) Change of ownership and management if as a result the stockholdings of Citicore Investments Holdings Inc. will fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect;
- (d) Sale of asset, transfer or dispose of all or substantially all of its properties and assets except in the ordinary course of business;
- (e) Declaration of dividends or retirement of capital if the issuer shall not be in compliance with the financial covenants or would result to an event of default;
- (f) Loans and advances to its directors, officers and stockholders;
- (g) Make a capital expenditure not in the ordinary course of business;
- (h) Incur additional debt or act as surety on behalf of third parties or incur monetary obligation which shall cause the issuer to breach the financial covenants;
- (i) Loans and advances to any person;
- (j) Directly or indirectly incur or suffer to exist any lien upon any assets and revenues, present and future of the issuer or enter into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future whether registered or unregistered of the issuer;
- (k) Except for permitted investments, invest in or acquire any (i) share in or any security issued by any person, (ii) acquire directly or indirectly the business or going concern or all substantially all the properties and assets or business of any other corporation or entity or invest in a controlling entity therein; and,
- (l) It will not voluntarily suspend or discontinue its entire or a substantial portion of its business operation.

As of December 31, 2017 and 2016, the carrying amount of the notes is P5,836.8 million and P5,896.8 million, respectively.

Total interest on these notes payable amounted to P354.2 million, P294.9 million and P313.4 million in 2017, 2016 and 2015, respectively, and is presented as part of Interest expense from notes payable under Finance Costs account (see Note 23.1). Unpaid interest as of December 31, 2017 and 2016 amounting to P23.9 million and P24.2 million, respectively, and is presented as part of Interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

On August 10, 2017, the Parent Company sent a letter to the bank requesting the waiver of one of the loan negative covenants that prohibits the stockholdings of Citicore in the Parent Company to fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect (see Note 1.1). In September 2017, the request was granted by the bank. The Parent Company is in compliance with all other covenants required to be observed under the loan facility agreement as of December 31, 2017 and 2016.

16.2 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, the following are pledge as collateral on this loan:

- all monies deposited and from time to time standing in the Cash Flow Waterfall Accounts;
- the Project receivables;
- the proceeds of any asset and business insurance obtained, except for the proceeds of insurance policies arising from damage of any Project Assets;
- the Project Documents (Accession Agreement, Technical Service Agreement and Engineering and Procurement Contract); and,
- the 100% of the total issued and outstanding capital stock of GMCAC.

In addition, the OLSA provides certain restrictions and requirements which include, among others, maintaining and preserving its corporate existence, complying with all of its material obligations under the project arrangements, restrictions on granting of loans or advances and disposal of major properties and restrictions on payment of dividends. The OLSA also provides financial covenants which include maintaining a maximum debt to equity ratio of 70:30 and a debt service coverage ratio of at least 1.1 times following the Project completion date. As of December 31, 2017 and 2016, GMCAC has complied with the financial and non-financial covenants.

Moreover, GMCAC's BOD authorized GMCAC to establish, maintain and operate trust and investment accounts with a Security Trustee to ensure the prompt payment of the required amortization, interest and principal of the long-term loan, which was established and maintained by GMCAC during the reporting period (see Note 12.6).

The total drawdowns to date made for the onshore loan amounted to P13,666.0 million while drawdowns on the offshore loan amounted to US\$11.0 million (or equivalent to P517.7 million). The proceeds of the loan was used to refinance the bridge facility extended by a local universal bank which was used to partly finance the payment of the Project's Upfront Premium and to finance the capital expenditures and other costs in relation to the Project. As of December 31, 2017 and 2016, the carrying amount of the total onshore and offshore loans amounted to P20,420.4 million and P16,997.1 million, respectively. Total drawdowns for onshore loans in 2016 amounted to P1,000.0 million while drawdowns on the offshore loan amounted to US\$40.0 million (equivalent to P2,500.0 million). The amount of undrawn borrowing facilities that is available in the future amounted to P3,060.0 million and nil for onshore and offshore loan, respectively.

The movements of debt issuance cost relating to drawn amounts follows:

	<u>2017</u>	<u>2016</u>
Beginning balance	P 244,664,044	P 236,385,589
Additions	39,942,309	24,936,438
Amortization during the year	(20,221,790)	(16,657,983)
Ending balance	<u>P 264,384,563</u>	<u>P 244,664,044</u>

The portion of the debt issue costs pertaining to the undrawn amount of the borrowing facility is recognized as part of Deferred transaction cost under Other Non-current Assets in the consolidated statements of financial position (see Note 12.7).

Total interest expense on these loans, including the amortization of debt issue costs, amounted to P213.1 million, P179.2 million and P70.6 million in 2017, 2016 and 2015, respectively, and is presented as part of Interest expense from bank loans under Finance costs under Other Income (Charges) account in the consolidated statements of income (see Note 23.1). Total accrued interest amounting to P54.5 million and P44.7 million as of December 31, 2017 and 2016, respectively, is presented as part of Interest payable under Trade and Other Payables in the consolidated statements of financial position (see Note 15).

Provision in the loan indicates that the borrower shall pay to the lenders, a commitment fee equivalent to 0.3% per annum of the undrawn or uncanceled portion of the commitment that GMCAC does not draw in accordance with the drawdown schedule.

In November 2015, the Group entered into an interest rate swap transaction to hedge the interest rate exposure on its floating rate US dollar-denominated loan maturing in June 2022, start date is on December 15, 2017. A notional amount of US\$75.0 million floating rate loan was swapped to fixed rate. Under the interest rate swap agreement, the Group pays annual fixed interest rate of a range of 1.79% to 2.65% and receives floating rate of six-month US\$ LIBOR rate on Bloomberg Page on the notional amount. As at December 31, 2017, the market valuation loss on the outstanding interest rate swap amounted to US\$0.4 million or P18.9 million and is presented as part of Others – net under Other Income (Charges) account in the consolidated statements of income (see Note 23.3).

(b) Other Bank Loans

In addition, the Group also obtained various bank loans with total outstanding balance of P2,485.5 million and P2,595.0 million as of December 31, 2017 and 2016, respectively, representing unsecured short-term loans from other local banks. The loans bear fixed annual interest rates ranging from 2.6% to 2.8% in 2017, 2.5% to 2.8% in 2016 and 2.5% to 4.0% in 2015. Total interest on these bank loans amounted to P66.7 million, P124.8 million and P97.8 million in 2017, 2016 and 2015 respectively, and is presented as part of Interest expense from bank loans under Finance costs under Other Income (Charges) account in the consolidated statements of income (see Note 23.1). The unpaid portion of these interest amounted to P3.3 million and P2.8 million as of December 31, 2017 and 2016, respectively, and is presented as part of Interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

16.3 Finance Lease Obligations

The obligations under finance lease have an effective interest rate of 6.0% in 2017 and 2016. Lease payments are made on a monthly basis. Total interest from these obligations amounted to P14.8 million, P10.9 million and P7.3 million in 2017, 2016 and 2015, respectively, and is presented as part of Interest expense from finance lease under Finance costs under Other Income (Charges) account in the consolidated statements of income (see Note 23.1).

17. ADVANCES FROM CUSTOMERS

Advances from customers for construction works relate to the following projects:

	<u>2017</u>	<u>2016</u>
Contracts in progress:		
Third parties	P 295,821,076	P 1,163,738,958
Related parties	26.1 <u>7,507,271</u>	<u>-</u>
	303,328,347	1,163,738,958
Deposit received prior to commencement of a project	<u>223,742,745</u>	<u>114,814,830</u>
	<u>P 527,071,092</u>	<u>P1,278,553,788</u>

Advances from customers will be applied against the contract receivables based on work accomplishment on the project.

18. OTHER LIABILITIES

The details of this account are as follows:

	<u>2017</u>	<u>2016</u>
Current:		
Withholding taxes	P 60,713,819	P 58,719,076
Deferred output VAT	41,155,461	35,243,700
Deferred revenue	7,867,130	9,863,237
Others	<u>30,269,935</u>	<u>10,023,924</u>
	<u>P 140,006,345</u>	<u>P 113,849,937</u>

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Non-current:			
Retention payable	15	P 234,464,123	P 119,165,438
Security deposits	27.1.2	3,895,236	110,316,400
Unearned rent income		-	606,110
		<u>P 238,359,359</u>	<u>P 230,087,948</u>

Deferred revenue represents advance payments from customers and concessionaires that are subject to refund or future billing applications within 12 months from the end of the reporting period.

Unearned rent income pertains to the difference between the fair value and principal amount of security deposits received at the inception of the lease with concessionaires, which shall be amortized over the corresponding lease term.

Others under current liabilities significantly include government-related payables for employee benefits.

19. REVENUES

19.1 Contract Revenues

The details of this account for the years ended December 31, 2017, 2016 and 2015 are composed of the revenues from:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contracts in progress	P 15,982,614,204	P 10,270,745,337	P 13,324,272,035
Completed contracts	<u>730,024,389</u>	<u>5,515,417,447</u>	<u>634,215,891</u>
	<u>P 16,712,638,593</u>	<u>P 15,786,162,784</u>	<u>P 13,958,487,926</u>

About 12%, 36% and 28% of the contract revenues for 2017, 2016 and 2015, respectively, were earned from contracts with an associate and certain related parties under common ownership (see Note 26.1).

Contracts in progress and the balances of the related accounts are as follows:

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Total contract cost incurred and recognized profit (less recognized losses) to date	9	P 43,454,156,149	P 56,858,697,689
Contract receivables	6	2,613,982,476	1,437,335,967
Retention receivables	6	3,254,902,557	2,283,690,169

19.2 Airport Operations Revenues

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

	Note	2017	2016	2015
Aeronautical		P 1,279,592,220	P 1,107,907,898	P 976,971,967
Concession		373,227,479	324,272,726	236,297,703
Rental	27.1.2	303,230,474	301,757,680	158,058,358
Others		342,354,717	138,039,933	112,563,798
		<u>P 2,298,404,890</u>	<u>P 1,871,978,237</u>	<u>P 1,483,891,826</u>

19.3 Airport Merchandising Operations Revenues

The details of this account for the year ended December 31, 2017 (nil in 2016 and 2015) are as follow:

Sale of:		
Food		P 86,297,920
Consignment		60,062,491
Non-food		<u>1,739,128</u>
		<u>P 148,099,539</u>

20. DIRECT COSTS

20.1 Contract Costs

The following is the breakdown of contract costs for the years ended December 31:

	Notes	2017	2016	2015
Outside services		P 6,210,374,440	P 5,869,448,845	P 5,595,835,656
Materials		5,685,402,272	5,489,212,646	4,641,221,047
Salaries and employee benefits	22.1	860,277,769	831,954,695	551,409,956
Project overhead		845,008,197	773,550,438	679,722,706
Depreciation	14	483,038,875	462,170,233	400,780,751
	21	<u>P 14,084,101,553</u>	<u>P 13,426,336,857</u>	<u>P 11,868,970,116</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.

20.2 Costs of Airport Operations

The following is the breakdown of cost of airport operations:

	Notes	2017	2016	2015
Amortization of concession asset	13	P 150,075,192	P 118,916,249	P 109,540,156
Utilities		103,522,448	100,503,698	112,741,311
Salaries and employee benefits	22.1	45,045,096	42,027,227	31,854,182
Airport operator's fee	26.8, 27.4.1(b)	26,910,779	22,720,062	17,989,086
Airline collection charges		23,025,228	21,586,104	19,621,074
Insurance		21,185,125	22,023,100	30,938,473
Technical service charge		20,861,939	16,076,018	18,864,502
Repairs and maintenance		17,836,039	12,569,400	3,676,471
Others		11,784,330	4,529,311	3,236,509
	21	P 420,246,176	P 360,951,169	P 348,461,765

20.3 Costs of Airport Merchandising Operations

The following is the breakdown of cost of airport merchandising operations for the year ended December 31, 2017 (nil for 2016 and 2015):

	Note	
Cost of goods sold:		
Food		P 23,683,025
Consignment		16,701,545
Non-food		299,837
Spoilage and pilferages		162,758
Purchase discounts		(50,056)
	21	P 40,797,109

21. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	2017	2016	2015
Outside services		P 6,333,998,651	P 5,970,134,153	P 5,653,518,501
Materials, supplies and facilities		5,696,914,274	5,499,111,558	4,653,917,528
Salaries and employee benefits	22.1	1,371,232,087	1,292,012,029	954,789,646
Project overhead		845,008,197	773,550,438	679,743,698
Depreciation and amortization	12.5, 13, 14	695,964,736	629,171,969	529,677,854
Utilities		153,923,584	143,866,866	160,740,435
Repairs and maintenance		57,249,626	43,856,678	12,262,060
Professional fees		44,179,254	30,724,030	51,268,080
Cost of goods sold		40,797,109	-	-
Selling expense		38,550,315	-	-
Travel and transportation		34,616,672	33,295,066	25,799,109
Taxes and licenses		30,750,090	60,225,132	23,128,829
Representation		28,598,072	23,465,539	26,284,164
Airport operator's fee	26.8, 27.4.1(b)	26,910,779	22,720,062	17,966,326
Airline collection charges	20.2	23,025,228	21,586,104	25,885,562
Insurance		21,209,381	25,326,341	34,413,100
Rentals	26.2, 27.1.1	21,132,049	29,039,124	35,712,668
Advertising		17,639,348	4,741,132	10,937,756
Security services		9,321,858	9,059,068	9,271,403
Gas and oil		1,236,983	1,448,670	771,365
Miscellaneous		244,163,727	265,612,129	202,038,666
		<u>P15,736,422,020</u>	<u>P14,878,946,088</u>	<u>P13,108,126,750</u>

Miscellaneous includes certain construction reworks and warranty cost for certain projects already completed.

These expenses are classified in the consolidated statements of income as follows:

	Notes	2017	2016	2015
Contract costs	20.1	P 14,084,101,553	P13,426,336,857	P11,868,970,116
Costs of airport operations	20.2	420,246,176	360,951,169	348,461,765
Costs of airport merchandising operations	20.3	40,797,109	-	-
Other operating expenses		1,191,277,182	1,091,658,062	890,694,869
		<u>P 15,736,422,020</u>	<u>P14,878,946,088</u>	<u>P13,108,126,750</u>

22. POST-EMPLOYMENT DEFINED BENEFIT OBLIGATION

22.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits (see Note 21) are presented below.

	Notes	2017	2016	2015
Short-term employee benefits		P 1,338,246,782	P 1,278,765,880	P 942,102,425
Post-employment benefit	22.2	<u>32,985,305</u>	<u>13,246,149</u>	<u>12,687,221</u>
	21	<u>P 1,371,232,087</u>	<u>P 1,292,012,029</u>	<u>P 954,789,646</u>

The expenses are allocated in the consolidated statements of income as follows:

	Notes	2017	2016	2015
Contract costs	20.1	P 860,277,769	P 831,954,695	P 551,409,956
Costs of airport operations	20.2	45,045,096	42,027,227	31,854,182
Other operating expenses		<u>465,909,222</u>	<u>418,030,107</u>	<u>371,525,508</u>
	21	<u>P 1,371,232,087</u>	<u>P 1,292,012,029</u>	<u>P 954,789,646</u>

22.2 Post-employment Benefit

(a) Characteristics of Defined Benefit Plan

The Group maintains a partially funded and noncontributory post-employment defined benefit plan covering all regular full-time employees. The Group conforms to the minimum regulatory benefit under the Republic Act No. 7641, *Retirement Pay Law*, which is of the defined benefit type and provides a retirement benefit in lump sum equal to 22.5-day pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement. The normal retirement age is 60 with a minimum of 5 years of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2017, 2016 and 2015.

The amounts of post-employment DBO in the consolidated statements of financial position are determined as follows:

	2017	2016
Present value of the DBO	P 177,245,984	P 116,433,632
Fair value of plan assets	<u>3,979,771</u>	<u>3,933,315</u>
	<u>P 173,266,213</u>	<u>P 112,500,317</u>

The movements in the present value of the DBO are as follows:

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	P 116,433,632	P 77,374,745
Current service cost	32,985,305	13,246,149
Interest cost	6,281,069	3,786,534
Benefits paid directly from book reserve	-	(250,875)
Remeasurement/actuarial losses (gains) arising from:		
Changes in financial assumptions	14,340,443	(6,868,213)
Experience adjustments	7,317,776	29,145,292
Changes in demographic assumptions	(112,240)	-
Balance at end of year	<u>P 177,245,985</u>	<u>P 116,433,632</u>

Actuarial losses arising from experience adjustments pertain to the net effect of differences between previous actuarial assumptions and what actually incurred.

