

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 R . O N E C O R P O R A T E C E N T R E

D O Ñ A J U L I A V A R G A S C O R . M E R A L C O

A V E S . O R T I G A S C E N T E R P A S I G C I T Y

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

Atty. Nestor S. Romulo

Contact Person

(632) 706-7888

Contact Telephone No.

1 2

Fiscal Year

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FORM TYPE

Any day in May

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

822

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for
scanning purposes

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Business Development

Metro Alliance Holdings & Equities Corp. (MAHEC or the Company) is a holding company with investments in various subsidiaries. The Company and its subsidiaries (collectively referred to as "the Group") are involved in the manufacture of chemicals and contract logistics. In 2007, the Company's interest in certain subsidiaries previously engaged in the importation and distribution of polypropylene resin and pharmacy management has ceased operations.

MAHEC was first incorporated in October 15, 1929 as a management and trading company called Marsman & Company, Inc. (Marsman). Marsman was listed on the Philippine Stock Exchange in 1947. The Company changed its name to Metro Alliance Holdings & Equities Corp. as approved by the stockholders on the annual meeting on April 6, 1999 and subsequently approved by Securities and Exchange Commission on October 11, 1999.

The registered office address of the Company is at 22nd Citibank Tower, 8741 Paseo De Roxas, Makati City. They transferred to 35th Flr. One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City last November 2010. Amendment of articles of incorporation was approved by the Securities and Exchange Commission last March 14, 2016.

Status of Operation

The Company and Polymax Worldwide Limited (Polymax), its special purpose entity incorporated in British Virgin Island entered into a series of acquisition transactions (see details below) to acquire ownership of the petrochemical plant of NPC Alliance Corp. (NPCA), which resulted in a 2006 disputed sale of Polymax's 60% interest in NPCA to NPC International Limited (NPCI) and Petrochemical Industries Investment Company (PIIC). Subsequently on August 27, 2013 the Company and Polymax entered into a settlement agreement with NPCI, PIIC and NPC to resolve the dispute. On the basis of the settlement agreement, the previously issued 2006 consolidated financial statements of the Company and its subsidiaries were restated to reflect the sale of Polymax's 60% interest in the petrochemical plant.

The remaining 20% of Polymax's interest which is valued at ₱371 million, which is estimated recoverable amount from the sale of investment. The realization of the Company's advances to Polymax (an unconsolidated special purpose entity in 2007) and the settlement 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 20% interest in NPCA, which is for sale, and from a letter of comfort issued by the Wellex Group of Companies in favor of the Company. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

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.

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.

Business Development of the Subsidiaries:

Metro Combined Logistics Solutions, Inc. (MCLSI) (formerly GAC Logistics, Inc. (GACL)

MCLSI is 51% owned by MAHEC, by virtue of a joint venture agreement with Gulf Agency Company (GAC) which owns the other 49%. MCLSI was registered with the Securities and Exchange Commission on September 30, 1998. MCLSI is primarily engaged in carrying on all or part of the business of contract logistics and supply chain management services, including third party warehousing and distribution, consultancy and project management and value added services to customers throughout the Philippines. MCLSI's business is steadily growing with the entry of new principals and additional businesses from its existing principals.

Non-operating Subsidiaries

Consumer Products Distribution Services, Inc. (CPDSI) is a wholly owned subsidiary of Metro Alliance. It was first incorporated on November 11, 1993 as Metro Drug Distribution, Inc. (MDDI). In November 7, 1997, the Securities and Exchange Commission approved the renaming of MDDI to CPDSI. Prior to 2002, CPDSI was involved in providing logistics and administrative services in connection with the sale and distribution of principals' products. The last service agreement expired in 2002. In January 2002, CPDSI shifted into the business of importation and toll manufacturing of propylene and distribution of polypropylene in the local market. In April 2003, CPDSI ceased its polypropylene business operations due to the substantial increase in prices of imported raw materials. Management intends to continue pursuing the petrochemical business. Currently, CPDSI has no business operations.

