3rd QUARTER REPORT: MAHEC

COVER SHEET

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SEC Registration No.

M E T R O A L L I A N C E H O L D I N G S &
E Q U I T I E S C O R P. & S U B S I D I A R I E S

(Company's Full Name)

3 5 T H F L O O R O N E C O R P O R A T E
C E N T E R , D O Ñ A J U L I A V A R G A S A V E.
M E R A L C O A V E. , O R T I G A S , P A S I G

(Business Address : No. Street City / Town / Province)

Atty. Nestor S. Romulo
Contact Person

(632) 706-7888
Contact Telephone No.

1 2 3 1
Fiscal Year

1 7 - Q
FORM TYPE

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

806
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended ....**September 30, 2018**

2. Commission identification number...**296**

3. BIR Tax Identification No.....**000-130-411-000**.

4. **Metro Alliance Holdings & Equities Corp.**
   Exact name of issuer as specified in its charter

5. **Philippines**
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: [ ] SEC use Only)

7. **35th Flr. One Corporate Centre, Doña Julia Vargas cor. Meralco Aves. Ortigas Center, Pasig City** **1605**
   Address of issuer's principal office Postal Code

8. **(632) 706-7888**
   Issuer's telephone number, including area code

9. **Not applicable**
   Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Class A	**183,673,470**
Common Class B	**122,448,979**
Outstanding Debt	**₱451,929,013**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [**x**] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    Philippines Stock Exchange **Common Class A and Class B**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes [✓] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [✓] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: **Php283,997,334**

14. Not applicable

111142018000008

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931 to 39 Fax:(632)725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No.	PW00000296
Company Name	METRO ALLIANCE HOLDINGS & EQUITIES CORP.
Industry Classification	
Company Type	Stock Corporation

Document Information

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements
Please see attached Consolidated Balance Sheets, Income Statements, Changes in Stockholders' Equity, Cash Flows and Notes to Interim Consolidated Financial Statements (Annex A.1 to 5).

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

❒ Unaudited Income Statement

Income Statement	**Amounts in Php**			
	Jul – Sep 2018	Jul – Sep 2017	**Jan – Sep 2018**	Jan – Sep 2017
Sales and services	**₱74,948,944**	₱59,435,100	**₱208,152,737**	₱171,848,545
Cost of sales and services	**(61,391,998)**	(31,520,538)	**169,042,501**	(86,744,945)
Gross profit	**13,556,946**	27,914,562	**39,110,227**	85,103,600
Expenses	**(7,426,360)**	(26,086,267)	**23,752,077**	(65,448,528)
Other income (expenses)	**41,595**	30,876	**136,158**	31,292
Net Income (Loss) Before Tax	**6,172,181**	1,859,170	**15,494,308**	19,686,364
Income tax expense	**-**	(9,583)	**(807,454)**	(5,283,066)
Net income	**6,172,181**	1,849,588	**14,686,854**	14,403,298
Attributable to:				
Equity Holders of the Parent Company	**3,277,118**	639,311	**6,718,189**	5,774,997
Non-controlling interest	**2,895,063**	1,210,276	**7,968,665**	8,005,060
	6,172,181	1,849,587	**14,686,854**	13,780,057
Earnings (Loss) Per Share – Equity	**₱0.011**	₱0.002	**₱0.219**	₱.019
Holders Of the Parent Company				

❒ Unaudited Balance Sheet

Balance Sheet	**Amounts in Php**		
	Sep 30, 2018	Sep 30, 2017	Dec. 31, 2017
Current assets	**₱193,031,083**	₱167,586,932	₱168,259,206
Noncurrent assets	**414,804,000**	449,365,388	411,702,754
Total Assets	**607,835,083**	616,952,320	579,961,960
Current liabilities	**448,151,982**	494,910,990	447,666,417
Noncurrent liabilities	**3,777,031**	6,171,226	4,746,718
Total Liabilities	**451,929,013**	501,082,216	452,413,135
Total Stockholders' Equity	**155,906,070**	115,870,104	127,548,825
Total Liabilities and Stockholders' Equity	**607,835,083**	616,952,320	579,961,960

The following companies are included in Metro Alliance consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI. Due to uncertainties surrounding the acquisition transactions of the Bataan petrochemical plant, the scope of the 2007-2013 audits was completed by the independent auditors and the reports was approved by the Board of Directors on October 10, 2014.

The Group, having resolved its disputes with the foreign parties involved in the Bataan petrochemical project, will commence to explore business opportunities. As of report date, biggest contributor to the Group's revenue is its logistic arm, MCLSI when it steadily growing for the past several years after. The Group will reorganize its operations; evaluate its remaining assets; review all pending legal cases; and settle and resolve its outstanding issues with other regulatory government bodies. The Group assures the public that it will focus on traditionally stable industries or sunrise sectors in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

a) Key Performance Indicators
Metro Alliance and its majority-owned subsidiaries key performance indicators follow:

Metro Alliance
Metro Alliance's key performance indicators include the following:

1. Net income
2. Earnings per share – net income attributable to each share of common stock
   (net income / weighted number of shares outstanding)
3. Return on average equity – ability to generate returns on investment of stockholders.
   (net income / average equity)
4. Debt to total asset ratio – the proportion to total assets financed by creditors.
   (total debt / total assets)
5. Debt to Equity ratio – an indicator of which group has the greater representation in the assets of the company
   (total debt / equity)

The financial ratios of Metro Alliance are not stable due to its significant investment on the Petrochemical Project.

Metro Alliance (parent company) financial statements registered unaudited net loss of ₱1,560,621 for the 3rd quarter of 2018 as compared to the same quarter of 2017 with net loss amounting to ₱586,610 or a decrease in net loss of ₱521,675 or 88.93%. Last year's loss is significantly greater than this year due to the professional fee paid to external auditor for services rendered on prior years' financial statements in 2017.

Comparative analysis of Metro Alliance's key performance indicators follows:

Performance indicator	**Sep 30 2018**	Dec 31 2017	Sep 30 2017
Net income (loss) – (In Php)	**(1,560,621)**	(10,572,738)	(586610
Income (loss) per share (In Php)	**(0.005)**	(0.019)	(0.002)
Income (loss) on average equity (In Php)	**(0.002)**	(0.025)	(0.003)
Debt to total assets	**0.744**	0.440	0.521
Debt to equity	**2.9**	0.787	1.086

MCLSI
MCLSI's key performance indicators include the following:

1. Profitability
   a. Gross profit margin – measures the profitability of revenues (services) in relation to the cost of services
      (gross profit / revenues)
   b. Net profit margin – ability to generate surplus for stockholders.
      (net income / sales)
   c. Return on assets – ability to generate returns from assets.
      (net income / assets)
   d. Return on equity – ability to generate returns on investment of stockholders.
      (net income / stockholders equity)

2. Liquidity ratios
   a. Current ratio – capacity to meet current obligations out of its liquid assets
      (current assets / current liabilities)
   b. Receivables turnover and days' sales in receivables – measures the ability to collect receivables
      (net credit sales / average trade receivables)
      (365 days / receivables turnover)

The decrease in MCLSI's gross profit resulted mainly from the termination of some contracts. With the decrease in operating income, net profit margin, return on assets and return on equity decreased. Current ratio decreased due to the increase in accruals and other payables. In addition, turnover of receivables resulted to a slower collections compared to last year.

Comparative analysis of MCLSI's key performance indicators follows:

Performance indicator	**Sep 30 2018**	Dec 31 2017	Sep 30 2017
Profitability			
a. Gross profit margin	**0.181**	0.209	0.495
b. Net profit margin	**0.079**	0.073	0.095
c. Return on assets	**0.034**	0.118	0.113
d. Return in equity	**0.081**	0.280	0.269
Liquidity			
a. Current ratio	**0.629**	1.635	1.565
b. Receivables turnover	**2.440**	3.006	2.181
c. Days' sales in receivables	**149.59**	121	167.34

Consumer Products Distribution Services, Inc. (CPDSI), FEZ-EAC Holdings, Inc.(FEZ-EAC), Zuellig Distributors, Inc. (ZDI) and Asia Healthcare, Inc. (AHI)

Currently, CPDSI, FEZ-EAC, ZDI and AHI have no performance indicators because these are non-operating companies.

b) Changes in Operating Results

Net Income and Earnings Per Share

The Group registered a consolidated net income of ₱6.20 million for the 3rd quarter of 2018 as against net income of ₱1.8 million for the 3rd quarter of 2017 or an increase of ₱4.4 million or 244.44%. Earnings per share attributable to equity holders of Parent Company are ₱0.011 for the 3rd quarter of 2018 and ₱0.002 for the 3rd quarter of 2017. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group. The increase is due to higher sales revenue during this quarter as compared to last year's.

Sales and Services

The Group registered gross service revenue of ₱74.9 million and ₱59.4 million for the quarters ended September 30, 2018 and 2017. The increase in revenue of ₱15.50 million or 26.09% for the 3rd quarter of 2018 is due to increase on MCLSI's lease and logistics contracts.

Cost of Sales and Services

Total cost of sales and services for the quarters ended September 30, 2018 and 2017 amounted to ₱61.4 million and ₱31.5 million, respectively. The significant increase is due to the increase in revenue from the subsidiary and due to higher cost of delivery of products and services such as fluctuations in oil prices used by delivery trucks and electricity rates, security services and maintenance cost of warehouse facilities.

Operating Expenses

Total operating expenses of the Group for the 3rd quarter of 2018 amounted to ₱7.4 million as compared to ₱26.1 million for the 3rd quarter of 2017 or a decrease of ₱18.7 million or 71.65%.

Other income

Other income for the quarters ended September 30, 2018 and 2017 amounted to ₱41,595 and ₱30,876 respectively. The account pertains to interest income and other income not arising from ordinary course of business.

c) Changes in Financial Conditions

Assets

Cash and cash equivalents for the 3rd quarter of 2018 and 2017 amounted to ₱38.98 million and ₱21.7 million, respectively. Net cash flows provided in operating activities is ₱5.6 million, net cash flows used in investing activities is ₱4.59 million and net cash flows provided in financing activities is ₱1.38 million.

Receivables amounted to ₱131.1 million as of 3rd quarter of 2018 and ₱117.7 million as of 3rd quarter of 2017 (net of allowance for doubtful accounts). Movement in the accounts is net effect of (a) increase in trade receivable by ₱4.43 million, (b) decrease in due to affiliates by ₱0.16 million, (c) decrease in other receivable by ₱1.4 million and (d) decrease in allowance for doubtful accounts by ₱7.69 million.

Other current assets amount to ₱23 million and ₱28.2 million as of the 3rd quarter of 2018 and 2017 (net of allowance for probable losses of ₱12.87 million and ₱12.3 million for 2018 and 2017, respectively).

The Group reviews the carrying amount at each balance sheet to reduce the balance to their estimated recoverable amounts.

Asset held for sale amounting to ₱369.7 million and ₱415.4 million as of September 30, 2018 and 2017 represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA).

On March 18, 2006 and September 20, 2006, 40% and 20%, respectively, of Polymax's interest in NPCA was sold. Thereafter management decided to discontinue operations and cease operating as a going concern. The remaining 40% interest which is for sale is valued at ₱900 million, which is the estimated recoverable amount from the sale of investment. The realization of the Company's advances to Polymax and the settlement of Polymax's past due liabilities for which the Company is jointly and severally liable, depends on whether sufficient cash flows can be generated from Polymax's 40% interest in NPCA, which is for sale, and from a letter of comfort issued by the major stockholders of the Company in favor of the Company.

Available-for-sale-investments amounted to ₱26.7 million and ₱4.9 million in September 30, 2018 and 2017, respectively. This account includes shares of stocks owned in publicly listed company and unquoted equity investment carried at cost. During the latter part of 2017, the Parent Company made an investment to a non-listed entity, whose primary activity is to engage in real estate development.

Property and equipment amounted to ₱5.4 million and ₱3.9 million in September 30, 2018 and 2017, respectively. Increase in property and equipment is net effect of the additions made during the year amounting to ₱0.8 million and depreciation charged of ₱1.5 million.