The movements in the fair value of plan assets are presented below.

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	P 3,933,315	P 3,916,725
Interest income	211,612	191,528
Return on plan assets (excluding amounts included in net interest)	(165,156)	(174,938)
Balance at end of year	<u>P 3,979,771</u>	<u>P 3,933,315</u>

The plan assets as of December 31, 2017 and 2016 consist of the UITF amounting to P3.9 million in both years. The Group has 2,070 participation units on UITF managed by the trust department of a certain universal bank [see Note 26.9(a)].

Actual returns on plan assets were P0.2 million in both 2017 and 2016.

The components of amounts recognized in consolidated profit or loss and in other comprehensive income (loss) in respect of the defined benefit post-employment plan are as follows (see Note 22.1):

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Recognized in consolidated profit or loss:</i>			
Current service cost	P 32,985,305	P 13,246,149	P 12,687,221
Net interest expense	<u>6,069,457</u>	<u>3,595,006</u>	<u>2,738,982</u>
	<u>P 39,054,762</u>	<u>P 16,841,155</u>	<u>P 15,426,203</u>

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Recognized in consolidated other comprehensive income (loss):</i>			
Actuarial gains (losses) arising from:			
Changes in financial assumptions	(P 14,340,443)	P 6,868,213	P 5,667,595
Experience adjustments	(7,317,776)	(29,145,292)	(3,013,345)
Changes in demographic assumptions	112,241	-	-
Return on plan assets (excluding amounts included in net interest)	(165,156)	(174,938)	(187,872)
	<u>(P 21,711,134)</u>	<u>(P 22,452,017)</u>	<u>P 2,466,378</u>

Current service costs are included as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of income. The net interest expense is included as part of Finance Costs account in the consolidated statements of income (see Notes 21 and 23.1).

Amounts recognized in other comprehensive income (loss) are presented under item that will not be reclassified subsequently to profit or loss.

In determining the amounts of the post-employment DBO, the following significant actuarial assumptions were used:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Discount rate	5.74%	5.49%	4.95%
Expected return on plan assets	5.00%	5.00%	5.00%
Employee turn-over rate	3.00%	3.00%	3.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 23.8 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Defined Benefit Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. As of December 31, 2017 and 2016, the plan has short-term investments managed through UITF.

(ii) *Longevity and Salary Risks*

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants during their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the post-employment defined benefit plan are described below and in the succeeding page.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment DBO as of December 31:

	Impact on Post-Employment Defined Benefit Obligation		
	<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
2017:			
Discount rate	+/- 1%	(P 25,297,633)	P 31,783,584
Salary growth rate	+/- 1%	30,553,508	(24,638,723)
2016:			
Discount rate	+/- 1%	(P 23,378,988)	P 29,472,568
Salary growth rate	+/- 1%	28,220,686	(22,738,566)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the DBO as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the DBO has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the post-employment DBO recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Funding Arrangements and Expected Contributions*

The retirement plan trustee has no specific matching strategy between the plan assets and the plan liabilities.

The Group is not required to pre-fund the future defined benefits payable under the plan assets before they become due. For this reason, the amount and timing of contributions to the plan assets are at the Group's discretion. However, in the event a benefit claim, the shortfall will be due and payable from the Group to the plan assets.

The maturity profile of undiscounted expected benefit payments within 10 years from the end of the reporting periods follows:

	<u>2017</u>	<u>2016</u>
More than 1 year to 5 years	P 30,197,197	P 9,952,056
More than 5 years to 10 years	<u>70,442,597</u>	<u>30,940,298</u>
	<u>P 100,639,794</u>	<u>P 40,892,354</u>

The weighted average duration of the DBO at the end of the reporting period is 16.7 years.

23. OTHER INCOME (CHARGES)

23.1 Finance Costs

The breakdown of this account in 2017, 2016 and 2015 is as follows:

	<u>Notes</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Interest expense from:	16			
Bank loans		P 279,835,724	P 304,090,333	P 214,925,858
Notes payable		354,192,747	294,900,693	313,393,982
Finance lease		<u>14,799,233</u>	<u>10,868,662</u>	<u>7,252,363</u>
		648,827,704	609,859,688	535,572,203
Impairment losses on receivables	6	96,652,067	4,832,271	-
Foreign currency losses (gains) – net	(16,418,553)	42,981,171	14,893,910
Bank charges		8,399,117	8,723,793	3,881,896
Interest expense on retirement obligation – net	22.2	6,069,457	3,595,006	2,738,982
Loss on sale of AFS financial assets	10	<u>78,487,134</u>	<u>-</u>	<u>-</u>
		<u>P 822,016,926</u>	<u>P 669,991,929</u>	<u>P 557,086,991</u>

23.2 Finance Income

The details of finance income are the following:

	Notes	2017	2016	2015
Interest income from:				
Financial assets at FVTPL	7	P 102,357,778	P 128,691,756	P 107,030,267
Short-term placements	5	49,786,941	45,001,921	31,495,095
Cash in banks	5	16,281,624	10,732,710	3,320,815
		<u>P 168,426,343</u>	<u>P 184,426,387</u>	<u>P 141,846,177</u>

23.3 Others – net

This consists of the following:

	Notes	2017	2016	2015
Rental of construction equipment		P 19,645,974	P 20,473,555	P 22,818,436
Gain (loss) on disposals of property and equipment	14, 26.9(d)	5,248,792	51,746,695	(1,700,527)
Equity in net profit (losses) of associates and joint venture	11.1, 11.3	3,606,389	(7,975,668)	(8,723,997)
Income from scrap sales	8	622,850	1,626,688	1,356,083
Amortization of deferred gain on sale and leaseback	14	-	-	5,670,763
Unrealized loss on interest rate swap	16.2	(18,927,939)	-	-
Others	11.2, 26.2	47,531,914	8,507,586	5,075,223
		<u>P 57,727,980</u>	<u>P 74,378,856</u>	<u>P 24,495,981</u>

In 2017, other income includes penalty charges on late collections from customers amounting to P17.3 million.

24. TAXES

24.1 Registration with the Board of Investments

On April 19, 2011, the Board of Investments (BOI) approved the Parent Company's application for registration as a new producer of modular housing components/system on a nonpioneer status.

Under the terms of the registration, the applicable rights and privileges provided in the Omnibus Investment Code of 1987, the Parent Company is entitled to the following tax and nontax incentives, among others:

- (a) Income Tax Holiday (ITH) for a period of four years from June 1, 2011;
- (b) Importation of consigned equipment for a period of 10 years from June 1, 2011 subject to posting of re-export bond;
- (c) Employment of foreign nationals which will hold supervisory, technical or advisory positions for five years from June 1, 2011; and,
- (d) Exemption from warfage dues and any export tax, duty, impost and fee on exports of its registered export products for a period of 10 years from June 1, 2011.

In June 2015, the Parent Company's entitlement under the ITH incentive expired.

On May 29, 2015, the BOI approved the Parent Company's application for registration of its projects as PPP for School Infrastructure Project Phase 2 – Contract Package A pursuant to Build-Lease-Transfer Agreement with the Philippine DepEd on a nonpioneer status under the Omnibus Investment Code of 1987. Under such registration, the Parent Company is entitled of the following incentives:

- (a) ITH for a period of four years from May 30, 2015 or actual start of commercial operations, whichever is earlier;
- (b) Importation of capital equipment, spare parts and accessories at zero duty for a period of five years from May 30, 2015;
- (c) Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment; and,
- (d) Employment of foreign nationals which will hold supervisory, technical or advisory positions for five years from May 30, 2015.

On June 20, 2016, GMCAC was registered with the BOI as a PPP Project for the GMCAC (Phase 2 – Operation and maintenance of Terminal 2) under the Concession Agreement with the DOTr and MCI AA as an expansion Project on a Non-pioneer status under the Omnibus Investment Code of 1987 (Executive Order No. 226).

Under the registration, GMCAC is entitled, among others, to ITH incentives for three years from December 2018 and July 2018 for Phase 1 and Phase 2, respectively, or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. GMCAC has informed the BOI that the actual start of commercial operations of Phase I is on January 1, 2016 for ITH purposes.

Also, GMCAC is entitled to additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed for the first five years from date of registration but not simultaneously with ITH.

24.2 Current and Deferred Taxes

The components of tax expense as reported in profit or loss and other comprehensive income in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Reported in consolidated profit or loss</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	P 444,795,347	P 584,156,772	P 285,331,732
Final tax at 20% and 7.5%	<u>23,188,157</u>	<u>36,188,529</u>	<u>28,960,393</u>
	467,983,504	620,345,301	314,292,125
Deferred tax expense (income) relating to origination and reversal of temporary differences	<u>111,065,886</u>	(172,032,794)	<u>155,191,220</u>
	<u>P 579,049,390</u>	<u>P 448,312,507</u>	<u>P 469,483,345</u>
<i>Reported in consolidated other comprehensive income (loss)</i>			
Deferred tax expense (income) relating to origination and reversal of temporary differences	<u>(P 6,513,340)</u>	<u>(P 6,735,605)</u>	<u>P 739,913</u>

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense for the year ended December 31 is as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax on pretax profit at 30%	P 848,057,520	P 710,402,474	P 583,052,451
Adjustment for income subjected to lower tax rates	(12,843,737)	(18,094,083)	(15,047,080)
Tax effects of:			
Non-taxable net profit under ITH	(259,461,623)	(262,429,425)	(142,874,139)
Non-deductible expense	58,865,143	20,084,141	44,626,584
Non-taxable income	<u>(55,567,913)</u>	<u>(1,650,600)</u>	<u>(274,471)</u>
	<u>P 579,049,390</u>	<u>P 448,312,507</u>	<u>P 469,483,345</u>

The net deferred tax assets (liabilities) recognized in the consolidated statements of financial position as of December 31, 2017 and 2016 relate to the following:

	<u>2017</u>	<u>2016</u>
Deferred tax assets:		
Excess of estimated over actual cost	P 107,454,955	P 175,224,137
Post-employment defined benefit obligation	51,979,864	33,825,358
Impairment losses on trade receivables	33,207,965	4,212,345
Advance payments from customers	<u>2,055,875</u>	<u>2,380,233</u>
	<u>194,689,659</u>	<u>215,642,073</u>
Deferred tax liabilities:		
Amortization of concession assets	(177,256,568)	(177,256,568)
Uncollected non-taxable income*	(86,239,102)	(3,240,775)
Deferred charges on loans	(905,210)	(905,210)
Unrealized foreign currency gains – net	(637,976)	-
Fair value gains on financial assets at FVTPL	<u>(193,544)</u>	<u>(193,544)</u>
	<u>(265,232,400)</u>	<u>(181,596,097)</u>
Net deferred tax assets (liabilities)	<u>(P 70,553,741)</u>	<u>P 34,045,976</u>

*This pertains to the excess of revenue recognized under percentage of completion over collection of non-taxable revenues under ITH.

The deferred tax expense (income) recognized in the consolidated statements of income and consolidated statements of comprehensive income for December 31 relate to the following:

	<u>Profit or Loss</u>			<u>Other Comprehensive Income</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Uncollected non-taxable income*	P 82,998,327	(P 34,655,054)	P 37,895,829	P -	P -	P -
Excess of actual over estimated cost	67,769,182	-	(4,567,883)	-	-	-
Impairment losses on trade receivables	(28,995,620)	-	-	-	-	-
Post-employment defined benefit obligation	(11,716,429)	(5,052,347)	(4,627,860)	6,513,340	6,735,605	(739,913)
Unrealized foreign currency gains (losses) – net	686,068	(2,301,373)	1,217,328	-	-	-
Advance payments from customers	324,358	434,722	(2,814,955)	-	-	-
Excess of estimated over actual cost	-	(131,363,952)	(43,860,185)	-	-	-
Deferred charges on loans	-	905,210	-	-	-	-
Net interest expense from retirement	-	-	-	-	-	-
Amortization of concession assets	-	-	152,616,717	-	-	-
Net operating loss carry-over (NOLCO)	-	-	18,855,625	-	-	-
Deferred gain on sale and leaseback	-	-	1,701,229	-	-	-
Fair value gains on financial assets at FVTPL	-	-	<u>(1,224,625)</u>	-	-	-
Deferred tax expense (income)	<u>P 111,065,886</u>	<u>(P 172,032,794)</u>	<u>P 155,191,220</u>	<u>P 6,513,340</u>	<u>P 6,735,605</u>	<u>(P 739,913)</u>

The Parent Company is subject to the minimum corporate income tax (MCIT), which is computed at 2% of gross income as defined under the tax regulations, or RCIT, whichever is higher. No MCIT was reported in 2017, 2016 and 2015 as RCIT was higher than MCIT in those years. GMCAC and MCEI will be subjected to MCIT in 2018 while Globemercants and MLI will be subjected to MCIT in 2020.

In 2016, Globemercants and MLI have unrecognized deferred tax asset of P0.9 million each arising from their respective NOLCO, which can be claimed as deduction against future taxable income up to 2019. In addition, MCEI incurred NOLCO amounting to P0.1 million in 2016 and P0.4 million in 2015, which can be claimed as deduction against future taxable income until 2019 and 2018, respectively.

In 2017, 2016 and 2015, the Group opted to claim itemized deductions in computing for its income tax due.

25. EQUITY

25.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2017	2016	2015	2017	2016	2015
Common shares – P1 par value						
Authorized	<u>4,930,000,000</u>	<u>4,930,000,000</u>	<u>4,930,000,000</u>	<u>P 4,930,000,000</u>	<u>P 4,930,000,000</u>	<u>P 4,930,000,000</u>
Subscribed and paid in:	<u>2,399,426,127</u>	<u>2,399,426,127</u>	<u>2,399,426,127</u>	<u>P 2,399,426,127</u>	<u>P 2,399,426,127</u>	<u>P 2,399,426,127</u>
Less:						
Treasury shares						
Balance at beginning of year	<u>260,842,702</u>	-	-	<u>2,627,738,885</u>	-	-
Reacquisition	-	<u>410,842,702</u>	-	-	<u>4,138,844,351</u>	-
Issuance	-	<u>(150,000,000)</u>	-	-	<u>(1,511,105,466)</u>	-
Balance at end of year	<u>260,842,702</u>	<u>260,842,702</u>	-	<u>2,627,738,885</u>	<u>2,627,738,885</u>	-
Issued and outstanding	<u>2,138,583,425</u>	<u>2,138,583,425</u>	<u>2,399,426,127</u>	<u>(P 228,312,758)</u>	<u>(P 228,312,758)</u>	<u>P 2,399,426,127</u>
Preferred – P1 par value						
Authorized	<u>70,000,000</u>	<u>70,000,000</u>	<u>70,000,000</u>	<u>P 70,000,000</u>	<u>P 70,000,000</u>	<u>P 70,000,000</u>
Issued and outstanding	<u>40,000,000</u>	<u>40,000,000</u>	<u>40,000,000</u>	<u>P 40,000,000</u>	<u>P 40,000,000</u>	<u>P 40,000,000</u>

As of December 31, 2017 and 2016, the Parent Company has 29 and 32 holders of its common equity securities owning at least one board lot of 100 shares listed in the PSE, respectively, and its share price closed as of such dates at P18.00 and P14.80 per share in 2017 and 2016, respectively. The Parent Company has 2,399.4 million and 2,244.7 million common shares traded in the PSE as of December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, the Parent Company has 40.0 million preferred shares traded in the PSE. The preferred share price closed at P109.40 and P107.50 per share as of December 31, 2017 and 2016, respectively.

25.2 Dividends

On March 1, 2017, April 25, 2017, July 24, 2017 and October 16, 2017, the Parent Company's BOD approved the declaration cash dividends of P1.76 per share or equivalent to P70.3 million per quarter (total of P281.0 million) during the reporting periods to holders of preferred shares, which were taken out of the unrestricted earnings of the Parent Company as of December 31, 2016. The series of record dates and payments are as follows:

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
2017:				
Record dates	March 1, 2017	May 10, 2017	August 10, 2017	November 8, 2017
Payment dates	March 3, 2017	June 3, 2017	September 3, 2017	December 3, 2017
2016:				
Record dates	February 23, 2016	May 10, 2016	August 9, 2016	November 8, 2016
Payment dates	March 3, 2016	June 3, 2016	September 3, 2016	December 3, 2016

The dividends on 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.

