

# MEGAWIDE CONSTRUCTION CORPORATION

Company's Full Name

2/F Spring Bldg.,  
Arnaiz Ave. cor. P. Burgos St., Pasay City  
Company's Address

655-1111

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17Q

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

1. For the quarterly period ended September 30, 2015
2. SEC Identification Number CS200411461
3. BIR Tax Identification No. 232715069000
4. Exact name of issuer as specified in its charter Megawide Construction Corporation
5. Province, Country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code (SEC Use Only)
7. Address of Principal Office 2/F Spring Bldg. Arnaiz Ave. cor. P. Burgos St., Pasay City, Metro Manila  
Postal Code
8. Issuer's telephone number, (02) 655-1111  
Including area code
9. Former name, former address and fiscal year, if changed since last reporting period Not Applicable
10. Securities registered pursuant to Section 8 and 12 of the SRC, or Section 4 and 8 of the RSA

Title of Each Class	Number of Shares Outstanding	Amount of Debt Outstanding (₱)
Common	2,399,420,199	0
Preferred	40,000,000	0

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

Yes > ¥ @ No > @

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

Philippine Stock Exchange Common and Preferred Stock

12. Indicate by check mark whether the registrant



power projects, these are the 60MW Solar in Toledo, Cebu, 25MW Solar in Silay and 18MW Solar in Bataan. Hence, total order books as of September 30, 2015 is at P30.97 billion.

Meanwhile, the airport operation revenues amounted to P111.0 billion due to increase in passenger traffic and non-aero related revenues. New airline and destination marketing initiatives were identified and rolled out this year to add new routes and capacities for achieving higher traffic growth. Routes added in 2015 include direct domestic flights and direct international flights to Malaysia and Japan. In March next year, the first highly anticipated direct flight from Cebu to the United States will be launched by Philippine Airlines. New airline partners will also begin operations in 2016. The Company introduced



In April 2014, the Philippine Government through the Department of Transportation and Communications and MCAA granted GMCA the rights to expand, operate and maintain the Mactan-Cebu International Airport.

Increase is d

Bataan and Cebu. Billings over costs of these projects also contributed to the increase in this account.

Income tax payable increased by P2 million  
This represents the income tax payable of GMCAC.

Other current liabilities increased by 50% or P31 million  
Increase is due to increase in deferred output VAT of GMCAC. The deferred output VAT is based on revenue and will be due to government upon receipt of collection on trade receivables from customers.

Non-Current liabilities increased by 254% or P12.9 billion

Interest-bearing loans and borrowings non-current increased by 253% or P12.71 million

On December 17, 2014, GMCAC entered into a P20 billion (which at GMCAC's option may be increased up to P23.3 billion) Omnibus Loan and Security Agreement with various banks. GMCAC availed a total of P13 billion in 2015. The proceeds of the loan was used to refinance the bridge facility of BDO 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. Meanwhile, the Parent redeemed P22 million of its equities.

Retirement benefit obligation increased by 25% or P15 million  
Increase is due to accrual of retirement obligation by the Parent Company

Deferred tax liability increased by P135 million  
Deferred tax liability pertains to deferred tax on the amortization of GMCAC's concession asset. For financial reporting purposes, the concession asset is amortized on a straight basis over the useful life of 25 years following the period covered by the Concession Agreement when the infrastructure is ready for use but for tax purposes, the concession asset is amortized based on its useful life. The difference between the tax depreciation and financial depreciation is recognized as deferred tax liability.

Other non-current liability increased by P51 million  
This pertains to concessionaire's rental security deposits to GMCAC, which represents guarantee amounts deposited by concessionaires upon execution of their respective lease agreements entered into with GMCAC. These deposits shall be applied against whatever amounts may be necessary to cover unpaid bills with the remaining amount refundable to the concessionaires at the end of the lease term.

Equity increased by 7% or P1.06 billion  
The increase in Retained earnings by P920 million is a function of P1.1 billion net income of (

For the period in review, the Company recorded consolidated revenues of P10.79 billion the highest in the history of the Company. This is 43% or P3.25 billion higher to the same period 2014. The bulk of the revenue was from its core business construction which reached P9.69 billi





Zen, Ihub 9 and 10 and FCC Cebu, Bhotel, Rockwell Business Tower and the low housing of NHA wherein minimal revenues were recognized and similarly for new projects that just started because physical accomplishments is yet to be realized compared to cost accrued associated to mobilization and preliminary costs. These are projects like Sportsfields Mall, Le Grand BPO Cluster Towers 1 & 2, One Town Square, 89905 Condo & Edsa and Landers Warehouse.