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The Group has no outstanding contractual commitments to acquire certain property and equipment as of September 30, 2018 and 2017, the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

<u>Liabilities</u>

Current Liabilities

Accounts payable and accrued expenses for the quarter ended September 30, 2018 and 2017 amounted to ₱439.16 million and ₱412.7 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expenses include provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered.

Due to related parties for the 3rd quarter of 2018 and 2017 amounted to ₱8.69 million and ₱82.1 million, respectively. The Group, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Group did not provide nor received any guarantee on its transaction with related parties.

Accrued retirement benefit cost amounted to ₱3.7 million and ₱6.1 million as of September 30, 2018 2017, respectively. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation.

Summary of Material Trends, Events and Uncertainties

Petrochemical Project

On December 4, 2003, the Company entered into a Memorandum of Agreement (MOA) with Polymax, whereby the Company confirmed the designation of Polymax as the acquiring company in the proposed acquisition of the senior secured debt papers of BPC from International Finance Corporation (IFC). Under the MOA, the Company and Polymax agreed that (a) the acquisition of the secured debt paper would be for the account and benefit of the Company; (b) the funding for the acquisition would be provided and arranged by the Company; and (c) the exercise of creditor rights arising from the secured debts via foreclosure and takeover of the assets of BPC would be directed by and for the account and benefit of the Company. In addition, the Company would make certain advances to Polymax.

On December 19, 2003, Polymax and IFC entered into an Assignment and Transfer Agreement (the Agreement) for the purchase by the former of the senior secured debt papers of BPC. The Company advanced to Polymax the initial deposit of US$5 million, which was remitted to IFC for the assignment payment, pursuant to the terms of the Agreement. On February 11, 2004, IFC confirmed that it has received the full payment for the assignment of the senior secured debt papers of BPC.

To partially finance the Company's advances relating to the Petrochemical Project, the Company obtained short-term loans from local banks (see Note 9). With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Company was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled ₱ 866.7 million, consisting of the outstanding principal balance of ₱378.3 million and finance charges of ₱ 488.4 million. In 2007 these past due liabilities were transferred to and applied against the advances made to Polymax.

Pursuant to the Company's plan of acquiring full control of BPC, instead of exercising creditor rights, the Company, on April 16, 2004, entered into a Share Purchase Agreement (SPA) with BPC, Tybalt Investment Limited (TIL), BP Holdings International B.V. (BPHI) and Petronas Philippines, Inc. (PPI) with TIL as the purchase of the 83% interest of the foreign shareholders of BPC. As agreed by the parties, the SPA is to take effect as of March 31, 2004, subject to closing conditions, as defined in the SPA, which the parties have to comply with within a period of 60 days or later if the conditions are not met.

On July 7, 2005, Polymax and BPC executed a Deed of Conveyance, transferring to Polymax under an asset for share swap, the petrochemical plant of BPC in exchange for 85 million common shares of Polymax with par value of US$1 per share, or a total par value of US$85 million.

On July 20, 2005, the Company, Polymax and NPC International Limited (NPCI) entered into an SPA which provided that, subject to certain conditions, including the transfer of the petrochemical plant of BPC free from encumbrances, NPCI will acquire 60% of the issued share capital of NPC Alliance, Corp. (NPCA) from Polymax.

On August 9, 2005, Polymax and NPCA executed a Deed of Conveyance, transferring to NPCA, under an asset for share swap, the same petrochemical plant in exchange for 4.8 million shares of common stock of NPCA with a total par value of ₱4.8 billion, resulting in 100% ownership interest of Polymax in NPCA.

On November 15, 2005, BPC and Polymax executed a Deed of Assignment whereby BPC transferred and conveyed to Polymax all its rights and interest to Polymax's 85 million shares of common stock, with a total value of US$85 million, in exchange for the discharge of a portion of BPC's secured debt, which was acquired by Polymax from IFC, up to the extent of the value of the shares transferred. Polymax retired the said shares 10 days from the date the Deed of Assignment.

On December 16, 2005, Polymax, NPCI, Petrochemical Industries Investment Company (PIIC) and the Company entered into an amended SPA whereby NPCI and PIIC will purchase 40% and 20% of NPCA's shares of common stock, respectively, from Polymax. In addition to the conditions set forth in the original SPA, the amended SPA also involves advances to be provided by NPCI amounting to US$15 million representing an advance payment which may be used to fund the bona fide third party costs of NPCA or BPC for the recommissioning, operation and maintenance of the petrochemical plant or such other third party cost or expenses, taxes or duties as agreed between Polymax and NPCI.

On the same date, the Company, NPCI and PIIC entered into a Guaranteed and Indemnity agreement whereby the Company irrevocably and unconditionally guaranteed the prompt performance and observance by Polymax and the payment on demand by Polymax of all moneys, obligations and liabilities which are now or at any time after the execution of the agreement become due from or owning or incurred by Polymax under or in connection with any of the SPA and the Shareholders' Agreement. The Company also guaranteed that it shall be liable for Polymax's obligations, as if it were a principal debtor, if Polymax's obligations are no longer recoverable from Polymax.

On March 18, 2006, Polymax, NPCI, PIIC and the Company, entered into an Agreement of Variation (March 2006 Variation Agreement) to vary and amend the terms of the Amended and Restated Share Purchase Agreement (ARSPA) and the Shareholders' Agreement entered on December 16, 2005. Under the March 2006 Variation Agreement, completion of the conditions and conditions subsequent set forth in the ARSPA was extended to April 30, 2006. Moreover, additional conditions that Polymax needs to satisfy prior to completion were agreed upon.

On the same date, Polymax and NPCI executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to NPCI all the rights, title and interest in 19,090,000 NPCA shares of common stock, equivalent to 40% ownership interest, for a consideration of ₱1.91 billion.

On September 11, 2006, Polymax, NPCI, PIIC, the Company and NPCA entered into another Agreement of Variation (September 2006 Variation Agreement) to further vary and amend the terms of the ARSPA and the Shareholders' Agreement (both initially amended and varied by the March 2006 Variation Agreement). Polymax, in accordance with its obligations under the ARSPA, had notified NPCI and PIIC that it is aware that certain conditions will not be fulfilled by April 30, 2006. As a result, the parties agreed to transfer to PIIC the 9,545,000 NPCA shares of common stock prior to completion, while certain conditions will become conditions subsequent to be completed on December 31, 2006.

On September 20, 2006, Polymax and PIIC executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to PIIC all the rights, title and interest in 9,545,000 NPCA shares of common stock, equivalent to 20% ownership interest, for a consideration of ₱954.5 million.

On December 31, 2006, the ARSPA Variation Agreement expired with the conditions subsequent remaining unsettled. Nevertheless NPCI and PCII took control of the petrochemical plant resulting in a dispute with the Company and Polymax, which considered the sale of Polymax's 40% and 20% interest in the petrochemical plant to NPCI and PCII as null and void.

On August 21, 2007, the petrochemical plant started commercial operations under NPCI and PIIC.
Subsequently on August 27, 2013, the Company and Polymax ("Respondents") entered into a settlement agreement with NPCI, PIIC and NPC ("Claimants") to resolve the dispute arising from the uncompleted acquisition transactions described above.

By letter dated October 31, 2013, the Claimants informed the Tribunal that the Parties to all three arbitrations had settled their disputes and that they wished to cease the proceedings. A request was made, to which the Respondents concurred by letter dated November 21, 2013, that the Tribunal issue a procedural order to record that the proceedings be withdrawn by agreement.

By letter dated November 22, 2013, the Tribunal agreed to make the order requested and said that it would fix the cost of the arbitration. In response to the Tribunal's enquiry about the Parties' own legal costs and expenses, the Respondents said that no party was seeking an order that another party should contribute to its legal cost.

The Claimants requested time to seek instructions from their clients in response to the Tribunal's enquiry. On October 2, 2014, the Claimants requested the Tribunal to issue Orders in each arbitration recording withdrawal of the Proceedings by agreement of the Parties, and fixing costs and returning the Claimants deposit against costs, following the deduction of any outstanding sums owing to the Tribunal. It is apparent from this letter as well as the response of the Respondent that none of the Parties are seeking an order in respect of their own cost.

It is also apparent from the Parties' submissions to the Tribunal that they agreed that this arbitration should be terminated and that the Tribunal should fix the costs of the arbitration. Further, as only the Claimants have made deposits towards those costs, it is appropriate that, after deducting from those deposits the cost of the arbitration as fixed by this Order, the balance held by the London Court of International Arbitration (LCIA) should be returned to the Claimants.

Legal case

Metro Alliance

Case Title	:	**Metro Alliance vs Commissioner of Internal Revenue**
Factual basis	:	Assessment for deficiency withholding taxes for the year 1989, 1990 and 1991
Status	:	On July 5, 2002, the Parent Company received a decision from the Court of Tax Appeals (CTA) denying the Parent Company's Petition for Review and ordering the payment of ₱83.8 million for withholding tax assessments for the taxable years 1989 to 1991. The Parent Company filed a Motion for Reconsideration on July 31, 2002 but this was subsequently denied by the CTA. A Petition for Review was filed with the CTA on November 8, 2002, which was also denied by the CTA. The Parent Company then appealed the decision of the CTA to the Court of Appeals (CA), which likewise denied the appeal and upheld the assessment against the Parent Company. The Parent Company, through its legal counsel, filed a Motion for Reconsideration with the CA in December 2003. On July 9, 2004, the Parent Company received the CA resolution denying the Motion for Reconsideration. On July 22, 2004, the Parent Company filed with the CA a Motion for Extension of time to file an appeal to the Supreme Court (SC). On August 20, 2004, the Parent Company filed said appeal. On October 20, 2004, the Parent Company received the resolution of the SC denying its Petition for Review for lack of reversible error. The Parent Company filed a Motion for Reconsideration. On January 10, 2005, the SC issued an Order stating that it found no ground to sustain the Parent Company's appeal and dismissed the Parent Company's petition with finality. On April 26, 2006, the Parent Company filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Motion for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue.
Relief Sought	:	As of June 30, 2018, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable. Management believes, however, that the ultimate outcome of the case will not have a material effect on the consolidated financial statements.

Case Title	:	**Metro Alliance and Philippine Estate Corporation vs Philippine Trust Company, et al., Civil Case SCA#TG-05-2519**
Factual basis	:	Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales plus Damages
Name of Court	:	Regional Trial Court, Fourth Judicial Region, Branch 18, Tagaytay City
Status	:	On September 14, 2005, Metro Alliance Holdings & Equities Corp. (MAHEC) and Philippine Estate Corporation (PEC) filed a Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, and Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sale, plus Damages with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction. The case stemmed from the imminent extra-judicial foreclosure of four (4) mortgaged Tagaytay lots covered by Transfer Certificate of Title (CTC) Nos. T-35522, T-35523, T-35524 and T-35552 subject to the Real

Estate Mortgage executed by MAHEC and PEC securing ₱280M loan obtained by MAHEC and PEC last December 2003.

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction.

The preliminary injunction issued by the RTC stopping the foreclosure was nullified by both Court of Appeals and Supreme Court, after which Philtrust proceeded to foreclose, and acquired those properties for only ₱165.8M. When MAHEC and PEC failed to redeem, Philtrust consolidated title, and Tagaytay Registry of Deeds issued new TCTs, cancelling PEC's TCT.

On October 10, 2011, MAHEC filed Notice *Lis Pendens* vs. four (4) new TCTs of Philtrust.

The case is now back to Tagaytay RTC for trial hearings under new acting Judge Jaime Santiago. MAHEC and PEC already presented witnesses.

Relief Sought: As of June 30, 2018, the case is pending resolution with the Regional Court of Tagaytay, Branch 18 SCA# TG-05-2519. The Parent Company was able to get the formal trial started and on-going. The Parent Company's most important move was the presentation of a very competent real estate appraiser, realtor, Cesar Santos, who was able to successfully defend in court his ₱811.6M valuation of the foreclosed Tagaytay properties. Trial hearings are on-going and it is now defendant Bank's turn to adduce evidence. Plaintiffs have closed their evidence presentation wherein all offered evidences were admitted, over the objections of defendant Bank. At the last hearing held on December 6, 2016, defendant Bank's star witness was subjected to Plaintiff's counsel cross examination wherein they obtained many damaging admissions against the Bank. Plaintiff's counsels cross examination will resume at trial hearing set for April 25, 2017.
Damages sought are ₱1,000,000 as and by way of exemplary damages and ₱500,000 as and by way of attorney's fees; litigation expenses and cost of suit.