On December 11, 2017, the BOD approved the declaration of cash dividends for common shares at P0.05 per share. The cash dividends was paid on December 29, 2017 to all common stockholders of record as of December 26, 2017. The dividends was paid out of the unrestricted retained earnings of the Parent Company distributable as dividends as of December 31, 2016.

25.3 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 of P2,627.7 million.

25.4 Retained Earnings

On April 8, 2013, the BOD of the Parent Company approved the declaration of dividends and gave management the authority to decide the type (cash, stock or mixed) and amount of any dividends to be declared subsequently. Accordingly, several dividend declarations were made in 2017, 2016 and 2015 (see Note 25.2).

The Parent Company's retained earnings are restricted to the extent of the cost of treasury shares (see Note 25.3).

25.5 Non-controlling Interest

Upon incorporation, the Parent Company acquired 15.0 million shares of GMCAC. The purchase of the shares is part of the shareholders' agreement to execute, undertake, and implement the Project in accordance with the concession agreement. The shares acquired represent 60% of the total issued and outstanding shares of GMCAC (see Note 1.2). The non-controlling interest representing 38.26% ownership of GMR Infrastructure (Singapore) Pte. Ltd. (GISPL) and 1.74% ownership of GIL in GMCAC is presented as part of Non-controlling Interest account in the consolidated statements of financial position (see Note 11.5).

Another non-controlling interest representing 30% ownership of Philcarbon, Inc. in MCEI is presented as part of Non-controlling Interest account in the consolidated statements of financial position (see Note 11.5).

In 2016, the Parent Company acquired 12.0 million shares of Globemercants representing 60% of the total issued and outstanding shares of Globemercants. On March 15, 2017, the Parent Company sold 2,000,000 shares or 10% interest of Globemercants to GHOSPL. As of December 31, 2017, Globemercants is 50% owned by the Parent Company.

Also in 2016, the Group's controlling 60% ownership in MCLI resulted in 40% non-controlling interest of the other stockholder. The non-controlling interest representing 50% ownership of GHOSPL in Globemercants and 40% of other stockholder in MCLI are presented as part of Non-controlling Interest account in the consolidated statements of financial position (see Note 11.5).

25.5 Revaluation and Other Reserves

The movements of this account are as follows:

	Retirement Benefit Obligation <i>(see Note 22)</i>	AFS Financial Assets <i>(see Note 10)</i>	Other Reserves <i>(see Note 2)</i>	Total
Balance as of January 1, 2017	P 3,839,121	(P 70,963,642)	(P 22,474,837)	(P 89,599,358)
Remeasurements of post-employment defined benefit plan (22,931,671)	-	-	(21,711,134)
Recycled to profit or loss	-	70,963,642	-	70,963,642
Fair value gain on AFS financial assets	-	8,263,159	-	8,263,159
Other comprehensive income (loss) before tax	(22,931,671)	79,226,801	-	56,295,130
Tax income	6,879,501	-	-	6,879,501
Other comprehensive income (loss) after tax	(16,052,170)	79,226,801	-	63,174,631
Balance as of December 31, 2017	<u>(P 12,213,049)</u>	<u>P 8,263,159</u>	<u>(P 22,474,837)</u>	<u>(P 26,424,727)</u>
Balance as of January 1, 2016	P 18,777,841	P -	(P 22,474,837)	(P 3,696,996)
Remeasurements of post-employment defined benefit plan (21,341,029)	-	-	(21,341,029)
Fair value loss on AFS financial assets	-	(70,963,642)	-	(70,963,642)
Other comprehensive loss before tax	(21,341,029)	(70,963,642)	-	(92,304,671)
Tax income	6,402,309	-	-	6,402,309
Other comprehensive loss after tax	(14,938,720)	(70,963,642)	-	(85,902,362)
Balance as of December 31, 2016	<u>P 3,839,121</u>	<u>(P 70,963,642)</u>	<u>(P 22,474,837)</u>	<u>(P 89,599,358)</u>

	Retirement Benefit Obligation (see Note 22)	AFS Financial Assets (see Note 10)	Other Reserves (see Note 2)	Total
Balance as of January 1, 2015	P 17,045,280	P -	(P 21,792,413)	(P 4,747,133)
Remeasurement of post-employment defined benefit plan	2,472,474	-	-	2,472,474
Others	-	-	(682,424)	(682,424)
Other comprehensive income (loss) before tax	2,472,474	-	(682,424)	(1,790,050)
Tax expense	(739,913)	-	-	(739,913)
Other comprehensive income (loss) after tax	1,726,465	-	(682,424)	1,044,041
Balance as of December 31, 2015	P 18,777,841	P -	(P 22,474,837)	(P 3,696,996)

26. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent company and other shareholders, subsidiaries, associates, joint venture, parties related to the Parent Company by common ownership and key management personnel.

The summary of the Group's transactions with related parties as of December 31, 2017 is as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Term	Conditions
Ultimate Parent Company – Advances granted	6, 26.6	(P 623,328,162)	P 290,170,659	On demand; Interest-bearing	Unsecured
Shareholders – Revenue from services	6, 26.1	-	-	Normal credit terms	Unsecured
Minority shareholders and their affiliates: Airport operator's fee	20.2, 26.8	26,910,779	-	On demand; Noninterest-bearing	Unsecured
Advances obtained	15, 26.7	38,117,405	(172,939,978)	On demand; Noninterest-bearing	Unsecured
Associates: Revenue from services	6, 19.1, 26.1	-	747,599,683	Normal credit terms	Unsecured
Rent income	26.2	53,571	171,429	Normal credit terms	Unsecured
Joint Arrangement: Revenue from services	6, 19.1, 26.1	1,303,585,007	174,362,420	Normal credit terms	Unsecured
Advances granted	6, 26.6	2,964,756	2,964,756	On demand; Noninterest-bearing	Unsecured

<u>Related Party Category</u>	<u>Notes</u>	<u>Amount of Transaction</u>	<u>Outstanding Receivable (Payable)</u>	<u>Term</u>	<u>Conditions</u>
Related Parties Under Common Ownership:					
Rent income	26.2	P 53,571	P 434,821	Normal credit terms	Unsecured
Advances from customers	26.1	7,507,271	7,507,271	Normal credit terms	Unsecured
Revenue from services	6, 19.1 26.1	724,464,404	278,600,608	Normal credit terms	Unsecured
Rent expense	26.2	(2,649,539)	-	On demand	Unsecured
Advances granted	6, 26.6	(43,733)	18,750	On demand; Noninterest-bearing	Unsecured
Advances obtained	15, 26.6	4,720,879	(1,470,503)	On demand; Noninterest-bearing	Unsecured
Retirement Fund	26.9(a)	(3,933,315)	-	Upon retirement of beneficiaries	Partially funded
Sale of land	26.9(d)	(33,902,500)	-	On demand; Noninterest-bearing	Unsecured
Advances to Officers and Employees	6, 26.3	(3,723,622)	21,895,765	Upon liquidation; Noninterest-bearing	Unsecured
Key Management Personnel – Compensation	26.10	182,781,767	-	On demand	Unsecured

The summary of the Group's transactions with related parties as of December 31, 2016 is as follows:

<u>Related Party Category</u>	<u>Notes</u>	<u>Amount of Transaction</u>	<u>Outstanding Receivable (Payable)</u>	<u>Term</u>	<u>Conditions</u>
Ultimate Parent Company – Advances granted	6, 26.6	P 865,552,193	P 879,951,560	On demand; Interest-bearing	Unsecured
Shareholders:					
Revenue from services	6, 26.1	-	6,433,075	Normal credit terms	Unsecured
Advances obtained	15, 26.6	801,841	-	On demand; Noninterest-bearing	Unsecured
Minority shareholders and their affiliates:					
Airport operator's fee	20.2, 26.8	22,720,062	-	On demand; Noninterest-bearing	Unsecured
Advances obtained	15, 26.7	(26,751,350)	(134,822,573)	On demand; Noninterest-bearing	Unsecured
Associates:					
Revenue from services	6, 19.1, 26.1	102,433,524	747,599,683	Normal credit terms	Unsecured
Advances granted	6, 26.6	(54,050)	-	On demand; Noninterest-bearing	Unsecured
Advances obtained	15, 26.6	20,500,000	-	On demand; Noninterest-bearing	Unsecured
Rent income	26.2	128,571	117,857	Normal credit terms	Unsecured

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Term	Conditions
Related Parties Under Common Ownership:					
Rent income	26.2	P 267,857	P 263,393	Normal credit terms	Unsecured
Revenue from services	6, 19.1 26.1	2,520,320,414	167,088,575	Normal credit terms	Unsecured
Advances from customers	26.1	39,660,186	-	Normal credit terms	Unsecured
Rent expense	26.2	(2,911,697)	-	On demand	Unsecured
Advances granted	6, 26.6	(3,833,288)	62,483	On demand; Noninterest-bearing	Unsecured
Advances obtained	15, 26.7	(1,095,445)	(6,919,382)	On demand; Noninterest-bearing	Unsecured
Retirement Fund	26.9(a)	(16,590)	3,933,315	Upon retirement of beneficiaries	Partially funded
Sale of land	26.9(d)	(136,340,000)	33,902,500	On demand; Noninterest-bearing	Unsecured
Advances to Officers and Employees	6, 26.3	(8,386,345)	18,172,143	Upon liquidation; Noninterest-bearing	Unsecured
Key Management Personnel -- Compensation	26.10	149,491,241	-	On demand	Unsecured

26.1 Rendering of Services

In the normal course of business, the Group provides construction services to its associate, a certain previous shareholder and other related parties. The related revenue from these transactions amounted to P2,028.0 million, P2,662.8 million and P3,256.1 million in 2017, 2016 and 2015, respectively, and is recorded as part of Contract Revenues account in the consolidated statements of income (see Note 19.1). 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 consolidated statements of financial position (see Note 6).

There were no impairment losses recognized in 2017, 2016 and 2015 for these related party receivables.

The Group, also receives advances or deposit from related party customers. In 2017 and 2016, the advances from customers with related parties amounting to P219.0 million and P39.7 million was applied against the progress billing based on project working accomplishment as of December 31, 2017 and 2016, respectively.

26.2 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 2017 and 2016, the Group recognized rent expense amounting P2.6 million and P2.9 million, respectively, from the lease agreement with Megapolitan Realty and Development Corporation (Megapolitan) for the land where the Group's building is located (see Notes 21 and 27.1.1). The Group has no outstanding payables from the rental transaction with Megapolitan as of December 31, 2017 and 2016.

In 2017 and 2016, the Group also leases an office space where its registered address is located from Philwide Construction and Development Corporation (Philwide).

Megapolitan and Philwide are entities owned by the Group's stockholders and their close family members.

The Parent Company also leases out its office space to its associates and related parties under common ownership. As a result, the Group recognized rent income amounting to P0.4 million each in 2017 and 2016 from the lease of its office building to several related parties. This is recorded as part of Other Income (Charges) – net account in the consolidated statements of income (see Note 23.3). The outstanding balances arising from these transactions are presented as part of Other receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

26.3 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 6).

No impairment losses were recognized in 2017, 2016 and 2015 for these advances.

26.4 Cash in Banks

The Group has certain bank accounts and short-term placements, which earn interest based on prevailing market interest rates, maintained with related parties under common ownership as of December 31, 2015 and which ceased to be a related party in 2016 upon the acquisition of the Parent Company's treasury shares (see Note 25.3).

26.5 Interest-bearing Loans and Borrowings

The Group has transactions with a local universal bank which was a related party under common ownership as of December 31, 2015 and which ceased to be a related party in 2016 upon the acquisition of the Parent Company's treasury shares (see Note 25.3).

26.6 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 consolidated statements of financial position (see Note 15).

The Group gave unsecured, interest-bearing cash advances to its associates and certain related parties under common ownership for their working capital requirements. The outstanding balance from these transactions is shown under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

Further, no impairment losses were recognized in 2017, 2016 and 2015 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 (see Note 31.2).

26.7 Advances to and from Minority Shareholders

The minority shareholders granted unsecured, noninterest-bearing cash advances to GMCAC to support its Project bid-related expenses. The minority interest shareholder also granted unsecured noninterest-bearing cash advances to MCEI to support its working capital operations. The outstanding balance from this transaction is shown under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

26.8 Airport Operator's Fee

In August 2014, GMCAC signed a Technical Service Agreement with GIL to provide operational advice and expertise to the Group as required in the Concession Agreement (see Note 13). Technical service fee presented as Airport operator's fee as part of Costs of Airport Operations under the Direct Costs section of the consolidated statements of income [see Notes 20.2 and 27.4.1(b)].

26.9 Others

- (a) The trust department of a local universal bank, a related party of former shareholder (see Note 25.3), serves as the investment manager of the Group's retirement fund [see Note 22.2(b)]. Other than the amounts of contributions to the retirement plan and benefit payments, the retirement plan has no other transactions and outstanding balances with the Group.
- (b) The Parent Company is severally liable for the loan facility obtained by CMCI and GMCAC in case of non-payment (see Notes 27.3 and 27.5). In 2015, the Parent Company guaranteed the Receivable Purchase Agreement (RPA) entered into by CMCI with certain local commercial banks (see Note 27.3).

In 2015, the Parent Company guaranteed the OLSA entered into by MWMTI on December 18, 2015 with a local universal bank for the amount of P3,300.0 million and certain construction performance security amounting to P100.0 million in the form of irrevocable unused letter of credit to the DOTr (see Note 27.4.2). The Parent Company was relieved from this guarantee in 2016 upon the execution of MWMTI of irrevocable unused letter of credit under its own name. The Parent Company was also approved in principle to be the structural contractor of the ITS Project (see Note 27.4.2).

The Parent Company is also a guarantor and project sponsor for certain OLSA entered into in 2016 by its related parties under common ownership with several local universal banks. The Company guarantee was lifted upon completion of the projects in 2016. The summary of the guarantee is as follows:

<u>Related Parties</u>	<u>Amount</u>	<u>Execution</u>
SSPI	P 1,690.0 million	January 2016
Next Generation Power Technology Corp	1,255.0 million	May 2016
First Toledo Solar Energy Corporation	4,375.0 million	September 2016

- (c) In August 2015, MCEI and SSPI entered into a Deed of Assignment whereby MCEI conveyed its rights and obligations over its Solar Energy Service Contract with the Philippine Department of Energy (DOE) to SSPI. As such, SSPI acquired all the rights and obligations to explore and develop the renewable energy area located in Silay, Negros Occidental as covered by the said contract.

In September 2016, MCEI assigned its rights and obligations to Himamaylan Biomass Power, Inc., a related party under common ownership, on the Biomass Renewable Energy Operating Contract with the DOE. MCEI, thereafter, filed with the DOE for the approval of the assignment, which remains pending as of December 31, 2016.

- (d) In 2016, the Parent Company sold parcels of land located in Taytay, Rizal to a related party under common ownership, which resulted in the recognition of gain from sale and presented as part of Gain on disposal of property and equipment as part of Others – net under Other Income (Charges) account in the 2016 consolidated statement of income (see Notes 14 and 23.3). The outstanding receivable amounting to P33.9 million is presented as part of Other receivables under the Trade and Other Receivables account in the 2016 consolidated statement of financial position (see Note 6).

26.10 Key Management Compensation

The compensation of key management personnel is broken down as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	P 175,585,387	P 140,866,315	P 113,121,356
Post-employment benefits	<u>7,196,380</u>	<u>8,624,926</u>	<u>14,018,337</u>
	<u>P 182,781,767</u>	<u>P 149,491,241</u>	<u>P 127,139,693</u>

27. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

27.1 Operating Lease Commitments

27.1.1 Group as Lessee

The Group is a lessee under operating leases covering its office space, and its stockyards and certain construction equipment with terms ranging from one year to two years subject to renewal options. Total rental expense from these operating leases, presented as Rentals under Other Operating Expenses amounted to P21.1 million, P29.0 million and P35.7 million in 2017, 2016 and 2015, respectively (see Notes 21 and 26.2). The related refundable security deposits amounting to P87.9 million and P79.5 million as of December 31, 2017 and 2016, respectively, are presented as part of Other Current Assets in the consolidated statements of financial position (see Note 12).