Other current assets increased by 52 or P67 million

The increase is mainly due to restricted cash and cash equivalents by SM-CAC to fund its debt service reserve account and future major maintenance as required by its loan covenant with Omnibus Loan and Security Agreement with various banks. The debt service reserve account requires a fund equivalent to the next payment date's principal and interest value while any fund earmarked for the year's major maintenance cost and expenses are included in the fund.

Investment in subsidiaries and associates increased by 31% or P240 million

The increase represents the Parent Company's equity participation in various joint venture entities set up namely: MWM Terminals Incorporated (the SPV for Southwest Integrated Transport System project) amounting P437 million and Megawide CISPL Constl w 3 0 Td (w 34(r)-2(id

Mall and Office Towers, Proscenium, Le Grand BPO Clusters Tower 1 & 2, 8990 Tondo, Double Dragon and Land Warehouse.

Billings in excess of costs on uncompleted contracts – net increased by 1,584% or P2.44 billion

Increase is essentially due to more revenues raised from projects compared to actual cost accrued for the period such as Double Dragon of DD

The increase in Reported earnings by P920 million is a function of P1.1 billion net income of the Group and P211 million dividends paid on preferred shareholdings. Minority interest increased by P156 million due to the minority's share in net income of GMCAC.

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

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

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

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

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

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

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

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows

The

Net cash used in financing activities	654	14,281
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### Indebtedness

As of September 30, 2015, Megawide has not been in default in paying interests and principal amortizations.

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

### RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Cash and cash equivalents	P	6,056,988,928
Shortterm investments		3,842,505,677
Trade and other receivables excluding advances to suppliers		5,764,476,882
Refundable security deposits		70,442,346
	P	<u>15,734,413,833</u>

(a) Cash and Cash Equivalents and Shortterm Investments

The credit risk for cash and cash equivalents and short investments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings and government bonds which are considered secured. 7.5% of Megawide's contract receivables as September 30, 2015 is due from SMC. Megawide mitigates the concentration of its credit risk by regularly monitoring the age of its receivables from this customer and ensuring that collections are received within the agreed credit period.

(b) Trade and Other Receivables

Contract receivables are usually due within 30 to 60 days and do not bear any interest. Some of the unimpaired trade receivables are past due as at the end of the reporting period. No other financial assets are past due at the end of the reporting period. The trade receivables that are past due but not impaired are as follows:

Not more than 3 months	P	654,819,072
More than 3 months but not more than 4 months		121,488,208
More than 4 months but not more than one year		51,739,579
More than one year		<u>17,061,933</u>
	P	<u>845,108,792</u>

Megawide'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 record with Megawide.

(c) Refundable Security Deposit

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

## Liquidity Risk

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

Megawide maintains cash to meet its liquidity requirements for up to 60 days. Excess cash is invested in time deposits or short marketable securities. 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.

As at September 30, 2015 Megawide's financial liabilities have contractual maturities which are presented below.

	Current	Non-current
Interest bearing loans and borrowings	P 3,446,008,553	P 17,737,933,378
Trade and other payables	<u>2,865,982,210</u>	<u>- -</u>
	<u>P 6,311,990,763</u>	<u>P 17,737,933,378</u>

## Financial Instruments

Megawide categorized its financial instruments as financial asset and financial liabilities. Financial assets and financial liabilities are recognized when Megawide becomes a party to the contractual terms of the financial instrument.





9. Earnings per Share (Parent's Share in Net Income, net of dividends to Preferred Shares Holders/Average Outstanding Shares)
10. Return on Assets (Consolidated Net Income/Total Assets)
11. Return on equity (Parent's Share in Net Income, net of dividends to Preferred Shares Holders/Parent's Equity, net of Preferred Shares)
12. Net Profit Margin (Gross Profit/Total Sales)

## PART II – OTHER INFORMATION

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

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly

caused this report to be signed by the undersigned thereto duly authorized.

**MEGAWIDE CONSTRUCTION CORPORATION**

By:



**MICHAEL C. COSIQUIEN**



**OLIVER Y. TAN**

Date: November 13, 2015

Date: November 13, 2015

	Notes	2015	2014	2015	2014
<b>REVENUES</b>					
Contract revenues	P	9,685,997,919	7,538,069,915	4,708,455,399	2,482,758,414
Airport operation revenues		<u>1,102,979,989</u>	<u>-</u>	<u>379,445,421</u>	<u>-</u>
	16	<u>10,788,977,908</u>	<u>7,538,069,915</u>	<u>5,087,900,820</u>	<u>2,482,758,414</u>
<b>DIRECT COSTS</b>					
Contract costs		8,008,293,688	6,228,257,923	3,863,065,324	2,055,391,864
Airport operation costs		<u>245,172,251</u>	<u>-</u>	<u>119,751,187</u>	<u>-</u>
	17	<u>8,253,465,939</u>	<u>6,228,257,923</u>	<u>3,982,816,511</u>	<u>2,055,391,864</u>
<b>GROSS PROFIT</b>					
		2,535,511,969	1,309,811,992	1,105,084,309	427,366,549
<b>OTHER OPERATING EXPENSES</b>					
	18	<u>535,694,613</u>	<u>319,944,623</u>	<u>173,426,297</u>	<u>129,675,013</u>
<b>OPERATING PROFIT</b>					
		<u>1,999,817,356</u>	<u>989,867,369</u>	<u>931,658,012</u>	<u>297,691,536</u>
<b>OTHER INCOME (CHARGES)</b>					
Finance costs	(	403,253,795	298,880,269	140,157,198	120,143,039
Finance income		88,321,564	60,657,169	33,205,010	15,443,775
Others - net		<u>56,977,803</u>	<u>34,969,171</u>	<u>40,561,209</u>	<u>9,651,337</u>
	(	<u>257,954,428</u>	<u>203,253,929</u>	<u>147,513,397</u>	<u>95,047,927</u>
<b>PROFIT BEFORE TAX</b>					
		1,741,862,928	786,613,440	784,144,615	202,643,609
<b>TAX EXPENSE</b>					
		<u>454,644,931</u>	<u>30,985,282</u>	<u>287,020,431</u>	<u>3,071,576</u>
<b>NET PROFIT</b>					
		<u>1,287,217,997</u>	<u>755,628,158</u>	<u>497,124,184</u>	<u>199,572,033</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
Items that will not be reclassified to profit or loss					
Remeasurements of post-employment		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME</b>					
	P	<u>1,287,217,997</u>	<u>755,628,158</u>	<u>497,124,184</u>	<u>199,572,033</u>
<b>Net Profit Attributable To:</b>					
Shareholders of the Parent Company	P	1,131,526,432	783,975,825	443,522,462	227,919,700
Non-controlling interests		<u>155,691,565</u>	<u>28,347,667</u>	<u>53,601,722</u>	<u>28,347,667</u>
	P	<u>1,287,217,997</u>	<u>755,628,158</u>	<u>497,124,184</u>	<u>199,572,033</u>
<b>Earnings per Share</b>					
Basic and Diluted	P	<u>0.38</u>			

	Notes	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	4	P 6,056,988,928	P 4,431,651,910
Short-term investments			
Trade and other receivables - net	5	5,764,476,882	4,736,100,280
Financial assets at fair value through profit or loss	6	3,842,505,677	3,655,792,390
Construction materials	7	381,940,268	322,460,800
Costs in excess of billings on uncompleted contracts - net	8	3,233,674,271	2,756,116,680
Other assets	10	1,863,565,607	1,226,584,480
Total Current Assets		<u>21,143,151,633</u>	<u>17,128,706,550</u>
NON-CURRENT ASSETS			
Investments in associates	9	1,023,668,128	783,771,880
Concession asset	11	15,441,552,398	15,070,281,290
Property and equipment - net		4,731,517,255	4,713,625,380
Deferred tax assets		81,062,640	11,208,700
Other assets	10	2,578,108,540	1,799,883,070
Total Non-current Assets		<u>23,855,908,961</u>	<u>22,378,770,350</u>
TOTAL ASSETS		<u>P 44,999,060,594</u>	<u>P 39,507,476,900</u>

LIABILITIES AND EQUITY

CURRENT LIABILITIES

Interest-bearing loans and borrowings	13
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Balance at January 1, 2015

Note	Capital Stock	Preferred Stock	Additional Paid-in Capital	Revaluation Reserve	Other Reserves	Retained Earnings	Non-controlling Interests	Total
	P 2,800,126,127	P 40,000,000	8,105,750,6	424,378,206	2,464,036	6,146,616	1,000,000	10,744,414



MEGAWIDE CONSTRUCTION CORPORATION and SUBSIDIARIES  
AGING OF RECEIVABLES  
AS OF SEPTEMBER 30, 2015

PROJECT	Total	Current	0-30 days	31-60 days	61-90 days	91-120 days	121-360 days	Over 360 days
CONSTRUCTION RECEIVABLES	3,328,781,528	2,499,990,582	501,234,113	121,741,463	15,525,650	121,488,208	51,739,579	17,061,933



MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES  
*(A Subsidiary of Citicore Holdings Investment, Inc.)*  
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION  
SEPTEMBER 30, 2015 AND DECEMBER 31 AND

1.2 Subsidiaries and Associates

The Parent Company holds ownership interest in the following subsidiaries and associates (together with the Parent Company collectively hereinafter referred to as "URX") which are all incorporated in the Philippines:

Subsidiaries:

- GMR Megawide Cebu Airport Corporation (GMCAC)
- Megawide Clean Energy Inc. (MCEI)
- Altria East Land, Inc. (Altria)

Associates

- Megawide World Citi Consortium Inc. (MWCCI)
- Citicore Megawide Consortium Inc. (CMCI)
- MWM Terminals Inc. (MWM TI)
- Megawide GISPL Construction Joint Venture (MGCJV)

The Parent Company owns 60% ownership interest in GMCAC. GMCAC was incorporated in the Philippines and registered in the Philippines on January 13, 2014. GMCAC's purpose is to engage in the business of building, rehabilitating, renovating, constructing, developing, operating, and maintaining the Mactan Cebu International Airport (MCIA), including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facilities. GMCAC has started commercial operations on November 1, 2014.

GMCAC was established for the purpose of implementing the provisions of the Concession Agreement that was signed on April 22, 2014 between the Parent Company GMR Infrastructure Limited (GIL) and the Department of Transportation and Communications (DOTC) and Mactan Cebu International Airport Authority (MCIAA). Collectively, the Parent Company, GIL, DOTC 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 MCIAA Project (the Project) located at Mactan Cebu International Airport Passenger Terminal Building, Lapu-Lapu City Cebu.

On September 4, 2014, the Company acquired 70% of the issued and outstanding capital stock of MCEI. MCEI was incorporated to engage in the development of clean or renewable energy sources for power generation including the design, construction and installation, purchase, importation, commissioning, owning, management and operation of relevant machinery, facilities and infrastructure therefor, and the processing and commercialization of its products in its operations. Its registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City.

The Group's acquisition of business

The Group's subsidiaries and associates

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of Preparation of Interim Consolidated Financial Information

#### (a) Statement of Compliance with Philippine Financial Reporting Standards

These interim consolidated financial information have been prepared in accordance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. They do not include all of the information and disclosures required in the annual audited consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as of and for the year ended December 31, 2014. The preparation of interim consolidated financial information in accordance with Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates and assumptions that effect the application of policies and reported values of assets and liabilities, income and expenses. \$ O W K R X J K W K H V H H V W L P D W H V D U H E D V H G R C current events and actions, actual results may ultimately differ from those estimates.

#### (b) Presentation of Interim Consolidated Financial Information

The interim consolidated financial information are presented in accordance with Philippine Accounting Standard (PAS) 1, Presentation of Financial Statements. The Group presents all items of income and expense in a statement of comprehensive income.

#### (c) Functional and Presentation Currency

These interim consolidated financial information are presented in Philippine pesos, the Group's functional and presentation currency. V I X Q F W L R Q D O D Q G S U H V H Q W D W L R Q F X U U H Q F \ I except when otherwise indicated.

Items included in the financial information 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 2015 that are Relevant to the Group

In 2015, the Group adopted for the first time PAS 19 (Amendment Employee Benefits Defined Benefit Plans Employee Contributions) effective from July 1, 2014. The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (e.g., H L W K H U X V L Q J W K H contribution formula or on a straight-line basis) for the gross benefit.



(iv)



Annual Improvements to PFRS (2010 Cycle)

- (a) PAS 16 (Amendment) Property, Plant and Equipment and PAS 38 (Amendment), Intangible Assets. The amendments clarify that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.
- (b) PAS 24 (Amendment) Related Party Disclosures. This amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.
- (c) PFRS 3 (Amendment) Business Combinations Accounting Contingent Consideration in a Business Combination. This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32. It also clarifies that all equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.
- (d) PFRS 13 (Amendment) Fair Value Measurement. The amendment in the basis of conclusion of PFRS 13 clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2013 Cycle)

- (a) PFRS 3 (Amendment) Business Combinations Scope Exceptions for Joint Ventures. It clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11, in the financial statements of the joint arrangement itself.
- (b) PFRS 13 (Amendment) Fair Value Measurement. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope and accounted for in accordance with PAS 39 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

Annual Improvements to PFRS (2012 Cycle)

- (a) PAS 19 (Amendment) Employee Benefits. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

- (b) PAS 34 (Amendment) Interim Financial Reporting: Disclosure of Information  
(OVH ZKHUH LQ WKS RTUW Amendment) clarifies the meaning of  
GLVFORVXUH RI LQIRUPDWLRQD QFOVDH ZKH SR ULVQµ V  
the inclusion of a cross-reference from the interim financial statements to the  
location of this referenced information. The amendment also specifies that this  
information must be available to users of the interim financial statements on the  
same terms as the interim financial statements and at the same time, otherwise  
the interim financial statements will be incomplete.
- (c) PFRS 7 (Amendment) Financial Instruments: Disclosures: Applicability  
Amendments to PFRS 7 to Condensed Interim Financial Statements  
This amendment clarifies that the additional disclosure required by the recent amendments to  
PFRS 7 related to offsetting financial assets and financial liabilities is not  
specifically required for all interim periods. However, the additional disclosure is  
required to be given in condensed interim financial statements that are prepared  
in accordance with PAS 34, Interim Financial Reporting, if its inclusion would  
be necessary in order to meet the general principles of IASB's IFRS for SMEs.
- (d) PFRS 7 (Amendment) Financial Instruments: Disclosures  
The amendment provides additional guidance to help entities identify the circumstances under



