Cavitex Infrastructure Corp.

Financial Statements
December 31, 2015 and 2014

and

Independent Auditors' Report

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Cavitex Infrastructure Corp.

Report on the Financial Statements

We have audited the accompanying financial statements of Cavitex Infrastructure Corp., which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cavitex Infrastructure Corp. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 27 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Cavitex Infrastructure Corp. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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February 18, 2016

CAVITEX INFRASTRUCTURE CORP.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 25)	**₱304,736,514**	₱382,314,275
Restricted cash (Notes 5, 15 and 25)	**390,593,009**	433,290,740
Receivables (Notes 6, 12, 22 and 25)	**355,753,553**	207,390,159
Prepaid expenses and other current assets (Note 7)	**19,611,425**	20,690,600
Total Current Assets	**1,070,694,501**	1,043,685,774
Noncurrent Assets		
Service concession asset (Note 8)	**7,511,812,266**	7,621,249,427
Investment in preferred shares (Notes 9, 15 and 25)	**3,888,750,000**	4,727,500,000
Property and equipment (Note 10)	**42,811,905**	35,068,273
Advances to contractors (Note 11)	**64,487,310**	65,013,285
Deferred tax assets - net (Note 23)	**–**	75,654,053
Other noncurrent assets (Notes 13 and 25)	**174,895,512**	158,108,291
Total Noncurrent Assets	**11,682,756,993**	12,682,593,329
	₱12,753,451,494	₱13,726,279,103
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses and other current liabilities (Notes 14, 22 and 25)	**₱403,500,455**	₱416,209,972
Retention sum and contractors payable (Notes 11 and 25)	**99,377,245**	98,904,027
Provisions (Notes 16 and 25)	**81,649,775**	11,605,989
Current portion of:		
Obligation to a special purpose entity (Notes 12, 25 and 26)	**1,206,386,435**	881,062,718
Long-term debt (Notes 15, 25 and 26)	**123,963,485**	125,059,485
Income tax payable	**11,404,151**	2,850,591
Total Current Liabilities	**1,926,281,546**	1,535,692,782
Noncurrent Liabilities		
Obligation to a special purpose entity - net of current portion (Notes 12, 25 and 26)	**3,252,099,392**	4,430,118,227
Long-term debt - net of current portion (Notes 15, 25 and 26)	**5,487,175,693**	5,611,139,177
Deferred tax liabilities - net (Note 23)	**91,560,753**	–
Provisions (Note 16)	**91,196,872**	104,553,676
Accrued retirement costs (Note 21)	**1,542,153**	1,564,382
Other noncurrent liabilities (Note 17)	**256,700,000**	256,700,000
Total Noncurrent Liabilities	**9,180,274,863**	10,404,075,462
Total Liabilities	**11,106,556,409**	11,939,768,244
Equity		
Capital stock (Note 18)	**1,228,375,000**	1,228,375,000
Additional paid-in capital	**391,500,000**	391,500,000
Retained earnings	**26,765,825**	166,518,021
Other comprehensive income reserve (Note 18)	**254,260**	117,838
Total Equity	**1,646,895,085**	1,786,510,859
	₱12,753,451,494	₱13,726,279,103

See accompanying Notes to Financial Statements.

CAVITEX INFRASTRUCTURE CORP.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2015	2014
TOLL REVENUES (Notes 12 and 24)	**₱1,237,737,649**	₱1,124,639,519
COST OF SERVICES (Notes 19 and 22)	**(367,540,762)**	(337,416,704)
GROSS PROFIT	**870,196,887**	787,222,815
CONSTRUCTION REVENUE (Note 8)	**21,880,464**	82,127,414
CONSTRUCTION COSTS (Note 8)	**(21,880,464)**	(82,127,414)
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 20 and 22)	**(299,727,796)**	(73,374,631)
INTEREST EXPENSE (Note 15)	**(417,404,495)**	(426,574,049)
INTEREST INCOME (Notes 5 and 6)	**9,819,430**	7,411,653
DIVIDEND INCOME (Note 9)	**355,465,461**	388,108,041
GAIN ON REVERSAL OF PROVISIONS (Note 16)	**–**	118,232,433
FOREIGN EXCHANGE LOSS – net	**(29,800,130)**	(4,294,945)
OTHER CHARGES (Note 12)	**(458,394,054)**	(472,610,135)
OTHER INCOME	**22,257,993**	12,252,298
INCOME BEFORE INCOME TAX	**52,413,296**	336,373,480
PROVISION FOR INCOME TAX (Note 23)	**192,165,492**	105,863,475
NET INCOME (LOSS)	**(139,752,196)**	230,510,005
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gains (losses) on retirement plan (Note 21)	**194,889**	(391,640)
Income tax effect	**(58,467)**	117,492
	136,422	(274,148)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱139,615,774)**	₱230,235,857

See accompanying Notes to Financial Statements.

CAVITEX INFRASTRUCTURE CORP.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Capital Stock (Note 18)	**Additional Paid-in Capital**	**Retained Earnings (Deficit)**	**Other Comprehensive Income (Loss) Reserve** (Note 18)	**Total Equity**
At January 1, 2015	**₱1,228,375,000**	**₱391,500,000**	**₱166,518,021**	**₱117,838**	**₱1,786,510,859**
Net loss	–	–	**(139,752,196)**	–	**(139,752,196)**
Other comprehensive income - net	–	–	–	**136,422**	**136,422**
Total comprehensive income (loss) for the year	–	–	**(139,752,196)**	**136,422**	**(139,615,774)**
At December 31, 2015	**₱1,228,375,000**	**₱391,500,000**	**₱26,765,825**	**₱254,260**	**₱1,646,895,085**
As at January 1, 2014	₱1,228,375,000	₱391,500,000	(₱63,991,984)	₱391,986	₱1,556,275,002
Net income	–	–	230,510,005	–	230,510,005
Other comprehensive loss - net	–	–	–	(274,148)	(274,148)
Total comprehensive income (loss) for the year	–	–	230,510,005	(274,148)	230,235,857
At December 31, 2014	₱1,228,375,000	₱391,500,000	₱166,518,021	₱117,838	₱1,786,510,859

See accompanying Notes to Financial Statements.

CAVITEX INFRASTRUCTURE CORP.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱52,413,296**	₱336,373,480
Adjustments for:		
Other charges (Note 12)	**458,394,054**	472,610,135
Interest expense (Note 15)	**417,404,495**	426,574,049
Dividend income (Note 9)	**(355,465,461)**	(388,108,041)
Depreciation and amortization (Notes 8, 10, 13, 19 and 20)	**147,923,427**	129,726,996
Unrealized foreign exchange loss - net	**28,588,804**	4,485,839
Interest income (Notes 5 and 6)	**(9,819,430)**	(7,411,653)
Gain on reversal of provisions (Note 16)	**–**	(118,232,433)
Gain on disposal of property and equipment	**–**	(441,482)
Operating income before changes in working capital	**739,439,185**	855,576,890
Decrease (increase) in:		
Restricted cash	**42,697,731**	198,784,019
Receivables	**(150,365,240)**	(42,626,439)
Prepaid expenses and other current assets	**46,019**	(11,551,761)
Increase (decrease) in:		
Accrued expenses and other current liabilities	**(13,385,502)**	(53,487,349)
Provisions	**56,686,982**	(31,479,198)
Retention sum and contractors payable	**473,218**	8,167,438
Accrued retirement costs (Note 21)	**172,660**	466,152
Net cash generated from operations	**675,765,053**	923,849,752
Interest and other charges paid	**(839,649,237)**	(784,583,835)
Interest received	**9,819,430**	7,411,653
Income taxes paid	**(13,458,763)**	(10,463,209)
Net cash flows from (used in) operating activities	**(167,523,517)**	136,214,361
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	**355,503,633**	388,101,893
Increase in other noncurrent assets	**(19,564,328)**	(10,625,601)
Decrease in advances to contractors (Note 11)	**525,975**	1,140,129
Additions to:		
Property and equipment (Note 10)	**(21,927,259)**	(18,406,312)
Service concession asset (Note 8)	**(21,880,464)**	(82,127,414)
Computer software (Note 13)	**(113,080)**	(138,966)
Proceeds from:		
Partial redemption of investment in preferred shares (Note 9)	**838,750,000**	610,000,000
Disposal of property and equipment	**468,012**	624,157
Net cash flows from investing activities	**1,131,762,489**	888,567,886

(Forward)

	Years Ended December 31	
	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Obligation to a special purpose entity (Note 12)	**(₱889,316,733)**	(₱643,258,537)
Long-term debt (Note 15)	**(152,500,000)**	(152,500,000)
Advances from related parties (Note 22)	**–**	(3,024,760)
Net cash flows used in financing activities	**(1,041,816,733)**	(798,783,297)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(77,577,761)**	225,998,950
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 5)	**382,314,275**	156,315,325
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱304,736,514**	₱382,314,275

See accompanying Notes to Financial Statements.

1. General Information

Corporate Information
Cavitex Infrastructure Corp. (the Company) was incorporated on October 9, 1995 primarily to undertake the design, construction and financing of the Manila-Cavite Toll Expressway Project (MCTEP or the Project) in accordance with the terms of the concession granted by the Republic of the Philippines (the Grantor) and to receive all revenues arising from the operation thereof. The Company was originally organized to represent United Engineers (Malaysia) Berhad (UEM) and Majlis Amanah Rakyat (MARA), which entered into a Joint Venture Agreement (JVA) with the Philippine Reclamation Authority (PRA, formerly Public Estates Authority or PEA) (see Note 24). On December 15, 1999, Cavitex Holdings, Inc. (CHI) and its major stockholder acquired full ownership of the Company from UEM and assumed the advances made by UEM to the Company.

As further discussed in Note 24, CHI, Metro Pacific Tollways Corporation (MPTC) and the Company executed a Management Letter-Agreement (MLA) on December 27, 2012 for the management of the Company by MPTC starting on January 2, 2013. By virtue of this MLA, MPTC acquired control over the Company and therefore MPTC became its parent company effective January 2, 2013.

MPTC, a Philippine corporation, is 99.9% owned by Metro Pacific Investments Corporation (MPIC). MPIC, a publicly-listed Philippine corporation, is 52.1% and 55.8% owned by Metro Pacific Holdings, Inc. (MPHI) as at December 31, 2015 and 2014, respectively. MPHI is a Philippine corporation whose stockholders are Enterprise Investment Holdings, Inc. (EIH) (60.0%), Intalink B.V. (26.7%) and First Pacific International Limited (FPIL; 13.3% interest). First Pacific Company Limited (FPC), a company incorporated in Bermuda and listed in Hong Kong, through its subsidiaries, Intalink BV and FPIL, holds 40.0% equity interest in EIH and an investment financing, which under Hong Kong Generally Accepted Accounting Principles, require FPC to account for the results and assets and liabilities of EIH and its subsidiaries as part of FPC group of companies in Hong Kong.

The Company's registered address and principal place of business is at the PEA Tollway Compound, Aguinaldo Blvd., Coastal Road, Brgy. San Dionisio, Parañaque City.

Approval and Authorization for Issuance of Financial Statements
The financial statements of the Company as at and for the years ended December 31, 2015 and 2014 were authorized for issuance by the Company's Board of Directors (BOD) on February 18, 2016.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis and are presented in Philippine Peso, which is the Company's presentation and functional currency. All values are rounded to the nearest peso except when otherwise indicated.

The Company elected not to prepare consolidated financial statements under the exemption provided by Philippine Financial Reporting Standards (PFRS) 10, *Consolidated Financial Statements*. MPTC prepares the consolidated financial statements which are in accordance with PFRS and filed the same with the Securities and Exchange Commission (SEC). The consolidated financial statements of MPTC are available at 10th Floor, MGO Building, Legaspi corner Dela Rosa Street, Legaspi Village, Makati City.

Statement of Compliance
The Company's financial statements have been prepared in compliance with PFRS.

3. Summary of Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which were adopted starting January 1, 2015. The standards that have been adopted did not have any significant impact in the Company's financial statements, unless otherwise indicated.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendment).*
- Annual Improvements to PFRS (2010-2012 cycle)
  - PFRS 2, *Share-based Payment – Definition of Vesting Condition.*
  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination.*
  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets.*
  - PAS 16, *Property, Plant and Equipment*, and PAS 38*, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization.*
  - PAS 24, *Related Party Disclosures - Key Management Personnel Services.*
- Annual Improvements to PFRS (2011-2013 cycle)
  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements.*
  - PFRS 13, *Fair Value Measurement - Portfolio Exception.*
  - PAS 40, *Investment Property.*

Standards Issued but not yet Effective
Standards issued but are not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards when they become effective. Except as otherwise indicated, the Company does not expect these standards, amendments and interpretations to have any significant impact on its financial statements.