27.1.2 Group as Lessor

The Group is a lessor under operating leases with various entities and airline companies for the lease of airport terminal space and check-in counters which have a lease term ranging from one to three years. Rental income earned amounted to P303.2 million, P301.8 million and P158.1 million in 2017, 2016 and 2015, respectively which is recognized under Airport Operations Revenues in the consolidated statements of income (see Note 19.2). The related security deposits are presented as part of Trade and Other Payables and Other Non-current Liabilities section in the consolidated statements of financial position (see Notes 15 and 18).

The future minimum lease receivables under the non-cancellable operating leases as of the end of the reporting periods are as follows:

	<u>2017</u>	<u>2016</u>
Within one year	P 83,661,438	P 111,496,194
After one year but not more than five years	<u>-</u>	<u>41,098,000</u>
	<u>P 83,661,438</u>	<u>P 152,594,194</u>

27.2 Finance Lease Commitments – Group as Lessee

The Group has finance leases covering certain transportation and construction equipment with terms ranging from two to five years. Future minimum lease payments (MLP) under the finance leases together with the present value (PV) of the net minimum lease payments (NMLP) as of December 31 are as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Future MLP</u>	<u>PV of NMLP</u>	<u>Future MLP</u>	<u>PV of NMLP</u>
Within one year	P 85,549,331	P 75,987,851	P104,640,231	P 93,904,068
After one year but not more than five years	<u>146,159,433</u>	<u>129,823,822</u>	<u>200,482,358</u>	<u>179,912,724</u>
Total MLP	231,708,764	205,811,673	305,122,589	273,816,792
Amounts representing finance charges	<u>(25,897,091)</u>	<u>-</u>	<u>(31,305,797)</u>	<u>-</u>
PV of MLP	<u>P 205,811,673</u>	<u>P 205,811,673</u>	<u>P273,816,792</u>	<u>P273,816,792</u>

The liabilities relating to the finance leases are shown as part of Interest-bearing Loans and Borrowings account (see Note 16.3).

27.3 PPP with DepEd

On October 8, 2012, the Parent Company, together with Citicore (collectively referred to as proponent), executed a build-lease-transfer agreement with the Philippine Government, through DepEd under the PPP for school infrastructure project, which provides initiatives on the construction of classroom nationwide to address the current classroom backlog and future requirements for classrooms.

The agreement requires the construction, maintenance and lease of school buildings, whereby, the project proponent is authorized to finance and construct the school facility within 16 months from the execution date and upon its completion turns it over to the government agency or local government unit concerned on a lease agreement for a period of 10 years from the issuance of certificate of completion. After which, ownership of the facility is automatically transferred to the government agency or local government unit concerned.

During the lease period, the proponent shall be responsible for the maintenance works, which shall be performed twice, the first time at any point between the fourth and fifth years, and the second time at any point between the eighth and ninth years. At the end of the 10-year term, the proponent shall bear all costs incurred in connection with the transfer of rights to the Philippine Government.

Pursuant to the above agreements, the Parent Company and Citicore established CMCI (see Note 1) to handle the PPP school infrastructure project. As of December 31, 2016, the construction of the school buildings has been completed.

On March 23, 2015, CMCI executed an RPA with certain local commercial banks, whereby CMCI shall offer all outstanding finance lease receivables arising from the PPP school infrastructure project within the purchase period on a limited recourse basis such as upon the occurrence of certain repurchase events under the RPA. Consequently, the Parent Company became a guarantor under the RPA [see Note 26.9(b)]. Pursuant to the continuing obligations of CMCI under the RPA, CMCI has been in compliance with the RPA during the reporting periods.

27.4 Build-Operate-Transfer Agreements

27.4.1 Mactan-Cebu International Airport Project

(a) BOT Agreement

In 2014, GMCAC entered into a BOT agreement with the Grantors relative to the MCLA Project. GMCAC was established to undertake the Project involving, among others, the construction of a world-class airport passenger terminal (along with associated infrastructure and facilities), the renovation and expansion of the existing airport terminal and the operation and maintenance of both airport passenger terminals for a period of 25 years.

On April 8, 2014, the Parent Company entered into Shareholders' Agreement with GMR setting forth the terms and conditions governing their participation in the share capital of GMCAC, their rights and obligations as shareholders in relation to GMCAC. Under the said Shareholders' Agreement, the parties defined the business of GMCAC, the required manpower support from each shareholder, the composition of the board, formation of committees and the management team for the orderly management of the Project, conduct of board and shareholder meetings as well as restrictions on the transfer rights of the stockholders and issuance of additional shares.

GMCAC is a pioneer in the privately operated airport space in the Philippines when it took over the Mactan Cebu International Airport on the scheduled take over date of November 1, 2014.

(b) Technical Service Agreement

On August 19, 2014, GMCAC entered into a Technical Services Agreement (the Agreement) with GIL to provide for the services in compliance with the Concession Agreement are described below.

- (i) The preparation of policies and procedures such as O&M Manual and the updating of such every January 30th of each calendar year, Fire Safety Manual, and any other additional systems, documentation and manuals to meet the Performance Standards under the Concession Agreement;
- (ii) Provide training or technical services to key personnel of GMCAC so that GMCAC may undertake the O&M of the facilities;
- (iii) Provide qualified experts, on a permanent or long-term basis; and,
- (iv) Provide other staff on non-permanent basis either based on GIL's location or seconded to GMCAC.

The service fee shall be 1.25% of the actual audited gross revenue. The Agreement is effective up to the expiry of the Concession Period unless terminated earlier upon mutual consent of the parties.

Airport operator's fee recognized for 2017, 2016 and 2015 amounted to P26.9 million, P22.7 million and P18.0 million, respectively (see Notes 20.2 and 26.8).

(c) Omnibus Loan and Security Agreement

As more fully discussed in Note 16.2(a), on December 17, 2014, the Group entered into a certain OLSA with various local universal banks, as onshore lenders. On January 26, 2015, the parties amended the facility to include another local universal bank as offshore lender. As of December 31, 2017 and 2016, the amount of undrawn borrowing facility that may be available in the future amounted to P3,060.0 million and P5,300.0 million and nil and \$24.0 million for onshore and offshore loans, respectively (see Note 27.5).

27.4.2 Southwest Integrated Transport System Project

On February 25, 2015, MWMTI, a joint venture (see Note 11.3), entered into a BOT agreement with the DOTr to undertake the ITS Southwest Project. Upon completion of the project, MWMTI shall operate and maintain the facility, which is divided into terminal and commercial areas, within the agreed concession period of 35 years from the date of the completion of the construction, which is equivalent to 18 months. Upon the start of the commercial operations, MWMTI will receive certain annual cash support from DOTr throughout the 35 years. MWMTI shall then turnover the facility to the DOTr at the end of the concession period. Ground-breaking started in October 2016 and construction is in process as of December 31, 2017 [see Note 26.9(b)].

As required in the Notice of Award on the ITS Southwest Project, MWMTI entered into an OLSA with a local universal bank, wherein the Parent Company is one of the guarantors [see Note 26.9(b)]. Moreover, MWMTI is committed for a construction performance security amounting to P100.0 million in the form of irrevocable unused letter of credit to the DOTr, which was guaranteed by the Parent Company in 2015. In 2016, the Parent Company was relieved from this guaranty upon execution by MWMTI of an irrevocable unused letter of credit under its own name [see Note 26.9(b)].

27.5 Credit Lines

The Group has existing credit lines with local banks totalling P40,745.4 million and \$75 million (P3,744.2 million) for 2017 and P42,287.0 million and \$75.0 million (P3,729.0 million) for 2016.

The Group availed of bank loans totalling P26,713.9 million and \$75.0 million (P3,744.2 million) for 2017 and P11,291.3 million and \$40.0 million (P2,500.0 million) for 2016 (see Note 16.2). Only the loan obtained by GMCAC was secured, as disclosed in Note 16.2. Unused credit lines as of December 31, 2017 amounted to P14,031.5 million and availed all the credit limit in dollar; and P17,296.1 million and \$24.0 million (P1,200.0 million) as of December 31, 2016. Certain credit lines were handled by a previous related party local universal bank [see Note 26.9(b)].

27.6 Capital Commitments on Use of Proceeds

The Parent Company has capital commitments to utilize the proceeds from the issuance of its preferred shares amounting to P3,938.5 million for various PPP projects, development of renewable energy projects, and bid preparation and preliminary works for PPP projects that the Parent Company will bid for (see Note 25.1). As of December 31, 2017, the balance of unutilized proceeds amounted to P1,853.1 million.

27.7 Legal Claims

There are pending claims, tax assessment, and other legal actions filed by the Group or against the Group arising from the normal course of business. There are no related provisions recognized in the consolidated financial statements as management believes that the Group has strong legal positions related to such claims. Moreover, management believes that the ultimate liability, if any, with respect to such litigations, claims and disputes will not materially affect the financial position and results of operations of the Group.

27.8 Others

Apart from the foregoing significant commitments, and the Group's construction commitments with various counterparties under the ordinary course of business, there are other commitments and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements, taken as a whole.

28. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net profit attributable to shareholders of the Parent Company	P 1,781,192,211	P 1,559,090,997	P 1,273,682,741
Dividends on cumulative preferred shares	(281,000,000)	(281,000,000)	(281,000,000)
Net profit available to common shareholders of the Parent Company	1,500,192,211	1,278,090,997	992,682,741
Divided by weighted average number of outstanding common shares	<u>2,138,583,425</u>	<u>2,253,241,668</u>	<u>2,399,426,127</u>
Basic and diluted EPS	<u>P 0.70</u>	<u>P 0.57</u>	<u>P 0.41</u>

The Group does not have dilutive potential common shares outstanding as of December 31, 2017, 2016 and 2015; hence, diluted EPS is equal to the basic EPS.

29. EVENTS AFTER THE END OF THE REPORTING PERIOD

On January 30, 2018, the Parent Company's BOD approved the declaration cash dividends of P1.76 per share or equivalent to P70.3 million per quarter (total of P281.0 million) to holders of preferred shares on record as of February 15, 2018. The dividends which were paid on March 3, 2018, shall be taken out of the unrestricted earnings of the Parent Company as of December 31, 2017.

30. 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 31. 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 in the succeeding page.

30.1 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 intercompany advances to and from foreign related parties, which are denominated in US dollars. The Group also holds US dollar-denominated cash.

Significant US dollar-denominated financial assets (liabilities), translated into Philippine pesos at the closing rates, are as follows:

	<u>2017</u>	<u>2016</u>
Cash in banks	P 984,676,163	P 1,475,290,284
Other non-current assets		
Investment in trust fund	42,385,370	98,829,684
Trade and other payables	(3,788,567)	-
Long-term debt	(1,193,280,000)	(1,193,280,000)
	<u>(P 170,007,034)</u>	<u>P 380,839,968</u>

If the Philippine peso had strengthened by 9.3% and 4.3% in 2017 and 2016, respectively, against the US dollar, with all other variables held constant, profit before tax for the years ended December 31, 2017 and 2016 would have increased by P15.8 million and decreased by P16.4 million, respectively. If the Philippine peso had weakened by the same percentages against the US dollar, then profit before tax for 2017 and 2016 would have increased and decreased by the same amounts, respectively. These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 68% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held as at December 31, 2017 and 2016, with effect estimated from the beginning of the year.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(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.

As at December 31, 2017 and 2016, 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 (see Note 5) and certain short-term payable which is subject to variable interest rate (see Note 16). All other financial assets and financial liabilities have fixed rates or are noninterest-bearing.

The sensitivity of the profit before tax is analyzed based on a reasonably possible change in interest rates of +/-90.0, +/-24.0 and +/-14.0 basis points in 2017, 2016 and 2016, respectively, based on observation of current market conditions with effect from the beginning of the year. The changes in interest rates have been determined based on the average market volatility in interest rates for each period using standard deviation and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables held constant, if the interest rates increased by 90.0 basis points, 24.0 basis points and 14.0 basis points profit before tax in 2017, 2016 and 2015, respectively, would have increased by P11.9 million, P25.6 million and P4.6 million, respectively. Conversely, if the interest rates decreased by the same basis points, profit before tax would have been lower by the same amounts.

(c) *Other Price Risk Sensitivity*

The Group's market price risk arises from its financial assets at FVTPL carried at fair value, except for short-term commercial papers measured at amortized cost that approximates their fair values (see Note 31.4). 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, 2017 and 2016, these financial assets are valued at P3,209.5 million and P4,673.1 million, respectively.

For UITF investments with carrying values of P1.9 million as of December 31, 2017 and 2016, an average volatility of 14.6% and 19.9% has been observed during 2017 and 2016, respectively, based on the published Net Asset Value per Unit (NAVPU) for UITF investments at the end of 2017 and 2016. If fair values for this instrument increased or decreased by that percentage, profit before tax is insignificantly affected in 2017 and 2016. There are no available prices quoted for short-term commercial papers but these are designated by the Group as FVPTL.

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.

30.2 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 and UITF.

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 consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	5	P 4,930,939,177	P 6,265,285,131
Trade and other receivables – net	6	6,505,856,735	4,911,317,262
Financial assets at FVTPL	7	3,209,481,581	4,673,051,661
Investments in RTB	10	929,773,159	929,036,358
Refundable security and bond deposits	12	98,320,376	90,978,010
Investment in trust fund	12	413,649,488	197,680,058
		<u>P 16,088,020,516</u>	<u>P 17,067,348,480</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 December 31, 2017 and 2016 (see Note 26.1). 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 (see Note 31.2).

Contract receivables are usually due within 30 to 120 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 below.

	<u>2017</u>	<u>2016</u>
Not more than 3 months	P 460,388,661	P 370,371,182
More than 3 months but not more than 4 months	89,178,660	11,103,689
More than 4 months but not more than one year	3,653,064	391,059,430
More than one year	<u>379,338,459</u>	<u>253,077,406</u>
	<u>P 932,558,844</u>	<u>P 1,025,611,707</u>

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) *Financial Assets at FVTPL and Investment in Trust Fund*

In 2017 and 2016, 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, and Investments in RTB*

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. Also, the investments in RTB and bond deposits are made with the Philippine Government, hence, the exposure on credit risk is assessed by the management to be not be significant.

30.3 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.

	2017		
	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 2,487,337,886	P 75,987,851	P26,386,980,490
Trade and other payables	5,245,248,904	-	-
Security deposits (gross of unearned income)	-	-	3,895,236
Retention payable (under other non-current liabilities)	-	-	234,464,123
	<u>P 7,732,586,790</u>	<u>P 75,987,851</u>	<u>P26,625,339,849</u>
	2016		
	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 2,605,714,236	P 104,520,527	P24,796,475,486
Trade and other payables	6,008,806,196	-	-
Security deposits (gross of unearned income)	-	-	110,922,510
Retention payable (under other non-current liabilities)	-	-	119,165,438
	<u>P 8,614,520,432</u>	<u>P 104,520,527</u>	<u>P25,026,563,434</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.

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

31.1 Carrying Amounts and Fair Values by Category

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

	Notes	2017		2016	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	P 4,930,939,177	P 4,930,939,177	P 6,265,285,131	P 6,265,285,131
Trade and other receivables – net	6	6,505,856,735	6,505,856,735	4,911,317,262	4,911,317,262
Refundable security and bond deposits	12	98,320,376	98,320,376	90,978,010	90,978,010
Investment in trust fund	12	413,649,488	413,649,488	197,680,058	197,680,058
		<u>11,948,765,776</u>	<u>11,948,765,776</u>	<u>11,465,260,461</u>	<u>11,465,260,461</u>
Financial assets at FVIPL:					
Short-term commercial papers	7	3,207,553,457	3,207,553,457	4,671,151,008	4,671,151,008
UITF		1,928,124	1,928,124	1,900,653	1,900,653
		<u>3,209,481,581</u>	<u>3,209,481,581</u>	<u>4,673,051,661</u>	<u>4,673,051,661</u>
AFS financial assets:					
Investments in RTB	10	929,773,159	929,773,159	929,036,358	929,036,358
Club shares		1,044,472	1,044,472	1,044,472	1,044,472
Investment in SSP1 – at cost		2,500,000	2,500,000	2,500,000	2,500,000
		<u>933,317,631</u>	<u>933,317,631</u>	<u>932,580,830</u>	<u>932,580,830</u>
		<u>P 16,091,564,988</u>	<u>P 16,091,564,988</u>	<u>P 17,070,892,952</u>	<u>P 17,070,892,952</u>
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	16	P 28,948,468,341	P 28,948,468,341	P 25,762,663,979	P 25,762,663,979
Trade and other payables	15	5,245,248,904	5,245,248,904	6,008,806,196	6,008,806,196
Security deposits	18	3,895,236	3,895,236	110,316,400	110,316,400
Retention payable*	18	234,464,123	234,464,123	119,165,438	119,165,438
		<u>P 34,432,076,604</u>	<u>P 34,432,076,604</u>	<u>P 32,000,952,013</u>	<u>P 32,000,952,013</u>

*Under Other Non-current Liabilities

See Notes 2.4 and 2.11 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 30.