### *3.2 Segment Assets and Liabilities*

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

### *3.3 Analysis of Segment Information*

Presented below are the relevant operating segment information about the Company for the periods ended December 31, 2014 and 2013. The Company's operating segments are as follows:

3.4 Reconciliations

3 UHVHQWHG EHZRZ LV D UHFRQFLOLDWLRQ RI WKH \*URX  
 information presented in its 2015 interim consolidated financial information

Profit or loss	
Total segment operating profit	P 1,999,817,356
Finance costs	( 403,253,795)
Finance income	88,321,564
Others <sup>2</sup> net	24,637,627
Elimination of intercompany accounts	<u>32,340,176</u>

Profit before tax as reported in profit or loss P 1,741,862,228

Assets	
Total segment assets	P 48,096,666,228
Deferred tax assets <sup>3</sup> net	81,062,640
Elimination of intercompany accounts	( <u>3,178,662,74</u> )

Total assets as reported in the statement of financial position P 44,999,060,94

Liabilities	
Total segment liabilities	P 28,551,510,037
Deferred tax liabilities	134,637,141
Elimination of intercompany accounts	( <u>173,006,677</u> )

Total liabilities as reported in the statement of financial position P 28,513,140,502

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows

	September 30, 2015 ( Unaudited )	December 31, 2014 ( Audited )
Cash on hand	P 900,733,329	P 9,378,228
Cash in banks		



6. FINANCIAL ASSETS AT FAIR VALUE THROUGH P ROFIT OR LOSS

This account is composed of the following:

September30 2015	December 31, 2014
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September 30,

10. OTHER ASSETS

This account is composed of the following

	Notes	September 30, 2015 ( Unaudited )	December 31, 2014 ( Audited )
<b>Current:</b>			
Advances to suppliers	10.1 P	848,966,944	P 509,117,737
Investment in trust fund	102	662,315,210	-
Input VAT	103	163,766,475	379,256,541
Prepaid insurance		75,566,638	43,756,993
Refundable security and bond deposits		70,442,346	64,909,193
Development costs		13,618,093	2,989,375
Prepaid taxes	10.4	12,631,696	209,424,625
Prepaid subscription		5,580,357	8,928,571
Prepaid rent		5,451,671	4,391,084
Miscellaneous		5,226,177	3,810,364
		<u>1,863,565,067</u>	<u>1,226,584,483</u>
<b>Non-current:</b>			
Deferred input VAT	103	1,722,473,986	1,709,146,968
Advances to suppliers	105	770,788,001	6,354,296
Deposits for condominium units	106	53,977,845	43,693,078
Computer software license	107	29,773,611	39,644,260
AFS financial assets	108	1,044,472	1,044,472
Miscellaneous		50,625	-
		<u>2,578,108,540</u>	<u>1,799,883,074</u>
		<u>P 4,441,674,147</u>	<u>P 3,026,467,557</u>

10.1 Advances to Suppliers

Advances to suppliers pertain to downpayments made by the Group to the suppliers 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 prorated basis or in full once billed by the supplier.

10.2 Investment in trust fund

On November 28, 2014, the BOD authorized GMCAC to establish, maintain and operate trust and investment accounts with BDO Unibank, Trust and Investment Group (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 Security Agreement (OLSA) to ensure the prompt payment of the required amortization, interest and principal of the long term loan.

The OLSA provided that the City Trustee en-U776>7<00B5tm [ ( ) ] TJ ET 31 245.21 71.88 Trm

### *10.3 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 premium. Deferred input VAT arising from purchase of capital goods exceeding P1.0 million is to be amortized and credited against output tax evenly over five years or the life of the asset, whichever is shorter.

### *10.4 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

### *10.5 Advances to supplier<sup>2</sup>non-current*



*10.8 AFS Financial Assets*

\$)6 ILQDQFLDO DVVHWV SHUWDLQ Sub Share Purchase RFX2014/ L Q Y H  
Management assessed that the change in fair value of these investments is insignificant as of September 30, 2015.