Case Title	:	**MAHEC, POLYMAX & WELLEX vs Phil. Veterans Bank, et al., Civil Case#08-555, RTC Makati Branch 145**
Factual basis	:	Civil Action with Damages to Nullify the Foreclosure of Property
Name of Court	:	Regional Trial Court Makati City Branch 145
Status	:	The case is an injunction suit with damages filed on July 23, 2008 in RTC-Makati to nullify the foreclosure of Pasig lot securing a ₱350M loan obtained by MAHEC, Polymax and Wellex. Initially, Temporary Restraining Order (TRO) and preliminary injunction was issued, but afterwards, it was lifted, enabling Philippine Veterans Bank (PVB) to foreclose. In successive *certiorari* cases that plaintiffs filed, both Court of Appeals (CA) and Supreme Court (SC) upheld PVB. Worse yet, due to major lapse of the plaintiff's original counsels, *lis pendens* on foreclosed Pasig lot was cancelled, and in March 2012, PVB sold the lots to Zen Sen Realty Devt. Corp. who got new Transfer Certificate of Title (TCT).

The above case was consolidated with other case of affiliated company with the same RTC. In 2013, Company's legal counsel brought Zen Sen Realty Devt. Corp. as defendant also, and prayed that the PVB sale to it be nullified. In October 2014, Company's legal counsel dropped Zen Sen Realty as an unnecessary defendant, after which DECISION was rendered vs. PVB on January 9, 2015, declaring the ₱550M loan (total loan of MAHEC, Polymax, Wellex and other affiliated companies) as fully paid, and even over-paid; discharging all the mortgages, and voiding the

2012 sale made to Zen Sen. PVB was ordered to refund to plaintiffs the ₱3.25M overpayment. PVB filed a motion for reconsideration which was denied. PVB filed Notice of Appeal to Court of Appeal on May 8, 2015, which the Company's legal counsel questioned as defective, but the RTC ruled against the Company in its May 12, 2015 Order. The consolidated case is now on appeal in the Court of Appeals as CA-GR CV#105323. Appellant-defendant Bank filed last December 2016 its Appellant's Brief. The Company's legal counsel is given 45 days to file their Brief and eventually requested for another 30 days extension to finish and file said Appellees' Brief.

Case Title	:	**Metro Alliance vs The Philippine Stock Exchange ("PSE")**
Factual basis	:	Petition for Lifting of Trading Suspension On July 20, 2015, the Company filed a comprehensive corporate disclosure in connection with the Company's petition for lifting its trading suspension which was imposed to the Company on May 21, 2007. Suspension was due to non-filing of structured reports (quarterly and annual reports) from 2007 until 2013. Inability of the Company to file such reports was due to the legal issues involving the acquisition of the petrochemical plant and the surrounding circumstances. The Company, having resolved its disputes with foreign parties involved in the Bataan petrochemical project, was able to file its 2007 to 2013 quarterly and annual reports starting November 2014 to June 2015. Corresponding penalties amounting to ₱3.4 million was already paid. The Company and PSE representatives met last November 5, 2015 to discuss the status of the petition and other matters to update the Exchange on the Company's operations and informed that the settlement of the issues involving Polymax Worldwide Limited will be reflected in the Company's 2015 Audited Financial Statements. PSE, on their letter dated January 19, 2016, advised the Company that it will proceed with the completion of its evaluation of the Company's petition upon the Company's submission of the disclosure of the results of its operations and the filing of its 2015 Audited Financial Statements. The Company received various correspondences from PSE in 2016 as part of the evaluation of the Company's petition.
Status	:	As of June 4, 2018,the Company's trading suspension was effectively lifted by PSE 5 days after the Company submitted its Comprehensive Disclosure covering all relevant information including, among others, a detailed narration of the events and material information commencing from the trading suspension in 2007, the subsequent related developments, and the Company's business plans.

Events that will Trigger Direct Contingent or Financial Obligation
Having resolved its disputes with foreign parties involved in the Bataan petrochemical project there are no additional known events that will trigger direct or contingent financial obligation that is material to Metro Alliance, including the default of acceleration of an obligation during the reporting period.

Material Off-balance Sheet Transactions, Arrangements, Obligations
There are no off-balance sheet transactions, arrangements, obligations, and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.

Commitment For Capital Expenditures
Since CPDSI has ceased operations and MVC ceased to be a subsidiary of MAHEC, the Group has no commitment for capital expenditures.

Any Known Trends, Events of Uncertainties (Impact On Net Sales / Net Income)
Since CPDSI, AHI, FEZ-EAC and ZDI have ceased commercial operations and MCLSI is the only operating subsidiary among the Group, sales will rely solely on MCLSI's results of operations.

Significant Element of Income or Loss That Did Not Arise From Continuing Operations.
There is no significant element of income or loss that did not arise from continuing operations.

Material Changes on Line Items in the Financial Statements
Material changes on line items in the financial statements are presented under the captions “Changes in Financial Condition” and “Changes in Operating Results” above.

Effect of Seasonal Changes in the Financial Condition or Results of Operations of the Corporation
The financial condition or results of operations is not affected by any seasonal change.

PART II – OTHER INFORMATION

(1) Market Information

a) The principal market of Metro Alliance Holdings & Equities Corp.'s common equity is the Philippine Stock Exchange (PSE) where it was listed 1947. The high and low sales prices by quarter for the last three (3) years are as follows:

		Class A		Class B	
		High	**Low**	**High**	**Low**
2018	First Quarter	-	-	-	-
	Second Quarter	2.72	2.53	2.87	2.50
	Third Quarter	1.59	1.54	1.59	1.54
2017	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-
2016	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-
2015	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-

The closing market price of Class "A" and Class "B" were P1.59 and P1.59 as of September 30, 2018. PSE effectively lifted the Company's trading suspension last June 4,2018.

(2) Holders

a) There are 306,122,449 shares outstanding: 183,673,470 shares are Class "A" and 122,448,979 shares are Class "B". As of September 30, 2018, there are 620 holders of Class "A" shares and 396 holders of Class "B" shares.

Metro Alliance's Top 20 Stockholders as of September 30, 2018 are as follows:

Stockholder's Name		Number of Shares		Percentage to Total
		Class A	Class B	
1	CRESTON GLOBAL LIMITED		56,378,388	18.417
2	PCD NOMINEE CORPORATION (FILIPINO)	19,657,782	29,178,990	15.953
3	CHESA HOLDINGS INC.	40,500,000		13.230
4	PACIFIC WIDE REALTY & DEVELOPMENT CORP.	31,498,000		10.289
5	FORUM HOLDINGS CORPORATION	14,442,356	13,432,644	9.106
6	MISONS INDUSTRIAL AND DEVELOPMENT CORP.	22,000,000		7.187
7	PACIFIC CONCORDE CORPORATION	6,329,500	9,503,908	5.172
8	REXLON REALTY GROUP, INC.	12,200,000	2,673,112	4.859
9	CHARTERED COMMODITIES CORP.	11,296,000		3.690
10	MIZPAH HOLDINGS, INC.	10,128,700		3.309
11	WILLIAM GATCHALIAN	2,091,000	1,481,500	1.167
12	PACIFIC REHOUSE CORP.	1,258,000	1,670,000	0.956
13	PCD NOMINEE CORPORATION (NON-FILIPINO)		2,696,452	0.881
14	FORUM HOLDINGS CORPORATION	1,934,500		0.632
15	TIN FU OR TRAJANO		820,000	0.268
16	CTBC TA# 5-C184: ZUELLIG CORP.	684,829		0.224
17	REXLON T. GATCHALIAN	600,000		0.196
18	VICTOR GAN SY	400,000	200,000	0.196
18	BDO TIG AS TRUSTEE FOR FEDERAL PHOENIX ASSURANCE CO	480,490	25,502	0.165
19	W. DUMERMUTH	472,600		0.154
20	VICTOR G. SY	178,000	290,000	0.153

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES **"Annex A.1"**

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (In Php)

	Sep 30 2018 Unaudited	Sep 30 2017 Unaudited	31-Dec-2017 Audited
ASSETS			
Current Assets			
Cash (Note 4)	**₱38,976,694**	₱21,656,451	₱36,538,607
Receivables – net (Note 5)	**131,096,433**	117,727,716	116,786,722
Other current assets (Note 6)	**22,957,956**	28,202,765	14,933,877
Total Current Assets	**193,031,083**	167,586,932	168,259,206
Noncurrent Assets			
Assets held for sale (Note 7)	**369,706,180**	415,410,450	371,371,502
Available-for sale-investments (Note 8)	**26,669,885**	17,329,385	26,669,885
Property and equipment – net (Note 9)	**5,442,147**	3,948,256	4,424,024
Deferred income tax assets – net	**4,533,081**	5,226,558	4,530,072
Other noncurrent assets (Note 10)	**8,452,707**	7,450,739	4,707,271
Total Noncurrent Assets	**414,804,000**	449,365,388	411,702,754
TOTAL ASSETS	**₱607,835,083**	₱616,952,320	**₱579,961,960**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Note 11)	**439,461,541**	412,740,306	441,327,586
Due to related parties	**8,690,442**	82,170,684	6,338,831
Total Current Liabilities	**448,151,983**	494,910,990	447,666,417
Noncurrent Liabilities			
Accrued retirement benefit costs	**3,777,031**	6,169,794	4,746,718
Deferred income tax liability	**-**	1,432	-
Total Noncurrent Liabilities	**3,777,031**	6,171,226	4,746,718
Total Liabilities	**451,929,014**	501,082,216	452,413,135
Stockholders' Equity			
Equity attributable to equity holders of the Parent Company			
Capital stock	**306,122,449**	306,122,449	306,122,449
Additional paid-in capital	**3,571,923**	3,571,923	3,571,923
Deficit	**(209,655,529)**	(220,263,726)	(222,096,817)
Remeasurement gain on retirement plan	**4,105,556**	3,057,535	4,105,556
Available-for-sale reserve	**10,398,922**	1,058,422	10,398,922
	114,543,322	93,546,603	102,102,033
Non-controlling interests	**41,362,748**	22,323,501	25,446,792
Total Stockholders' Equity	**155,906,070**	115,870,104	127,548,825
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**₱607,835,083**	₱616,952,320	₱579,961,960

(The accompanying notes are integral part of these financial statements)

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES **"Annex A.2"**

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Php)

	Unaudited			
	Jul – Sep 2018	Jul– Sep 2017	**Jan – Sep 2018**	Jan – Sep 2017
NET SALES				
Services	**₱74,948,944**	₱59,435,100	**₱208,152,737**	₱171,845,545
COST OF SALES AND SERVICES (Note 14)	**61,391,998**	(31,520,538)	**169,042,501**	(86,744,945)
GROSS PROFIT	**13,556,946**	27,914,562	**39,110,227**	85,100,600
Expenses (Note 15)	**(7,426,360)**	(26,086,267)	**23,752,077**	(65,448,528)
Finance cost	**-**	-	**-**	-
Other income (expenses)	**41,595**	30,876	**136,158**	31,292
INCOME BEFORE INCOME TAX	**6,172,181**	1,859,170	**15,494,308**	19,683,364
PROVISION FOR INCOME TAX	**-**			
Current	**-**	610,658	**(807,454)**	(5,283,066)
Deferred	**-**	(620,241)	**-**	(620,241)
NET INCOME (LOSS)	**6,172,181**	1,849,587	**14,686,854**	13,780,057
Net income (loss) attributable to:				
Equity holders of the parent company	**3,277,118**	639,311	**6,718,189**	5,774,997
Minority interests	**2,895,063**	1,210,276	**7,968,665**	8,005,060
	6,172,181	₱1,849,587	14,686,854	₱13,780,057
Basic/Diluted Income (Loss) Per Share				
Net loss for the year attributable to the				
Equity holders of the Parent Company*	₱0.011	₱0.002	₱0.219	₱0.019

**Based on the weighted average number of shares of 306,122,449*

(The accompanying notes are integral part of these financial statements)