31.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2017 and 2016 and does not have relevant offsetting arrangements except as disclosed in Notes 26.6 and 30.2(b). Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders. As such, the Group's outstanding receivables from and payables to the same related parties as presented in Note 26 can be potentially offset to the extent of their corresponding outstanding balances.

31.3 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

31.4 Financial Instruments Measured at Fair Value

The short-term commercial papers amounting to P248.1 million and P4,671.2 million as of December 31, 2017 and 2016, respectively, are not quoted in an active market and are measured at amortized cost (see Note 31.5) since upon designation by the Group as financial assets at FVPTL and due to short term nature, approximates the fair value [see Note 30.1(c)]. This is classified under Level 3 of the fair value hierarchy.

Since the fair value of the Group's AFS financial assets approximates the cost amounting to P1.0 million as of December 31, 2017 and 2016, the fair value change is deemed immaterial (see Note 10). The Group's AFS financial assets are under Level 2 of the fair value hierarchy. Moreover, certain equity investment classified as AFS financial asset is carried at cost (see Note 10); hence, such is no longer categorized in the fair value hierarchy.

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2017 and 2016.

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2017</u>					
<i>Financial assets:</i>					
<i>Equity securities:</i>					
<i>Financial assets at</i>					
FVTPL (UITF)	7	P 1,928,124	P -	P -	P 1,928,124
Golf club shares	10	-	1,044,472	-	1,044,472
<i>Debt securities -</i>					
Investments in RTB	10	-	929,773,159	-	929,773,159
		<u>P 1,928,124</u>	<u>P930,817,631</u>	<u>P -</u>	<u>P 932,745,755</u>

	Notes	Level 1	Level 2	Level 3	Total
<u>December 31, 2016</u>					
<i>Financial assets:</i>					
Equity securities:					
Financial assets at					
FVTPL (UITF)	7	P 1,900,653	P -	P -	P 1,900,653
Golf club shares	10	-	1,044,472	-	1,044,472
Debt securities –					
Investments in RTB	10	-	929,036,358	-	929,036,358
		<u>P 1,900,653</u>	<u>P930,080,830</u>	<u>P -</u>	<u>P 931,981,483</u>

The Group has no financial liabilities measured at fair value as of December 31, 2017 and 2016.

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

Described below is the information about how the fair values of the Group's classes of financial assets are determined.

(a) Equity Securities

As of December 31, 2017 and 2016, instrument included in Level 2 comprise equity securities classified as financial assets at FVTPL. These securities were valued based on their fair market values by reference on published NAVPu for UITF investments as at December 31, 2017 and 2016.

Golf club shares classified as AFS financial assets are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

(b) Debt Securities

The fair value of the Group's debt securities which consist of government bonds is estimated by reference to prices quoted in PDEX representing the net clean closing prices for outstanding government bonds.

31.5 Financial Instruments Measured at Amortized Cost

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed. Short-term commercial papers are included below since these financial instruments are measured at amortized cost, which approximate their fair values upon designation as financial assets at FVTPL (see Note 31.4).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2017:				
<i>Financial assets:</i>				
Cash and cash equivalents	P4,930,939,177	P -	P -	P 4,930,939,177
Trade and other receivables - net	-	-	6,505,856,735	6,505,856,735
Short-term commercial papers	-	-	3,207,553,457	3,207,553,457
Refundable security and bond deposits	-	-	87,914,216	87,914,216
Investment in trust fund	-	-	413,649,488	413,649,488
	<u>P4,930,939,177</u>	<u>P -</u>	<u>P 10,214,973,896</u>	<u>P 15,145,913,073</u>
<i>Financial liabilities:</i>				
Interest-bearing loans and borrowings	P -	P -	P 28,948,468,341	P 28,948,468,341
Trade and other payables	-	-	5,245,248,904	5,245,248,904
Security deposits	-	-	3,895,236	3,895,236
Retention payable (under other non-current liabilities)	-	-	234,464,123	234,464,123
	<u>P -</u>	<u>P -</u>	<u>P 34,432,076,604</u>	<u>P 34,432,076,604</u>
2016:				
<i>Financial assets:</i>				
Cash and cash equivalents	P10,563,336,792	P -	P -	P 10,563,336,792
Trade and other receivables - net	-	-	4,911,317,262	4,911,317,262
Short-term commercial papers	-	-	373,099,347	373,099,347
Refundable security and bond deposits	-	-	90,978,010	90,978,010
Investment in trust fund	-	-	197,680,058	197,680,058
	<u>P10,563,336,792</u>	<u>P -</u>	<u>P 5,573,074,677</u>	<u>P 16,136,411,469</u>
<i>Financial liabilities:</i>				
Interest-bearing loans and borrowings	P -	P -	P 25,762,663,979	P 25,762,663,979
Trade and other payables	-	-	6,008,806,196	6,008,806,196
Security deposits	-	-	110,316,400	110,316,400
Retention payable (under Other Non-current Liabilities)	-	-	119,165,438	119,165,438
	<u>P -</u>	<u>P -</u>	<u>P 32,000,952,013</u>	<u>P 32,000,952,013</u>

31.6 Fair Value Measurement for Investment Property Carried at Cost

The table below shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as of December 31, 2017.

	<u>Note</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment Property – Land	14	-	-	135,610,000	135,610,000

In estimating the fair value of investment property, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

There has been no change to the valuation techniques used by the Group during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2017.

32. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, equity and liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, re-issuance of treasury shares or sell assets to reduce debt.

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Interest-bearing loans and borrowings	16	P 28,948,468,341	P 25,762,663,979
Cash and cash equivalents	5	(4,930,939,177)	(6,265,285,131)
Financial assets at FVTPL	7	(3,209,481,581)	(4,673,051,661)
Net debt		20,808,047,583	14,824,327,187
Total equity		<u>18,133,444,269</u>	<u>16,209,535,128</u>
		<u>1.15 : 1.00</u>	<u>0.91 : 1.00</u>



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**Report of Independent Auditors
to Accompany Supplementary
Information Required by the
Securities and Exchange
Commission Filed Separately from the
Basic Consolidated Financial Statements**

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**The Board of Directors and Stockholders
Megawide Construction Corporation and Subsidiaries
(A Subsidiary of Citicore Holdings Investment, Inc.)
2nd Floor Spring Building
Arnaiz Avenue Corner P. Burgos St.
Pasay City**

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Megawide Construction Corporation and Subsidiaries (herein referred to as "the Group") for the year ended December 31, 2017, on which we have rendered our report dated March 22, 2018. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, as amended, and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of the Group's management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 6616003 January 3, 2018, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 15, 2018)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-20-2018 (until Jan. 25, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 22, 2018

Certified Public Accountants

Punongbayan & Araullo is the Philippine member firm of Grant Thornton International Ltd

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Offices in Cavite, Cebu, Davao
BOA/PRC Cert of Reg. No. 0002
SEC Accreditation No. 0002-FR-4

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

<u>Schedule</u>	<u>Content</u>	<u>Page No.</u>
Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68		
A	Financial Assets Financial Assets at Fair Value Through Profit or Loss Available-for-sale Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2 - 8
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	9
D	Intangible Assets - Other Assets	10
E	Long-term Debt	11
F	Indebtedness to Related Parties	12
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	13
Others Required Information		
	Reconciliation of Retained Earnings Available for Dividend Declaration	14
	Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2016	15-18
	Map Showing the Relationship Between the Company and its Related Entities	19
	Financial Ratios	20
	Annual Summary of Application of Proceeds as of and for the period ended December 31, 2016	21

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule A
Financial Assets - Fair Value Through Profit or Loss and Available for Sale Financial Assets
December 31, 2017

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds or Notes	Amount Shown in the Statement Financial Position as of Reporting Period	Valued Based on Market Quotation at End of Reporting Period	Income Received and Accrued (iii)
--	--	---	---	-----------------------------------

Fair Value through Profit of Loss (FVTPL)

BDO Leasing (i)	P 726,933,630	P 726,933,630	P 726,933,630	P 47,964,017
Orix Metro Leasing (i)	2,230,619,827	2,230,619,827	2,230,619,827	57,077,810
First Metro Investment Corp. (i)	-	-	-	1,040,427
Time Deposit (i)	250,000,000	250,000,000	250,000,000	25,207,617
Market Sweep (i)	-	-	-	-
Unit Investment Trust Fund (ii)	1,928,124	1,928,124	1,928,124	31,716
TOTAL	P 3,209,481,581	P 3,209,481,581	P 3,209,481,581	P 131,321,587

Available-for-Sale (AFS) Financial Assets

Investments in Retail Treasury Bond (RTB) (iv)	P 929,773,159	P 929,773,159	P 929,773,159	P 46,386,290
Investment in Club shares - The City Club, Alphaland Makati Place	1,044,472	1,044,472	1,044,472	-
Investment in Silay Solar Power, Inc. (SSPI) - at cost (v)	2,500,000	2,500,000	2,500,000	-
TOTAL	P 933,317,631	P 933,317,631	P 933,317,631	P 46,386,290

Supplementary information on FVTPL and AFS financial assets

- (i) Short-term commercial papers are unsecured, short-term debt instruments issued by a private corporation with high-quality debt ratings.
- (ii) The investments are carried at fair value based on their fair market values by reference on published net asset value price per unit quoted by financial institutions and from the Philippine Dealings & Exchange Corp.
- (iii) This represents the increase in fair value of the asset which is not yet realized, interest received and accrued interest income as of December 31, 2017.
- (iv) In 2017, RTB with an original face value of P921.51 million was purchased and held indefinitely; hence, was classified as AFS financial assets. Unrealized gain on fair value change amounting to P8.26 million was recognized under Revaluation Reserves in the other comprehensive income.
- (v) The investment in SSPI is carried cost since its fair value cannot be determined reliably. Further, this investment represents equity instrument wherein the Group neither exercises control or significant influence as discussed in Note 10 to the consolidated financial statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
 Schedule B
 Amounts Receivable from Directors, Officers, Employees,
 Related Parties and Principal Stockholders (Other than Related Parties)
 December 31, 2017

Name	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
ABEGAIL VICENTE		7,400			7,400		7,400
ABNER CATAUTAN	8,447				8,447		8,447
ADRIAN KUCZMIK	146,500	798			147,298		147,298
ALBERTO DACUMA	1,238				1,238		1,238
ALEJANDRO MANALO	155,000				155,000		155,000
ALEXANDER UMALI	4,500				4,500		4,500
ALFREDO C. CASASIS	12,500				12,500		12,500
ALLAN L. VALENZUELA		1,920			1,920		1,920
ALLESANDRA FAY ALBARICO	10,000		10,000				
ALMA GARCIA	32,000				32,000		32,000
ALVIN ESGUERRA	94,400				94,400		94,400
ALVIN SOGUILON	3,241				3,241		3,241
ALVIN TORRES	147,232				147,232		147,232
ALYANA GRACE T. ROBLEZA	30,000				30,000		30,000
ANA LIZA MANLAPAZ	32,000				32,000		32,000
ANDREW ACQUAIAH HARRISON	906,804	460,796			1,367,600		1,367,600
ANGELI A. CADORNA		9,316			9,316		9,316
ANGELICA FERRER		1,445			1,445		1,445
ANNA BHEL SIBUG	3,360				3,360		3,360
ANNA KARENINA M. SALGADO	102,873				102,873		102,873
ARCEL V. GUINOCOR		1,408			1,408		1,408
ARCHIBALD GARCIA	119,650	18,974			138,624		138,624
ARGIE C. GLENAGO		2,400			2,400		2,400
ARIA ROSARIO NOGRALES	220,000				220,000		220,000
ARIEL MAGUIGAD	4,400				4,400		4,400
ARIES BACUJON		3,185			3,185		3,185
ARMANDO A. TRASADO		2,400			2,400		2,400
ARMANDO MANAOG	141,604		99,130		42,474		42,474
ARMARIE A. BORDEN	20,000				20,000		20,000
ARNOLD G. ANACAYA		2,388			2,388		2,388
ARNOLD I. VILLAFUERTE	3,000				3,000		3,000
ARNOLD R. BASISTER	15,449				15,449		15,449
ARON B. OGATIA		1,440			1,440		1,440
ARSENIO P. SENO	100				100		100
AVIGUEL MANINGO		100,000			100,000		100,000
BANAG, AUDREY PRESA	7,500	2,228			9,728		9,728
BEJIE VILLON	5,000				5,000		5,000
BENA KRISTIE S. UDQUIN	2,159,316	219,201	279,007		2,100,000		2,100,000
BENJAMIN R. DELA CRUZ	50,000				50,000		50,000
BENJAMIN S. FABROA, JR.	10,557				10,557		10,557
BENJAMIN VICENTE JR.	28,208				28,208		28,208
BRYAN BALISI		14,025			14,025		14,025
BRYAN R. MALINAO	127,862				127,862		127,862
BUTCH CASTILLO	26,895				26,895		26,895
CAMELO BASCO	2,000				2,000		2,000
CARLOS I. TRECE		195,550			195,550		195,550
CARLOS LEITAO	182,396				182,396		182,396
CARLOS TRECE	50,000				50,000		50,000
CAROLINE JEANEL C. LOPEZ	32,000				32,000		32,000
CATHERINE C. CEÑA	7,000				7,000		7,000
CATHERINE LIM	1,800				1,800		1,800
CELSO C. ANCHETA	7,109				7,109		7,109
CEZAR V. ALAYTHAY	1,550				1,550		1,550
CHARMAINE DE LEON ESPINO		28,833			28,833		28,833
CHARTON BENZULANO		1,550			1,550		1,550
CHEVMAY T. DE TORRES	14,400				14,400		14,400
CHITO BILOG	10,000				10,000		10,000
CHRISTIAN ALISANDAO		2,000			2,000		2,000
CHRISTIAN JOSEPH ARGOS		338			338		338
CHRISTINE CRISO S. ANGELES	32,000				32,000		32,000
CHRISTINE CRISOL ANGELES		9,600			9,600		9,600
CHRISTOPHER L. RUADO	9,000				9,000		9,000
CHRISTOPHER PACA	16,208				16,208		16,208
CLAIRISSA CABALDA	29				29		29
CLAUDIA SORIANO	168,935				168,935		168,935
CRESANTO M. CASTRO	4,830		4,830				
CRISANTO BERTOLDO		1,550			1,550		1,550
CRISANTO CALOS		1,550			1,550		1,550
CRISANTO LABE JR.		975			975		975
CRISMAR MENDEZ		2,000			2,000		2,000
CRISTINE A. FORTUNO		30,833			30,833		30,833
CYRIEL A. GAROLACAN		1,650			1,650		1,650
Balance forward	5,237,938	1,157,803	392,967		6,002,774		5,002,774

- 3 -
MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
 Schedule B
**Amounts Receivable from Directors, Officers, Employees,
 Related Parties and Principal Stockholders (Other than Related Parties)**
 December 31, 2017