FEZ-EAC Holdings, Inc. became a wholly owned subsidiary of the Corporation in November 11, 2002. It was incorporated in February 3, 1994. It ceased operations at the end of 2001 following the expiration of the third party logistics contract of its subsidiary with Phillip Morris Philippines, Inc.

Zuellig Distributors, Inc. is a wholly owned subsidiary of the Corporation. It ceased operations in June 30, 1999 following the expiration of its exclusive distribution agreement with its single principal. It was incorporated in October 18, 1985.

Asia Healthcare, Inc. is 60% owned by the Corporation. AHI was first incorporated in July 2, 1918. In August 2000, the Corporation invested in AHI. However, in 2002, it ceased operations due to heavy losses. The low volume and minimal margin on the sales of pharmaceutical products have not been sufficient to cover the costs of the services and products provided by AHI. Consequently, AHI was constrained to terminate contracts with its clients and cease its business operations. On December 17, 2002, AHI filed a voluntary petition for insolvency with the Pasig City Regional Trial Court (RTC). On February 27, 2003, the Pasig City RTC declared AHI as insolvent.

Bankruptcy, receivership and similar proceedings

Except for AHI which filed for insolvency in December 2002, Metro Alliance and its subsidiaries are not involved in any bankruptcy, receivership or similar proceeding.

Material reclassification, merger consolidation or purchase

There is no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

Principal products and services

Metro Alliance is a publicly listed holding company with investments in shares of stock of other listed companies and investment in subsidiary involved in contract logistics and supply chain management services, including third party warehousing and distribution, consultancy and project management and value added services to customers throughout the Philippines.

Principal products or services of its subsidiaries:

MCLSI provides contract Logistics and Supply Chain Management Services to meet the business needs of major companies in the Philippines. Contract logistics and supply chain management services include third party warehousing and distribution, consultancy and project management services to multinational and local companies. Revenue contribution of each principal for the year 2017 is as follows:

Principal	Service Income	% to Total
Zuellig Pharma Corp.	61,781,465	27.90%
Alaska Milk Corporation	39,679,522	17.92%
Fresenius Medical Care Philippines, Inc.	25,131,483	11.35%
Johnson & Johnson (Phils.), Inc.	20,064,475	9.06%
Hamlin Industrial Corporation	16,222,253	7.33%
EL Laboratories Inc.	13,211,885	5.97%
Interphil	11,856,210	5.35%
Rustans Supercenters, Inc.	7,642,823	3.45%
Fonterra Brands Philippines, Inc.	7,398,801	3.34%
Mitsubishi Motors Philippines Corp.	6,891,274	3.11%
Lixil Philippines Ltd., Co.	2,968,578	1.34%
The Table Group Inc.	1,401,451	0.63%
Benby Logistics Solutions Inc.	1,231,733	0.56%
SCC Innovasia Global Inc.	1,108,463	0.50%
Others	4,842,359	2.19%
Total	221,432,775	100.00%

Export sales

Metro Alliance and its subsidiaries are not engaged in export sales.

Distribution Methods of the Products

The core of MCLSI contract logistics services is warehouse and transport management. It leases dedicated warehouses or operates warehouses leased/owned by its principals and contracts dedicated personnel to manage its warehouses. Its principal's products are shipped mostly in four and six-wheeler closed van through a shipping and cargo services company.

Publicly-announced new product or service.

Metro Alliance and its subsidiaries have no publicly-announced product or service.

Competition

MCLSI is part of the GAC group. GAC is a leading international shipping services and transportation company, operating in the Middle East, Eastern Mediterranean, Red Sea and the Indian Subcontinent and the Far East. Thus, the local GAC subsidiary plays an important role in arranging transport of bulk cargo and providing freight cover for MCLSI at very competitive rates both domestically and around the region. MCLSI's main competitors include IDS Logistics, DHL-Exel, Shenker, Fast Services, Agility (formerly Geologistics) and Air 21. The quality of MCLSI's services compared to their competitors is extremely difficult to determine. However, the fact that MCLSI has been able to secure new contracts with new principals as well additional contracts with existing principals is indicative that service levels are satisfactory.

Sources and availability of raw materials and principal supplier

Since the Company ceased to have control or have sold its interest in MVC, which involves in the manufacturing of chemicals which are widely used in household applications, there are no sources and availability of raw materials and principal supplier to be disclosed.