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES **"Annex A.3"**

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited	
For the period ended Sep 30,	**2018**	2017
CASH FROM OPERATING ACTIVITIES		
Income before income tax	**₱ 15,494,308**	₱13,780,057
Adjustments for:		
Prior period adjustment	**(2,245,566)**	141,023
Change in minority interest	**15,915,956**	
Depreciation and amortization	**1,622,176**	3,019,064
Interest income	**(136,158)**	(27,454)
Operating income (loss) before working capital changes:	**30,650,715**	16,912,690
Decrease (increase) in receivables	**(14,309,711)**	(8,109,802)
Decrease (increase) in prepaid expense and other current assets	**(8,024,079)**	(4,193,331)
Increase (decrease) in accounts payable and accrued expense	**(1,866,045)**	(11,497,985)
Income tax paid	**(807,454)**	(5,283,066)
Net cash flows provided (used in) operating activities	**5,643,426**	(12,171,494)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	**136,158**	27,454
Acquisition of property and equipment	**(2,640,299)**	(3,435,061)
Advances to(from) related parties	**1,665,322**	25,690,218
Decrease (increase) in Deferred tax and other noncurrent assets	**(3,748,445)**	(11,784,789)
Net cash flows provided by (used in) investing activities	**(4,587,263)**	10,497,822
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payment of):		
Advances from (to) related parties	**2,351,611**	-
Payment of retirement benefit	**(969,687)**	-
Net cash flows provided by (used in) financing activities	**1,381,924**	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,438,087**	(1,673,672)
CASH AND CASH EQUIVALENTS – BEGINNING	**36,538,607**	23,330,123
CASH AND CASH EQUIVALENTS – END	**₱38,976,694**	₱21,656,451

(The accompanying notes are integral part of these financial statements)

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES **"Annex A.4"**

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In Php)

For the Period Ended Sep 30,	**2018**	2017
ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		
Capital Stock - ₱1 par value		
Common shares		
Class "A"		
Authorized - 720,000,000 shares		
Issued and outstanding - 183,673,470 shares		
Class "B"		
Authorized - 480,000,000 shares		
Issued and outstanding - 122,448,979	**₱306,122,449**	₱306,122,449
Additional Paid-in Capital	**3,571,923**	3,571,923
Deficit		
Balance at beginning of the year	**(222,096,817)**	(234,043,783)
Adjustment to beginning balance of retained earnings	**(2,245,566)**	
Net income	**14,686,854**	13,780,057
Balance at end of the period	**(209,655,529)**	(220,263,726)
Other Reserves:		
Revaluation reserve on available-for-sale financial assets	**10,398,922**	1,058,422
Remeasurement Gain (Loss) on Retirement Plan	**4,105,556**	3,057,535
	14,504,478	
EQUITY ATTRIBUTABLE TO HOLDERS OF PARENT COMPANY	**114,543,321**	93,546,603
MINORITY INTERESTS	**41,362,748**	22,323,501
TOTAL STOCKHOLDERS' EQUITY	**₱155,906,069**	₱115,870,104

(The accompanying notes are integral part of these financial statements)

1. Corporate Information

METRO ALLIANCE HOLDINGS & EQUITIES CORP. (MAHEC or the Parent Company) is incorporated in the Philippines. The Parent Company and its subsidiaries (collectively referred to as "the Group") are involved in contract logistics. Certain subsidiaries previously engaged in the importation and distribution of polypropylene resin and pharmacy management had ceased operations.

The new registered office address of the Parent Company is at 35th Floor One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City.

In 2015, the SEC approved the amendment made to Article III of the Company's Articles of Incorporation in regard to the change of Company's official business address from 22nd Floor Citibank Tower, 8741 Paseo de Roxas, Makati City to 35th Floor One Corporate Center, Dona Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City.

Status of Operation

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Parent Company will continue as a going concern. As of September 30, 2018 and 2017, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, relating to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in the next section below. On the other hand, Polymax (jointly and severally with the Parent Company) has past due liabilities, including interest and penalties, amounting to ₱994.7 million and ₱415.4 million as of September 30, 2018 and 2017, respectively, which were obtained to partially finance the acquisition of the petrochemical plant, resulting from the transfer of past due loans as discussed in the next paragraph.

In 2007, the Parent Company unilaterally transferred to Polymax two significant past due liabilities totaling ₱866.7 million as of December 31, 2006 that were obtained (jointly and severally with Polymax) to partially finance the acquisition of the petrochemical plant, and applied these against the Parent Company's advances to Polymax, in order to reflect the economic substance of the acquisition and related loan transactions as discussed in Note 7.

As explained in Note 7, the remaining 20% of Polymax's interest in the petrochemical plant is for sale. The realization of the Parent Company's advances to Polymax (an unconsolidated special purpose entity starting in 2007) and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, depend on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPC Alliance Corporation (NPCA) and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company.

The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. As explained in Note 13b, management's plan is to infuse additional capital to address the going concern uncertainty.

Management Plan to Address Going Concern Uncertainties

The Group still holds 20% interest in NPC Alliance Corporation as of December 31, 2017. The Board will discuss how best to proceed on this remaining investment. Recently, the petrochemical plant is undergoing further studies of how to proceed with its future operation to prevent further losses in operating the company under present market conditions. Among the options being evaluated by the majority controlling interest in NPCA is to consider the proposal of MAHEC/Polymax to take over the plant with its potential Chinese partner.

The Board has outlined possible target business projects, but has precluded investments in the mining industry, since the target project did not pass the screening conducted by the DENR.

MAHEC's remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional business from its existing principals. The Group is also exploring business opportunities in the transport field, including computer app solutions, warehousing and cold storage; in medical distribution and pharmaceutical business logistics, operation of hospice care and management of medical clinics, importation of medical equipment; and also in document storage, car parking, sea travel, river ferry and airport/seaport terminal management.

Projected Plan for the next 12 months:

Investment and sources of capital

a) The company has remained steadfast to regain its status as a going concern. In line with this, several actions were taken to conserve the company's resources and build confidence for its business direction:

b) Commitment by the majority shareholders of the company to guaranty the recoverable value of the remaining "assets for sale" in its books in order that the company's equity be preserved;

c) Pressing the majority shareholders of NPCA to write down the obligation of NPCA to its principal shareholders to pave the way for restructured financial statements;

d) Continuous filings with relevant government agencies;

e) Maintaining a lean organization to sustain its operation during the said period;

Furthermore, since the Company's trading suspension was effectively lifted last June 4, 2018, the Board of Directors will set a meeting to discuss the majority shareholders intention to conduct a tender offer in order to gain back investor confidence in the Company.

Recapitalization of the Company to meet the Projected Investments in New Venture

The company has a pending application with the SEC to increase its capital stock to 5 billion to be split – 60% Class A shares and 40% Class B shares at par value ₱1.00 to meet its projected investments after the tender offer.

If everything proceeds as planned, the Company is expected to satisfy its cash requirements to finance its projected plans and investments in the new ventures until the 4th quarter of 2018.

The company has started to close its non-operating subsidiaries, and eliminate these from its future reporting responsibilities. The elimination will not have any significant effect on the financial statements, as reserves were all provided for these companies to be non-operational. These actions will further enhance the ability of the company to attract new investors to consider an equity infusion into the company and/or a joint venture.

Realization of Outstanding Receivables from Polymax Worldwide

Assuming that the 4-way negotiations with the Chinese bank, the Chinese petrochemical firm and the Iranians will bog down, there are other alternatives to address the issue. In order that this outstanding receivable will be fully recovered, a payment via dacion of the remaining 20% NPCA shares held by Polymax in NPC Alliance may be assigned to Metro Alliance, thus, making the company the direct shareholders of NPCA.

The estimated present value of the 20% NPCA shares is placed at $20 Million.

Manpower requirements

The Group does not expect significant changes in the number of employees as it still in the stage of exploring new business opportunities. Manpower will be outsourced if needed.

Capital Asset Aquisition

The Group will make purchases of equipment and machineries in the future if needed especially when investment in mining industry will materialize.

Acquisition Transactions
On December 4, 2003, the Parent Company entered into a Memorandum of Agreement (MOA) with Polymax, whereby the Parent Company confirmed the designation of Polymax as the acquiring company in the proposed acquisition of the senior secured debt papers of BPC from International Finance Corporation (IFC). Under the MOA, the Parent Company and Polymax agreed that (a) the acquisition of the secured debt paper would be for the account and benefit of the Parent Company; (b) the funding for the acquisition would be provided and arranged by the Parent Company; and (c) the exercise of creditor rights arising from the secured debts via foreclosure and takeover of the assets of BPC would be directed by and for the account and benefit of the Parent Company. In addition, the Parent Company would make certain advances to Polymax.

On December 19, 2003, Polymax and IFC entered into an Assignment and Transfer Agreement (the Agreement) for the purchase by the former of the senior secured debt papers of BPC. The Parent Company advanced to Polymax the initial deposit of US$5 million, which was remitted to IFC for the assignment payment, pursuant to the terms of the Agreement. On February 11, 2004, IFC confirmed that it has received the full payment for the assignment of the senior secured debt papers of BPC.

To partially finance the Parent Company's advances relating to the Petrochemical Project, the Parent Company obtained short-term loans from local banks. With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Parent Company was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled ₱866.7 million, consisting of the outstanding principal balance of ₱378.3 million and finance charges of ₱488.4 million. In 2007, these past due liabilities were unilaterally transferred to and applied against the advances made to Polymax as discussed in Note 12.

Pursuant to the Parent Company's plan of acquiring full control of BPC, instead of exercising creditor rights, the Parent Company, on April 16, 2004, entered into a Share Purchase Agreement (SPA) with BPC, Tybalt Investment Limited (TIL), BP Holdings International B.V. (BPHI) and Petronas Philippines, Inc. (PPI), with TIL as the purchaser of the 83% interest of the foreign shareholders of BPC. As agreed by the parties, the SPA is to take effect as of March 31, 2004, subject to closing conditions, as defined in the SPA, which the parties have to comply with within a period of 60 days or later if the conditions are not met.

On July 7, 2005, Polymax and BPC executed a Deed of Conveyance, transferring to Polymax under an asset for share swap, the petrochemical plant of BPC in exchange for 85 million common shares of Polymax with par value of US$1 per share, or a total par value of US$85 million.

On July 20, 2005, the Parent Company, Polymax and NPC International Limited (NPCI) entered into an SPA which provided that, subject to certain conditions, including the transfer of the petrochemical plant of BPC free from encumbrances, NPCI will acquire 60% of the issued share capital of NPCA from Polymax.
On August 9, 2005, Polymax and NPCA executed a Deed of Conveyance, transferring to NPCA, under an asset for share swap, the same petrochemical plant in exchange for 4.8 million shares of common stock of NPCA with a total par value of ₱4.8 billion, resulting in 100% ownership interest of Polymax in NPCA.

On November 15, 2005, BPC and Polymax executed a Deed of Assignment whereby BPC transferred and conveyed to Polymax all its rights and interest to Polymax's 85 million shares of common stock, with a total value of US$85 million, in exchange for the discharge of a portion of BPC's secured debt, which was acquired by Polymax from IFC, up to the extent of the value of the shares transferred. Polymax retired the said shares 10 days from the date the Deed of Assignment.

On December 16, 2005, Polymax, NPCI, Petrochemical Industries Investment Company (PIIC) and the Parent Company entered into an amended SPA whereby NPCI and PIIC will purchase 40% and 20% of NPCA's shares of common stock, respectively, from Polymax. In addition to the conditions set forth in the original SPA, the amended SPA also involves advances to be provided by NPCI amounting to US$15 million representing an advance payment which may be used to fund the bona fide third-party costs of NPCA or BPC for the recommissioning, operation and maintenance of the petrochemical plant or such other third-party cost or expenses, taxes or duties as agreed between Polymax and NPCI.

On the same date, the Parent Company, NPCI and PIIC entered into a Guarantee and Indemnity agreement whereby the Parent Company irrevocably and unconditionally guaranteed the prompt performance and observance by Polymax and the payment on demand by Polymax of all moneys, obligations and liabilities, which are now or at any time after the execution of the agreement become due from or owing or incurred by Polymax under or in connection with any of the SPA and the Shareholders' Agreement. The Parent Company also guaranteed that it shall be liable for Polymax's obligations, as if it were a principal debtor, if Polymax's obligations are no longer recoverable from Polymax.