No Mandatory Effectivity

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate.*

Effective January 1, 2016

- PAS 1*, Presentation of Financial Statements - Disclosure Initiatives (Amendments).*
- PAS 16, *Property, Plant and Equipment*, and PAS 38*, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments).*
- PAS 16, *Property, Plant and Equipment*, and PAS 41*, Agriculture - Bearer Plants (Amendments).*
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments).*
- PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception (Amendments).*
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments).*
- PFRS 14, *Regulatory Deferral Accounts.*
- Annual Improvements to PFRS (2012-2014 cycle)
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal.*
  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts.*
  - PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements.*
  - PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate.*
  - PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'.*

Effective January 1, 2018

- PFRS 9, *Financial Instruments (2014 or final version).* In July 2014, the International Accounting Standards Board (IASB) issued the final version of PFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous version of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The Company is currently assessing the impact of adopting this standard.

The following new standards issued by the International Accounting Standards Board have not yet been adopted by the Securities and Exchange Commission and Financial Reporting Standards Council.

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

- IFRS 16, *Leases*. On January 13, 2016, the IASB issued its new standard, IFRS 16, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

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

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

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

<u>Current versus Non-current Classification</u>
The Company presents assets and liabilities in the statement of financial position based on current/noncurrent classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand and in banks and short-term investments with original maturities of three months or less from date of acquisition and are subject to an insignificant risk of changes in value.

Restricted Cash
Restricted cash pertains to cash in banks restricted for the settlement of the Company's currently maturing long-term debt.

Sinking Fund
Sinking Fund (included as part of "Other noncurrent assets" account in the statement of financial position) pertains to cash in bank, administered by PEA Tollways Corporation (PEATC), set aside to fund major road repairs and re-pavement and for extraordinary costs and expenses needed by the operation but not provided in the annual budget of the Company.

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

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

The principal or the most advantageous market must be accessible by the Company.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

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

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

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

Financial Instruments

Initial Recognition and Measurement
The Company recognizes a financial instrument when it becomes a party to the contractual provisions of the instrument. All financial instruments are initially recognized at fair value, which is the fair value of the considerations given (in case of an asset) or received (in case of liability). Except for financial assets and financial liabilities valued at fair value through profit and loss (FVPL), the initial measurement of financial instruments includes transaction costs. The Company classifies its financial assets in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, available-for-sale (AFS) financial assets and held-to-maturity (HTM) investments. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the instruments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

As at December 31, 2015 and 2014, the Company has no financial assets and financial liabilities at FVPL and HTM investments.

Subsequent Measurement

- Loans and Receivables

  Loans and receivables include non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as other financial assets held for trading, designated as AFS investments or financial assets designated at FVPL.

  After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the EIR. The EIR amortization is included in the "Interest income" account in the statement of comprehensive income. The losses arising from impairment of such receivables are recognized under general and administrative expenses in the statement of comprehensive income.

  The Company's cash and cash equivalents, restricted cash, receivables and sinking fund (included as part of "Other noncurrent assets" account in the statements of financial position) are classified under this category.

- AFS Investments

  AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three categories. AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

  After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized as other comprehensive income (OCI), net of related deferred tax until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in OCI is reclassified to profit or loss. Interest earned on the investments is reported as interest income using the EIR method. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from the reporting date.

  Investments in unquoted equity shares are measured at cost, net of any impairment.

  As at December 31, 2015 and 2014, the Company's AFS investment consists of investment in preferred shares of Cavitex Finance Corporation (CFC).

- Other Financial Liabilities

  Issued financial instruments or their components, which are not designated at FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, financial liabilities not qualified as and not designated as FVPL, are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Transaction costs are amortized over the life of the debt instrument using the EIR method. Transaction costs are netted against the related financial liabilities allocated correspondingly between the current and noncurrent portion.

Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

This category includes accrued expenses and other current liabilities (excluding statutory payables and unearned toll revenues), retention sum and contractors payable, long-term debt and obligation to a special purpose entity (SPE).

'Day 1' Difference
Where the transaction price in a non-active market is different than the fair value from other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of comprehensive income. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

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

<u>Impairment of Financial Assets</u>
An assessment is made at each reporting date as to whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is to be impaired if, and only if, there is objective evidence of impairment as a result of one or more event that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrower is experiencing significant difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- Assets Carried at Amortized Cost

  The Company first assesses whether impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

  The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

  The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of comprehensive income. Interest income (recorded as finance income in the statement of comprehensive income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

  If, in a subsequent period, the amount of the estimated impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed what its amortized cost would have been had the impairment not been recognized at the date the impairment was reversed.

- AFS Financial Assets

  For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

  In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss) is removed from other comprehensive income and recognized in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

  The determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

  In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If in a subsequent year, the fair value of a debt instrument increases and increase can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss, the impairment loss is reversed through profit or loss.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Classification of Financial Instruments between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Derecognition of Financial Instruments

Financial Asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liability
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Service Concession Arrangement
The Company accounts for its concession arrangement under the intangible asset model as it receives the right (license) to charge users of public service.

In addition, the Company recognizes and measures revenue in accordance with PAS 11, *Construction Contracts* and PAS 18, *Revenue*, for the services it performs.

When the Company provides construction or upgrade services, the consideration received or receivable by the Company is recognized at its fair value. The revenue and cost from these services are recognized based on the percentage of completion measured principally on the basis of estimated completion of a physical proportion of the contract works, and by reference to the actual costs incurred to date over the estimated total cost of the project.

The Company also recognizes its contractual obligations to restore the toll roads to a specified level of serviceability in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as the obligations arise which is as a consequence of the use of the toll roads and therefore it is proportional to the number of vehicles using the toll roads and increasing in measurable annual increments.

Service Concession Asset
The service concession asset is recognized initially at the fair value of the construction services. The fair value of the construction services provided is calculated as the estimated total construction cost with no profit margin recognized. Following initial recognition, the service concession asset is carried at cost, which includes capitalized borrowing costs less accumulated amortization and any impairment losses.

Subsequent costs and expenditures related to the toll road infrastructure arising from the Company's commitments to the concession agreements, or that increase future revenues are recognized as additions to the service concession assets and are stated at cost. Repairs and maintenance and other expenses that are routinary in nature are expensed and recognized to the statement of comprehensive income as incurred.

The service concession asset is amortized using the unit-of-production method. The annual amortization of the service concession asset is calculated by applying the ratio of actual traffic volume of the underlying toll expressways compared to the total expected traffic volume of the underlying toll expressways over the respective remaining concession periods to the net carrying value of the assets. The expected traffic volume is estimated by management with reference to the traffic projection reports prepared by independent traffic consultants.

The amortization expense is recognized as "Amortization of service concession asset" under the "Cost of services" account in the statement of comprehensive income.

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

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, non-refundable purchase taxes and any directly attributable cost to bring the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Transportation equipment	3–5 years
Office equipment	3–5 years
Leasehold improvements	3–5 years or the term of the lease, whichever is shorter
Furniture and fixtures	3–5 years
Other equipment	3–5 years

The useful lives and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment and are adjusted prospectively, if appropriate.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment losses are removed from the accounts and any resulting gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is credited to or charged against current operations.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to the statement of comprehensive income.

Other Intangible Assets (Software Costs)

The Company's other intangible assets pertain to various computer software used in administration and operations. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit and loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

Software costs is amortized over the estimated useful life of five years.

Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charges are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Provisions

Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense during the period.

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

When the shares are sold at premium, the difference between the proceeds and the par value shall be credited to an additional paid-in capital account. Direct costs incurred related to the issuance of new capital stock are shown in equity as deduction, net of tax.

Retained Earnings
Retained earnings represents accumulated earnings, net of dividends declared.

Other Comprehensive Income Reserve
Other comprehensive income reserve comprise items of income and expense, including recycling to profit and loss, that are not recognized in the profit or loss as required or permitted by other PFRS.

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits associated with the transaction will flow to the Company and the income can be measured reliably, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and other sales taxes or duties and value-added tax (VAT). The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all arrangements. The following specific recognition criteria must also be met before income is recognized:

Toll Revenues
Revenue is recognized when earned which is based on the Company's proportionate share in the total toll collections, gross of operations and maintenance costs in accordance with the JVA covering the construction and operation of the MCTEP.

Construction Revenue and Costs
Construction revenue and costs are recognized when the Company provides construction or upgrade services in accordance with PAS 11 by reference to the stage of completion of the construction. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as expense immediately.

Dividend Income
Income is recognized when the Company's right to receive the payment is established.

Interest Income
Interests on cash in banks and short-term investments are recognized as it accrues using the EIR method.

Other Income
Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Company through an increase in asset or reduction in liability that can be measured reliably.

Costs and Expenses
Expenses are decreases in economic benefits during the accounting period in the form of outflows

or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants, and are recognized when these are incurred.

Foreign Currency Transactions
The Company determines its own functional currency and items included in the financial statements are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency using the closing exchange rate at reporting date. All differences are taken to the statement of comprehensive income with the exception of differences on foreign currency borrowings that are regarded as adjustments to interest cost and are capitalized as part of the cost of the roads and tollways during the construction period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the closing exchange rate as at the date of initial transaction.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition of the property and equipment or construction of the service concession asset. Capitalization of borrowing costs commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. Other borrowing costs are expensed as incurred.

Borrowing costs include interest charges, amortization of debt issue costs, exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs and other costs incurred in connection with the borrowing of funds, less any interest income earned on the temporary investment of these borrowings.

Retirement Cost
Starting in 2015, the Company has funded defined benefit, non-contributory retirement plan administered by a trustee covering all regular employees. Prior to 2015, the Company's retirement plan is unfunded. The defined benefit liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contribution plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using projected unit credit method.

Retirement cost comprises the following:

- Service cost
- Net interest cost on net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Actuarial valuations are made with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at reporting date.

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

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

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

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

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

Company as Lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

<u>Income Taxes</u>

Current Taxes
Current tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date.

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

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

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

Deferred tax assets and liabilities are measured at the tax rates applicable to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

VAT
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the input tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT payable to the taxation authority is included as part of "Accrued expenses and other current liabilities" account in the statement of financial position.

Contingencies
Contingent liabilities are not recognized but are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates will be reflected in the financial statements as they become reasonably determinable.

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 as at the date of the financial statements. While the Company believes that the assumptions are reasonable and appropriate, actual results could differ from such estimates.

Judgments

a. Service concession arrangement

   In applying Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, the Company determined that the agreements, as discussed in Note 24, qualify under the intangible asset model.

   The amortization of service concession asset is calculated based on the ratio of actual traffic volume of the underlying toll expressways compared to the total expected traffic volume of the underlying toll expressways over the remaining concession periods of the service concession agreements. Adjustments may need to be made to the carrying amounts of service concession asset should there be a material difference between the total expected traffic volume and the actual results.

In 2015, as part of the established policy of the Company, the Company's management has reviewed the total expected traffic volume and made appropriate adjustments. The management of the Company considers that these are calculated by reference to the best estimates of the total expected traffic volumes of the underlying toll expressways. The change in total expected traffic volume was accounted for prospectively. Amortization of service concession asset in 2015 decreased by ₱9.9 million as a result of the change in accounting estimate. In 2014, there was no change in the estimated traffic volume.

The carrying value of service concession asset amounted to ₱7,511.8 million and ₱7,621.2 million as at December 31, 2015 and 2014, respectively (see Note 8).

b. Functional currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Company considers the following:

- the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the selling prices for the Company's services and the currency that influences labor and other costs of providing services.

c. Contingencies

The Company has possible claims from or obligation to other parties from past events and whose existence may only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within its control. Management, in consultation with its legal counsel, has determined that the present obligations with respect to contingent liabilities and claims with respect to contingent assets do not meet the recognition criteria, and therefore has not recorded any such amounts.

Estimates

a. Impairment of receivables

The Company reviews its receivables to assess impairment at least on an annual basis. In determining whether credit loss should be recorded in the statement of comprehensive income, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the receivables.

There was no provision for impairment loss recognized in 2015 and 2014. The carrying values of receivable amounted to ₱355.8 million and ₱207.4 million as at December 31, 2015 and 2014, respectively (see Note 6).

b. Impairment of AFS investments

The Company treats AFS equity investments as impaired when there is evidence of deterioration in the financial health of the investee, industry and sector performance, legal and regulatory framework and other factors that affect the recoverability of the Company's investment. In addition, the Company evaluates other factors, including the future cash flows and the discount factors for unquoted equities.