Name	Balance at End of Period		Additions		Deductions		Ending Balance		Balance at End of Period	
	P		P		Amounts Collected	Written Off	Current	Non-current		
<i>Balances carried forward</i>	P	5,237,938	P	1,157,803	P	392,957	P	6,002,778	P	6,002,774
DANILO ANTONIO		2,800						2,800		2,800
DANILO N. MAGHANOY				1,650				1,650		1,650
DANILO R. MONTOYA JR.				1,650				1,650		1,650
DARA DEANNA OBIDO		31,329						31,329		31,329
DARLENE JOY MADAMBA		50,000						50,000		50,000
DARLYN PHEIA LOPEZ				41,600				41,600		41,600
DARRYL RAÑOLA				1,550				1,550		1,550
DENMARK P. NUIQUE				7,464				7,464		7,464
DENTOR P. CABRAL				1,650,000				1,650,000		1,650,000
DEWEY S. OLAYA		140,000						140,000		140,000
DEXTER SUAZO				2,625				2,625		2,625
DHANNY JEAN AUGUSTO				2,500				2,500		2,500
DIANA JOY D. VICTORIA		28,530						28,530		28,530
DIONISIO A. MAMUAD				1,475				1,475		1,475
DIONY D. GANTA				1,475				1,475		1,475
DOMINADOR Z. LUMONTOD				1,475				1,475		1,475
DONABELLE SISON		32,000						32,000		32,000
DYAN KARLA S. SENO				32,000				32,000		32,000
EARL ANDREW A. CRUZ				5,915				5,915		5,915
EBENEZER G. JAMORA				4,000				4,000		4,000
EDDIE CORNELIO				1,550				1,550		1,550
EDGAR NUGUIT				975				975		975
EDGAR VALERA		403,332						403,332		403,332
EDGARDO ABAD		7,380						7,380		7,380
EDGARDO D. MALIT		23,735						23,735		23,735
EDISON A. DOMINGUEZ				1,475				1,475		1,475
EDMAR F. FETALINO				1,650				1,650		1,650
EDMUNDO ALMARIO		50,000						50,000		50,000
EDUARDO LANTACA				6,650				6,650		6,650
EDUARDO RAMIREZ		10,504						10,504		10,504
EDUARDO CARDINOZA JR.				1,550				1,550		1,550
EDUARDO DE LEON				1,550				1,550		1,550
EIGHT DRAGON METAL				14,509				14,509		14,509
EINSTEIN O. CHIU		506,417			17,004			489,413		489,413
ELGIN G. BARREDO				2,880				2,880		2,880
ELSON JOHN B. RAMOS		9,500						9,500		9,500
ELIZABETH B. LOPEZ				5,000				5,000		5,000
ELMAR MAQUILING				2,000				2,000		2,000
ELMER FLANDEZ		4,873						4,873		4,873
ELMER OFILAN				1,550				1,550		1,550
ELMER RIBAMBA				500				500		500
ELPIDIO BORJA I				6,000				6,000		6,000
ELSA AMAT		85,877						85,877		85,877
ELVIN GOLIMLIM		22,660						22,660		22,660
EMILIO GABRIEL S. PEREZ		2,997						2,997		2,997
EMMANUEL JOLEJOLE				1,540				1,540		1,540
ENRICO D. GAW		100,597						100,597		100,597
ENRIQUE RAMOS		19,704						19,704		19,704
ERIC N. GABRIEL		275,753			14,306			271,753		271,753
ERICSON BENITEZ BENITEZ		2,000						2,000		2,000
ERNESTH JORDAN ROMANO		6,000						6,000		6,000
ERNESTO N. CONDADA JR.				1,475				1,475		1,475
ERVIN LIMPAG		516						516		516
ERWIN AMARO				1,550				1,550		1,550
ERWIN HERANDROY				1,650				1,650		1,650
ERWIN I. OCHAQUE				1,650				1,650		1,650
ERWIN L. SISON				960				960		960
ESTELITO CENSON JR.		53,160						53,160		53,160
EUTEMIO R. SARINO				28,800				28,800		28,800
EVELYN ALBARAN BEROU				41,600				41,600		41,600
FARRA MAE PUZON		8,164						10,064		10,064
FELINO CAGAYA				1,550				1,550		1,550
FELIPE E. GARCIA JR.				1,550.00				1,550		1,550
FERDINAND A. PADDAYUMAN		74,963						74,963		74,963
FERDINAND B. RODRIGUEZ		15,099						15,099		15,099
FERDINAND C. DESAMITO		3,685						3,685		3,685
FERMIN CHAVEZ JR.		25,700						25,700		25,700
FERNANDO L. PAGATPATAN				1,119				1,119		1,119
FIDEL F. CUERDO		9,000						9,000		9,000
FLOR ROLAND ALABADO				1,475				1,475		1,475
FLORANTE C. PACTAO				1,475				1,475		1,475
FLOREVAR BALDOZA		2,223						2,223		2,223
FRANCESCA MICIELA SANTECO		92,500						92,500		92,500
FRANCIS LUIS C. DE GUZMAN		10,500						10,500		10,500
FRANCISCO B. BELLEZA JR.				1,550				1,550		1,550
FRANCISCO M. GILG, JR.				40,000				40,000		40,000
FRANCISCO RIOJA JR.				3,200				3,200		3,200
FRANKLIN AUSTRIA				4,200				4,200		4,200
FREDERICK B. EBREO				1,650				1,650		1,650
FRIDAY TUEKES		85,000						85,000		85,000
FRITZ LIM		26,895						26,895		26,895
GAURAV AGGARWAL		75,000		9,862				65,138		65,138
<i>Balances forward</i>	P	7,546,436	P	1,441,702	P	424,078	P	8,566,060	P	8,566,060

- 4 -
MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
 Schedule B
 Amounts Receivable from Directors, Officers, Employees,
 Related Parties and Principal Stockholders (Other than Related Parties)
 December 31, 2017

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P 7,546,436	P 1,441,702	P 424,078	p -	8,564,060	p -	P 8,564,060
GENEROSO LLAGONO JR.		2,000.00	-	-	2,000	-	2,000
GENNA C. MIJARES	26,591				26,591		26,591
GEORGE L. BERNARDO		1,550			1,550		1,550
GERALD ROXAS	3,000				3,000		3,000
GIL AZARCON		1,500			1,500		1,500
GIL DONATO		6,086			6,086		6,086
GILBERT L. ZAMORA		1,650			1,650		1,650
GILBERT NEPOMUCINO		1,550.00			1,550		1,550
GINO TALIBONG		2,000			2,000		2,000
GIOVANNI D. RUIZ		64,000			64,000		64,000
GLADYS RETUERTO		54,285			54,285		54,285
GRETCHEN SALDAMIA CACHO	10,000				10,000		10,000
GULATI JATIN	(1,265)				(1,265)		(1,265)
HAYDEE CHUA	57,000				57,000		57,000
HAYDEE MAYOR	3,359				3,359		3,359
HEHERSON AGCAGUI		4,200			4,200		4,200
HERMIE CORNELIO		1,550			1,550		1,550
HERMINIGILDO BAUTISTA JR.		3,100			3,100		3,100
HESOLER RANDY JEMAR		2,000			2,000		2,000
IRENEO NARCISO JR.		3,200			3,200		3,200
ISIDRO BURAYAG		1,550			1,550		1,550
ISRAEL K. BONAVENTE	6,936				6,936		6,936
IVY MACARALITAO	32,000				32,000		32,000
JAIMIE A. ESTARES SR.		3,273			3,273		3,273
JAIMIE BAMBALAN		1,550			1,550		1,550
JAIMIE M. LOPEZ	56,400				56,400		56,400
JAKE S. ESTEVES	5,005				5,005		5,005
JAN B. DENAGA	2,729				2,729		2,729
JANNINE MORAL	28,833				28,833		28,833
JAUQUELINE D. MACONO		41,600			41,600		41,600
JASPER NOEL CABRERA	89,927				89,927		89,927
JAY ARR LIBATON		2,550			2,550		2,550
JAY CRISOLOGO	5,744	12,805			18,549		18,549
JAY GERAND SANTIAGO		1,550			1,550		1,550
JAYCEL ADINA		8,000			8,000		8,000
JAYFEE C. BELENCIO		16,400.00			16,400		16,400
JAYSON APOSTOL		1,550			1,550		1,550
JAYSON SOMBRENO		1,550			1,550		1,550
JEAY O. PORTES		32,000			32,000		32,000
JEFE MAHUSAY		1,550			1,550		1,550
JEFEY MANGABON		1,550			1,550		1,550
JEFFERSON R. AREVALO		1,650			1,650		1,650
JEFFREY BAJA	52				52		52
JEFFREY OCAMPO		420,687			420,687		420,687
JEFFRY QUICAY		1,550			1,550		1,550
JEFLYN ALEXIS C. DIZON	42,000				42,000		42,000
JENIMAH NAOMI DE LOS SANTOS		2,000			2,000		2,000
JENELYN S. GURROBAT	28,667				28,667		28,667
JENER B. TOLOSA		1,920			1,920		1,920
JENNY D. GUTTA	26,412				26,412		26,412
JERALBINE NUGUID	60,000				60,000		60,000
JERALBINE R. NUGUID	131				131		131
JERICHAN JAN M. IGNACIO		32,000			32,000		32,000
JEROME C. CABAÑES		1,650			1,650		1,650
JEROME GUEVARRA	5,321				5,321		5,321
JEROME MALUPAY		9,891			9,891		9,891
JERKWIN BALINAS		1,550			1,550		1,550
JERRY B. HERNANDEZ		14,400			14,400		14,400
JESSIE CORONEL		4,800			4,800		4,800
JESSIE SIGAGAT		1,550			1,550		1,550
JESUS ARABAYUTAN		310,000.00			310,000		310,000
JESUS C. IBANEZ, JR.		4,800			4,800		4,800
JESUS GONZALO C. VERGARA JR.	31,850				31,850		31,850
JETON M. COMENDADOR		1,475			1,475		1,475
JHOMER F. FELAEZ	120,000				120,000		120,000
JHORABEL O. ALCANTARA		4,500			4,500		4,500
JIMBO L. MILLARES	2,154				2,154		2,154
JIMMY BANDONG		1,550			1,550		1,550
JIMMY D. DURANGO	975				975		975
JIMSON D. CUEVAS		1,650			1,650		1,650
JINGO CAOL-OLAN		1,550			1,550		1,550
JINKY S. PACHECO		32,000			32,000		32,000
JO R. AQUINO		9,600			9,600		9,600
JOAN CECILIA L. CARICARI		2,339			2,339		2,339
JOEL B. ARNADO		6,000			6,000		6,000
JOEL H. GALANG	6,500				6,500		6,500
JOEL LUAGUE	1,986				1,986		1,986
JOEL P. MORA JR.		1,650			1,650		1,650
JOEL ROCA	2,850				2,850		2,850
JOEM C. FLOJO		1,650			1,650		1,650
JOEY ALBERT CEREZO	114				114		114
JOHN DICK QUITOS		1,550			1,550		1,550
JOHN ENRIQUE V. MADRIGAL II	85,250	20,000			105,250		105,250
JOHN HAROLD B. MANUEL	149,238				149,238		149,238
JOHN KALVIN CARREON	41,500				41,500		41,500
JOHN REY DANIEL		1,550			1,550		1,550
JOHN RONALD RENDON	3,000				3,000		3,000
JOHN VALENTINE S. BINAMIRA		6,000			6,000		6,000
JOHNREI VIDAL		1,550			1,550		1,550
JOMEL ZACARIAS		1,550.00			1,550		1,550
JOMER DARAMAN		2,525			2,525		2,525
JON PHILIP DONAIRE	27,264				27,264		27,264
<i>Balance forward</i>	P 8,487,024	P 2,625,965	P 424,078	-	P 10,688,911	-	P 10,688,911

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
 Schedule B
 Amounts Receivable from Directors, Officers, Employees,
 Related Parties and Principal Stockholders (Other than Related Parties)
 December 31, 2017

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P 8,487,024	P 2,625,965	P 424,078	P -	10,688,911	P -	P 10,688,911
JONATHAN B. SALUDEZ		3,200			3,200		3,200
JONATHAN FUGOSO		2,000			2,000		2,000
JORDAN JOEL ORTIZ	3,573				3,573		3,573
JOSE C. RAMIREZ	8,000				8,000		8,000
JOSE C. SAMPANG	97,529				97,529		97,529
JOSE M. GORFIDO, JR.		1,475			1,475		1,475
JOSE RAMIREZ		1,475			1,475		1,475
JOSE RENE D. ESCOMEN	1,027				1,027		1,027
JOSEPH CABOL		1,550.00			1,550		1,550
JOSEPH CORTEZ		1,000			1,000		1,000
JOSEPH HAYES F. HONORIO	1,762				1,762		1,762
JOSEPH N. IMPERIAL		4,407			4,407		4,407
JOSEPH FAYURAN		1,550			1,550		1,550
JOSUE G. GA		1,650			1,650		1,650
JOUIE V. LEE OLIVER	583,000				583,000		583,000
JOVANIE PASCUADO		1,550			1,550		1,550
JOWELL L. SAN JOSE	7,684		7,684		(0)		(0)
JR. S. LLANO		1,650			1,650		1,650
JUAN TIMO		4,750			4,750		4,750
JULIANA ARENAS	150,000				150,000		150,000
JULIEN STEINER	7,810				7,810		7,810
JULIUS C. MANDAWA		1,650			1,650		1,650
JUSTINE C. RIVERA		14,400			14,400		14,400
KARL JOSEPH A. DEINLA	70,000	30,779			100,779		100,779
KARRI LACHA REDDY	1,460				1,460		1,460
KATHERINE DUGTONG	3,600				3,600		3,600
KATHLEEN M. TAPIA		32,000			32,000		32,000
KRESHLEY M. DE VERA	35,331				35,331		35,331
KEN REQUER B. PEGALAN	120,771				120,771		120,771
KENETTE MENOR		1,550			1,550		1,550
KENNY MYKEL M. MADRID		43,200			43,200		43,200
KHAREN C. ALFUENTE		41,600			41,600		41,600
KIM BEEMONTE		1,550			1,550		1,550
KIM DE LOS SANTOS		1,550			1,550		1,550
KIMBERLY L. BONGHANOY		31,833			31,833		31,833
KIRK ALEXIS B. CABREROS		2,400			2,400		2,400
KRISTINA JERRYLYN T. SALAZAR		32,000			32,000		32,000
KRISTINE MAE REYES	32,000		32,000				
KRISTOFFER JAN V. SERIOSA	24,304				24,304		24,304
LAILANIE A. ROBLES		32,000			32,000		32,000
LALAINIE ANN R. ROSALES	6,300				6,300		6,300
LARA MAE A. LOLARGA	15,000				15,000		15,000
LARRY APOSTOL		1,550			1,550		1,550
LAUDENCIO DANGTIV		1,550			1,550		1,550
LAURITO CABUAL	134				134		134
LEOBERT RAMOS		99,999			99,999		99,999
LEOBERT RAMOS	29,312				29,312		29,312
LEONARD SANGUENZA		1,550			1,550		1,550
LEONIL FERDIN		1,550			1,550		1,550
LETEGIA QUILES		18,500			18,500		18,500
LIMWEL P. JUGO		1,650			1,650		1,650
LISSA AINES T. LIBRODO	1,100	(7,159)			(6,059)		(6,059)
LLOREN MARIE CRISOSTOMO		20,000			20,000		20,000
LLOYD NIÑO A. MASCARIÑAS	73,828				73,828		73,828
LORNA C. LLIDO	90				90		90
LORNA SANTOS		9,600			9,600		9,600
LUCENA B. BACUTISTA	20,389				20,389		20,389
LUCILA FAMILIAR	1,694				1,694		1,694
LUCY LEBRILLA		1,550			1,550		1,550
LUIGIE LLANO		975			975		975
LUTHER S. GERONIMO		975			975		975
LYMAR MELGAZO		1,550			1,550		1,550
LYNARD G. BARREDO		1,650			1,650		1,650
LYNNIE TEVES	150,000				150,000		150,000
MA. ABIGAIL JANE LIBRANDO	35,317				35,317		35,317
MA. CECILIA TRABALLO	50,000				50,000		50,000
MA. DARREN COZRE	149,120	20,020			169,140		169,140
MA. ELOISA ORACION	24,167				24,167		24,167
MA. JACINTA VICTORIA T. LUALHATI	402,985				402,985		402,985
MA. JANIKA ALCANTARA		11,000			11,000		11,000
MA. JONAH PEREYRA	41,729				41,729		41,729
MA. LOURDES VALERA	22,647				22,647		22,647
MA. ROXANNE A. PAGUIO	2,875				2,875		2,875
MA. TERESA D. FACIENTE	163,430				163,430		163,430
MA. THERESA PASCUAL	138,840				138,840		138,840
MADHU SUDHAN RAO CHERUKURI	8,729				8,729		8,729
MAE ANN A. FORCADILLA		9,600			9,600		9,600
MAE ANN A. FORCADILLA	41,547	9,600			51,147		51,147
MAGESH NAMBIAR	268				268		268
MAGESH PERAYIL KANNETH	3,266	63,068			66,273		66,273
MAGNUS ALBERTUS CATBAGAN	2,400				2,400		2,400
MANDY DE VENECLA	4,320				4,320		4,320
MANUEL DIAMOS	6,764				6,764		6,764
MANUEL LOUIE B. FERRER	830,000				830,000		830,000
MANUEL M. ABEJO JR.		894			894		894
MARCELINO LAQUINDANUM JR.		1,550			1,550		1,550
MARCELINO MONGAYA-AY JR.	1,352	1,352			2,703		2,703
MARCIANO AVENIDO		2,000			2,000		2,000
MARIA APRIL C. MAN-ON		5,552			5,552		5,552
MARIA CEINA BERNARDO	90,000				90,000		90,000
MARIA CHRISTINA PELPENOSAS		4,690			4,690		4,690
MARIA ELENA O. DEMECILLO	4	10,000			10,004		10,004
MARIBETH J. MONTERO	30,000				30,000		30,000
MARICAR V. CRUZ	9,533				9,533		9,533
MARICEL CO	110,000	6,375			116,375		116,375
MARIE ARDIE ANNE SERCADO	32,000				32,000		32,000
MARIE STEPHANIE M. NOLIDO	10,250				10,250		10,250
MARISCAR D. MANZANO		32,000			32,000		32,000
MARILAG LATORRE	4,214	3,997			8,211		8,211
MARILYN ORDENIS	98,000	82,000			180,000		180,000
MARJORIE BALINOYGS	30,334				30,334		30,334
MARJORIE R. VENTOSO	32,000				32,000		32,000
MARK ANTHONY VALDEZ	10,000				10,000		10,000
MARK COPPER		4,155			4,155		4,155
MARK DANIEL MATA	4,000				4,000		4,000
MARK JASON L. GARRERO		1,650			1,650		1,650
MARK JOSEPH DIMAYUGA		1,550			1,550		1,550
<i>Balance forward</i>	P 12,323,151	P 3,945,296	P 463,762	P -	15,204,686	P -	P 15,204,686