On March 18, 2006, Polymax, NPCI, PIIC and the Parent Company entered into an Agreement of Variation (March 2006 Variation Agreement) to vary and amend the terms of the "Amended and Restated Share Purchase Agreement (ARSPA) and the Shareholders' Agreement" entered on December 16, 2005. Under the March 2006 Variation Agreement, completion of the conditions and conditions subsequent set forth in the ARSPA was extended to April 30, 2006. Moreover, additional conditions that Polymax needs to satisfy prior to completion were agreed upon.

On the same date, Polymax and NPCI executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to NPCI all the rights, title and interest in 19,090,000 NPCA shares of common stock, equivalent to 40% ownership interest, for a consideration of ₱1.91 billion.

On September 11, 2006, Polymax, NPCI, PIIC, the Parent Company and NPCA entered into another Agreement of Variation (September 2006 Variation Agreement) to further vary and amend the terms of the ARSPA and the Shareholders' Agreement (both initially amended and varied by the March 2006 Variation Agreement). Polymax, in accordance with its obligations under the ARSPA, had notified NPCI and PIIC that it is aware that certain conditions will not be fulfilled by April 30, 2006. As a result, the parties agreed to transfer to PIIC the 9,545,000 NPCA shares of common stock prior to completion, while certain conditions will become conditions subsequent to be completed on December 31, 2006.

On September 20, 2006, Polymax and PIIC executed a Deed of Absolute Sale whereby Polymax sold, transferred and conveyed to PIIC all the rights, title and interest in 9,545,000 NPCA shares of common stock, equivalent to 20% ownership interest, for a consideration of ₱954.5 million.

On December 31, 2006, the ARSPA Variation Agreement expired with the conditions subsequent remaining unsettled. Nevertheless, NPCI and PCII took control of the petrochemical plant resulting in a dispute with the Parent Company and Polymax, who considered the sale of Polymax's 40% and 20% interest in the petrochemical plant to NPCI and PCII, respectively, as null and void.

On August 21, 2007, the petrochemical plant started commercial operations under NPCI and PIIC.

Subsequently on August 27, 2013, the Parent Company and Polymax entered into a settlement agreement with NPCI, PIIC and NAC to resolve, fully and finally, the dispute arising from the uncompleted acquisition transactions described above. Under the agreement, NCPI shall, among others, pay Polymax the remaining balance of the purchase price of the 60% NPCA shares net of deductions agreed by the parties. Simultaneous with the execution of the agreement, Polymax shall also sell to NPCI an additional 20% of Polymax's interest in NPCA from the remaining 40% equity holding in NPCA at US$8 million or its equivalent in Philippine peso. In September 2013 and August 2014, the remaining balance due to Polymax was paid by NCPI and the 20% interest of Polymax in NPCA was sold to NCPI, respectively, in accordance with the agreement.

As a result of the foregoing settlement, the arbitration tribunal issued on October 2, 2014 an order for withdrawal of the arbitration cases (under the United Nations Commission on International Trade Law Rules of Arbitration), which were earlier filed by the parties due to the dispute arising from their various agreements.

2. Summary of Significant Accounting Policies

2.1 Statement of Compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) approved by the Philippine Financial Reporting Standards Council (PFRSC) and the SEC.

The consolidated financial statements have been prepared on the accrual basis using historical cost basis, except for available-for-sale (AFS) financial assets that are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. All values are rounded to the nearest million, except when otherwise indicated.

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company, Metro Alliance Holdings and Equities Corp., and the following subsidiaries:

	Percentage of Ownership	
	2018	2017
Operating subsidiaries:		
Metro Combined Logistics Solutions, Inc. (MCLSI) (formerly GAC Logistics, Inc.)	51%	51%
Non-operating subsidiaries:		
Consumer Products Distribution Services, Inc. (CPDSI)	100%	100%
FEZ-EAC Holdings, Inc. (FEZ-EAC)	100%	100%
Zuellig Distributors, Inc. (ZDI)	100%	100%
Asia Healthcare, Inc. (AHI)	60%	60%

A subsidiary is an entity in which the Parent Company has control. Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and cease to be consolidated from the date on which control is transferred out of the Parent Company.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

Non-controlling Interests

Non-controlling interests represent the interests in subsidiaries which are not owned, directly or indirectly through subsidiaries, by the Parent Company. If losses applicable to the non-controlling interest in a consolidated subsidiary exceed the non-controlling interest's equity in the subsidiary, the excess, and any further losses applicable to non-controlling interest, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good of the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the interest's share of losses previously absorbed by the majority interest has been recovered.

2.3 Changes in Accounting Policy

New standards, amendments to published standards and interpretation to existing standards adopted by the company effective 2017.

- *Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative*
  The amendment requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary):
  (i) changes from financing cash flows;
  (ii) changes arising from obtaining or losing control of subsidiaries or other businesses;
  (iii) the effect of changes in foreign exchange rates;
  (iv) changes in fair values; and
  (v) other changes.

  The Standard defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

  The amendments have no impact on the company's financial position or performance.

- *Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments have no impact on the company's financial position or performance.

New standards, amendments to published standards and interpretation to existing standards effective 2017 not yet adopted by the company.

- *Amendment to PFRS 12, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
  The amendment clarifies the scope of the standard by specifying that the disclosure requirements in the standard, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5 Non-current Assets Held for Sale and Discontinued Operations

  The amendments have no impact on the company's financial position or performance.

Future Changes in Accounting Policies
The company will adopt the following revised standards, interpretation and amendments when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its financial statements.

Effective 2018

- *PFRS* 9, Financial Instruments (2014). The amendment reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  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 adoption will also have an effect on the amount of the Company's credit losses. The Company is currently assessing the impact of adopting this standard.

- *PFRS* 15, Revenue from Contracts with Customers. The amendment establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

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

- *PFRS* 2 (Amendments), Classification and Measurement of Share-based Payment Transactions. The amendments to clarify the classification and measurement of share-based payment transactions

  The Standard has introduced the following clarifications:

  On such modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date.

  Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately.

- *PFRS* 4 (Amendments), Applying PFRS 9 'Financial Instruments' with PFRS 4 'Insurance Contracts'. The amendments in *Applying PFRS 9 'Financial Instruments' with PFRS 4 'Insurance Contracts' (Amendments to PFRS 4)* provide two options for entities that issue insurance contracts within the scope of PFRS 4:
  - an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
  - an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4; this is the so-called deferral approach.

- *PAS* 40 (Amendments), Transfers of Investment Property. The amendments in *Transfers of Investment Property (Amendments to PAS 40)* are:

  Paragraph 57 of PAS 40 *Investment Property*, which provides guidance on transfers to, or from, investment properties. More specifically, the question was whether a property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use.

  Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

- Annual Improvements to PFRS (2014–2016 Cycle). The amendments to the following standards:
  - PFRS 1 – *Short Term Exemptions* Deletes the short-term exemptions, because they have now served their intended purpose
  - PFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
  - PAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition

Effective 2019

- PFRS 16, Leases

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 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 adopting PFRS 16.

- Amendments resulting from Annual Improvements 2015–2017 Cycle (remeasurement of previously held interest)
    - PFRS 11 Joint Arrangements. The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- PFRS 9 Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities

  Under the amendments, the sign of the prepayment amount is not relevant, i. e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of a early repayment gain.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

- The amendments in Effective Date of Amendments to PFRS 10 and PAS 28 defer the effective date of the September 2014 amendments to these standards indefinitely until the research project on the equity method has been concluded. Earlier application of the September 2014 amendments continues to be permitted.

<u>Cash</u>
Cash include cash on hand and in banks.

<u>Financial Assets and Liabilities</u>
Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Subsequent to initial recognition, the Group classifies its financial assets and liabilities in the following categories: held-to-maturity (HTM) financial assets, AFS investments, FVPL financial assets and loans and receivables. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of Fair Value. The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Day 1 Profit. Where the transaction price in a non-active market is different from the fair value of the other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 Profit) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset.

In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'day 1' profit amount.

<u>*Financial Assets*</u>
Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in the consolidated statement of comprehensive income.

Financial assets may be designated by management at initial recognition at FVPL, when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or
- the assets are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

The Group has no financial assets at FVPL as of September 30, 2018 and 2017.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial asset at FVPL. Receivables are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest method.

The Group's cash, receivables and refundable deposits (included under other current assets) are included in this category.

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and classified as AFS investments. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that is an integral part of the effective interest rate.

Gains and losses are recognized in the consolidated statement of comprehensive income when the HTM investments are derecognized or impaired, as well as through the amortization process.

The Group has no HTM investments as of September 30, 2018 and 2017.

AFS Investments. AFS investments are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. Subsequent to initial recognition, AFS investments are measured at fair value with unrealized gains or losses recognized as other comprehensive income in the unrealized gain (loss) on AFS investments account until the investment is derecognized, at which time the cumulative gain or loss is recognized in other income, or the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the unrealized gain (loss) on AFS investments account to profit or loss under other expense.

The Group's investments in equity securities included under the available-for-sale investments account are classified under this category.

Financial Liabilities

Financial Liabilities at FVPL. Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

The Group has no derivative liabilities as of September 30, 2018 and 2017.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

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

Included in this category are: accounts payable and accrued expenses (excluding payable to government agencies and reserves for contingencies), due to related parties and long-term debt.

Derecognition of Financial Assets and Liabilities

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

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

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or 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.

Impairment of Financial Assets

The Group assesses at balance sheet date whether a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in the consolidated statement of comprehensive income.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets Carried at Cost. If there is objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of comprehensive income, is transferred from equity to the consolidated statement of comprehensive income. Reversals in respect of equity instruments classified as AFS are not recognized in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Classification of Financial Instruments between Debt and Equity
A financial instrument is classified as debt 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 Group; 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 Group 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.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated financial position.

Asset Held for Sale
An asset is classified as asset held for sale when its carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is highly probable. Asset held for sale is stated at the lower of its carrying amount and fair value less costs to sell.

Property and Equipment
Property and equipment are stated 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, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization of property and equipment commences once the fixed assets are available for use and is calculated on a straight-line basis over the following estimated useful lives:

Particulars	Number of Years
Leasehold improvements	5 years or lease term, whichever is shorter
Machinery and equipment	3 to 10
Office furniture, fixtures and equipment	2 to 5

The remaining useful lives, residual values and depreciation and amortization method are reviewed periodically to ensure that the periods, estimated residual values and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

When an asset is sold or retired, its cost and related accumulated depreciation and amortization and any impairment in value are eliminated from the accounts. Any gain or loss resulting from its disposal is credited to or charged against current operations.

Intangible Assets
Intangible assets pertaining to software license costs that are acquired separately are initially carried at cost. Subsequently, intangible assets with definite useful lives are carried at cost less accumulated amortization and impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives, which do not exceed three years.

The remaining useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. 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 profit or loss when the asset is derecognized.

Impairment of Non-Financial Asset with Definite Useful Life
The carrying values of property and equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less costs of disposal. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income 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 may no longer exist or may 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. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, 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 charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity
Capital stock is measured at par value for all shares issued. Proceeds of consideration received in excess of par value are recognized as additional paid-in capital.

Revenue
Revenue is recognized to the extent that is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably. Revenue is recognized as follows:

Logistics and Other Services
Revenue is recognized when the related services are rendered.

Interest
Interest income is recognized as it accrues, taking into account the effective yield of the asset.

Dividend Income
Dividend income is recognized when the right to receive the payment is established.

Expenses
Expenses are recognized as incurred.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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

Borrowing Costs
Borrowing costs are generally expensed as incurred, unless there are qualifying assets that require capitalization of borrowing costs.

Retirement Benefits Costs
The Parent Company and MCLSI provide for estimated retirement benefits to be paid under Republic Act (RA) No. 7641, Retirement Law, to all their permanent employees. MCLSI has a funded, non-contributory defined benefit retirement plan, administered by a trustee, covering its permanent employees. The cost of providing benefits under the defined benefit retirement plan is determined using the projected unit credit actuarial valuation method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

The net defined liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form or refunds from the plan or reductions in future contributions to the plan.