There was no impairment loss recognized in 2015 and 2014. The carrying values of the Company's investment in unquoted preferred shares amounted to ₱3,888.8 million and ₱4,727.5 million as at December 31, 2015 and 2014, respectively (see Note 9).

c. Impairment of non-financial assets

The Company assesses impairment on non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. The fair value is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable willing parties while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

There was no impairment recognized in 2015 and 2014. The carrying values of the Company's non-financial assets as at December 31, 2015 and 2014 are as follows:

	2015	2014
Service concession asset (see Note 8)	**₱7,511,812,266**	₱7,621,249,427
Property and equipment (see Note 10)	**42,811,905**	35,068,273
Advances to contractors (see Note 11)	**64,487,310**	65,013,285
Computer software* (see Note 13)	**3,834,560**	6,611,667
Others* (see Note 13)	**13,970,271**	8,908,253

**Included as part of "Other noncurrent assets" account in the statements of financial position.*

d. Estimated useful lives

The useful life of each of the Company's item of property and equipment and computer software is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and 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 asset. 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. A reduction in the estimated useful life of any item of property and equipment and computer software would increase the recorded depreciation and amortization expense and decrease the carrying value of service concession asset, property and equipment and computer software.

There was no change in the estimated useful lives of property and equipment and computer software in 2015 and 2014. The carrying values of the property and equipment and computer software as at December 31, 2015 and 2014 are as follows:

	2015	2014
Property and equipment (see Note 10)	**₱42,811,905**	₱35,068,273
Computer software* (see Note 13)	**3,834,560**	6,611,667

**Included as part of "Other noncurrent assets" account in the statements of financial position.*

e. Recognition of deferred tax assets

The carrying amounts of deferred tax assets at each reporting date are reviewed and are reduced to the extent that there is no longer sufficient future taxable income available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets amounted to ₱117.8 million and ₱260.5 million as at December 31, 2015 and 2014, respectively (see Note 23).

f. Present value of retirement liability

The determination of obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used by an actuary in calculating such amounts. Those assumptions are described in Note 21 and include, among others, discount rates and salary increase rates.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the cost of employee benefits and related obligations.

Retirement cost charged to profit or loss amounted to ₱0.9 million and ₱0.5 million in 2015 and 2014, respectively. Remeasurement gain (loss), net of tax, charged to OCI amounted to ₱0.1 million and (₱0.3 million) in 2015 and 2014, respectively. Accrued retirement costs amounted to ₱1.5 million and ₱1.6 million as at December 31, 2015 and 2014, respectively (see Note 21).

g. Provisions

The Company recognizes provisions based on estimates on whether it is probable that an outflow of resources will be required to settle an obligation. Where the final outcome of these matters is different from the amounts that were initially recognized, such differences will impact the financial performance in the current period which such determination is made.

The provisions for heavy maintenance requires an estimation of the periodic cost, generally estimated to be every five years to seven years or the expected major repair dates, to restore the assets to a level of serviceability during the concession term and in good condition before the turnover to the Philippine Government. This is based on the best estimate of management to be the amount expected to be incurred to settle the obligation at every major repair dates discounted using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the liability.

Provisions (current and noncurrent) amounted to ₱172.8 million and ₱116.2 million as at December 31, 2015 and 2014, respectively (see Note 16).

5. Cash and Cash Equivalents and Restricted Cash

Cash and Cash Equivalents
This account consists of:

	2015	2014
Cash on hand	**₱530,000**	₱510,000
Cash in banks	**13,187,273**	6,106,461
Short-term investments	**291,019,241**	375,697,814
	₱304,736,514	₱382,314,275

Cash in banks earn annual interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term investment rates.

Restricted Cash
Revenue and debt service reserve accounts amounted to ₱390.6 million and ₱433.3 million as at December 31, 2015 and 2014, respectively, are established and maintained solely for debt servicing of the Company's long-term debt. The revenue and debt service reserve accounts also form part of the securities for the Company's long-term debt (see Note 15).

Interest earned from cash and cash equivalents and restricted cash amounted to ₱8.1 million and ₱5.8 million in 2015 and 2014, respectively.

6. Receivables

This account consists of:

	2015	2014
Receivable from an SPE (see Note 12)	**₱340,206,743**	₱192,156,761
Dividend receivable (see Note 9)	**6,184,080**	6,222,252
Other receivables (see Note 22)	**9,362,730**	9,011,146
	₱355,753,553	₱207,390,159

Receivable from an SPE pertains to the balances of Transaction Accounts as discussed in Note 12. Interest earned from the Transaction Accounts amounted to ₱1.7 million and ₱1.6 million in 2015 and 2014, respectively.

Dividend receivable is noninterest-bearing and is generally collectible within three months from the date of declaration.

Other receivables are noninterest-bearing and are collectible within one year.

In 2014, the Company wrote-off other receivables amounting to ₱37,593.

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2015	2014
Prepaid insurance	**₱9,281,301**	₱9,243,454
Advances to suppliers	**5,909,287**	8,766,468
Inventories	**4,058,748**	2,389,166
Security deposit	**362,089**	291,512
	₱19,611,425	₱20,690,600

8. Service Concession Asset

The movements in this account follow:

	2015	2014
Cost:		
Balance at beginning of year	**₱8,629,127,498**	₱8,547,000,084
Additions	**21,880,464**	82,127,414
Balance at end of year	**8,651,007,962**	8,629,127,498
Accumulated amortization:		
Balance at beginning of year	**1,007,878,071**	891,743,446
Amortization (see Note 19)	**131,317,625**	116,134,625
Balance at end of year	**1,139,195,696**	1,007,878,071
Net book value	**₱7,511,812,266**	₱7,621,249,427

Additions in 2015 and 2014 pertain to the civil works construction of the Modified Zapote Interchange, which forms part of Segment 4 or R-1 Expressway Extension and Toll Collection System Migration, which forms part of Segment 1 or R1 Expressway.

The concession terms for R-1 Expressway and R-1 Expressway Extension are until May 23, 2033 and April 30, 2046, respectively. As at December 31, 2015, the remaining concession terms for R-1 Expressway and R-1 Expressway Extension are 18 years and 30 years, respectively.

9. Investment in Preferred Shares

Movements in this account follow:

	2015	2014
Balance at beginning of year	**₱4,727,500,000**	₱5,337,500,000
Redemption	**(838,750,000)**	(610,000,000)
Balance at end of year	**₱3,888,750,000**	₱4,727,500,000

In April 2012, the Company acquired 40,000 preferred shares of CFC amounting to ₱6,100.0 million. CFC is an unrestricted company incorporated in Cayman Islands. CFC's ordinary voting shares are held by Goldbow Investment Ltd. (Goldbow), an unrelated party based in Hong Kong.

The preferred shares are non-voting and have rights to participate on a pari passu basis with the ordinary voting shares in winding-up or repayment of capital. The preferred shares have the rights to dividends subject to CFC's BOD declaration while the ordinary voting shares have no rights to dividends. The preferred shares also have the rights to participate in the profits or assets of CFC while the ordinary voting shares will have no other right to participate in the profits or assets of CFC.

CFC has the right to repurchase at any time any preferred shares held by the Company at a repurchase price which will be determined by CFC's BOD.

The Company earned dividend income amounting to ₱355.5 million and ₱388.1 million in 2015 and 2014, respectively. Dividend receivable from CFC amounted to ₱6.2 million as at December 31, 2015 and 2014 (see Note 6).

10. Property and Equipment

The composition of and movements in property and equipment follow:

	2015					
	Transportation Equipment	**Office Equipment**	**Leasehold Improvements**	**Furniture and Fixtures**	**Other Equipment***	**Total**
Cost						
Balances at beginning of year	**₱21,023,127**	**₱14,265,474**	**₱2,774,666**	**₱4,696,485**	**₱40,968,634**	**₱83,728,386**
Additions	**5,507,729**	**4,242,069**	–	**510,842**	**11,666,619**	**21,927,259**
Disposals	**(705,810)**	–	–	–	–	**(705,810)**
Balances at end of year	**25,825,046**	**18,507,543**	**2,774,666**	**5,207,327**	**52,635,253**	**104,949,835**
Accumulated Depreciation						
Balances at beginning of year	**9,709,577**	**10,553,445**	**2,770,239**	**3,129,038**	**22,497,814**	**48,660,113**
Depreciation (see Notes 19 and 20)	**4,181,003**	**1,925,016**	**4,397**	**840,018**	**6,765,181**	**13,715,615**
Disposals	**(237,798)**	–	–	–	–	**(237,798)**
Balances at end of year	**13,652,782**	**12,478,461**	**2,774,636**	**3,969,056**	**29,262,995**	**62,137,930**
Net Book Value	**₱12,172,264**	**₱6,029,082**	**₱30**	**₱1,238,271**	**₱23,372,258**	**₱42,811,905**

** Other equipment includes R-1 toll facilities, tools & engineering equipment and other fixed assets.*

	2014					
	Transportation Equipment	Office Equipment	Leasehold Improvements	Furniture and Fixtures	Other Equipment*	Total
Cost						
Balances at beginning of year	₱17,961,017	₱12,643,902	₱2,774,666	₱4,013,721	₱31,102,975	₱68,496,281
Additions	5,636,091	1,621,572	–	688,211	10,460,438	18,406,312
Disposals	(2,573,981)	–	–	(5,447)	(594,779)	(3,174,207)
Balances at end of year	21,023,127	14,265,474	2,774,666	4,696,485	40,968,634	83,728,386
Accumulated Depreciation						
Balances at beginning of year	9,121,811	8,933,401	2,765,844	2,447,107	17,851,832	41,119,995
Depreciation (see Notes 19 and 20)	3,031,682	1,620,044	4,395	682,204	5,193,325	10,531,650
Disposals	(2,443,916)	–	–	(273)	(547,343)	(2,991,532)
Balances at end of year	9,709,577	10,553,445	2,770,239	3,129,038	22,497,814	48,660,113
Net Book Value	₱11,313,550	₱3,712,029	₱4,427	₱1,567,447	₱18,470,820	₱35,068,273

** Other equipment includes R-1 toll facilities, tools & engineering equipment and other fixed assets.*

As at December 31, 2015 and 2014, the cost of fully depreciated property and equipment still in use amounted to ₱36.5 million and ₱25.1 million, respectively.

There were no idle property and equipment as at December 31, 2015 and 2014.

11. Advances to Contractors and Retention Sum and Contractors Payable

Advances to Contractors
Advances to contractors mainly pertain to mobilization fees of the project contractors to facilitate the construction works along R-1 Expressway Extension and C-5 Link Expressway. These advances are reclassified to service concession asset upon settlement of the progress billing depending on the percentage of completion.

	2015	2014
Advances to contractors:		
R-1 expressway extension	**₱119,612,687**	₱120,332,858
C-5 link expressway	**194,196**	–
	119,806,883	120,332,858
Allowance for impairment loss	**55,319,573**	55,319,573
	₱64,487,310	₱65,013,285

Retention Sum and Contractors Payable
Retention sum represents a portion of the amount of contractors payable not yet settled by the Company pending results of discussion and reconciliation with the contractors. Contractors payable pertains to unpaid progress billings from various contractors in the construction of the R-1 Expressway Extension.

	2015	2014
Retention sum	**₱62,817,566**	₱62,344,347
Contractors payable	**36,559,679**	36,559,680
	₱99,377,245	₱98,904,027

12. Receivable from an SPE and Obligation to an SPE

In 2010, the Company entered into an agreement with Manila Cavite Toll Road Finance Company (MCFC or the SPE) for the sale of its right to the future toll collections of the toll road over a certain period to the SPE. The SPE is an exempted company incorporated under the laws of the Cayman Islands, established as a single purpose entity mainly to raise money from the public which will in turn be used to acquire the Company's right to future toll collections.

The Company does not hold any ownership interest over MCFC, however, in substance the Company retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities. Relative to this, transactions of the SPE was recognized in the financial statements of the Company such as but not limited to:

Receivable from an SPE
This mainly pertains to the balances of the Transaction Accounts, discussed further below, as reflected in the financial statements of the SPE. The toll collections remitted by the Company and deposited into the accounts of the SPE are recognized as "Receivable from an SPE" under "Receivables" account in the statement of financial position (see Note 6).