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
 Schedule B
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 Related Parties and Principal Stockholders (Other than Related Parties)
 December 31, 2017

Name	Balance at End of Period		Additions		Deductions		Ending Balance		Balance at End of Period	
	P		P		Amounts Collected	Written Off	Current	Non-current		
<i>Balance carried forward</i>	P	12,323,151	P	3,345,296	P	463,762	P	-	P	15,204,686
MARK JOSEPH T. OBO		15,527								15,527
MARK LESTER T. GALLEPOSO				14,100						14,100
MARK LLOYD A. RAMIREZ				1,550						1,550
MARK NIEVERA		5,500		39,753						45,253
MARK ROCAFORT				440						440
MARK U. VILLAGONZALO				3,273						3,273
MARLA REMEDIOS AVILA		33,524								33,524
MARRY CHRIS MARFA		184,404		645						185,049
MARTIN MIGUEL FLORES		2,400								2,400
MARTIN SIMON GIORDAN		18,411								18,411
MARVIN GLORIA		10,489								10,489
MARVIN M. ENCARNACION				1,650						1,650
MARY ANN ZACARIAS		65,000								65,000
MARY GRACE GONZAGA		41,600								41,600
MARY HILDA R. SERRANO		1,162								1,162
MARY JOY FAMI		45,292		41,600						86,892
MARY JOY S. FAMI				41,600						41,600
MARY ROSE HOPE PATRICIO				963						963
MARYCON SALAZAR		1,905								1,905
MELCHOR T. TORRES		0								0
MELCHOR V. HERRERA				1,650						1,650
MELISSA F. DAVID		140,000		32,000						172,000
MELONA E. DABLO		891								891
MELVIN GRAY E. DELA CRUZ				32,000						32,000
MELVIN LOZANO		13,500		1,550						15,050
MENCHIE O. DIASEN				32,000						32,000
MERLINDO D. JR. TAYRUS		1,655								1,655
MIA GRACE PAULA S. CORTEZ		53,367								53,367
MICHELE A. BARROZO		10,000								10,000
MISCHIEL U. ENRIQUEZ		36,905								36,905
MOTHI LAL		3,800								3,800
NELSON LEGARDE		150,000								150,000
NELSON M. CASADO		17,640								17,640
NEMIA M. CORTELA		854,167		354,167						1,208,334
NESTOR C. ARRILAL		6,563								6,563
NESTOR L. SIERVO JR		20,117								20,117
NICANOR NICKIE B. ARENAS		13,875								13,875
NIKKO F. DEL ROSARIO		7,609								7,609
NIÑO DELOS REYES		28,485								28,485
NOE G. GERAPUSO		1,027								1,027
NOEL CADIENTE				1,550						1,550
NONILON F. MUDLONG				1,650						1,650
NORMAN N. ESCOBAR		77,000		58,750						135,750
NORMAN RESURRECCION		3,000								3,000
PEDRO PISUENA		3,200								3,200
PENNYLANE CARAVANA		50,600								50,600
PETER ENRILE		8,000								8,000
PHILIP ROMULO FRANGLA		50,000		315,519						365,519
PHOEBE KATHERINE B. REYES		29,554								29,554
POLJCARPIO VEGAJR.				15,000						15,000
PRINCESS DELOS SANTOS		5,367								5,367
PRINCESS GUMIRAN		5,000								5,000
RACHELLE E. CUYOS		525								525
RAFFY FELICIANO		8,000								8,000
RAIZA JACKIE LOUISE ESPINO				17,722						17,722
RALPH GILBERT BINOS		60,000			60,000					-
RALPH LIM		237,496								237,496
RANIR F. MANA-AY		9,618								9,618
RAMON LOR		2,950								2,950
RAMON PACHECO III		17,300								17,300
RANDY ADRIANO		11,900								11,900
RANDY ESGUERRA		3,000								3,000
RANDY RETES				1,550						1,550
RANIEL ASUELO MONTEROLA				2,000						2,000
RAQUEL VERZOSA		26,500								26,500
RAUL B. GOLEZ				15,345						15,345
RAUL SAPIANDANTE		2,400								2,400
RAY ALEXIS C. VALINO		80,000		43,000						123,000
KAYMUNDO LAYSON		100,000								100,000
KAYMUNDO P. PRONDA		315,149			52,754					262,394
KAYMUNDO R. LAYSON		416,798								416,798
KEA G. RUBION		3,845								3,845
REALINO MONTEMOR		463		6,000						6,463
RECILE POSECCION		12,158								12,158
REDBINTO M. OLIVERAS				1,475						1,475
REGAN A. TACANDONG				6,720						6,720
REGAN TACANDONG		60,000		6,720						66,720
REGGIE DASALLA				1,550						1,550
REGIE DELOS NIÑOS		1,650								1,650
REGINA CARMELLI TOLOSA		20,000								20,000
REMAR T. ESEQUE		1								1
RENATO ALEGADO		3,255								3,255
RENATO C. ALEGADO				3,360						3,360
RENATO UY		500,000			500,000					-
REY C. RAMIREZ		19,010								19,010
REYMOND DALAAYAN				2,000						2,000
REYNALDO CANDO				1,550						1,550
REYNALDO RODRIN		451,845								451,845
REYNOLD LAZARENO				2,600						2,600
RHODA M. GUCILATAR		2,240								2,240
RICARDO AMOTO JR.				1,550						1,550
<i>Balance forward</i>	P	16,199,460	P	4,558,412	P	1,076,516	F	-	P	19,681,356

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
 Schedule B
 Amounts Receivable from Directors, Officers, Employees,
 Related Parties and Principal Stockholders (Other than Related Parties)
 December 31, 2017

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P 16,199,440	P 4,558,412	P 1,076,516	P -	P 19,681,356	P -	P 19,681,356
RICARDO MANUEL	75,000	-	-	-	75,000	-	75,000
RICARDO SABANAL	2,400	2,525.00	-	-	2,525	-	2,525
RICHARD ORTEGA	-	-	-	-	2,400	-	2,400
RICHARD PELOTOS	-	4,189	-	-	4,189	-	4,189
RICHEL BORDE	41,600	-	-	-	41,600	-	41,600
RICHEL PAGAWITAN	3,800	-	-	-	3,800	-	3,800
RICIA VINELLI MONTEJO	-	37,033	-	-	37,033	-	37,033
ROANNE G. HUELVA	-	7,680	-	-	7,680	-	7,680
ROBERTSON G. QUIRES	-	1,475	-	-	1,475	-	1,475
ROBY CHARLIE G. MALLARI	15,631	-	-	-	15,631	-	15,631
RODERIC CORPORAL	-	1,650	-	-	1,650	-	1,650
RODNEY ANDRE MORALES	5,000	-	-	-	5,000	-	5,000
RODNEY C. GARCIA	-	3,000	-	-	3,000	-	3,000
RODNEY DELICANO	-	1,550	-	-	1,550	-	1,550
RODRIGO S. PAMAHOY	22,292	-	-	-	22,292	-	22,292
ROGILYN PONES	29,667	-	-	-	29,667	-	29,667
ROHSAN ARIEL N. LUCES	1,150	-	-	-	1,150	-	1,150
ROLAND N. RINA	-	1,950	-	-	1,950	-	1,950
ROLANDO C. SUAZO	12,600	-	-	-	12,600	-	12,600
ROLEN L. JALIMBAWA	-	1,650	-	-	1,650	-	1,650
ROMAR B. CARNIYAN	-	1,650	-	-	1,650	-	1,650
ROMEO B. BOBILES	-	1,650	-	-	1,650	-	1,650
ROMEO C. SAKAY	1,444	-	-	-	1,444	-	1,444
ROMEO DIAZ	14,000	-	-	-	14,000	-	14,000
ROMEO FURIGAY	205,600	-	-	-	205,600	-	205,600
ROMMEL ONDONG	76,801	28,600	-	-	104,801	-	104,801
ROMMEL S. OBISPO	-	988	-	-	988	-	988
ROMNICK T. LLENADO	-	1,650	-	-	1,650	-	1,650
RONALD ALLAN M. NICOLAS	15,687	-	-	-	15,687	-	15,687
RONALD FAOLO	24,186	-	-	-	24,186	-	24,186
RONALD ROSELLER B. MANGAHAS	127,092	-	-	-	127,092	-	127,092
RONALDO A. NOEL	-	1,838.60	-	-	1,838	-	1,838
RONALDO PALIN	-	975	-	-	975	-	975
RONILO C. PONSICA	-	1,650	-	-	1,650	-	1,650
RONNIE SALINGAY	8,000	1,550	-	-	9,550	-	9,550
ROSE ANN ENRIQUEZ	200,000	-	-	-	200,000	-	200,000
ROWENA B. TRILLANA	21,637	-	-	-	21,637	-	21,637
ROY GARCHITORENA	-	2,000	-	-	2,000	-	2,000
ROYCE MILTON. CATACUTAN	20,159	-	8,186	-	20,159	-	20,159
RUBEN PEÑALOSA	-	2,525	-	-	2,525	-	2,525
RUBELIZA ALDAY	124,716	-	-	-	124,716	-	124,716
RUSKY L. FERRER	30	-	-	-	30	-	30
RUSTOM ESTROPIA	139,840	-	-	-	139,840	-	139,840
RYAN ERMAC	40	-	-	-	40	-	40
RYAN GALINDEZ	-	1,550	-	-	1,550	-	1,550
RYAN JAY LAI	238	-	-	-	238	-	238
SALVADOR DE GUZMAN	4,350	1,550	-	-	6,350	-	6,350
SAMUEL A. ELLE	5,000	-	-	-	5,000	-	5,000
SATURNINO D. OLIVER JR	-	1,550	-	-	1,550	-	1,550
SERGIO S. MALIGRO JR.	-	7,200	-	-	7,200	-	7,200
SHARON D. PEREZ	9,600	-	-	-	9,600	-	9,600
SHEILA G. ANGELES	330	-	-	-	330	-	330
SHEILA MAY V. ILLUIDO	-	855	-	-	855	-	855
SHERRY LEE L. HATAGUE	-	3,360	-	-	3,360	-	3,360
SHERWIN ELOPRE	-	1,550	-	-	1,550	-	1,550
SHERWIN GATBONTON	50,000	-	-	-	50,000	-	50,000
SHERWIN SEGUJ	95,000	-	-	-	95,000	-	95,000
SHEILA NEPOMUCENO	-	5,734	-	-	5,734	-	5,734
SONNY BOY G. ENRIQUEZ	51,460	-	-	-	51,460	-	51,460
STEPHANIE GRACE G. MANAL	9,249	1,638	-	-	10,887	-	10,887
SUDARSHAN MADHAV DODDATHOTA	-	34,982	-	-	34,982	-	34,982
SULPICIA POLINGA	-	12,250	-	-	12,250	-	12,250
SULPICIO A. GARCIA	36,766	-	-	-	36,766	-	36,766
TARCYZJUSZ FROEHLICH	87,328	-	-	-	87,328	-	87,328
TEDY L. VALLESTERO	-	480	-	-	480	-	480
TIMOTHY JIM ALTONAGA	46,200	-	-	-	46,200	-	46,200
TRACELLE ANNE A. BASILISCO	33,586	3,360	-	-	33,586	-	33,586
TRACELLE ANNE B. NAVARRO	-	3,360	-	-	3,360	-	3,360
TRISTAN JOHN Y. SANTOS	-	480	-	-	480	-	480
VEN ROGER GOCOTANO	-	1,650	-	-	1,650	-	1,650
VENER TEPE	35,905	905	-	-	35,905	-	35,905
VENUS V. LOGDAT	32,000	-	-	-	32,000	-	32,000
VICTOR L. ASPA, JR.	-	975	-	-	975	-	975
VILMA P. LUMAPAS II	-	45,920	-	-	45,920	-	45,920
VIRGILIO UMALI JR	350	-	-	-	350	-	350
VIVENCIO A. ROSALES JR.	1,080	-	1,080	-	-	-	-
WENNIE S. PALACIO	14,352	-	-	-	14,352	-	14,352
WILJIE G. RUFINO	16,192	-	-	-	16,192	-	16,192
WILTON DY	62,500	-	-	-	62,500	-	62,500
WINSTON V. JIMENEZ	63,515	-	-	-	63,515	-	63,515
YASMIN LAMBATAN	56,000	-	-	-	56,000	-	56,000
YOLANDA D. SURIO	-	32,000	-	-	32,000	-	32,000
YUNICE C. PRADHAN	2,500	-	-	-	2,500	-	2,500
ZANDY BAUT	48,906	-	-	-	48,906	-	48,906
<i>Balance forward</i>	P 18,154,579	P 4,826,936	P 1,065,752	P -	P 21,895,765	P -	P 21,895,765

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
 Schedule B
 Amounts Receivable from Directors, Officers, Employees,
 Related Parties and Principal Stockholders (Other than Related Parties)
 December 31, 2017

Name	Balance at End of Period		Additions		Deductions		Ending Balance		Balance at End of Period	
	P	F	P	F	Amounts Collected	Written Off	Current	Non-current		
<i>Balance carried forward</i>	P	18,154,579	F	4,826,938	P	1,085,752	P	21,895,765	F	21,895,765
TOTAL ADVANCES TO OFFICERS AND EMPLOYEES	F	18,154,579	F	4,826,938	P	1,085,752	P	21,895,765	F	21,895,765
<i>Advances to stockholder</i> Edgiz Saevreids		17,564		-		17,564		-		-
TOTAL ADVANCES TO STOCKHOLDER		17,564	F	-		17,564		-		-
<i>Advances to related parties under common ownership</i> Advances to Future State Myspace, Inc. Advances to Megwide Foundation, Inc.		18,172,143		4,826,938		1,103,316		21,895,765		21,895,765
TOTAL ADVANCES TO RELATED PARTIES UNDER COMMON OWNERSHIP		-		18,750		-		18,750		18,750
<i>Advances to non-controlling interest</i> Phakurbon, Inc.		187,505		-		-		187,505		187,505
TOTAL ADVANCES TO MINORITY INTEREST		187,505		-		-		187,505		187,505
	P	18,359,648	P	4,845,688	P	1,103,316	P	22,102,020	P	22,102,020

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES

Schedule C

**Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2017**

Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Ending Balance	
			Amounts Collected	Written Off	Current	Non-current
Cebu Airport Corporation subsidiary	P 776,565,102	P 1,593,070,280	P 1,593,400,000	P -	P 776,235,382	P -
Construction Corporation parent Company	293,370,070	-	(293,370,070)	-	-	-

Supplementary information –

Megawide, through its share in assets of the Megawide GISPI - Construction Joint Venture (MGCJV), has a receivable to GMCAC for the billings of completed works at the end of the year. and, GMCAC has a receivable to MCC, through the latter share in assets of the MGCJV, for the advances made by GMCAC to the MGCJV.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES

**Schedule D
Intangible Assets
December 31, 2017**

Description	Beginning Balance, net of accumulated amortization	Additions at Cost	Deduction		
			Charged to Cost and Expenses (iii)	Charged to Other Accounts	Other Changes Additions (Deductions)
software license	P 42,959,892	P 14,684,810	(P 13,731,916)	P -	P -
assets	P 20,338,717,871	5,419,652,784	(150,075,192)	-	-
	P 20,381,677,763	P 5,434,337,594	(P 163,807,108)	P -	P -

Supplementary information on Intangible Assets:

software license and system are presented as part of other non-current assets in the consolidated statement of financial position. Its additions during the period represent software customization fees, new human resource system and various installation fees.