Dependence on one or few major customers

Metro Alliance and its subsidiaries are not dependent on any one industry, company or customer. Likewise, no single customer accounts for 20% or more of total sales.

Transactions with and/or dependence on related parties

Metro Alliance has significant transactions with related parties which include the granting and availing of interest and non-interest bearing cash advances. Transactions with and/or dependence on related parties is discussed in detail in Item 12, Certain Relationships and Related Transactions, of this report.

Patent, trademark, copyright, franchise, concession or royalty agreement

Metro Alliance and its subsidiaries are not covered with any patent, trademark, copyright, franchise, concession or royalty agreement.

Government approval of principal products or services

There is no need for any government approval on principal products of Metro Alliance and its subsidiaries.

Effect of existing or probable governmental regulations on the business

Since the Company ceased to have control or have sold its interest in MVC, any existing or probable governmental regulations has no effect on the business of Metro Alliance and its remaining operating subsidiary, MCLSI.

Estimate of the amount spent during each of the last three calendar years on research and development activities

There are no such activities in Metro Alliance and its other subsidiaries.

Costs and effects of compliance with environmental laws

Metro Alliance has secured the required permits and clearances from the Health Sanitary Department of the City Government of Pasig to comply with the applicable environmental regulations. A strict compliance with other environmental agencies such as DENR is no longer required since Metro Alliance ceased to have control or have sold its interest MVC, which has manufacturing facilities for producing chemicals.

Total Number of Full Time-Employees (as of December 31, 2017):**Metro Alliance**

Metro Alliance has two (2) regular employees: one (1) administrative managerial employee and one (1) administrative executive employee. No CBA. There has been no strike or any similar threat for the last 3 years. Except for 14th month and 15th month bonuses and conversion of unused sick leaves, there are no other supplemental and incentive arrangements with its employees.

MCLSI

	<i>Rank and File</i>	<i>Supervisors</i>	<i>Managers and up</i>	<i>Total</i>
Operations	410	17	8	435
Administrative	8	3	3	14
Total	418	20	11	449

No CBA. There has been no strike or similar threat within the last three (3) years. There are no supplemental and incentive arrangements with its employees. The number of employees will be increased only upon entry of new principals.

Major Risks**Metro Alliance**

Capital availability, access to credit and high borrowing rates. Negotiations with local and foreign investors, both banking and non-banking institutions are currently being pursued.

Metro Alliance's financial instruments consist of cash, advances to or from affiliates, loans and long-term debt. The carrying amounts of these financial instruments, which are currently due and demandable, approximate their respective fair values as of balance sheet date. The main risk arising from Metro Alliance's financial instruments are interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and approves policies for managing each of the risks.

Interest rate risk. Metro Alliance exposure to the risk for changes in the market interest rates relates to its loan payable and long term debt, which principally bear floating interest rates.

Credit risk. It is Metro Alliance'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. Metro Alliance deals only with legitimate parties. As to other financial assets of Metro Alliance 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.

Liquidity risk. Metro Alliance 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, Metro Alliance 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.

MCLSI

During the negotiation stage, budgets and performance standards are defined, discussed and agreed with the principal. All costs and expenses are passed on to the principal. The principal advances the total budgeted cost and expenses at the beginning of the month making the operation sufficiently liquid. Excess cash reverts back to the principal and any overspending by MCLSI is normally discussed, supported and reimbursed.

MCLSI's financial instruments consist of cash, receivables, accounts payables and obligations under finance lease. It is, and has been throughout the year under review, MCLSI's policy that no trading in financial instruments shall be undertaken. The main risk arising from MCLSI's financial instruments are credit risk and liquidity risk. MCLSI's board of directors reviews and approves policies for managing these risks.

Additional Requirements as to Certain Issues or Issuers

Not Applicable

Item 2. Properties

Description of Property

Metro Alliance

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, 2016 until April 30, 2018 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.

MCLSI

- a) 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.
- b) 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 contract.
- c) 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.
- d) 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.
- 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 1,965 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.
- f) 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 ₱321,342. 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.
- g) 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.