Obligation to an SPE
This pertains to the reciprocal account between the Company and the SPE mainly representing the proceeds received by the Company from the issuance of the US$160.0 million 12.0% Series 2010-1 Notes with principal and interest payable in a quarterly amortization until

September 2022 (Series 2010-1 Notes) and ₱6,100.0 million Series 2012-1 Notes with principal and interest payable in a quarterly amortization until March 2019.

The amortized cost of the Obligation to an SPE as presented in the statement of financial position represents the following:

	2015	2014
Series 2012-1 Notes	**₱3,888,750,000**	₱4,727,500,000
Series 2010-1 Notes	**600,867,736**	620,308,512
	4,489,617,736	5,347,808,512
Less unamortized transaction costs	**31,131,909**	36,627,567
	4,458,485,827	5,311,180,945
Less current portion - net of unamortized transaction costs of ₱6,932,980 and ₱6,750,096 in 2015 and 2014, respectively	**1,206,386,435**	881,062,718
	₱3,252,099,392	₱4,430,118,227

Issuance of Series 2010-1 Notes
On August 27, 2010, the SPE issued the Series 2010-1 Notes. The terms of the Series 2010-1 Notes are as follows:

- The principal amount is US$160.0 million with a coupon rate of 12.0%. Interest on the Series 2010-1 Notes will be payable quarterly in arrears, on the 15th day of each March, June, September and December, or if any such day is not a Business Day, on the next succeeding Business Day (each, a Payment Date), commencing December 15, 2010.

- Principal payments (Scheduled Principal Amounts) will be made quarterly in accordance with the amortization schedule for the Series 2010-1 Notes, commencing on the March 2013 Payment Date. Unless redeemed, repurchased or amortized prior thereto, the final payment on the Series 2010-1 Notes is expected to be made on the September 2022 Payment Date.

- The Series 2010-1 Notes is subject to mandatory redemption upon the occurrence of any of the repurchase events at the redemption price of the sum in US dollars of (a) the Principal Balance of such Series 2010-1 Notes, (b) all accrued and unpaid interest on such Series 2010-1 Notes (if any) on such redeemed principal amount to but excluding the date set for redemption (the Redemption Date), (c) all unpaid additional amounts with respect to such Series 2010-1 Notes.

  The Notes shall also be subject to redemption if (i) the Company or CHI undergoes a change in control and (ii) such change in control results in a withdrawal or downgrade of a rating.

  The Notes can also be redeemed upon instruction by the Company to the SPE, in whole or in part, at a price equal to the Series 2010-1 Redemption Price which is equal to the sum of (a) the Principal Balance of the Notes (b) all accrued and unpaid interest (c) all unpaid Additional Amounts with respect to the Series 2010-1 Notes and (d) the Series 2010-1 Make Whole Premium determined as the amount as of determination date to be equal to the (i) the present value (compounded on a quarterly basis) to such date of the expected future principal and interest cash flows from such Notes being redeemed, discounted at a per annum rate equal to the then-current bid side yield (as most recently published in the New York edition of The Wall Street Journal on the U.S. Treasury Note having a maturity date closest to the remaining weighted average life on such Notes calculated at the time of prepayment), plus 0.75% per annum, minus (ii) the aggregate principal amount of such Notes (or portion thereof) to be redeemed on such date. Any redemption of less than the full Principal Balance of the Series

2010-1 Notes will be applied to each remaining Series 2010-1 Scheduled Principal Amount, on a pro-rata basis, and the Series 2010-1 Make Whole Premium will be applied after taking this into consideration.

Pursuant to the issuance of the Series 2010-1 Notes, the SPE, the Company and the Indenture Trustee appointed by the SPE entered into an Indenture Supplement Agreement wherein:

- The net proceeds from the issuance of the Series 2010-1 Notes will be used by the SPE to pay the Company as part of the purchase payment of the Transferred Assets. The Company will in turn apply such payment in the following approximate amounts:

    - to repay existing bank financings (US$55.0 million);
    - to fund the Construction Cost Account (US$46.4 million);
    - to fund the Series 2010-1 Debt Service Reserve Account (US$45.7 million);
    - to fund the Operations and Maintenance Account (US$3.4 million); and
    - to fund the Major Maintenance Reserve Account (US$1.4 million).

  "Transferred Assets" collectively refer to the Concession Collections and the Contract Rights. Concession collections shall mean the portion of the Company's rights to receive the monetary payments under the Concession Agreements to the extent relating to R-1 Expressway and R-1 Expressway Extension. Contract Rights shall mean the rights under all contracts other than the Concession Agreements such as Performance Bonds, Insurance Policies and contracts with Sub-contractors.

- The Indenture Trustee shall establish a collections account to where the tolls purchased by the SPE from the Company shall be deposited. The Indenture Trustee shall have the sole and exclusive dominion and control and sole and exclusive right of withdrawal over the collections account. The amounts deposited to the collections account shall be allocated according to payment priorities set forth as the Collections Account Waterfall or the Priority of Payments. The Priority of Payments includes fees and expenses of the Indenture Trustee, fees and expenses of the Servicer and deposits into the Operations and Maintenance Account and the Major Maintenance and Reserve Account. The Collections Account Waterfall involve the establishment of several sub-accounts namely the Operations and Maintenance Account, the Major Maintenance Reserve Account, the Cash Trapping Event Reserve Account, the Construction Cost Account, the Coverage Reserve Account, the Series 2010-1 Debt Service Reserve Account, collectively referred to as the Transaction Accounts.

- Upon the event of default by the SPE on the Series 2010-1 Notes, the outstanding amount of the Series 2010-1 Notes (including accrued interest) will be payable by the Company.

As discussed above, the proceeds from the issuance of the Series 2010-1 Notes were used by the SPE to finance the acquisition of the future toll collections from the Company.

On August 27, 2010, the Company entered into a Transfer Agreement with the SPE with the following terms:

- The Company agreed to sell to the SPE, without recourse, all of its right, title and interest in and to (but none of its obligations under) all of the Transferred Assets existing on August 27, 2010 or generated at any time hereafter through and including the Sale Termination Date.

The Sale Termination is described as the date on which all amounts payable under the Transaction Documents by the Company and/or the SPE have been paid in full (whether as a result of the payment of the Repurchase Price or otherwise).

The Transaction Documents consist of (a) the Indenture, the Series 2010-1 Indenture Supplement, the Transfer Agreement, the Servicing Agreement, the Support Agreement, the Series 2010-1 Notes, the Share Pledge Agreement, and the Series 2010-1 Hedge Agreement (collectively "the Finance Documents") and (b) the Concession Agreements.

- The Purchase Payment shall consist of the sum of (a) the Forward Payments and (b) the Deferred Payments.

  The Forward Payments shall mean the net proceeds of the issuance of the Series 2010-1 Notes.

  The SPE shall also pay to the Company any Deferred Payments. Deferred Payments shall be payable in accordance with the provisions of the Indenture and the respective Indenture Supplement in immediately available funds.

  "Deferred Payments" shall also pertain to all amounts paid to the Company determined to be in excess of the amount required to be deposited in the Transaction Accounts.

- The SPE shall have no right, title interest in, lien on, preference, privilege or priority whatsoever with respect to the assets of or revenues of the Company, any obligations of the Company arising under the Finance Documents shall constitute unsecured obligations of the Company.

- The Company's obligations under the Concession Agreements to the TRB and the PRA shall not be changed as a result of entering into the Transfer Agreement or the Servicing Agreement.

The Company also entered into the following agreements with the SPE:

1. The Servicing Agreement which sets out that the Company will continue to service, administer and collect the toll collections on behalf of the SPE;

2. The Support Agreement which mainly provides that the Company agreed to repurchase the Transferred Assets for the Repurchase Price of the Series 2010-1 Notes upon the occurrence of any of the Repurchase Events; and

3. Share Pledge Agreement where CHI pledged the shares of the Company to the SPE.

On April 16, 2012, the SPE and the Company entered into a Transfer Agreement Confirmation where both parties confirmed that (a) the receipt by the Company of the Forward Payment on the Closing Date should be considered, including for accounting purposes, as "deposits" by the SPE and not as "payment", and (b) the Company, since August 27, 2010, has been and will be entitled to payment arising from the sale of the Transferred Assets to the SPE, including for accounting purposes, only and as when the Concession Collections are generated and realized. The foregoing is not intended to affect the true sale of the Transferred Assets as provided by in the Transfer Agreement.

Issuance of Series 2012-1 Notes and Refinancing of Series 2010-1 Notes
In March 2012, CFC made a tender offer to purchase all of the outstanding Series 2010-1 Notes amounting to $160.0 million as at March 2012 to be paid on April 16, 2012 (the Settlement Date). Noteholders holding US$143.1 million tendered their Notes in April 2012. CFC paid $127.9 million out of the tendered notes which was based on the outstanding principal balance of the Series 2010-1 Notes after giving effect to amounts paid to Noteholders on the settlement date as result of it also being an early amortization payment date. Portion of the tendered Series 2010-1 Notes amounting to $15.2 million was paid by the Company as a result of the declaration of the early amortization event since the Company was not able to meet the required debt service coverage ratio as at March 15, 2012. The Company also paid $1.8 million to those who have not tendered the Series 2010-1 Notes. As at April 16, 2012, total principal amount paid on the Series 2010-1 Notes was $144.9 million.

In April 2012, the SPE issued the ₱6,100.0 million Series 2012-1 Notes to CFC in exchange for the portion of the Series 2010-1 Notes held by the latter. These Series 2010-1 Notes were subsequently retired by the SPE. The net proceeds from the issuance of the Series 2012-1 Notes were used by the SPE to pay the Company as part of the Purchase Payment for the Transferred Assets.

As a result of the transaction above, the Company derecognized its obligation to an SPE relating to the tendered Series 2010-1 Notes and recorded a new obligation to an SPE for the peso-denominated Series 2012-1 Notes.

The terms of Series 2012-1 Notes are as follows:

- Floating interest rate per annum equal to the higher of (i) the sum of the prevailing PDST-F bid yield for 3-month treasury securities and 3.5% or (ii) the sum of the BSP Overnight Reverse Repurchase Rate and 3.5%. Interest on the Series 2012-1 Notes will be payable quarterly in arrears commencing on the June 2012 payment date.

- Principal repayments are set quarterly starting June 2012 until March 2019.

- The net proceeds from the sale of the Series 2012-1 Notes, after deducting fees and expenses of the issuance of the Series 2012-1 Notes, will be used by the SPE to pay the Company as part of the purchase payment for the Transferred Assets which in turn the Company will use to fund reserve accounts herein and repurchase any and all outstanding Series 2010-1 Notes.

- Upon instruction by the Company, the SPE may redeem the Series 2012-1 Notes, in whole or in part, at a price equal to the Series 2012-1 redemption price. Minimum amount of any partial redemption shall be ₱100.0 million and any excess shall be in integral multiples of ₱10.0 million. The redemption shall not be subject to any premium, unless redemption is made within April 16, 2014 to April 15, 2016, in which case a premium equal to 1% to 2% of the redeemed principal will be payable.

- Upon the Series 2012-1 Notes being declared to be immediately due and payable as a result of a repurchase event, the Company will be obligated to pay the SPE the repurchase price, the proceeds of which will be used by the SPE to redeem the Series 2012-1 Notes and all other series of notes from the Noteholders.

- The Series 2012-1 Notes shall also be subject to redemption if the Company or CHI undergoes a change in control. The Company is then required to purchase the Series 2012-1 Notes for an amount equal to the sum of (a) the Series 2012-1 Notes redemption price on the redemption date and (b) a premium of 1% of the Series 2012-1 Notes balance immediately prior to the redemption date.

Interest and other finance charges on obligation to an SPE which is recorded as part of "Other charges" account in the statement of comprehensive income amounted to ₱454.8 million and ₱472.3 million for the years ended December 31, 2015 and 2014, respectively.

Securities for the Series 2010-1 and Series 2012-1 Notes
The Series 2010-1 and Series 2012-1 Notes will be secured by the rights and interest of the SPE over the following:

a. Pledge over all Transaction Accounts

   The Transaction Accounts mainly consist of the O&M Account, Major Maintenance Reserve Account, Cash Trapping Event Reserve Account, Construction Cost Account, Coverage Reserve Account and Series Notes Debt Service Reserve Account.

   If a balance remains in the Transaction Accounts after all the Series 2010-1 and Series 2012-1 Notes have been paid in full, then such balance will become immediately payable to the Company as Deferred Payment.

b. SPE's rights to receive the monetary payments under the Concession agreements and all other agreements to the extent relating to the R-1 portion of the toll road.

c. Pledge of the shares of the Company as owned by CHI.