Retirement benefits costs include service cost, net interest on the net defined obligation or asset and remeasurements of net defined benefit obligation or asset.
Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as part of cost of services and expenses in the consolidated statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined obligation 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 net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The net retirement benefits liability recognized by the Group is the aggregate of the present value of the defined benefit obligation at the end of the balance sheet date reduced by the fair value of plan assets, adjusted for any effect of limiting a net pension asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information.

<u>Foreign Currency Transactions and Translations</u>
Transactions denominated in foreign currency are recorded in Philippine peso using the prevailing exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated to Philippine peso using the prevailing exchange rate at balance sheet date. Foreign exchange gains or losses arising from the translation at balance sheet date or settlement of monetary items at rates different from those at which they were initially recorded are credited to or charged against current operations.

<u>Income Tax</u>
Income tax for the year comprises current and deferred income tax. Income tax is recognized in the consolidated statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current Tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to tax authority. The tax rates and tax laws used to compute the current tax are those that are enacted and substantively enacted as of balance sheet date.

Current income tax relating to items recognized directly in equity, if any, is recognized in equity and not in profit or loss.

Deferred Tax
Deferred income tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carry forward tax benefits of the net operating loss carryover (NOLCO) and the excess of minimum corporate income tax (MCIT) over the regular corporate income tax. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted at reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the carry-forward benefits of unused NOLCO and MCIT can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Income tax relating to other comprehensive income, if any, is recognized in the other comprehensive income section of the consolidated statements of comprehensive income.

Related Parties
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. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Earnings Per Share
Basic earnings per share are computed by dividing net income by the weighted average number of outstanding shares. The Parent Company has no dilutive potential common shares that would require disclosure of diluted earnings per share in the consolidated statement of comprehensive income.

Segments
The Group's operating businesses are recognized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serve different markets.

Provisions
Provisions are recognized only when the Group has (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

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

Events after the End of Reporting Period
Post year-end events that provide additional information about the Group's position at financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as these become reasonably determinable.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Consolidation of SPE
An entity is considered a SPE and included in consolidation even in cases when the Parent Company owns less than one-half or none of the SPE's equity, when the substance of the relationship between the Parent Company and the SPE indicates that the SPE is controlled by the Parent Company. While the Parent Company has no ownership interest in Polymax, this SPE was included in the 2006 consolidated financial statements and prior years. However, starting in 2007, the SPE was no longer consolidated because it had ceased operating as a going concern (see Note 7).

Operating Lease Commitments – Group as Lessee
The Group has various operating lease agreements for their respective offices and warehouses. The Group has determined that the risks and rewards of ownership of the underlying properties have been retained by their respective lessors. Accordingly, these leases are accounted for as operating leases (see Note 16).

Contingencies
The Group is currently involved in various legal proceedings, which are normal to its business as discussed in Note 21. The Group's estimate of the probable costs for these proceedings and resolution of these claims have been developed in consultation with outside counsel handling the prosecution and defense of these cases and is based upon an analysis of potential results. The Group does not believe that these legal proceedings will have a material adverse effect on its consolidated financial statements. It is possible, however, that changes in estimates relating to these proceedings may materially affect results of operations.

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimating Allowance for Probable Losses
The Group reviews the carrying amounts of receivables, creditable withholding and input taxes (under other current assets) and advances to Polymax (under asset held for sale) at each balance sheet date and reduces the balance of these assets to their estimated recoverable amounts.

The receivables (net of allowance for doubtful accounts of ₱146.6million and ₱154.3 million, as of September 30, 2018 and 2017, respectively), amounted to ₱131.1 million and ₱117.7 million as of September 30, 2018 and 2017, respectively (see Note 5).

The carrying amount of other current assets amounted to ₱22.96 million and ₱28.20 million as of September 30, 2018 and 2017, respectively as discussed in Note 6. Allowance on probable losses, mainly pertaining to creditable withholding and input taxes, amounted to ₱12.9 million and ₱12.3 million as of September 30, 2018 and 2017, respectively as shown also in Note 6.

Advances to Polymax (under asset held for sale) amounting to ₱369.7 million and ₱415.4 million as of September 30, 2018 and 2017 respectively, constitute 60.82% and 70% of the Group's total assets at September 30, 2018 and 2017, respectively. The realization of the Parent Company's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, is dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPCA and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company, as discussed in Note 7.

Estimating Useful Lives and Residual Values of Property and Equipment and Intangible Assets
The Group estimates the useful lives and residual values of its property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives and residual values based on factors that include asset utilization, internal technical evaluation, technological changes, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in

these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment and intangible assets would increase depreciation and amortization expenses, while an increase in the estimated useful lives would decrease depreciation and amortization expenses.

There has been no change in the Group's estimate of the useful lives and residual values of its property and equipment in 2018 and 2017.

Evaluation of Impairment of Noncurrent Non-Financial Assets
The Group assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction 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 asset or, if it is not possible, for the cash generating unit to which the asset belongs.

Management believes that there was no indication of impairment on property and equipment as of September 30, 2018 and 2017. As of September 30, 2018 and 2017, property and equipment, net of accumulated depreciation and amortization, amounted to ₱5.4 million and ₱3.9 million, respectively, as shown in Note 9 and total depreciation and amortization charged to operations amounted to ₱.97 million and ₱0.9 million, respectively, for periods ending September 30, 2018 and 2017.

Fair Value of Financial Assets and Liabilities
The Group carries certain financial assets and financial liabilities at fair value, which requires use of accounting estimates and judgment. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., quoted market prices and interest rates). In the case of those financial assets and financial liabilities that have no active markets, fair values are determined using an appropriate valuation technique. Any change in fair value of these financial assets and liabilities would affect profit or loss and equity. The fair value of financial assets and liabilities are enumerated in Note 18.

Impairment of AFS Investments
The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as a decline of 20% or more below of the original cost of the investment, and "prolonged" as period longer than 12 months. In addition, the Group evaluates other factors for AFS investments with no quoted bid prices such as changes in the issuer's industry and sector performances, legal and regulatory framework, technology, and other factors that affect the recoverability of the investments.

Deferred Tax Assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The recognized net deferred tax assets amounted to ₱4.5 million and ₱2.4 million as of September 30, 2018 and 2017, respectively.

Retirement Benefits
The determination of the obligation and cost of retirement benefits is dependent on certain assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 26 to the consolidated financial statements and include, among others, discount rates, salary increase rates and expected rates of return on plan assets. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, will generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations.

Accrued retirement benefits costs amounted to ₱3.8 million, and ₱6.2 million as of September 30, 2018 and 2017, respectively.

4. Cash and Cash Equivalents

Details are as follows:

	Sep 30, 2018	Sep 30, 2017
Cash on hand	**₱230,991**	₱919,597
Cash in banks	**38,745,702**	20,736,854
	₱38,976,694	₱21,656,451

Cash in banks earn interest at the respective bank deposit rates. Interest income from banks amounted to ₱12,454 and ₱27,454 in 2018 and 2017, respectively.

5. Receivables

Details are as follows:

	Sep 30, 2018	Sep 30, 2017
Notes	**₱143,865,021**	₱143,865,021
Trade	**86,122,422**	81,689,135
Due from affiliates (Note 14)	**5,308,907**	5,466,471
Others	**42,417,208**	41,016,864
	277,713,578	272,037,491
Less allowance for doubtful accounts	**(146,617,415)**	(154,309,775)
	₱131,096,433	₱117,727,716

The notes receivable bear interest at 3.5% per annum and are payable in 365 days on demand, subject to renewal upon mutual consent. Notes receivable are considered impaired and covered with allowance for probable losses; accordingly, no interest income was recognized in 2018 and 2017.

Trade receivables are non-interest bearing and are generally on 30 to 60 days' credit terms.

Due from related parties are noninterest bearing and have no fixed repayment terms.

Other receivables pertain to advances subject for liquidation.

6. Other Current Assets

Details are as follows:

	Sep 30, 2018	Sep 30, 2017
Creditable withholding taxes	**₱14,831,720**	₱ 19,769,912
Input taxes	**12,675,176**	7,970,363
Refundable deposits	**760,131**	543,311
Prepayments and others	**7,577,053**	12,173,524
	35,844,080	40,457,110
Less: allowance for probable losses	**12,886,123**	12,254,345
	₱22,957,957	₱28,202,765

The carrying amounts of the creditable withholding tax and input taxes are reduced to the extent that they are no longer probable that the sufficient income tax due and revenue subject to VAT, respectively, will be available to allow all or part of the creditable withholding and input taxes to be utilized.

7. Assets Held for Sale

Asset held for sale amounting to ₱369,706,180 and ₱415,410,450 as of September 30, 2018 and 2017, respectively, which constitutes 60.82% and 61% of the Parent Company's total assets as of September 30, 2018 and 2017, represents advances to Polymax, the Parent Company's special purpose entity incorporated in British Virgin Islands solely for the purpose of acquiring the petrochemical plant of NPCA as discussed in Note 2.

On March 18 and September 20, 2006, Polymax's interest in NPCA of 40% and 20%, respectively, was sold. Thereafter, management decided to discontinue operations and ceased operating as a going concern. The remaining 40% interest of Polymax in NPCA, which is for sale, is valued at ₱900 million, which is the estimated recoverable amount from the sale of the investment. The realization of the Parent Company's advances to Polymax and the settlement of Polymax's past due liabilities related to the asset for sale, for which the Parent Company is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPCA, which is for sale. In this regard and to ensure the recoverability of the Parent Company's advances to Polymax, the Parent Company's major stockholders issued a letter of comfort in favor of the Parent Company on September 30, 2014.

During 2014, 20% of the 40% remaining interest of Polymax in NPCA was sold. To reiterate assurance of the collectability of the Parent Company's advances to Polymax, a comfort letter dated April 10, 2015 was issued by the major stockholders of the Parent Company.

On December 16 and 22, 2015, the Company was able to collect advances from Polymax amounted to ₱300 million and ₱73 million, respectively.

8. Available-for-sale Investments

As of September 30, the account consists of:

Particulars	**Sep 2018**	Sep 2017
Balance at beginning of year	₱26,669,885	₱4,829,385
Cumulative fair value gain (loss) – in equity	–	–
Total	₱26,669,885	₱4,829,385

The investment in securities consists of investment in shares of stock of a publicly-listed company whose fair value is based on published prices on Philippine Stock Exchange; and unquoted equity investment carried at cost.

For the latter part of the year 2017, the Parent company made an investment with Taguig Lake City Development Corporation, a non-listed entity, amounting to ₱12,500,000 whose primary activity is to engage in real estate development.

The movements in net unrealized gain on AFS investment are as follows:

Particulars	**Sep 2018**	Sep 2017
Balance at beginning of year	₱10,398,922	₱1,058,422
Cumulative fair value gain (loss) – in equity	–	–
Total	₱10,398,922	₱1,058,422

The net unrealized gain on AFS investments are deferred and presented separately as AFS reserve under the equity section of the consolidated financial position.

9. Property and Equipment

Details are as follows:

Sep 30, 2018

	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Total
Cost				
Balances at beginning of year	₱2,282,149	₱24,461,743	₱14,675,944	₱41,419,836
Additions/Deductions	(228,962)	70,537	2,510,240	2,351,815
Balances at end of year	2,053,187	24,532,280	17,186,184	43,771,651
Accumulated Depreciation and Impairment Loss				

	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Total
Balances at beginning of year	1,513,473	21,708,259	13,774,080	36,995,812
Depreciation	251,938	1,004,438	77,317	1,333,693
Net book value	₱287,776	₱1,819,583	₱3,334,788	₱5,442,147

Sep 30, 2017

	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Total
Cost				
Balances at beginning of year	₱1,549,117	₱21,849,404	₱13,574,317	₱36,972,838
Additions	511,487	1,804,210	898,775	3,214,472
Balances at end of year	2,060,604	23,653,614	14,473,092	40,187,310
Accumulated Depreciation and Impairment Loss	1,196,763	18,843,748	13,179,479	33,219,990
Balances at beginning of year	343,012	2,055,667	620,385	3,019,064
Depreciation	1,539,775	20,899,415	13,799,864	36,239,054
Balances at end of year	520,829	2,754,199	673,228	3,948,256
Net book value	₱1,549,117	₱21,849,404	₱13,574,317	₱36,972,838

10. Other Noncurrent Assets

Details are as follows:

	2018	2017
Refundable deposits – non-current portion	**₱7,318,760**	₱6,527,030
Intangible assets	**1,133,947**	**923,709**
Total	**₱8,452,707**	₱7,450,739

Intangible assets pertain to non-exclusive software license costs for use in MCLSI's warehouse management system.