- h) 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.

There are no planned acquisitions or lease of properties within the next 12 months.

Item 3. Legal Proceedings

- 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 December 31, 2017, 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 : 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 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 resumed at trial hearing set last April 25, 2017. Another hearing was set on September 12, 2017 but due to inclement weather government offices, even the courts in Metro Manila, was suspended. As of December 31, 2017, the Company and its legal counsel are waiting for the formal notification from the court as to when is the next date set for continuation of trial hearing. 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. Appellees' Brief was filed February 24, 2017.

On June 29, 2017 the appeal filed by defendant –appellant PVB is partly granted. The decision dated January 9, 2015 and order dated April 17, 2015 of the RTC, Branch 145, Makati City in Civil Case No. 08-555 and Civil Case No. 38-V-10 are affirmed but modified. On August 1, 2017, the Company filed a Motion for Reconsideration that as of November 2, 2006, plaintiffs' overpayment was ₱52.7 million. As of December 31, 2017, the Company received a copy of the Comment/Opposition of appellant PVB. The Company's legal counsel are now studying and working on the arguments/refutations raised by PVB.

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 2017 and 2016 as part of the evaluation of the Company's petition.
Relief Sought	: The Company is positive that PSE will grant the lifting on its trading suspension in the next twelve (12) months after it complied and submitted all the documents required by the PSE.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Information

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
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	-	-	-	-

As observed, there are no high and sales prices for the last three years since the Philippine Stock Exchange suspended the trading of the Company for non-compliance with the submission of structured reports such as annual and quarterly report since 2007.

The high, low and close market price of Class "A" and Class "B" were ₱0.70 and ₱0.84 as of May 17, 2007, the last practicable trading date before the PSE suspended the Company's trading last 2007.

Holders

There are 306,122,449 shares outstanding: 183,673,470 shares are Class “A” and 122,448,979 shares are Class “B”. As of December 31, 2017, there are 629 holders of Class “A” shares and 404 holders of Class “B” shares.

Metro Alliance's Top 20 Stockholders as of December 31, 2017 are as follows:

	Stockholder's Name	Number of Shares		% to
		Class A	Class B	Total
1	CRESTON GLOBAL LIMITED		56,378,388	18.417
2	PCD NOMINEE CORPORATION (FILIPINO)	16,249,610	26,522,612	13.972
3	CHESA HOLDINGS INC.	40,500,000		13.230
4	PACIFIC WIDE REALTY & DEVELOPMENT CORP.	31,498,000		10.289
5	FORUM HOLDINGS CORPORATION	16,376,856	13,432,644	9.837
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	KENSTAR INDUSTRIAL CORP.	2,312,331		0.755
14	PCD NOMINEE CORPORATION (NON-FILIPINO)		2,238,452	0.632
15	NANCY SAW		1,846,500	0.603
16	TIN FU OR TRAJANO		820,000	0.268
17	SEVERIN HASELMANN		730,000	0.238
18	CTBC TA# 5-C184: ZUELLIG CORP.	684,829		0.224
19	UBP CAPITAL CORPORATION	645,000		0.211
20	REXLON T. GATCHALIAN	600,000		0.196

Dividends

No dividends were declared by Metro Alliance in the last two fiscal years and in the interim period. There are no restrictions that limit the ability to pay dividends.

Recent sales of unregistered or exempt securities

There are no recent sales of unregistered or exempt securities.

Item 6. Management's Discussion and Analysis or Plan of Operation**Plan of Operation**

The Group, having resolved its disputes with the foreign parties involved in the Bataan petrochemical project, will explore business opportunities for the next twelve months. 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.

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

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:

- a) 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;
- b) 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;
- c) Continuous filings with relevant government agencies;
- d) Maintaining a lean organization to sustain its operation during the said period;

Furthermore, the majority shareholders, which are 75% of the traded shares, have signified their intention to conduct a tender offer in the vicinity of ₱0.50 per share, within thirty (30) days after the lifting of Company's trading suspension, 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. Furthermore, if the lifting of the trading suspension is approved by the PSE, the Company will announce the plan for the proposed tender offer on the annual stockholders' meeting.