Intangible assets pertain to GMR Megawide Cebu Airport Corp.'s payment for bid premium and other related expenditures pertaining to

Mactan International Airport Project.

software license and system are amortized on a straight-line basis over the estimated useful lives of five years. Concession assets are amortized over 25 years, . . .

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES

Schedule E
Long-Term Debt
December 31, 2017

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption "Long-Term Debt" in Related Statement of Financial Position
Bank loans (i)	P 22,905,865,437	P 2,485,500,000	P 20,420,365,437
Note payable (ii)	5,836,791,231	-	5,836,791,231
Obligations under finance lease (iii)	205,811,673	75,987,851	129,823,822
Total	P 28,948,468,341	P 2,561,487,851	P 26,386,980,490

Supplementary information on Long-term Debt

- (i) *Total bank loans represent certain omnibus loan security agreement (OLSA) and other bank loans that were entered into with various local universal banks comprising of P17,200.0 million drawdown from the OLSA with maturity of 15 years, and P2,500.0 million short-term unsecured bank loans.*
- (ii) *Total notes payable represents unsecured availments from two notes facility agreement with a local bank for private placement amounting to P4,000.0 million in 2013 and P1,000.0 million in 2011. Both notes payable have maturity of five years from date of issue.*

In September 2016 and December 2016, the Parent Company availed an unsecured corporate 10-year corporate loans amounting to P650.0 million and P350.0 million to refinance the 5-year corporate note issued in 2011. Also, the Parent Company availed another P1,000.0 million unsecured 10-year corporate note for capital expenditures and general corporate requirements. As of December 31, 2017, the P1,000.0 million has not been utilized.

- (iii) *The obligations under finance lease have an effective interest rate of 6.0% in 2017 and 2016 with maturity of three to five year from the date of transaction.*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule F
Indebtedness to Related Parties
December 31, 2017

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Advances from Citicore Holdings Investment, Inc.	P -	P -
Advances from Citicore-Megawide Consortium, Inc.	-	-
Advances from minority shareholder ¹	134,822,573	172,939,978
Advances from MySpace Properties, Inc.	-	-
Due to employees and others ²	6,919,382	1,470,503
Total	P 141,741,955	P 174,410,481

Supplementary information on Indebtedness to Related Parties

¹ *The minority shareholders of GMR-Megawide Cebu Airport Corp. (GMCAC) granted unsecured noninterest-bearing cash advances to GMCAC to support its Cebu-Mactan International Airport Project bid-related expenses.*

² *This includes outstanding liability for management fee billing from the co-joint venturer at the end of the period. Balance is unsecured, noninterest-bearing and payable in cash.*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES

Schedule H

Capital Stock

December 31, 2017

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Position Caption (i)	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Common	4,930,000,000	2,138,583,425	-	1,425,851,002	36,767,699	675,964,724
Preferred	70,000,000	40,000,000	-	-	-	40,000,000

(i) 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.

MEGAWIDE CONSTRUCTION CORPORATION
2nd Floor Spring Building, Amaiz Avenue Cor. P. Burgos St., Pasay City
Reconciliation of Retained Earnings Available for Dividend Declaration
For Year Ended December 31, 2017

Unappropriated Retained Earnings of the Parent Company at Beginning of Year	P 4,505,742,603
Prior Periods' Outstanding Reconciling Item	
Deferred tax income	(<u>209,392,198</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted	4,296,350,405
Net Profit of the Parent Company Realized During the Year	
Net profit per audited financial statements	1,238,931,282
Non-actual/unrealized income	
Deferred tax income	(38,641,062)
Other Transaction During the Year	
Cash dividends to common and preferred shareholders	(<u>387,928,875</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	<u>P 5,108,711,750</u>

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
<i>Philippine Financial Reporting Standards (PFRS)</i>				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* (effective January 1, 2018)			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation* (effective January 1, 2019)			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> , with PFRS 4, <i>Insurance Contracts</i> * (effective January 1, 2018)			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* (effective when PFRS 9 is first applied)			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)* (effective January 1, 2018)			✓
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* (effective January 1, 2019)			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely)			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation* (effective January 1, 2019)			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts	✓		
PFRS 15	Revenue from Contracts with Customers* (effective January 1, 2018)			✓
PFRS 16	Leases* (effective January 1, 2019)			✓
PFRS 17	Insurance Contracts* (effective January 1, 2021)			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* (effective January 1, 2019)			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		

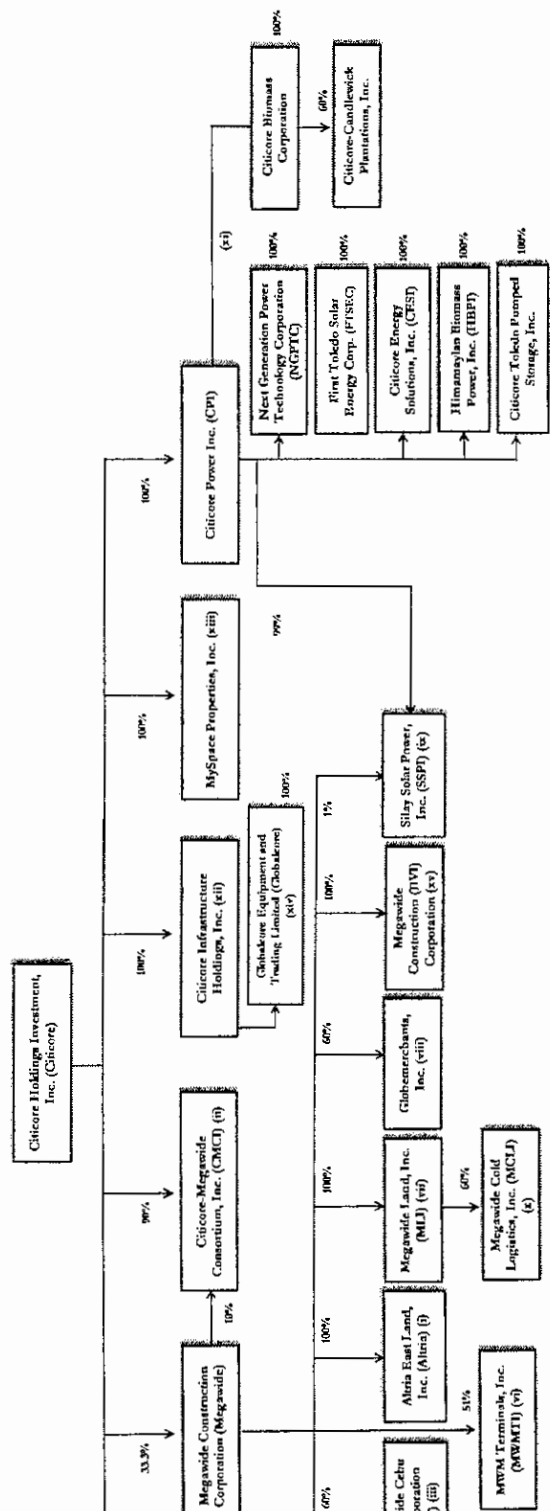
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (<i>effective date deferred indefinitely</i>)			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss* (<i>effective January 1, 2018</i>)			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture* (<i>effective January 1, 2019</i>)	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendments to PAS 39: Eligible Hedged Items	✓		
Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Reclassification to and from Investment Property* (effective January 1, 2018)			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements	✓		
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration* (effective January 1, 2018)			✓
IFRIC 23	Uncertainty Over Income Tax Treatments* (effective January 1, 2019)			✓
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	✓		
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures	✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2017 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY AND ITS RELATED ENTITIES
 December 31, 2017



As an acquisition of asset and not a business acquisition, Tinos, Altria is not considered a subsidiary of the Megawide.

The management and control of the CMCI are exercised through a trust in the Island of Panama (IOP). Taking this into consideration, the Megawide concluded that it has significant influence over the trustee, accordingly the investment is accounted for as an investment in associate.

Stock of GMC-IC which represents 68% of GMC-ACI issued and outstanding capital stock. Since Megawide control over the financial and operations of GMC-AC.

Invest in MPPCCI, but accounted for the investment as an associate since it does not have control over MPPCCI's relevant activities. Citicore acquired 68% effective ownership interest over MPPCCI, hence, obtained the control over MPPCCI.

Company acquired 70% of the issued and outstanding capital stock of MCEI. The investment in MCEI is accounted for as an investment in a.

Investment over Megawide holds 51% ownership interest. Megawide concludes that it has joint control with the other investor, which holds 49% ownership, since both investors have equal representation in MWMTI's BOD and all significant decisions and approvals to direct the relevant activities of MWMTI.

Company acquired a 100% ownership interest in MLI, an entity incorporated in the Philippines. MLI is incorporated primarily to engage in real estate and related business.

Company acquired a 60% ownership interest in Gihonrehab, a company incorporated in the Philippines, primarily engaged in exploring, buying, selling, distributing, marketing or a substitute in as for as may be permitted by law all kinds of goods, items and merchandise of every kind and description.

Shares of stock were acquired by CPI resulting in a 75% equity interest over STP and obtaining Megawide's equity interest over SSP from 100% to 23%. Tinos, SSP, ultimately became a subsidiary of CPI. In 2016, the Megawide's equity interest was reduced from 100% to 1% upon acquisition of a related party under common ownership.

Other 40% was owned by Hibshaw Megawide Inc. MCIJ was incorporated on December 15, 2016. MCLL is a domestic entity that was established to engage in logistics operations.

and entities. CBC became wholly owned subsidiaries of the CPI upon incorporation on their common shares.

CPI acquired additional shares of NGPTC through conversion of advances in equity investments.

CPI entered into share purchase agreement (SPA) for the acquisition of FTTEHC for \$12.0 million. CPI paid the former stockholder of FTTEHC amounting to \$40.1 million. The agreement was subsequently amended and reduced the purchase price to \$16.6 million. CPI gained control on FTTEHC in May 2016 upon significant compliance of the parties to SPA as its subsidiary.

Ownership to CIH. CIH was established primarily to engage in buying and holding shares of other companies, either by subscribing to issued shares or acquired shares of capital stock in public or private offering or by purchasing the shares of other stockholder by way of assignment or private sale.

Kind of assignment between CPI and MySpace's stockholder, the 100% ownership of MySpace was transferred to CIH.

located in Hong Kong, which is primarily engaged in buying, selling, repairing, and exploring of general equipment.

Company acquired a 100% ownership interest in MCEI, an entity incorporated in the territory of British Virgin Islands, a primarily engage in buying and holding shares of other companies.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule of Relevant Financial Ratios as Required
Under SRC Rule 68, as amended
December 31, 2017
(Amounts in Philippine Pesos)

	2017	2016	2015	2017	2016	2015
I. Current/Liquidity ratios						
a. Current Ratio						
Total Current Assets	P 18,699,144,368	P 20,971,309,420	P 22,495,456,946	1.99	1.83	1.78
Total Current Liabilities	9,413,231,733	11,458,671,534	12,647,217,338			
b. Quick Ratio						
(Cash and Cash Equivalents + Financial Assets at Fair Value through Profit or Loss + Trade and Other Receivables)	14,668,173,258	15,867,826,197	17,068,432,025	1.56	1.38	1.35
Total Current Liabilities	9,413,231,733	11,458,671,534	12,647,217,338			
II. Solvency ratios						
a. Solvency Ratio						
(After Tax Net Profit + Depreciation)	2,943,773,745	2,523,835,174	2,002,423,868	0.08	0.07	0.06
Total Liabilities	36,282,371,536	34,875,019,710	31,910,630,827			
b. Debt-to-Equity Ratio						
Total Interest-bearing loans	28,948,468,341	25,762,663,979	22,542,400,194	1.60	1.59	1.36
Total Equity	18,135,444,269	16,209,535,128	16,604,203,384			
c. Net Debt-to-Equity Ratio						
Total Interest-bearing loans - Cash - Financial Assets at FVPL	20,808,047,583	14,824,327,187	13,279,424,246	1.15	0.91	0.80
Total Equity	18,135,444,269	16,209,535,128	16,604,203,384			
III. Asset-to-equity ratio						
Total Assets	54,417,815,805	51,084,554,838	48,514,834,211	3.00	3.15	2.92
Total Equity	18,135,444,269	16,209,535,128	16,604,203,384			
IV. Asset-to-liability ratio						
Total Assets	54,417,815,805	51,084,554,838	48,514,834,211	1.88	1.98	2.15
Total Liabilities	28,948,468,341	25,762,663,979	22,542,400,194			
V. Interest Coverage Ratio						
(Earnings Before Interest and Taxes)	3,475,686,103	2,977,867,935	2,479,080,371	5.36	4.88	4.63
Interest Expense	648,827,704	609,859,688	535,572,202			
VI. Profitability Ratios						
a. Gross Profit Margin						
Gross Profit	4,613,998,184	3,870,852,995	3,224,947,871	0.24	0.22	0.21
Revenues	19,159,143,022	17,658,141,021	15,442,379,752			
b. Net Profit Margin						
Net Profit	2,247,809,009	1,919,695,740	1,474,024,824	0.12	0.11	0.10
Revenues	19,159,143,022	17,658,141,021	15,442,379,752			
c. Return on Equity						
Net profit	2,247,809,009	1,919,695,740	1,474,024,824	0.13	0.12	0.09
Average Equity	17,172,489,699	16,406,869,256	16,007,396,427			
d. Return on Assets						
Net profit	2,247,809,009	1,919,695,740	1,474,024,824	0.04	0.04	0.03
Average Assets	52,751,185,322	49,799,694,525	44,011,155,558			
VII. Market Ratios						
a. Book Value per Share Attributable to Owners of Parent Company						
Total Equity	11,125,143,946	9,668,705,979	10,433,647,940	5.20	4.52	4.35
Outstanding Shares	2,138,583,425	2,138,583,425	2,399,426,127			
b. Earnings per Share Attributable to Owners of Parent Company						
Net Profit after preferred shares dividend	1,564,509,811	1,278,090,997	992,682,743	0.69	0.57	0.41
Average Outstanding Shares	2,253,241,668	2,253,241,668	2,399,426,127			

MEGAWIDE CONSTRUCTION CORPORATION

Schedule of Preferred Shares Proceeds

Under SRC Rule 68, as amended

December 31, 2017

(Amounts in Philippine Pesos)

Preferred Shares Proceeds		P	4,000,000,000	
Less: Issuance related expenses				
Underwriter fees	P	53,598,978		
Professional fees		5,189,714		
Registration and taxes		2,535,625		
Bank charges		<u>201,400</u>		<u>61,525,717</u>
Net Preferred Shares Proceeds				3,938,474,283
Less: Disbursements				
Mactan-Cebu International Airport	P	984,173,963		
Public School Infrastructure Project (PSIP) Phase II		442,878,283		
Southwest Integrated Transport System		492,086,981		
Project Development of Renewable Energies		31,775,537		
Regional Prison Facilities		23,962,320		
Privatization of Airports		<u>110,542,554</u>		<u>2,085,419,638</u>
Balance of Preferred Shares Proceeds as of December 31, 2017			P	<u>1,853,054,645</u>