Repayments of the undiscounted obligation to an SPE outstanding as at December 31, 2015 are scheduled as follows:

Within one year	₱1,213,319,415
More than one year but less than five years	3,097,335,115
More than five years	178,963,206
	₱4,489,617,736

13. **Other Noncurrent Assets**

This account consists of:

	2015	2014
Sinking fund (see Note 16)	**₱157,090,681**	₱139,090,681
Computer software	**3,834,560**	6,611,667
Security deposit	**3,580,500**	3,580,500
Reimbursement right - retirement	**2,284,226**	2,284,226
Input VAT	–	3,497,690
Other noncurrent assets	**8,105,545**	3,043,527
	₱174,895,512	₱158,108,291

The sinking fund was established to finance the future major road repairs, re-pavements and other extraordinary costs and expenses of the R-1 Expressway. Monthly fund contributions amounted to ₱1.5 million as agreed under the O&M Agreement (see Note 24).

Input VAT pertains to VAT paid in the acquisition of goods and services as required under Philippine taxation laws and regulations which is stated at its estimated net realizable value.

Reimbursement right - retirement pertains to the pre-termination values from a group pension plan purchased by the Company for some of its regular employees. The proceeds from the pension plan shall form part of the settlement of the Company's retirement liability. The premium contributions are payable semi-annually over 5 to 10 years at a fixed amount as determined at the time the pension plan was purchased.

The movement of computer software follows:

	2015	2014
Cost:		
Balance at beginning of year	**₱16,597,652**	₱16,458,686
Additions	**113,080**	138,966
Balance at end of year	**16,710,732**	16,597,652
Accumulated amortization:		
Balance at beginning of year	**9,985,985**	6,925,264
Amortization (see Note 20)	**2,890,187**	3,060,721
Balance at end of year	**12,876,172**	9,985,985
Net book value	**₱3,834,560**	₱6,611,667

14. **Accrued Expenses and Other Current Liabilities**

This account consists of:

	2015	2014
Accounts payable (see Note 22)	**₱41,732,127**	₱39,459,211
Payable to CHI	**163,428,840**	163,467,012
Withholding tax payable	**14,186,688**	3,844,260
Output VAT payable	**10,809,831**	12,637,930
Accrued expenses:		
Accrued interest payable	**83,494,178**	85,635,767
MCTE expenses	**18,977,095**	15,005,399
Repairs and maintenance	**17,253,192**	2,841,696
Professional fees	**11,834,055**	6,814,945
Accrued other charges	**3,112,062**	27,432,122
Outside services (see Note 22)	**2,947,399**	1,432,765
Loan transaction costs	**2,824,285**	9,968,946
Construction costs (see Note 22)	**2,755,603**	11,631,245
Salaries and employee benefits	**389,833**	193,141
Others (see Note 22)	**6,283,297**	6,746,425
Unearned toll revenue	**8,313,392**	10,088,336
Other payables	**15,158,578**	19,010,772
	₱403,500,455	₱416,209,972

Accounts payable, output VAT payable and withholding tax payable are noninterest-bearing and are normally settled within 30 days.

Payable to CHI relates to noninterest-bearing advances obtained by the Company in 2012 for its debt service requirements. The amount is due and demandable.

Accrued expenses are noninterest-bearing and are generally payable within one month. Accrued interest payable and accrued other charges are generally settled within three months.

Unearned toll revenue pertains to advance collection from motorists to be applied to toll revenues once utilized by motorists.

15. **Long-term Debt**

This account consists of:

	2015	2014
Principal - Loan facility	**₱5,795,000,000**	₱5,947,500,000
Less unamortized debt issue costs	**183,860,822**	211,301,338
	5,611,139,178	5,736,198,662
Less current portion of long-term debt - net of unamortized costs of ₱28,536,515 in 2015 and ₱27,440,515 in 2014	**123,963,485**	125,059,485
	₱5,487,175,693	₱5,611,139,177

On April 11, 2012, the Company entered into an Omnibus Agreement with CFC, Goldbow, RCBC Capital Corporation, BDO Capital and Investments Corporation, BDO Unibank, Inc. (BDO) and Rizal Commercial Banking Corporation (RCBC) to enter into a ₱6.1 billion loan to finance the ₱6.1 billion investment in CFC's preferred shares. CFC then used the amount to partially finance the tender and redemption of Series 2010-1 Notes as discussed in Note 12.

The loan, which is subject to quarterly principal amortizations from July 2012 to April 2019, bears annual floating interest equal to the higher of: (i) three-month PDST-F plus 3.5% spread and (ii) BSP Overnight Reverse Repurchase rate plus 3.5% spread.

Under the Omnibus Agreement, the Company shall provide collateral security, which shall consist of the mortgage on the Company's investment in 40,000 preferred shares of CFC (see Note 9), pledge of the Series 2012-1 bonds held by CFC, assignment of the revenue and debt service reserve accounts (see Note 6) and pledge of the 5,000 ordinary voting shares of CFC held and owned by Goldbow.

On December 16, 2013, the Company entered into an Amended and Restated Omnibus Agreement with CFC, Goldbow, RCBC Capital Corporation, BDO Capital and Investments Corporation, BDO and RCBC for a ₱6.1 billion loan for the main purpose of refinancing the Company's existing loan and other obligations under the existing Omnibus Agreement (as discussed above). The loan is subject to quarterly principal amortizations starting from January 13, 2014 to December 26, 2023. Interest rate (a) during the period from December 26, 2013 to December 26, 2018 shall be 6.5% per annum, and (b) during the period from December 26, 2018 until December 26, 2023, the rate per annum shall be the higher of (i) the 5-year PDST-F on December 26, 2018 plus 3.0% Margin and (ii) the minimum interest rate of 6.25%.

The collateral security and covenants for the Amended and Restated Omnibus Agreement are the same with the Omnibus Agreement.

The agreement covering the loan provides, among others, that for as long as the loans remain outstanding, the Company is subject to certain negative covenants requiring prior approval of the creditors for specified corporate acts. In addition, except as otherwise disclosed in the Disclosure Letter, the Company is required to maintain certain financial ratios.

On December 16, 2013, the Company issued a Disclosure Letter to the lenders indicating the disclosures and exceptions to the amended and restated representations and warranties, covenants, and events of default under the Omnibus Agreement, which includes the exemption on the required financial ratios as at December 31, 2014. Further, on December 29, 2015, the Company issued a supplemental disclosures and exceptions to the amendment and restated representations and warranties, covenants and events of defaults under the Omnibus Agreement dated December 16, 2013 which includes the exemption on the required financial ratios as at December 31, 2015.

As at December 31, 2015 and 2014, the Company is in compliance with the loan covenants.

Interest charged to operations amounted to ₱417.4 million and ₱426.6 million for the years ended December 31, 2015 and 2014, respectively, including amortization of debt issue costs of ₱27.4 million and ₱26.5 million in 2015 and 2014, respectively.

Repayment of the undiscounted long-term debt outstanding as at December 31, 2015 are scheduled as follows:

Within one year	₱152,500,000
More than one year but less than five years	1,677,500,000
More than five years	3,965,000,000
	₱5,795,000,000

16. **Provisions**

Movement in this account follows:

	Heavy Maintenance	Others	Total
At January 1, 2014	₱227,639,393	₱43,085,187	₱270,724,580
Additions (reversals) (see Note 20)	(123,085,717)	3,958,799	(119,126,918)
Payments	–	(35,437,997)	(35,437,997)
At December 31, 2014	104,553,676	11,605,989	116,159,665
Additions (see Note 20)	–	70,043,786	70,043,786
Payments	(13,356,804)	–	(13,356,804)
At December 31, 2015	₱91,196,872	₱81,649,775	₱172,846,647

(Forward)

	Heavy Maintenance	Others	Total
At December 31, 2015:			
Current	**₱–**	**₱81,649,775**	**₱81,649,775**
Noncurrent	**91,196,872**	**–**	**91,196,872**
	₱91,196,872	**₱81,649,775**	**₱172,846,647**
At December 31, 2014:			
Current	₱–	₱11,605,989	₱11,605,989
Noncurrent	104,553,676	–	104,553,676
	₱104,553,676	₱11,605,989	₱116,159,665

Provision for heavy maintenance pertains to the present value of the estimated contractual obligations of the Company to restore the service concession asset to a specified level of serviceability during the concession term and to maintain the same assets in good condition prior to turnover of the assets to the Grantor. The amount of provision is reduced by the actual obligations paid for heavy maintenance of the service concession asset.

In 2014, the Company reversed provisions for heavy maintenance, which was charged to sinking fund amounting to ₱4.9 million and gain on reversal of provisions amounting to ₱118.2 million in the statement of comprehensive income (see Note 13).

Other provisions include estimated liabilities for certain reimbursements of expenses and losses being claimed against the Company. The information usually required by PAS 37 is not disclosed as it may prejudice the Company's negotiation with the third party.

17. **Other Noncurrent Liabilities**

This account pertains to deposit for future construction from CHI amounting to ₱256.7 million as at December 31, 2015 and 2014.

On October 20, 2011, the Company and CHI executed a Memorandum of Agreement (MOA), wherein, CHI shall grant the Company a right-of-way to certain segments of the property CHI plans to reclaim to allow the Company to construct four feeder roads. The four feeder roads are estimated to cost ₱520.0 million where CHI shall be liable for approximately fifty percent (50%) of construction costs. Actual contribution of CHI amounting to ₱256.7 million was received by the Company in 2012. As at February 18, 2016, the construction of the feeder roads has not yet started.

18. **Equity**

Capital Stock

Details of common shares of stocks of the Company as at December 31, 2015 and 2014 follow:

	Number of Shares
Authorized - ₱100 par value	13,730,000
Issued and outstanding	12,283,750

Other Comprehensive Income Reserve

Movement in this account consisting of remeasurement of defined benefit retirement plan follows:

	2015	2014
Balance as at January 1	**₱117,838**	₱391,986
Remeasurement gains (losses) (see Note 21)	**194,889**	(391,640)
Income tax effect	**(58,467)**	117,492
Balance as at December 31	**₱254,260**	₱117,838

19. Costs of Services

This account consists of:

	2015	2014
Amortization of service concession asset (see Note 8)	**₱131,317,625**	₱116,134,625
Other general services (see Note 22)	**90,354,737**	75,021,656
Operating and maintenance expenses	**53,252,543**	59,172,484
MCTE expenses	**29,199,923**	36,158,851
Repairs and maintenance	**24,020,660**	9,136,885
Communication, light and water	**20,740,981**	23,434,873
Depreciation and amortization (see Note 10)	**9,566,535**	8,180,896
Supplies	**5,088,645**	4,364,609
Transportation and travel	**3,999,113**	5,811,825
	₱367,540,762	₱337,416,704

MCTE expenses include various payments made to different parties for minor reworks and repairs, and site office expenses.

Other general services include costs relating to toll collection, maintenance, security, janitorial and performance services.

20. General and Administrative Expenses

This account consists of:

	2015	2014
Management fee (see Note 22)	**₱21,908,771**	₱20,300,000
Salaries and employee benefits (see Note 21)	**19,728,643**	13,195,159
Depreciation and amortization (see Notes 10 and 13)	**7,039,267**	5,411,475
Professional fees	**5,813,007**	5,252,839
Taxes and licenses	**5,554,867**	5,203,452
Insurance	**991,732**	1,366,490
Advertising	**980,530**	1,651,291
Stationery and supplies	**851,052**	703,813
Entertainment, amusement and recreation	**746,088**	3,149,951

(Forward)

	2015	2014
Repairs and maintenance	**₱426,509**	₱261,386
Rent	**368,036**	112,757
Communication, light and water	**310,687**	244,554
Transportation and travel	**109,692**	602,959
Directors' fees	**40,000**	40,000
Others (see Note 16)	**234,858,915**	15,878,505
	₱299,727,796	₱73,374,631

Others include provisions, general maintenance and janitorial services, bank charges and other dues.

21. Retirement Costs

In 2014, the Company has an unfunded, noncontributory defined benefit retirement plan.

In 2015, the Company started to fund its noncontributory defined benefit retirement plan covering substantially all of its employees. The plan provides for a lump sum benefit payment upon retirement. Benefits are dependent on years of service and the respective employee's final compensation. The costs are determined in accordance with the actuarial study made for the plan.

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

The Company's latest actuarial valuation is as at December 31, 2015.