11. CONCESSION ASSETS

Concession Agreement refers to the agreement entered into by the Company and GIL with DOTC and MCIAA b

Concession assets include the P14,404.6 million upfront premium paid to the Philippine Government for the airport expansion project.

The Concession Agreement is for a period of 25 years commencing on O&M start date, unless further extended pursuant to the Concession Agreement.

## 12. TRADE AND OTHER PAYABLES

This account consists of the following:

	September 30, 2015 ( Unaudited )	December 31, 2014 ( Audited )
Trade payables	P 1,273,549,583	P 1,063,570,759
Retention payable	776,171,059	683,292,596

13. INTEREST -BEARING LOANS AND BORROWINGS

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

		September 30, 2015	December 31, 2014
	<u>Notes</u>	( <u>Unaudited</u> )	( <u>Audited</u> )
Current:			
Bank loans	13.2	P 3,410,749,295	P 14,798,713,094
Obligations under finance lease	13.3	<u>35,259,285</u>	<u>91,351,491</u>
		<u>3,446,008,553</u>	<u>14,890,064,585</u>
Non-current:			
Notes payable	13.1	17,617,175,746	4,967,267,545
Obligations under finance lease	13.3	<u>120,757,623</u>	<u>57,634,981</u>
		<u>177,379,333,378</u>	<u>5,024,902,526</u>
		<u>P21,183,941,931</u>	<u>P 19,914,967,111</u>

The total unpaid interest from the interest bearing loans and borrowings of September 30, 2015 and December 31, 2014 amounted to P39.90 million and P343.8 million, respectively, and is presented as Interest payable under Trade and Other Payables in the interim consolidated statement of financial position

*131 Notes Payable*

Parent Company

On February 19, 2013, the Parent Company executed a notes facility agreement with a 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 issuance, amounted to P3,957.3 million.

The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation



Foreign currency loan LIBOR plus credit spread.

- f Repayment: The principal amount shall be paid based on the principal repayment schedule as provided in the Schedule V of the Omnibus Agreement. Final repayment date is fifteen (15) years after the initial drawdown.

As security for timely payment of the loan and prompt observance of all provision of the Omnibus Agreement, the following are pledged as collateral on this loan:

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

The first drawdown for the onshore loan was made on May 5, 2015 amounting to P12 million while for the offshore loan was made on May 8, 2015 amounting to US\$4.0 million. The amount of undrawn borrowing facilities that may be available in the future amounting to P7 million and US\$71.0 million for onshore and offshore loan, respectively.

Repayments of the long term debt follow:

2019	0.5%
2020	2.0%
2021	2.5%
2022	7.0%
2023	8.0%
2024	8.0%
2025	9.0%
2026	10.0%
2027	11.0%
2028	6.0%
2029	6.0%
2030	30.0%

The Omnibus and Security Loan Agreement provide certain restrictions and requirements with respect to, among others, maintain and preserve its corporate existence, comply with all of its material obligations under the project arrangements, maintain a Debt-Equity ratio of 70:30, grant loans or make advances and disposal of major property. These restrictions and requirements were complied with by GMCA on September 30, 2015.

Provision in the loan indicates that the borrower shall pay to the lenders, a commitment fee

### 13.2 Bank Loans

On April 8, 2014, GMCAC entered into an Omnibus Loan and Security Agreement with a local bank for a loan facility amounting to P11.3 billion for the purpose of financing the seventy percent payment of upfront fees and its corresponding input VAT. The initial drawdown was made on April 14, 2014 amounting to P10,083.2 million and the second drawdown was made on May 20, 2014 amounting to P1,210.0 million. Both loans are due on April 21, 2015 with interest rate of 3.75% per annum. The direct issue costs, such as underwriting fees and commissions, documentary stamp tax and other expenses associated with the issuance which amounted to P119.8 million, were deducted from the principal amount of the loan. Accordingly, the net proceeds of loans amounted to P11,173.4 million. The direct issue costs will be amortized over the term of the related loans using the effective interest method. As at December 31, 2014, the carrying amount of loans payable amounted to P11,256.4 million.

On April 21, 2015, GMCAC applied for an extension of the maturity date of the loans to May 5, 2015. GMCAC paid all interest already accrued thereon as of April 21, 2015 and an interest accruing thereafter on May 5, 2015.

On May 5, 2015, GMCAC paid all outstanding loans including the related interest from April 21, 2015 amounting to P17.1 million.

In addition, the Group also obtained various bank loans for working capital purposes with total outstanding balance of P3,410.7 million and P3,542.3 million as of September 30, 2015 and December 31, 2014, respectively, representing unsecured short-term loans from local banks. The loans bear fixed annual interest rates ranging from 2.50% to 2.63% in 2015 and 2.50% to 3.00% in 2014. Total interest on these bank loans amounted to P159.4 million and P172.6 million, respectively, and is presented as part of Interest expense from Finance Costs account in the consolidated statements of comprehensive income. The unpaid portion of these interest amounted to P4.4 million and P2.4 million, respectively.