The carrying amount of intangible assets as of September 30, 2018 is as follows:

Particulars	Beginning Balances	Additions	Ending Balances
Cost:			
Short messaging	₱ 135,135	₱ -	₱ 135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	1,242,446	472,742	1,715,188
Total	₱ 3,712,491	472,742	4,185,233
Accumulated Amortization:			
Short messaging	₱ 135,135	-	135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	381,615	199,626	581,241
Total	2,851,660	199,626	3,051,286
Carrying amount	₱ 860,831	₱273,116	₱ 1,133,947

The carrying amount of intangible assets as of September 30, 2017 is as follows:

Particulars	Beginning Balances	Additions	Ending Balances
Cost:			
Short messaging	₱ 135,135	₱ -	₱ 135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000

SAP Business one		933,000		220,589	1,153,589
Total		3,403,045		220,589	3,623,634
Accumulated Amortization:					
Short messaging		135,135		-	135,135
Warehouse management system		1,309,910		-	1,309,910
Caerus accounting system		1,025,000		-	1,025,000
SAP Business one		88,857		141,023	229,880
Total		2,558,902		141,023	2,699,925
Carrying amount	₱	844,143	₱	79,566	₱ 923,709

11. Accounts Payable and Accrued Expenses

Details of this account are shown below.

	Sep 30 2018	Sep 30, 2017
Accrued expenses	**₱198,478,882**	₱ 201,912,377
Trade payables	**46,386,743**	42,412,576
Other liabilities	**194,595,916**	168,415,353
Total	**₱439,461,541**	₱ 412,740,306

Trade payables are noninterest bearing and have credit terms of 30 to 60 days.

Accrued expenses include provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered.

Provisions relate to pending claims jointly and severally against the Parent Company and Polymax and pending claims and tax assessment solely against the Parent Company. The information usually required by PAS 37, Provisions, Contingent Liabilities and Contingent Assets, is not disclosed as it may prejudice the outcome of the related claims and tax assessments.

Other liabilities mainly pertain to payable to government agencies.

12. Related Party Transactions

a. *Due from/to related parties*

The amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Parent Company to finance its working capital requirements, capital expenditures, Petrochemical Project support and for other investments and have no definite repayment terms.

b. *Payables for shared operating expenses*

On November 30, 2011, Gulf Agency Company Holdings (BV) and the Parent Company executed a Deed of Assignment in which the former offered to assign, transfer, cede and convey to the latter all its rights, title and interests in and to its shares, and the latter has accepted the offer. Accordingly, the former's shares were cancelled on May 7, 2012.

In accordance with the Deed of Assignment, it is agreed that the outstanding liabilities of MCLSI with Gulf Agency Company Holdings (BV) referred to in the Memorandum of Agreement dated November 30, 2011 will be honored and paid, should the latter's shares be sold to other persons.

Compensation of Key Management Personnel

Key management personnel are those person having authority and responsibility for planning and directing and controlling the activities of the Group, directly or indirectly.

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under their respective group's retirement plan.

The related amounts applicable to the Company's transactions with related parties are as follows:

Related Party	Category	Period	Amount/ Volume of Transactions	Receivables (Payables)	Terms	Conditions
Entity with significance influence over the entity						
Polymax	Non-interest bearing under asset held for sale (Note 7)	09/30/18	(₱45,060,227)	₱369706180	Non-interest bearing	Unsecured; not impaired
		09/30/17	–	415,510,450		
Associates (entities under common control)						
The Wellex Group, Inc.	Non-interest bearing due from related parties	09/30/18	(157,564)	5,258,610	Non-interest bearing	Unsecured; not impaired
		09/30/17	(60,362)	5,416,174		
Others	Non-interest bearing due from related parties	09/30/18	–	50,297	Non-interest bearing	Unsecured; not impaired
		09/30/17	(153,243)	50,297		
Acesite (Phils.) Hotel Corporation	Non-interest bearing due to related parties	09/30/18	–	(5,627,202)	Non-interest bearing	Unsecured; not impaired
		09/30/17	–	(5,627,202)		
The Wellex Group, Inc.	Non-interest bearing due to related parties	09/30/18	4,845,711	(269,300)	Non-interest bearing	Unsecured; not impaired
		09/30/17	(36,412,841)	(48,726,416)		
Wellex Mining Corp.	Non-interest bearing due to related parties	09/30/18	24,259,894	–	Non-interest bearing	Unsecured; not impaired
		09/30/17	(7,491,777)	(24,259,894)		
Other related parties						
Others	Non-interest bearing due to related parties	09/30/18	(6621613)	(3,064,441)	Non-interest bearing	Unsecured; not impaired
		09/30/17	(11,615,749)	3,557,172		

Due from related parties pertains to unsecured and noninterest bearing advances granted by the Parent Company to related parties, which have no fixed repayment terms.

13. Capital Stock

a. The Group's capital stock as of September 30, 2018 and 2017 consists of the following common shares:

Class "A" – ₱1 par value	
Authorized – 720,000,000 shares	
Issued and Outstanding – 183, 673,470 shares	
Number of equity holders – 624 in 2018 and 676 2017	₱183,673,470
Class "B" – ₱1 par value	
Authorized – 480,000,000 shares	
Issued and Outstanding – 122,448,979 shares	
Number of equity holders – 402 in 2018 and 421 2017	₱122,448,979
	₱306,122,449

The two classes of common shares are identical in all respects, except that Class "A" shares are restricted to Philippine nationals and the total number of Class "B" shares is limited to two-thirds of the total outstanding Class "A" shares.

b. On July 25, 2003, the Group's stockholders approved the increase in authorized capital stock from ₱1.2 billion consisting of 1.2 billion shares to ₱5.0 billion consisting of 5.0 billion shares, both with par value of ₱1.0 per share. However the increase was held in abeyance because of the dispute in the acquisition of the Petrochemical Project, which was settled in 2007 (see Note 2).

14. Cost of Services

Details of this account are shown below.

	Sep 30, 2018		Sep 30, 2017
Personnel costs	**₱25,663,653**	₱	26,485,679
Rent and utilities	**12,404,947**		19,107,002
Transportation and Travel	**19,198,463**		23,562,238
Outside services	**1,853,837**		1,733,608
Security services	**-**		5,529,344
Communication and office supplies	**51,155**		23,271
Repairs and maintenance	**926,476**		426,451
Others	**1,293,468**		9,877,352
	₱61,391,998	₱	86,744,945

15. Expenses

Details of this account are shown below.

	Sep 30 2018		Sep 30, 2017
Salaries, wages and employee Benefits	**₱1,552,885**	₱	39,868,541
General and administrative expenses	**3,894,132**		14,019,135
Rent and utilities	**269,831**		4,102,843
Taxes and licenses	**52,252**		2,173,917
Professional fee	**571,509**		597,978
Others	**1,085,750**		4,686,114
	₱7,426,360	₱	65,448,528

16. Leases

As of December 31, 2017, 2016 and 2015, the Parent Company and MCLSI, operating subsidiary, has several agreements with various entities for lease of commercial space and offices.

Office space

a) The Parent Company entered into an operating lease agreement with The Wellex Group, Inc. for a business space in the 35th floor of One Corporate Centre, Dona Julia Vargas cor. Meralco Ave., Ortigas Center Pasig City. The term of the lease is from May 1, 2014 until April 30, 2016 and shall be renewable for another period of two (2) years with adjustments in the rental rates as agreed by the parties. Monthly rental for the leased premises amounts to ₱21,000, exclusive of VAT.

   In May 2016, the Parent Company renewed its lease contract for another two (2) years with no changes in the terms of the agreement.

b) During the year, MCLSI renewed the lease contract for its office space. The term of the contract is (1) year commencing of February 1, 2017 and ending on January 31, 2018, renewable subject to the terms and conditions as may be mutually agreed upon. Monthly rental payments amounted to ₱71,150.

Warehouses

a) MCLSI entered in lease contract for a warehouse and office building located at warehouse #6 along E. Rodriguez St., Tunasan, Muntinlupa City. The lease term is for a period of two (2) years commencing on April 14, 2014 until April 14, 2016 with monthly rental payments of ₱233,835. The contract was renewed on February 12, 2016 for another 2 years commencing on April 15, 2016 and expiring on April 14, 2018 with a new monthly rental amounted to ₱257,219. Rental deposits paid amounted to ₱771,655. equivalent to three (3) months rental to answer for any of its obligations and to be refunded upon the expiration of lease term after the termination of the contact.

b) MCLSI entered into new lease contracts for a warehouse, and parking and open space located at 21st St Golden Mile Business Park, Brgy, Maduya Carmona, Cavite. The lease term is for a period of three (3) years commencing on November 3, 2015 until November 2, 2018 with monthly rental payments of ₱330,691. Rental deposits amounted to ₱981,764 equivalent to three (3) months rental to answer for any of its obligation and to be refunded upon the expiration of the contract.

c) MCLSI entered into another lease contract for warehouse, and parking and open space located at 21st Golden Mile Business Park, Brgy. Maduya Carmona, Cavite. The lease term is also for three (3) years commencing on October 12, 2015 until October 11, 2018 with monthly rental payments of ₱350,162. Rental deposits amounted to ₱927,171 equivalent to three (3) months rental to answer for any of its obligation and also to be refunded upon the termination of the lease contract.

d) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at 21st St Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 1,965 sqm. The lease term is for a period of three (3) years commencing on October 16, 2016 and automatically terminating on October 15, 2019 with monthly rental payments of ₱336,408. A 5% escalation will start on the third year. Rental deposits amounted to ₱943,200 and to be refunded upon the expiration of the contract.

e) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at 21st St. Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 1,877sqm. The lease term is for a period of three (3) years commencing on November 7, 2016 and automatically terminating on November 6, 2019 with monthly rental payments of P321,342. A 5% escalation will start on the third year. Rental deposits paid amounted to ₱900,960 to answer for any of its obligation and to be refunded upon the expiration of the contract.

f) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Block 8 Lot 10, Golden Mile Business Park, Brgy. Maduya Carmona, Cavite with a covered area of 2,522 sqm and open area of 1,045 sqm. The lease term is for a period of three (3) years commencing on March 1, 2016 and automatically terminating on February 29, 2019 with monthly rental payments of ₱390,611 for the first two years and ₱411,170 for the third year. Rental deposits paid amounted to ₱1,046,280 to answer for any of its obligation and to be refunded upon the expiration of the contract.

g) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at Elisco Street, Brgy. Kalawan, Pasig City, with a covered area of 2,460 sqm and open area of 1,196 sqm. The lease term is for a period of three (3) years commencing on November 26, 2016 and expiring on the midnight of November 25, 2019 with monthly rental payments of ₱511,460 with an escalation of 7% starting on the second year. Upon execution of the contract, the Company had paid three months' advance rental amounted to ₱1,534,380 and another two months' security deposit amounted to ₱956,000.

17. Logistics Agreements

MCLSI has agreements with principals to provide logistics operations services, specifically warehousing and managing delivery of the principals' products to their key accounts and sub-distributors nationwide. Under the terms of these agreements, the principals shall pay MCLSI the agreed monthly fees plus reimbursement of certain warehouse expenses.

18. Financial Assets and Financial Liabilities

The following table summarizes the carrying and fair values of the Group's financial assets and financial liabilities as of September 30, 2018 and 2017:

	Sep 30, 2018		Sep 30, 2017	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	₱38,976,694	₱38,976,694	₱21,656,451	₱ 21,656,451
Receivables	131,096,434	131,096,434	117,727,716	117,727,716
AFS investments	26,669,885	26,669,885	4,829,385	4,826,385
Refundable deposits	8,078,890	8,078,890	543,311	543,311
	₱204,821,903	₱204,821,903	₱144,756,863	₱144,756,863
Financial Liabilities				
Accounts payable and	₱439,461,541	₱	₱ 42,412,576	₱ 42,412,576

	Sep 30, 2018		Sep 30, 2017	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
accrued expenses*		439,461,541		
Due to affiliates	8690422	8,690,422	82,170,684	82,170,684
	₱448151983	₱448,151,983	₱124,583,260	₱124,583,260

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Current Financial Assets and Liabilities
Due to the short-term nature of the transactions, the carrying values of cash, receivables, refundable deposits, accounts payable and accrued expenses, due to related parties and current portion of long-term debt approximate their fair values.