Changes in accrued retirement cost in 2015 are as follows:

	Present value of Defined Benefit Obligation	Fair Value of Plan Assets	Accrued Retirement Cost
At January 1, 2015	**₱1,564,382**	**₱–**	**₱1,564,382**
Retirement cost charged to profit or loss (see Note 20):			
Current service cost	**778,698**	**–**	**778,698**
Interest cost	**71,962**	**–**	**71,962**
	850,660	**–**	**850,660**
Remeasurement (gains) losses in OCI (see Note 18):			
Loss on plan assets	**–**	**26,467**	**26,467**
Actuarial changes arising from changes in financial assumptions	**(268,124)**	**–**	**(268,124)**
Actuarial changes due to experience adjustment	**46,768**	**–**	**46,768**
	(221,356)	**26,467**	**(194,889)**
Contributions	**–**	**(678,000)**	**(678,000)**
At December 31, 2015	**₱2,193,686**	**(₱651,533)**	**₱1,542,153**

Changes in accrued retirement costs in 2014 are as follows:

At January 1, 2014	₱706,590
Retirement cost charged to profit and loss (see Note 20):	
Current service cost	431,317
Interest cost	34,835
	466,152
Remeasurement losses in OCI (see Note 18):	
Actuarial changes due to experience adjustments	331,165
Actuarial changes arising from changes in financial assumptions	60,475
	391,640
At December 31, 2014	₱1,564,382

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The Company expects to contribute ₱1.7 million in 2016.

The Company's plan assets are being held by a trustee bank. The investing decisions of the plan are made by the Board of Trustees of the retirement plan.

The following table presents the categories and fair value of the plan asset of the Company as at December 31, 2015:

Cash and cash equivalents	₱202,234
Investments in:	
Equity securities	271,578
Government securities	176,725
Receivables and others	996
	₱651,533

The plan assets consist of the following:

- Cash and cash equivalents include time deposits which bear interest of 2.5% per annum.
- Investments in equity securities consist of quoted equity fund, which are non-interest bearing.
- Investments in government securities consist primarily of fixed-rate treasury notes that bear interest ranging from 2.13% to 3.88% per annum and have maturities from 2015 to 2021.
- Receivables and others are primarily accrued interest income from cash and cash equivalents and government securities.

The Company and the pension plan have no specific matching strategies between the pension plan asset or obligation under the pension plan.

The principal assumptions used to determine accrued retirement costs as at December 31, 2015 and 2014 are as follows:

	2015	2014
Discount rate	**5.10%**	4.60%
Salary increase rate	**7.00**	7.00

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

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
Discount rate	100	(₱241,659)
	(100)	285,050
Salary increase rate	100	267,430
	(100)	(232,146)

The average duration of the defined benefit obligation as at December 31, 2015 and 2014 is 19.3 years and 18.7 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2015:

Less than 1 year	₱7,864
1 year to less than 5 years	133,570
5 years to less than 10 years	4,874,131
10 years to less than 15 years	5,606,027
15 years to less than 20 years	11,240,298
20 years and above	19,192,326
	₱41,054,216

22. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or the parties are subject to common control. Related parties may be individuals or corporate entities. Affiliate refers to an entity that is neither a parent, subsidiary nor an associate, or under common control.

Other than the transactions disclosed in Notes 9 and 12 with respect to the financing arrangement under the loan agreements, the Company's related party transactions are as follows:

Related Party	Year	Amount of Transaction	Other Receivables (see Note 6)	Accounts Payable (see Note 14)	Accrued Expenses (see Note 14)	Terms	Conditions
Parent Company							
MPTC							
Reimbursable costs	**2015**	**₱1,000,296**	**₱–**	**₱1,000,296**	**₱–**	On demand,	Unsecured
	2014	1,339,973	–	–	1,339,973	noninterest-bearing	
Affiliates							
Metro Pacific Tollways Development Corporation (MPTDC)							
Management fees (see Note 20)	**2015**	**21,908,771**	**–**	**21,251,508**	**–**	On demand,	Unsecured
	2014	20,300,000	–	16,000,000	4,300,000	noninterest-bearing	
Reimbursable costs	**2015**	**3,591,229**	**–**	**–**	**3,591,229**	On demand,	Unsecured
	2014	5,046,270	–	–	5,046,270	noninterest-bearing	
Tollways Management Corporation (TMC)							
Purchases	**2015**	**2,741,250**	**–**	**–**	**2,741,250**	On demand,	Unsecured
	2014	–	–	–	–	noninterest-bearing	

(Forward)

Related Party	Year	Amount of Transaction	Other Receivables (see Note 6)	Accounts Payable (see Note 14)	Accrued Expenses (see Note 14)	Terms	Conditions
Easytrip Services Corporation (ESC)							
Performance Fee (see Note 19)	**2015**	**₱10,180,307**	**₱–**	**₱–**	**₱2,807,256**	On demand,	Unsecured
	2014	2,326,587	–	–	1,292,622	noninterest-bearing	
Collection of Revenue	**2015**	**109,539,089**	**5,568,712**	**–**	**–**	On demand,	Unsecured;
	2014	6,788,760	4,258,314	–	–	noninterest-bearing	no impairment
Total	**2015**		**₱5,568,712**	**₱22,251,804**	**₱9,139,735**		
	2014		4,258,314	16,000,000	11,978,865		

Management Fee
MPTDC performed management and financial services for the Company. The Company and MPTDC are in the process of formalizing their management agreements as at February 18, 2016.

Performance Fee
On July 15, 2014, the Company executed a Service Agreement, engaging the services of ESC, a joint venture of MPTDC, to exclusively promote and distribute radio frequency identification (RFID) sticker tags to MCTE users as well as the account management services for all ETC customers for all electronic toll collection (ETC) customers. The said agreement is for five years effective on September 1, 2014 and with five year extension. In accordance with the Service Agreement, the Company will pay ESC an annual fixed fee of ₱6.3 million, which is to be escalated every year for labor index and consumer price index (CPI). The Company shall also pay for variable fees of ₱1.0, ₱3.45 and ₱4.6 per transaction for Class 1, Class 2 and Class 3 vehicles, which are also to be escalated every year for labor index and consumer price index (CPI).

Compensation of Key Management Personnel
Key members of management are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The remunerations of key members of management representing short-term employee benefits amounted to ₱8.1 million and ₱4.2 million in 2015 and 2014, respectively.

23. **Income and Other Taxes**

Provision for income tax consists of the following:

	2015	2014
Deferred	**₱167,156,339**	₱92,351,899
Current	**23,045,479**	12,029,378
Final	**1,963,674**	1,482,198
	₱192,165,492	₱105,863,475

Final taxes include taxes on interest income from cash and cash equivalents.

The components of net deferred tax assets (liabilities) follow:

	2015	2014
Deferred tax assets on:		
Provision for heavy maintenance	**₱27,359,062**	₱31,366,103
MCIT	**27,086,755**	31,717,245
Provisions	**22,792,485**	7,577,036
Unrealized forex loss	**21,014,792**	13,507,894

(Forward)

	2015	2014
Allowance for impairment losses	**₱16,595,872**	₱16,595,872
Unearned toll revenue	**2,494,018**	3,026,501
Accrued retirement costs	**462,646**	469,315
NOLCO	**–**	156,240,299
	117,805,630	260,500,265
Deferred tax liabilities on:		
Difference in amortization method of concession asset	**151,729,875**	116,896,150
Capitalized bond transaction costs	**56,951,240**	67,264,794
Reimbursement rights	**685,268**	685,268
	209,366,383	184,846,212
Deferred tax assets (liabilities) - net	**(₱91,560,753)**	₱75,654,053

As at December 31, 2015, the Company has MCIT that can be applied as tax credit against future RCIT due as follows:

Year Paid	Expiration Date	MCIT
December 31, 2015	December 31, 2018	₱3,757,781
December 31, 2014	December 31, 2017	12,029,378
December 31, 2013	December 31, 2016	11,299,596
		₱27,086,755

The movements in MCIT are as follows:

	2015	2014
Balance at beginning of year	**₱31,717,245**	₱19,687,867
Additions	**3,757,781**	12,029,378
Expirations	**(8,388,271)**	–
Balance at end of year	**₱27,086,755**	₱31,717,245

The movements in NOLCO are as follows:

	2015	2014
Balance at beginning of year	**₱520,800,998**	₱670,296,753
Applications in previous years	**(401,112,179)**	(7,467,156)
Applications during the year	**(119,688,819)**	(142,028,599)
Balance at end of year	**₱–**	₱520,800,998

A reconciliation of the statutory income tax to the provision for income tax follows:

	2015	2014
Statutory income tax	**₱15,723,988**	₱100,912,044
Tax effects of:		
NOLCO applications in 2013 and 2014	**120,333,654**	–
Nondeductible expenses	**48,701,734**	3,452,582
Expired MCIT	**8,388,271**	–
Interest income subjected to final tax	**(2,945,829)**	(2,223,496)
Final tax on interest income	**1,963,674**	1,482,198
Expired NOLCO	**–**	2,240,147
	₱192,165,492	₱105,863,475

24. **Significant Agreements**

Management Letter Agreement
In relation to the Convertible Note Agreement executed by and between MPTC and CHI, MPTC, CHI and the Company executed an MLA on December 27, 2012 for the management of the Company by MPTC. The management of the Company by MPTC will commence on January 2, 2013 and until the issuance of the new common shares of the Company in favor of MPTC as a result of the conversion into or exchange of the CHI Preferred Shares for the said new common shares of the Company ("Management Period").

The Company shall pay all the direct expenses incurred by MPTC and its representatives in the performance of management functions and activities at the Company. In addition, MPTC shall receive all the financial benefits from the Company's operations. However, all losses incurred by the Company shall also be borne by MPTC.

By virtue of the MLA, MPTC acquired control over the Company effective January 2, 2013.

Manila-Cavite Toll Expressway Project
On February 3, 1994, the Philippine and Malaysian governments entered into a Memorandum of Understanding for a joint and cooperative implementation of infrastructure projects in the Philippines through the PRA, MARA and Renong Berhad (Renong). On December 27, 1994, PRA entered into a JVA with the two Malaysian entities, namely, MARA and Renong (the JV partners), for the development of the R-1 Expressway, C-5 Link Expressway and R-1 Expressway Extension, collectively referred to as the MCTEP or the Project.

Under the JVA, each of the following expressways shall be constructed in segments. Each segment shall allow partial operation to be carried out as follows:

Phase I	Design and improvement of the R-1 Expressway and the design and construction of the C-5 Link Expressway which connects the R-1 Expressway to the South Luzon Expressway
Phase II	Design and construction of the extension of the R-1 Expressway which connects the existing R-1 Expressway at Zapote to Noveleta

By virtue of the JVA, PRA and MARA agreed that Renong may assign its rights and transfer its liabilities and obligations under the JVA to UEM. This was confirmed through a Novation Agreement on August 17, 1995. MARA and UEM then incorporated the Company in October 1995 to represent MARA and UEM.

On July 26, 1996, PRA (Grantee) and the Company then entered into a Toll Operation Agreement (TOA) with the Grantor, through the Toll Regulatory Board (TRB), to expand the scope and toll collection period of the Toll Operation Certificate of PRA and amplify the terms and conditions which are necessary to ensure the financial viability of the Project. Under the TOA, MARA and UEM shall continue to be liable jointly and severally. Pursuant to the TOA, PRA will be responsible for the operation and maintenance of the expressway while the Company will be responsible for the design and construction of the expressway including its financing.