### 13.3 Finance Lease Obligations

The obligations under finance lease have an effective interest rate of 5%. Lease payments are made on a monthly basis. Total interest from these obligations is presented as part of Interest expense from finance lease under Finance Costs account in the consolidated statements of comprehensive income amounting to P5.1 million.

14. ADVANCES FROM CUSTOMERS

Advances from customers ~~relate~~ to the following projects:

	September 30, 2015 ( <u>Unaudited</u> )	December 31, 2014 ( <u>Audited</u> )
Contracts in progress		
Third parties	P 73,859,978	P 842,166,515
Related parties	<u>1,109,452,617</u>	<u>132,022,782</u>
	<u>1,183,312,595</u>	<u>974,189,297</u>
Deposit received prior to commencement of a project		
Third parties	311,454,705	101,026,785

16. REVENUES

*16.1 Contract Revenues*

The details of this account at nine months ended September 30, 2015 and 2014 are composed of the revenues from

September 30 2015	September 30 2014
( Unaudited )	(



17. DIRECT COSTS

*17.1 Contract Costs*

18. OTHER OPERATING EXPENSES

The details of operating expenses are shown below.

	September 30, 2015 ( Unaudited )	September 30, 2014 ( Unaudited )
Salaries and wages	P 239,621,439	P 104,671,980
Outside services	57,430,740	34,672,475
Professional fees	48,919,653	

19. TAXES

19.1 Registration with the BOI

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 new producer of modular housing components/system on a nonpioneer status. Under the terms of the registration, the applicable rights and privileges provided therein 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 five 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, stamp fee on exports of its registered export products for a period of 10 years from June 1, 2011.

19.1 Current and Deferred Taxes

The Parent Company is subject to the minimum corporate income tax (MCIT), which is computed at 2% of gross income less deductions under the tax regulations, or RCIT, whichever is higher. Both GMCAC and MCEI will be subjected to MCIT in 2018.

Income taxes also include final tax paid at the rate of 20% and 7.5%, which represents the final withholding tax on gross interest income from cash in bank and short-term placements

20. EQUITY

20.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2015	2014	2013	2015	2014	2013
Common shares P1 par value						
Authorized	4,930,000,000	4,930,000,000	2,000,000,000	4,930,000,000	4,930,000,000	2,000,000,000
Issued and outstanding:						
Balance at beginning of period	2,399,426,127	1,649,426,127	1,114,100,000	2,399,426,127		

In the meeting of the Parent Company, W % 2 ' KHOG RQ 0D \ DQG RI W  
held on June 30, 2014, the BOD and the stockholders approved the increase in the  
Company V DXWKRULJHG FDSLWDO VWRFN IURP 3 PLOO  
shares to P5,000.0 million divided into 4,930.0 million common shares and 70.0 million  
preferred shares, both with a par value of P1.0 each. Also, on the same respective dates, the  
BOD and the stockholders approved the creation of preferred shares with the features, terms  
and conditions subject to the approval by the SEC. The minimum subscription and  
requirement of the increase shall be issued from the stock dividends to be declared upon  
approval by the SEC of the

### 20.2 Retained Earnings

As of September 30, 2015, the Parent Company's retained earnings exceeded its capital stock. Relative to this, on April 8, 2014, the Board of Directors 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. Further, in connection with the Parent Company's application for increase in authorized capital stock, which was previously approved by the SEC on September 22, 2014,

### 20.3 Non-Controlling Interest

Upon incorporation, the Parent Company acquired 15.0 million shares of GMCAC. The purchase of the shares is part of the Executive Undertake, and the Parent Company will implement the Project in accordance with the concession agreement. The shares acquired represent 60% of the total issued and outstanding shares of GMCAC. The noncontrolling interest representing 38.26% ownership of GMR Infrastructure (Singapore) Pte. Ltd. (GISPL) and 1.74% ownership of GMCAC is presented as part of Noncontrolling Interest account in the consolidated statement of financial position.

On October 8, 2014, the SEC approved the increase in the authorized capital stock of GMCAC to P6,000.0 million divided into 6,000.0 million shares with par value of P1 per share. Out of the P5,975.0 million increase in authorized capital stock, the Parent Company subscribed to P136.5 million and P2,889.0 million on December 9 and 8, 2014, respectively. These additional subscriptions were fully paid by setting off advances made by the Parent Company to GMCAC from its incorporation prior to the subscription. Moreover, on July 30, 2014 and December 18, 2014, the Parent Company also made a deposit amounting to P77.31 million and P77.25 million, respectively, for future stock subscription.