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 in the Amount of Php371,371,502.

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 Acquisition

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

Management's Discussion and Analysis

Key Performance Indicators

Metro Alliance and its majority-owned subsidiaries key performance indicators follow:

Metro Alliance

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)

Metro Alliance parent company registered a net income of ₱5.7 million in 2017 as against ₱3.4 million and ₱4.9 million net loss in 2016 and 2015, respectively. Net income in 2017 is mainly attributable to the unrealized gain on available-for-sale investments in a publicly-listed company whose fair value is based on published prices on Philippine Stock Exchange.

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

Performance indicator	December 31		
	2017	2016	2015
Earnings (loss) per share (in Php)	0.019	(0.011)	(0.011)
Return (loss) on average equity	0.025	(0.015)	(0.011)
Debt to total assets ratio	0.440	0.502	0.495
Debt to equity ratio	0.787	1.009	0.978

MCLSI

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)

MCLSI's profitability is more favorable in 2017 as compared to 2016 and 2015. This is mainly due to the increase in the Company's revenue. The favorable profitability is attributable to a 51% increase in trucking fees and 62% increase in service fees as compared to last year's.

Comparative analysis of MCLSI's key performance indicators follows:

Performance indicator	December 31		
	2017	2016	2015
<u>Profitability</u>			
a. Gross profit margin	0.209	0.217	0.162
b. Net profit margin	0.073	0.071	0.024
c. Return on assets	0.118	0.100	0.036
d. Return in equity	0.280	0.302	0.117
<u>Liquidity</u>			
a. Current ratio	1.635	1.394	1.494
b. Receivables turnover	3.006	2.863	3.195
c. Days' sales in receivables	121	127	114

CPDSI, FEZ-EAC, ZDI and AHI

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

Financial Highlights

The following companies are included in Metro Alliance consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI.

The table below shows the consolidated financial highlights of Metro Alliance for the years ended December 31, 2017, 2016 and 2015:

Balance Sheet	As of December 31 (In Php'000)		
	2017	2016	2015
Current assets	168,259	156,957	132,732
Noncurrent assets	411,703	436,189	430,692
Total Assets	579,962	593,146	563,424
Current liabilities	447,666	489,803	466,291
Noncurrent liabilities	4,747	6,171	8,998
Total Liabilities	452,413	495,974	475,289
Stockholder's Equity	127,549	97,172	88,135
Total Liabilities and Stockholder's Equity	579,962	593,143	563,424

Income Statement	As of December 31 (In Php'000)		
	2017	2016	2015
Sales and services	224,221	180,131	143,344
Cost of sales and services	(177,450)	(141,009)	(120,195)
Gross profit	46,771	39,122	23,149
Other expenses – net	(27,637)	(29,262)	(19,667)
Net income before tax	19,134	9,860	3,482
Income tax – Current	(8,031)	(7,481)	(4,359)
Deferred	(530)	3,403	662
Net income (loss) after tax	10,573	5,782	(215)
Net income (loss) attributable to:	-		
Equity Holders of the Parent Company	3,539	1,289	(1,895)
Non-controlling interest	7,034	4,493	1,680
	10,573	5,782	(215)
Earnings (Loss) Per Share Attributable to holders of Parent Company	₱0.012	₱0.004	(₱0.003)

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.

CHANGES IN OPERATING RESULTS

Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net income of ₱10.6 million in 2017 as against net income of ₱5.8 million in 2016 and ₱2 million in 2015. Resulting an increase in net income by ₱4.8 million or 83% as compared to last year's. Earnings (loss) per share for 2017, 2016 and 2015 for equity holders of the Parent Company are ₱0.012, ₱0.004 and (₱0.003), respectively. The increase in net income was mainly due to the increase in service income by ₱44 million or 24% million due to entry of new clients and principals of MCLSI from its new subsidiary, thus, increasing its service and trucking fees; Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

Sales and Services

The Group registered gross service revenue of ₱224.2 million, ₱180.1 million and ₱143.3 million for the years ended December 31, 2017, 2016 and 2015. The increase in revenue of ₱44.1 million or 24.48% in 2017 is due to additional businesses from MCLSI's existing principal resulting to new service contracts on its logistics and warehousing operations and clients of its new subsidiary.