The following are the salient terms of the TOA:

a. The expressways shall be constructed in accordance with the following provisional construction schedule:

Upgrading of R-1 Expressway	1996-1997
C-5 Link Expressway	1996-1998
R-1 Expressway Extension	1997-1998

b. The franchise period for all the expressways shall be thirty-five (35) consecutive years calculated from the last final operation date, which is the date on which all segments of each expressway shall have commenced operation, or from October 1, 1998, whichever is earlier. In the event the franchise period is extended in accordance with the provisions of this agreement, such extension shall be correspondingly included for the purposes of determining the extended franchise period. Notwithstanding the provisions of this section, the Grantee shall be entitled to operate and maintain any completed segment of any expressway before the last final operation date in accordance with the provisions of this agreement.

c. The right granted to the Company to perform the construction of the expressways shall be for a term of four (4) consecutive years counted from the effectiveness of the Notice to Proceed. The Notice to Proceed is issued by the Grantor upon fulfillment of all the conditions precedent as set out in the TOA.

d. Construction shall be carried out at the expense of the Company, provided that the Grantor shall fulfill all its obligations to the Company. In the event that the total construction costs estimated by the independent consultant are lower by 5.0% or more than the Company's cost estimate, the Grantor and PRA agree that the agreed toll rates shall be adjusted accordingly.

e. The Grantor undertakes that there shall exist throughout the term of the construction, Land in Vacant Possession for the construction of any segment of an expressway to which the Notice to Proceed is issued so that construction can be carried out continuously without any interruption for at least 6 months.

f. Any delay in the construction caused by (i) any delay in handing over the Land in Vacant Possession, (ii) any delay caused by significant changes made to the basic design, or (iii) any other cause not due to the willful act, fault or negligence of PRA and/or the Company, shall correspondingly extend the period of construction, provided however, that such extension of the period of construction shall not adversely affect the feasibility of the Project. If such extension affects the feasibility of the Project, the termination provisions shall apply.

g. The expressways shall be owned by the Grantor without prejudice to the rights and entitlement of the Grantee and/or the Company.

h. If the TOA is terminated by PRA and/or the Company by reason of the Grantor's default, the Grantor shall within six months from the date of notice of termination by the PRA and/or the Company: (i) be obliged to take over the Project, and shall forthwith assume all attendant rights and liabilities thereof including without limitation the obligations under the loan and (ii) pay just compensation to PRA and/or the Company.

Pursuant to the TOA, PRA established PEA Tollways Corporation (PEATC), its wholly owned subsidiary, to undertake the operations and maintenance obligations of PRA under the TOA. PEATC would collect the toll fees from the toll paying traffic and deposits such collections to the O&M Account of the joint venture maintained with a local bank.

The Company commenced the rehabilitation of the R-1 Expressway in November 1996 and completed the works in May 1998. The TRB issued a notice authorizing the start of toll collection for R-1 Expressway on May 24, 1998.

On June 28, 2010, the TRB has issued a clarification of the Franchise Period of R-1 Expressway Extension. According to the TRB, each segment of the expressways have their specific commencement of its Operation Date, that is, the date to start toll collection for that segment, which is granted after such segment is substantially completed and can be operated as a toll road. Since the R-1 Expressway Extension has yet to be substantially completed as at that date, the TRB clarified that the Franchise Period has not yet commenced for that segment.

On April 29, 2011, the TRB has issued a Notice to Start Collection for R-1 Expressway Extension effective May 1, 2011.

The TRB has issued conditional Notice to Proceed (NTP) for Segment 3A-1 of the C-5 South Link Expressway Project on August 17, 2015. The effectivity of the NTP shall be subject to the fulfillment of the conditions precedent as stated in the TOA. As at February 18, 2016, the Company is in the process of completing the conditions. The Company is scheduled to start the construction of the project, which runs from C-5 Road in Taguig City to Merville Villages in Sucat, Parañaque, by the second quarter of 2016.

As at February 18, 2016, the Company is in the process of obtaining a conditional NTP for Segment 3A-2 of C-5 South Link Expressway Project with the TRB.

As provided in the JVA, the joint venture partners shall receive a monthly share equivalent to the excess in cash balance, net of O&M expenses (equivalent to six months O&M for the initial monthly sharing and reduced to one month O&M after such initial sharing) to be distributed as follows: (a) 10.0% for PRA and 90.0% for the Company for the period starting from the Project completion until the full payment of loans and interest, cost advances, capital investments and return on equity of the parties and (b) 60.0% for PRA and 40.0% for the Company for the remainder of the 35-year toll concession period.

At the end of the toll collection period, the finished segments of the MCTEP will be transferred to the Grantor.

On November 14, 2006, the Company, PRA and TRB entered into an Operations and Maintenance (O&M) Agreement, as approved by the Office of the President of the Republic of the Philippines, to clarify and amend certain rights and obligations under the JVA and TOA and to comply with the terms and conditions of the Company's Lenders and its Equity Contractor.

Below are the salient provisions of the O&M Agreement:

1. Redefinition of Phase 1 and 2 of the Project

   Phase 1 of the Project will now relate to the design and improvement of the R-1 Expressway and the design and construction of the R-1 Expressway Extension which consist of Segment 1 (from Seaside Drive to Zapote), Segment 4 (from Zapote to Kawit) and Segment 5 (from Kawit to Noveleta), provided that, subject to the approval of the TRB, Segment 5 will be excluded from Phase 1 in the event that its construction does not begin within two years from the completion of the design and construction works for Segment 4 that is estimated to be in December 2008. In case of exclusion from Phase 1, Segment 5 shall now form part of the Phase 2, subject to the approval of the TRB.

Phase 2 of the Project will now relate to the design and construction of the C-5 Link Expressway, which consists of Segments 2 and 3 from R-1 Interchange to Sucat Interchange to South Luzon Expressway Interchange, respectively.

2. Change of the Participation of PRA and the Company in the O&M Agreement of Phase 1 of the Project

   PRA agrees to execute and deliver a voting trust agreement which shall be coupled with an interest covering two-thirds of the outstanding capital stock of PEATC in order to transfer the voting rights over such PEATC shares in favor of the Company. Such voting rights of the Company over the shares shall be during the period of the loan from syndicated lenders covered by the OLA (an OLA was signed by the Company and various lenders in 2006) and the repayment of the Equity Contractor and shall be irrevocable during the aforementioned period.

3. Appointment of Directors and Officers

   As a consequence of the Company's participation in the O&M Agreement set out in the previous paragraphs, the Company shall nominate 5 members of the BOD of PEATC while PRA shall nominate 2 members. PRA shall nominate the Chairman of the BOD and one (1) member as its second nominee as well as the Controller of PEATC, while the Company is entitled to nominate the Chief Executive Officer, Chief Operating Officer, Treasurer and the Corporate Secretary of PEATC. The Company shall further have the right to nominate other members of the Board and other officers to the key position of PEATC as may be necessary to effectively implement the participation.

4. Amendment of the Revenue Sharing Provisions as Previously Provided under the TOA

   Effective on the first day of the Company's participation in the O&M, there will be a new and improved distribution of the share in the toll fees of PRA and the Company. PRA shall receive 8.5% of gross toll revenue while the Company shall receive 91.5% of the gross toll revenue and will absorb all O&M costs and expenses. PRA shall no longer share from any of the O&M costs and expenses. The share of PRA shall be increased by 0.5% every periodic toll rate adjustment under the TOA but not to exceed 10.0% of gross toll revenue at any one time during the repayment period of the loan.

   The new PRA share of 8.5% of the gross toll revenue shall be subject to increase as mentioned in the previous paragraph which shall be implemented during the period of:

   a) existence of the loan which is payable for a period of 8 years; and
   b) repayment of the Equity Contractor which shall be converted into subordinated debt pari passu with the lenders for a period which shall not exceed an additional 3 years after the period of 8 years.

   Upon repayment in full of the loans and interest costs, advances, capital investment and the return of equity, the Company and PRA shall share at the ratio of 40.0% and 60.0%, respectively, as originally agreed upon under the JVA.

   The current share of PRA based on gross revenue is 9.0% while the Company is 91.0% which took effect on the last toll rate adjustment on January 1, 2009.

5. Amendment of the Conduct of the O&M of the Tollway

   All gross toll revenue collections shall be directly deposited on a daily basis to the respective bank accounts of PRA and the Company:

   a) The 91.0% share of the Company shall absorb all O&M costs and expenses. The Company shall continue to set aside sinking fund in accordance with the TOA schedule of maintenance per segment. The sinking fund interest income shall remain intact and shall not be subject to revenue sharing of the JVA partners.

   b) The sinking fund which shall remain with PEATC and maintained adequately at all times, shall be solely used for major road repairs and re-pavement and for extraordinary costs and expenses needed by the operation but not provided in the annual budget. Any shortage in the sinking fund shall be the sole responsibility of the Company; and

   c) All disbursements for O&M shall be authorized solely by the Company.

6. Acknowledgement of all parties that in the event of a default under the loan, the Lenders shall be granted step-in rights in respect of the share of the Company on the revenues from the toll collections in favor of the Lenders as security for the financing provided by such Lenders.

7. Unless otherwise amended, revised or modified by the Company, PRA and TRB after obtaining the necessary regulatory approvals, the Company's participation in the O&M under this O&M Agreement shall be terminated upon repayment in full of the loans subject of the OLA dated August 25, 2006 and repayment to the Equity Contractor.

In a letter dated May 21, 2010, the PRA confirmed that the effectivity of the O&M Agreement and the voting trust agreement shall be extended for a period of 4 years or until August 25, 2021, or upon full settlement of the funding obtained by the Company for the completion of MCTEP.

The Company has a pending claim for compensation against the Republic of the Philippines, acting by and through the TRB, in the amount of ₱845 million as of February 18, 2016. The Company's claim is based on TRB's inaction on lawful toll rate adjustments which were due in January 1, 2012, 2014, and 2015. The Company sent a demand letter in August 2015 to TRB seeking payment of the said amount. TRB disputed the demand letter and claimed that no compensation is due to the Company as the toll rate adjustment petitions have not yet been resolved. Subsequently, the Company sent a Notice of Dispute to the TRB in September 2015 pursuant to the dispute resolution provisions of the TOA. TRB has since sought several extension of the amicable settlement period under the TOA.

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25. **Risk Management Objectives and Policies**

The Company's principal financial instruments comprise cash and cash equivalents, receivables, obligations to an SPE and long-term debt. Other financial assets and liabilities of the Company, comprise of restricted cash, investment in preferred shares, sinking fund, accrued expenses and other current liabilities.

The risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Credit Risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. Exposure to credit risk is managed through a credit review where an analysis of the ability of the obligors to meet capital repayment obligations is considered.

The maximum exposure to credit risks for the financial assets of the Company approximates their carrying values as at December 31, 2015 and 2014.

The table below shows the aging of the Company's financial assets:

	2015					
		Past Due but not Impaired				
	Current	1 to 30 days	31-60 days	Over 61 days	Impaired	Total
Cash and cash equivalents*	**₱304,206,514**	**₱–**	**₱–**	**₱–**	**₱–**	**₱304,206,514**
Restricted cash	**390,593,009**	–	–	–	–	**390,593,009**
Receivables	**354,216,243**	**611,520**	–	**925,790**	–	**355,753,553**
Investment in preferred shares	**3,888,750,000**	–	–	–	–	**3,888,750,000**
Sinking fund**	**157,090,681**	–	–	–	–	**157,090,681**
	₱5,094,856,447	**₱611,520**	**₱–**	**₱925,790**	**₱–**	**₱5,096,393,757**

**Excluding cash on hand.*
***Included as part of "Other noncurrent assets" account in the statement of financial position.*

	2014					
		Past Due but not Impaired				
	Current	1 to 30 days	31-60 days	Over 61 days	Impaired	Total
Cash and cash equivalents*	₱381,804,275	₱–	₱–	₱–	₱–	₱381,804,275
Restricted cash	433,290,740	–	–	–	–	433,290,740
Receivables	203,956,754	2,108,219	748,993	576,193	–	207,390,159
Investment in preferred shares	4,727,500,000	–	–	–	–	4,727,500,000
Sinking fund**	139,090,681	–	–	–	–	139,090,681
	₱5,885,642,450	₱2,108,219	₱748,993	₱576,193	₱–	₱5,889,075,855

**Excluding cash on hand.*
***Included as part of "Other noncurrent assets" account in the statement of financial position.*

Credit Quality

The credit quality of financial assets is managed by the Company using high grade and standard grade as internal credit ratings.

High Grade. Pertains to a counterparty who is not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal. This counterparty normally includes banks and corporations.

Standard Grade. Pertains to other financial assets not belonging to high grade financial assets are included in this category.

The table below shows the credit quality of the Company's financial assets that are neither past due nor impaired based on their historical experience with the corresponding parties:

	2015		
	Neither Past-due nor Impaired		
	High Grade	**Standard Grade**	**Total**
Cash and cash equivalents*	**₱304,206,514**	**₱–**	**₱304,206,514**
Restricted cash	**390,593,009**	–	**390,593,009**
Receivables	**354,216,243**	–	**354,216,243**
Investment in preferred shares	**3,888,750,000**	–	**3,888,750,000**
Sinking fund**	**157,090,681**	–	**157,090,681**
	₱5,094,856,447	**₱–**	**₱5,094,856,447**

**Excluding cash on hand.*
***Included as part of "Other noncurrent assets" account in the statement of financial position.*

	2014		
	Neither Past-due nor Impaired		
	High Grade	Standard Grade	Total
Cash and cash equivalents*	₱381,804,275	₱–	₱381,804,275
Restricted cash	433,290,740	–	433,290,740
Receivables	203,956,754	–	203,956,754
Investment in preferred shares	4,727,500,000	–	4,727,500,000
Sinking fund**	139,090,681	–	139,090,681
	₱5,885,642,450	₱–	₱5,885,642,450

**Excluding cash on hand.*
***Included as part of "Other noncurrent assets" account in the statement of financial position.*

Liquidity Risk
Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet or settle its obligations as they become due.