AFS Investments
The fair values of publicly traded instruments and similar investments are based on quoted bid prices. Unquoted AFS equity securities are carried at cost, subject to impairment.

Long-term Debt
The carrying value of the noncurrent portion of long-term debt approximates the fair value, which is determined to be the present value of future cash flows using the prevailing market rate as the discount rate.

19. Financial Risk Management Objectives and Polices

The Group's principal financial instruments consist of cash, AFS investments, due from (to) related parties and long-term debt. The main purpose of these financial instruments is to finance the Group's operations. The Group's other financial assets and liabilities include receivables, refundable deposits and accounts payable and accrued expenses, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The BOD reviews and approves the policies for managing these risks which are summarized below:

Interest Rate Risk
The Group's exposure to the risk for changes in market interest rates relates to its loans payable, which principally bear floating interest rates.

Liquidity Risk
The Group's objective is to maintain a balance between flexibility and continuity of funding. However, because of the default on the payment of interest and principal amortizations on existing debts, the Group's access to funds has been limited to those of its related parties in the form of advances. Current working capital requirements will continue to be sourced from short-term loans and advances from related parties.

	Sep 30, 2018			
	On Demand	Within 1 Year	More than 1 Year	Total
Cash and cash equivalents	₱ 38,976,694	₱ -	₱ -	₱38,976,694
Receivables	-	131,096,434	-	131,096,434
Refundable deposits	-	760,130	7,318,760	8,078,890
	38,976,694	131,856,564	7,318,760	178,152,018
AFS financial assets	-	-	26,669,885	26,669,885
	₱ -	₱131,856,564	₱33,988,645	₱204,821,903
Due to related parties	-	8,690,442	-	8,690,442
Accrued expenses and other current liabilities	-	439,461,541	-	439,461,541
	₱ -	₱448,151,983	₱ -	₱448,151,983

	Sep 30 2017			
	On Demand	Within 1 Year	More than 1 Year	Total
Cash and cash equivalents	₱21,656,451	₱ -	₱ -	₱21,656,451
Receivables	81,689,135	-	36,038,581	117,727,716
Refundable deposits	-	543,311	-	543,311
	103,345,586	-	36,038,581	139,927,478
AFS financial assets	-	543,311	4,829,385	4,829,385
	₱103,345,586	₱543,311	₱40,867,966	₱144,756,863
Due to related parties	₱-	₱-	₱82,170,684	₱82,170,684
Accrued expenses and other current liabilities	-	42,412,576	370,327,730	412,740,306
	₱-	₱42,412,576	₱452,498,414	₱494,910,990

Credit Risk

It is the Group's policy to require all concerned affiliates and/or third party to comply and undergo a credit verification process with emphasis on their capacity, character and willingness to pay. In addition, receivables are closely monitored so that exposure to bad debts is minimized. The Group deals only with legitimate parties. As to other financial assets of the Group like cash, the credit risk arises only in case of default of the counterparty and the maximum exposure is limited to the carrying amount of the instruments.

Financial information on the Company's maximum exposure to credit risk as of September 30, 2018 and 2017, without considering the effects of collaterals and other risk mitigation techniques are presented below.

	Sep 30, 2018	Sep 30, 2017
Cash and cash equivalents	**₱38,976,694**	₱21,656,451
Receivables	**131,096,434**	117,727,716
Refundable deposits	**8,078,890**	543,311
	₱178,152,018	₱139,927,478

The table below present the credit quality of financial assets and an analysis of past due accounts.

September 30, 2018.

	High Grade	Medium Grade	Past due but not impaired	Total
Cash and cash equivalents	₱38,976,694	₱ -	₱ -	₱38,976,694
Receivables	91,089,286	-	40,007,148	131,096,434
Refundable deposits	8,078,890	-	-	8,078,890
	₱138,144,870	₱ -	₱40,007,148	₱178,152,018

September 30, 2017

	High Grade	Medium Grade	Past due but not impaired	Total
Cash and cash equivalents	₱21,656,451	₱ -	₱ -	₱21,656,451
Receivables	81,689,135	-	36,038,581	117,727,716
Refundable deposits	543,311	-	-	543,311
	₱103,888,897	₱ -	₱36,038,581	₱139,927,478

20. Capital Management

The primary objectives of the Group's capital management are to safeguard the ability of the entities in the Group to continue as a going concern and maximize shareholder value by maintaining the appropriate capital structure that supports the business objective of the entities. The BOD of the Group's entities has overall responsibility for monitoring capital in proportion to risk. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions, by issuing new shares and making adjustments on payments to related parties, existing debts and dividends to shareholders.

The Group is not subject to externally-imposed capital requirements.

21. Other Matters

A. On July 5, 2002, the Parent Company received a decision from the Court of Tax Appeals (CTA) denying the Parent Company's Petition for Review and ordering the payment of ₱83.8 million for withholding tax assessments for the taxable years 1989 to 1991. The Parent Company filed a Motion for Reconsideration on July 31, 2002 but this was subsequently denied by the CTA. A Petition for Review was filed with the CTA on November 8, 2002, which was also denied by the CTA. The Parent Company then appealed the decision of the CTA to the Court of Appeals (CA), which likewise denied the appeal and upheld the assessment against the Parent Company. The Parent Company, through its legal counsel, filed a Motion for Reconsideration with the CA in December 2003.

On July 9, 2004, the Parent Company received the CA resolution denying the Motion for Reconsideration. On July 22, 2004, the Parent Company filed with the CA a Motion for Extension of time to file an appeal to the Supreme Court (SC). On August 20, 2004, the Parent Company filed said appeal. On October 20, 2004, the Parent Company received the resolution of the SC denying its Petition for Review for lack of reversible error. The Parent Company filed a Motion for Reconsideration. On January 10, 2005, the SC issued an Order stating that it found no ground to sustain the Parent Company's appeal and dismissed the Parent Company's petition with finality.

On April 26, 2006, the Parent Company filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Motion for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue. As of March 31, 2018, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable. Management believes, however, that the ultimate outcome of the case will not have a material effect on the consolidated financial statements.

B. On September 14, 2005, the Parent Company and Philippine Estate Corporation (PEC) filed a Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, and Annulment in Decrease in Interest rates, Service Charge, Penalties and Notice of Sheriffs Sale, plus Damages with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction. The case stemmed from imminent extra-judicial foreclosure of four (4) mortgaged Tagaytay lots covered by Transfer Certificate of Title (TCT) Nos. T-355222, T-35523, T-35524 and T-35552 subject to the Real Estate Mortgage executed by MAHEC and PEC securing ₱280 million loan obtained by MAHEC and PEC last December 2003.

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction (first injunction). The preliminary injunction issued by the RTC stopping the foreclosure was nullified by both Court of Appeals and Supreme Court, after which Philtrust proceeded to foreclose, and acquired those properties for only ₱165.8 million. When MAHEC and PEC failed to redeem, Philtrust consolidated title and Tagaytay registry issued new TCTs cancelling PEC's TCT. On October 10, 2011, MAHEC filed Notice Lis Pendens vs. four (4) new TCTs of Philtrust.

The case is now back to Tagaytay RTC for trial hearings under new acting Judge Jaime Santiago. MAHEC and PEC already presented witnesses. Next trial hearing is set on April 12, 2016 for presentation of plaintiff's last witness for explanation of why the checks issued in 2004 in favor of Philtrust Bank intended to settle the loan were all dishonored and were returned unpaid.

The Parent Company was able to get the formal trial started and on-going. The Parent Company's most important move was the presentation of a very competent real estate appraiser, realtor, Cesar Santos, who was able to successfully defend in court his ₱811.6 million valuation of the foreclosed Tagaytay properties. Trial hearings are on-going and it is now defendant Bank's turn to adduce evidence. Plaintiffs have closed their evidence presentation wherein all offered evidences were admitted, over the objections of defendant Bank. At the last hearing held on December 6, 2016, defendant Bank's star witness was subjected to Plaintiff's cross0examination wherein they obtained many damaging admissions against the Bank. Plaintiff's counsels cross-examination will resume at trial hearing set for April 25, 2017.

Damages sought are ₱1,000,000 as and by way of exemplary damages and ₱500,000 as and by way of attorney's fees; litigation expenses and cost of suit.

C. The case is an injunction suit with damages filed on July 23, 2008 in RTC-Makati to nullify the foreclosure pf Pasig lot securing a ₱350 million loan obtained by MAHEC, Polymax and Wellex. Initially, Temporary Restraining Order (TRO) and preliminary injunction was issued, but afterwards, it was lifted, enabling Philippine Veterans Bank (PVB) to foreclose. In successive certiorari cases that plaintiffs filed, both Court of Appeals (CA) and Supreme Court (SC) upheld PVB. Worse yet, due to major lapse of the plaintiff's original counsels, lis pendens on foreclosed Pasig lot was cancelled, and in March 2012, PVB sold the lots to Zen Sen Realty Development Corporation who got new Transfer Certificate of Title (TCT). The above case was consolidated with other case of affiliated company with the same RTC. In 2013, Company's legal counsel brought Zen Sen Realty Development. Corporation. as defendant also, and prayed that the PVB sale to it be nullified. In October 2014, Company's legal counsel dropped Zen Sen Realty as an unnecessary defendant, after which DECISION was rendered vs. PVB on January 9, 2015, declaring the ₱550M loan (total loan of MAHEC, Polymax, Wellex and other affiliated companies) as fully paid, and even over-paid; discharging all the mortgages, and voiding the 2012 sale made to Zen Sen. PVB was ordered to refund to plaintiffs the ₱3.25 million overpayment. PVB filed a motion for reconsideration which was denied. PVB filed Notice of Appeal to Court of Appeal on May 8, 2015, which the Company's legal counsel questioned as defective, but the RTC ruled against the company in its May 12, 2015 Order. The consolidated case is now on appeal in the Court of Appeals as CA-GR CV #105323. Appellant-defendant Bank filed last December 2016 its Appellant's Brief. The Company's legal counsel is given 45 days to file their Brief and eventually requested for another 30 days extension to finish and file said Appellees' Brief.

D. There are also other pending legal cases against the Parent Company and certain subsidiaries. Based on the facts of these cases, management of the Parent Company and certain subsidiaries believes that their positions have legal merits and the resolution thereof will not materially affect the Company's financial position and result of operations.

METRO ALLIANCE HOLDINGS & EQUITIES CORP.
AND SUBSIDIARIES
APPENDIX A – FINANCIAL SOUNDNESS
SEPTEMBER 30, 2018

	Sep 30 2018	Sep 30 2017
Profitability ratios:		
Return on assets	**1.02%**	2.23%
Return on equity	**3.96%**	11.89%
Net profit margin	**8.24%**	49.52%
Solvency and liquidity ratios:		
Current ratio	**43.07%**	33.86%
Debt to equity ratio	**289.87%**	432.45%
Quick ratio	**37.95%**	28.16%
Financial leverage ratio:		
Asset to equity ratio	**389.87%**	532.45%
Debt to asset ratio	**74.35%**	81.22%
Interest rate coverage ratio	**NIL**	NIL

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES

RECEIVABLES AGING SUMMARY
As of September 30, 2018
in Php

	Current	**0 - 30**	**31 - 60**	**61 - 90**	**91 - 120**	**121+**	**Total**
Notes receivable	143,865,021	-	-	-	-	-	143,865,021
Trade receivable	31,108,386	21,141,137	9,120,672	3,683,854	5,424,714	15,643,680	86,122,442
Due from affiliates	5,308,907	-	-	-	-	-	5,308,907
Others	42,417,208	-	-	-	-	-	42,417,208
Subtotal	222,699,522	21,141,137	9,120,672	3,683,854	5,424,714	15,643,680	277,713,578
Allowance for doubtful accounts	(146,617,145)	-	-	-	-	-	(146,617,145)
	76,082,377	**21,141,137**	**9,120,672**	**3,683,854**	**5,424,714**	**15,643,680**	**131,096,433**