Cost of Sales and Services

Total cost of sales and services for the years 2017, 2016 and 2015 amounted to ₱177.45 million, ₱141 million and ₱120.2 million, respectively. The increase of ₱36.4 million or 25.84% is mainly attributable to increase in personnel costs of ₱33.58 or 62.19% and increase in rent and utilities of ₱7.8 million or 24.06%. This movement in the Group's cost of sales and services is in proportion with its increase in revenue.

Other Income (Expenses) - Net

Other income (expenses) is composed of administrative expenses, interest income, dividend income, interest expense and other income not normally earned from the ordinary course of business. Other income (expenses) for the years 2017, 2016 and 2015 amounted to ₱27.6 million, ₱29.3 million and ₱16.8 million, respectively. Resulting in a decrease of ₱1.6 million or 5.55%. The decrease is a net effect of decrease in administrative expenses of ₱1.9 million or 6.38%, increase in other income of ₱0.23 million or 9.96% and increase in finance cost of ₱0.28 million,

CHANGES IN FINANCIAL CONDITION

As discussed in Note 3 to the Consolidated Financial Statements, the following companies are included in Metro Alliance consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI. A subsidiary is an entity in which the Company has control. Subsidiaries are consolidated from the date on which control is transferred out of the Company.

Mabuhay Vinyl Corporation (MVC) was 42.69% owned by MAHEC as of December 31, 2006. In 2007, the Company sold its 37.69% interest in MVC, retaining 5% which was reclassified to AFS investments and ceased to be a subsidiary as of December 31, 2007. The remaining 5% was subsequently sold in 2012.

Polymax is the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPCA which resulted in a 2006 disputed sale of Polymax's 60% interest in NPCA to NPC International Limited (NPCI) and Petrochemical Industries Investment Company (PIIC). Subsequently on August 27, 2013 the Company and Polymax entered into a settlement agreement with NPCI, PII and NPC to resolve the dispute. On the basis of the settlement agreement, the previously issued 2006 consolidated financial statements of the Company and its subsidiaries were restated to reflect the sale of Polymax's 60% interest in the petrochemical plant.

The remaining 20% of Polymax's interest which is valued at ₱371 million, which is estimated recoverable amount from the sale of investment. The realization of the Company's advances to Polymax (an unconsolidated special purpose entity in 2007) and the settlement 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 20% interest in NPCA, which is for sale, and from a letter of comfort issued by the Wellex Group of Companies 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 the notes to financial statements, management's plan is to infuse additional capital to address the going concern uncertainty.

Assets

Cash and cash equivalents for the years 2017 and 2016 amounted to ₱36.5 million and ₱23.3 million, respectively. Increased by ₱13.2 million or 56.62% in 2017 is net effect of net cash received from operating activities amounting ₱14.2 million, net cash from investing activities of ₱28.1 million and net cash provided for financing activities of ₱29.1 million.

Receivables amounted to ₱116.8 million in 2017 and ₱109.6 million in 2016 (net of allowance for doubtful accounts of ₱146.6 million and ₱150.4 million as of December 31, 2017 and 2016, respectively). Net trade and other receivables increased by ₱2.8 million or 3.75%, increase in other receivables ₱0.6 million or 1.79% and decrease in due from related parties ₱0.1 million or 1.39%. Other receivables pertain to advances subject for liquidation. The Group reviews the carrying amount of receivables at each balance sheet date to reduce the balance to their estimated recoverable amounts.

Other current assets amounted to ₱14.9 million in 2017 and ₱24 million in 2016 (net of allowance for probable losses of ₱12.9 million for both years 2017 and 2016). In 2017, the decrease by ₱9 million is net effect of decrease in creditable withholding taxes ₱5.5 million, increase in input taxes ₱0.6 million, increase in refundable deposits ₱2.4 million and decrease in other prepayments ₱5.9 million. 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 ₱371.4 million and ₱415.4 for years ended December 31, 2017 and 2016 (which constitute 64% and 70% of the Group's total assets as of December 31, 2017 and 2016, respectively) 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).