*21.3 Public-Private Partnership (PPP)*

2 Q \$ S U L O W K H 3 D U H Q W & R P S D Q \ H Q W H U H G L Q W R  
forth the terms and conditions governing their participation in the share capital of GMCAC, their rights and obligations as shareholders in relation to GMCAC. The H O M E L G 6 K D U H K R O 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, the 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. 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 following services in compliance with the Concession Agreement:

- 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 that GMCAC may undertake the O&M of the facilities;
- iii. Provide qualified experts, on a permanent or temporary basis; and
- iv. Provide other staff on permanent basis either based on G V O R F D W L R Q R U V H 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.

#### (c) Omnibus Loan and Security Agreement

On December 17, 2011, the Group entered into a P20,000.0 million (which at the Group's option may be increased up to P200.0 million) Omnibus Loan and Security Agreement (the Omnibus Agreement) with various local universal bank lenders. The proceeds of the loan will be used to refinance the bridge facility amounting to P129.2 million which was used to S D U W O \ I L Q D Q F H W K H S D \ P H Q W R I W K H 3 U R M H F W \ V 8 S I U expenditures and other costs in relation to the Project.

The initial draw down from this omnibus loan is set April 2015.

#### 21.4.2 Modernization of the Philippine Orthopedic Center

On March 6, 2014, MWC



## 23. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risk are market risk, credit risk and liquidity risk.

Risk Management is coordinated with the Board of Directors & the Board of Directors in 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 paragraphs.

### 23.1 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 both 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 company advances to and from foreign related parties, which are denominated in US dollars. The Group also holds US dollar-denominated cash.

Exposures to foreign exchange rates vary depending on the volume of foreign currency transactions.

#### (b) Interest Rate Risk

The Group's long-term borrowings are therefore usually made at fixed rates.

The Group is exposed to changes in market rates through its cash and short-term placements which are subject to monthly repricing intervals. All other financial assets and liabilities have fixed rates.

#### (c) Other Price Risk Sensitivity

The Group's financial assets are carried at fair value. 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 intent by the management.

### 23.2 Credit Risk

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

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group

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

	September 30, 2015 ( Unaudited )	December 31, 2014 ( Audited )
Cash and cash equivalents	P 6,056,988,928	P 4,431,651,910
Trade and other receivables net	5,764,476,882	4,736,100,287
Financial assets at FVTPL	3,842,505,677	3,655,792,391
Refundable security and bond deposits	<u>70,442,346</u>	<u>64,909,193</u>
	<u>P 15,734,413,833</u>	<u>P 12,888,453,781</u>

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 as follows:

September

24. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	Notes	September 30, 2015 (Unaudited)		December 31, 2014 (Audited)	
		Carrying Values		Carrying Values	
		Carrying Values	Fair Values	Carrying Values	Fair Values
<i>Financial Assets</i>					
Loans and receivables:					
Cash and cash equivalents	4	P 6,056,988,928	P 6,056,988,928	P 4,431,651,910	P 4,431,651,910
Trade and other receivables	5	5,764,476,882	5,764,476,882	4,765,705,511	4,765,705,511
Refundable security and bond deposits	10	<u>70,442,346</u>	<u>70,442,346</u>	<u>64,909,193</u>	<u>64,909,193</u>
		<u>11,891,908,156</u>	<u>11,891,908,156</u>	<u>9,262,266,614</u>	<u>9,262,266,614</u>
Financial assets at FVTPL					
Short-term commercial papers	6	3,193,694,619	3,193,694,619	2,469,021,162	848,429,676
UITF		<u>648,811,058</u>	<u>648,811,058</u>	<u>1,186,771,229</u>	<u>3,989,886,123</u>
		<u>3,842,505,677</u>	<u>3,842,505,677</u>	<u>3,655,792,391</u>	<u>3,655,792,391</u>
AFS financial assets at cost	10	<u>1,044,472</u>	<u>1,044,472</u>	<u>1,044,472</u>	<u>1,044,472</u>
		<u>P 15,735,458,305</u>	<u>P 15,735,458,305</u>	<u>P 12,919,103,477</u>	<u>P 12,919,103,477</u>
<i>Financial Liabilities</i>					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	13	P 21,183,941,931	P 21,183,941,931	P 19,914,967,111	P 19,914,967,111
Trade and other payables	12	<u>2,865,982,210</u>	<u>2,865,982,210</u>	<u>2,808,372,648</u>	<u>2,808,372,648</u>
		<u>P 24,049,924,141</u>	<u>P 24,049,924,141</u>	<u>P 22,723,339,759</u>	<u>P 22,723,339,759</u>

A description of the Group's financial instruments is provided in Note 23