A key component of liquidity management is the diversification of various funding sources that will provide continuous availability of funding requirements. The main sources of the Company's funding are receivables, advances from related parties, long-term debt and additional capital from stockholders.

The table below summarizes the maturity profile of the Company's financial assets and financial liabilities as at December 31, 2015 and 2014 based on undiscounted payments.

	2015					
	On Demand	**Less than 3 months**	**3-12 months**	**1-2 years**	**Over 2 years**	**Total**
Financial Assets						
Cash and cash equivalents*	**₱13,187,273**	**₱291,019,241**	**₱–**	**₱–**	**₱–**	**₱304,206,514**
Restricted cash	**–**	**267,100,043**	**123,492,966**	**–**	**–**	**390,593,009**
Receivables:						
Receivable from an SPE	**–**	**340,206,743**	**–**	**–**	**–**	**340,206,743**
Dividend receivable	**–**	**6,184,080**	**–**	**–**	**–**	**6,184,080**
Other receivable	**1,537,310**	**7,825,420**	**–**	**–**	**–**	**9,362,730**
Investment in preferred shares	**–**	**–**	**–**	**–**	**3,888,750,000**	**3,888,750,000**
Sinking Fund**	**–**	**–**	**–**	**–**	**157,090,681**	**157,090,681**
	₱14,724,583	**₱912,335,527**	**₱123,492,966**	**₱–**	**₱4,045,840,681**	**₱5,096,393,757**
Financial Liabilities						
Accrued expenses and other current liabilities:						
Accounts payable	**₱39,072,872**	**₱2,659,255**	**₱–**	**₱–**	**₱–**	**₱41,732,127**
Payable to CHI	**163,428,840**	**–**	**–**	**–**	**–**	**163,428,840**
Accrued expenses	**–**	**149,870,999**	**–**	**–**	**–**	**149,870,999**
Other payables	**7,778,677**	**7,379,901**	**–**	**–**	**–**	**15,158,578**
Retention sum and contractors payable	**99,377,245**	**–**	**–**	**–**	**–**	**99,377,245**
Provisions	**–**	**–**	**81,649,775**	**–**	**91,196,872**	**172,846,647**
Long-term debt***	**–**	**135,358,726**	**400,145,088**	**524,302,189**	**6,988,561,265**	**8,048,367,268**
Obligation to an SPE***	**–**	**339,494,393**	**1,212,031,025**	**1,531,678,408**	**2,235,307,015**	**5,318,510,841**
	₱309,657,634	**₱634,763,274**	**₱1,693,825,888**	**₱2,055,980,597**	**₱9,315,065,152**	**₱14,009,292,545**

**Excluding cash on hand*
***Included as part of "Other noncurrent assets" account in the statement of financial position.*
****Includes principal and interest repayment.*

	2014					
	On Demand	Less than 3 months	3-12 months	1-2 years	Over 2 years	Total
Financial Assets						
Cash and cash equivalents*	₱6,106,461	₱375,697,814	₱–	₱–	₱–	₱381,804,275
Restricted cash	–	271,071,927	162,218,813	–	–	433,290,740
Receivables:						
Receivable from an SPE	–	192,156,761	–	–	–	192,156,761
Dividend receivable	–	6,222,252	–	–	–	6,222,252
Other receivable	3,433,405	5,577,741	–	–	–	9,011,146
Investment in preferred shares	–	–	–	–	4,727,500,000	4,727,500,000
Sinking fund**	139,090,681	–	–	–	–	139,090,681
	₱148,630,547	₱850,726,495	₱162,218,813	₱–	₱4,727,500,000	₱5,889,075,855

(Forward)

	2014					
	On Demand	Less than 3 months	3-12 months	1-2 years	Over 2 years	Total
Financial Liabilities						
Accrued expenses and other current liabilities:						
Accounts payable	₱39,459,211	₱–	₱–	₱–	₱–	₱39,459,211
Payable to CHI	163,467,012	–	–	–	–	163,467,012
Accrued expenses	–	167,702,451	–	–	–	167,702,451
Other payables	11,294,892	7,715,880	–	–	–	19,010,772
Retention sum and contractors payable	98,904,027	–	–	–	–	98,904,027
Provisions	–	–	11,605,989	–	104,553,676	116,159,665
Long-term debt***	–	137,917,508	406,688,061	535,503,814	7,513,192,511	8,593,301,894
Obligation to an SPE***	–	265,314,374	1,010,068,969	1,523,745,305	3,685,589,592	6,484,718,240
	₱313,125,142	₱578,650,213	₱1,428,363,019	₱2,059,249,119	₱11,303,335,779	₱15,682,723,272

**Excluding cash on hand*
***Included as part of "Other noncurrent assets" account in the statement of financial position.*
****Includes principal and interest repayment.*

Market Risk

Market risk is the possibility of loss to future earnings, fair values or future cash flows that may result from changes in the price of financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

Foreign Exchange Risk

The Company's foreign currency risk results primarily from movements of the Philippine peso against the U.S. dollar. The Company is exposed to foreign currency risks particularly arising from cash and cash equivalents, receivable from an SPE and obligation to an SPE.

The following table summarizes the Company's exposure to foreign exchange risk.

	2015	2014
Cash in banks	**$13,432**	$7,411
Receivable from an SPE	**5,533**	4,878
Obligation to an SPE	**(12,768,120)**	(13,052,327)
Foreign currency exposure	**($12,749,155)**	($13,040,038)

The closing rate used by the Company in translating foreign accounts in 2015 and 2014 is ₱47.06 and ₱44.72, respectively.

The following table set forth, the impact of changes in exchange rates on the Company's income before tax as at December 31, 2015 and 2014:

Increase/decrease in US$ rate		Effect on income before tax	
2015	2014	**2015**	2014
+4.00%	+4.00%	**(₱23,968,411)**	(₱23,341,668)
-4.00%	-4.00%	**23,968,411**	23,341,668

The Company's policy is to minimize economic and material transactional exposures arising from currency movements against the peso.

There is no other effect to equity other than the effect of a reasonably possible change in the spot rates on currencies to income before tax.

Interest rate risk
Interest on financial instruments classified as floating rate is repriced semi-annually on each interest payment date. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument, except for the long-term debt which will be repriced after 5 years from December 26, 2013. The other financial instruments of the Company that are not included in the above table are noninterest-bearing and are therefore not subject to cash flow interest rate risk.

The following table demonstrates the sensitivity of income to changes in interest rates with all other variables held constant. The management expects that interest rates will move by ±50 basis points within the next reporting period. There is no other impact on the Company's equity other than those affecting the statement of comprehensive income:

	Increase/Decrease in Basis Points	Effect on Income Before Income Tax
2015	**+50**	**₱23,656,563**
	-50	**(23,656,563)**
2014	+50	₱26,745,468
	-50	(26,745,468)

Capital Management
The Company considers its equity amounting to ₱1,646.9 million and ₱1,786.5 million as at December 31, 2015 and 2014, respectively, as its capital.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, the risk characteristics of its activities and assessments of prospective business requirements or directions. No changes were made in the objectives, policies and processes from the previous years.

Under the Support Agreement with the SPE and the Bank of New York, the Company shall not pay any dividends or make any other distribution in respect of its share capital so long as:

a. An Early Amortization Event, a Cash Trapping Event or Repurchase Event (or any event that would be an Early Amortization Event, a Cash Trapping Event, or Repurchase Event with the expiration of any applicable grace period, the delivery of notice or both) exists;
b. Any Transaction Account is not fully funded;
c. Construction of the R-1 portion of the MCTEP is not complete; or
d. The Principal Series 2010-1 Notes has not commenced to amortize.

The Company has not paid any dividends in 2015 and 2014.

26. Fair Value Measurement

The following table sets forth the carrying values and fair values of the Company's financial instruments, other than those whose carrying amounts are reasonable approximation of fair values as at December 31, 2015 and 2014:

	2015		2014	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial liabilities:				
Obligation to an SPE – Series 2010-1 Notes	**₱569,735,826**	**₱644,887,858**	₱583,961,106	₱669,504,939
Long-term debt	**5,611,139,178**	**5,782,115,775**	5,736,198,662	5,972,863,733
	₱6,180,875,004	**₱6,427,003,633**	₱6,320,159,768	₱6,642,368,672

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are:

Obligation to an SPE – Series 2010-1 Notes. The estimated fair value of the obligation to SPE (2010-1 Notes) (at market rates) was calculated using the discounted cash flow methodology. The discount rates used in estimating the fair value of Obligation to an SPE are U.S. risk-free rates plus a margin of 8.0%. Discount rates used range from 8.2% to 10.2% and 8.0% to 10.9% as at December 31, 2015 and 2014, respectively.

Long-term Debt. The estimated fair value of the long-term debt is based on the discounted value of future cash flows using prevailing peso interest rates ranging from 2.3% to 5.5% and 5.5% to 7.3% in 2015 and 2014, respectively.

The fair value of obligation to SPE, series 2012-1 Notes, with variable interest rates approximates its carrying amount due to quarterly repricing of interest.

The management assessed that the carrying values of cash and cash equivalents, restricted cash, receivables, sinking fund, accrued expenses and other current liabilities, retention sum and contractors payable and current portion of provisions approximates their fair values primarily due to the relatively short-term maturities of these instruments.

The carrying values of unquoted investment in preferred shares approximate their fair values due to the unavailability of information as to the repayment date that would provide a reasonable basis for the fair value measurement.

The carrying value of noncurrent portion of provisions approximate fair value as at December 31, 2015 and 2014 due to unavailability of information as to the prepayment date that would provide a reasonable basis for the fair value measurement.

As at December 31, 2015 and 2014, the Company has no financial assets and liabilities carried at fair value.

Fair Value Hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities as at December 31, 2015 and 2014:

	Date of Valuation	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Liabilities for which fair values are disclosed:					
Obligation to an SPE – Series 2010-1 Notes	December 31, 2015	**₱–**	**₱644,887,858**	**₱–**	**₱644,887,858**
Long-term debt	December 31, 2015	**–**	**5,782,115,775**	**–**	**5,782,115,775**
		₱–	**₱6,427,003,633**	**₱–**	**₱6,427,003,633**

	Date of Valuation	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Liabilities for which fair values are disclosed:					
Obligation to an SPE – Series 2010-1 Notes	December 31, 2015	₱–	₱669,504,939	₱–	₱669,504,939
Long-term debt	December 31, 2015	–	5,972,863,733	–	5,972,863,733
		₱–	₱6,642,368,672	₱–	₱6,642,368,672

During the years ended December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

27. Supplementary Tax Information Required Under Revenue Regulations 15-2010

The Company reported and/or paid the following types of taxes for the year ended December 31, 2015:

Value Added Tax (VAT)

a. Net Sales/Receipts and Output VAT declared in the Company's VAT returns for 2015

	Net Sales/Receipts	Output VAT
Vatable Sales	₱1,269,484,334	₱152,338,120

b. Input VAT

Balance at January 1	₱–
Current year's domestic purchases/payments for:	
Goods other than capital goods	3,544,158
Domestic purchase of service	21,750,927
Total	25,295,085
Input VAT applied against output VAT	25,295,085
Balance at December 31	₱–

Taxes and Licenses

Taxes and licenses under operating expenses, local and national, include real estate taxes, licenses and permit fees for 2015:

Business permit	₱5,559,050
Licenses	3,068
Land transportation office registration	59,084
Others	54,566
	₱5,675,768

Taxes and licenses amounting to ₱5.6 million is presented as "General and Administrative Expenses" account and the remaining ₱0.1 million is presented as part of MCTE expenses under "Cost of Services" account.

Withholding Taxes

Details of withholding tax payments for the year ended December 31, 2015 are as follows:

Final withholding taxes	₱34,185,512
Expanded withholding taxes	24,091,754
Withholding taxes on compensation and benefits	3,163,975
	₱61,441,241

Tax Assessments

The Company has not received any Final Assessment Notice as at December 31, 2015. Likewise, the Company has no other pending tax case outside the administration of BIR as at December 31, 2015.