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.

During 2017, the Company made additional collections of the advances from Polymax amounting to ₱44,038,948.

Available-for-sale-investments amounted to ₱26.7 million in 2017 and ₱4.8 million in 2016. This account includes shares of stocks owned in publicly-listed company and non-listed entity. The ₱21.8 million movement in 2017 pertains to the increase in the value of shares of stock in the market and additional investment made in a corporation engaged in real estate development. The fair value of these shares has been determined directly by reference to published prices in the active market. Accumulated AFS reserve amounted to ₱10.4 million and ₱1.1 million as of December 31, 2017 and 2016, respectively.

Property, plant and equipment-net amounted to ₱4.4 million in 2017 and ₱2.6 million in 2016. Net increase in property, plant and equipment in 2017 by ₱1.8 million pertains to net effect to depreciation charge for the year amounting to ₱1.9 million and acquisition of assets amounting to ₱3.7 million.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of December 31, 2017 and 2016. In 2017 and 2016, 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.

Other non-current assets for the years 2017 and 2016 amounted to ₱4.7 million and ₱7.4 million, respectively. This account consists of intangible asset pertaining to non-exclusive software license cost for use in MCSLI's warehouse management system and non-current portion of refundable deposits.

Liabilities

Current Liabilities

Accounts payable and accrued expenses for the years 2017 and 2016 amounted to ₱441.3 million and ₱454.1 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and 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.

The net decrease for year 2017 by ₱12.8 million or 2.81% is attributable to increase in trade payables ₱14.4 million, payment of other current liabilities ₱10.9 million and accrual of legal and professional fees, personnel cost, trucking charges, pallet rental charges, utilities and other employee-related incentives fixed expenses of the Parent Company and MCLSI ₱16.2 million.

Due to related parties for the years 2017 and 2016 amounted to ₱6.3 million and ₱35.7 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 ₱4.7 million and ₱6.7 million as of December 31, 2017 and 2016. 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. There is no provision for retirement benefit for 2017 as the management determined that current accrual is sufficient enough to cover retirement benefits of remaining employees. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation.

(i) Summary of Material Trends, Events and Uncertainties

The accompanying consolidated financial statements have been prepared assuming that the Parent Company will continue as a going concern. As of December 31, 2017 and 2016, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱371.4 million and ₱415.4 million, respectively, 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 as of December 31, 2017 and 2016, 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 12.

As explained in Note 12, 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.

In 2017, the Parent Company was able to collect partially the advances from Polymax amounting to ₱44,038,948.

The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. As explained in Note 19b, management's plan is to infuse additional capital to address the going concern uncertainty.

(ii) 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.

(iii) Material Off-balance Sheet Transactions, Arrangements, Obligations

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of Metro Alliance with unconsolidated entities or other persons created during the reporting period. Completed transactions in connection with our investment in the petrochemical project were fully disclosed in the audited consolidated financial statements.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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.

(viii) 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.

Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

External Audit Fees and Services

Audit and related fees for Metro Alliance are ₱389,200 for the year 2017 and ₱352,000 for the year 2016 for expressing an opinion on the financial statements and assistance in preparing the annual income tax return. In addition, to bring to the attention of management, any deficiencies in internal control and detected misstatements and fraudulent or illegal acts.

Audit committee's approval policies and procedures for the above services – the committee will evaluate the proposals from known external audit firms. The review will focus on quality of service, commitment to deadline and fees as a whole, and no one factor should necessarily be determinable.

Changes and disagreements with Accountants on Accounting and Financial Disclosure

No independent accountant who was previously engaged as the principal accountant to audit Metro Alliance financial statements, or an independent accountant on whom the principal accountant expressed reliance in its report regarding a significant subsidiary, has resigned (or indicated it has declined to stand for re-election after the completion of the current audit) or was dismissed in the two most recent fiscal years or any subsequent interim period. Furthermore, there was no disagreement with the former accountant on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

PART III– CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Directors, including Independent Directors, and Executive Officers

There are seven (7) members of the Board, two (2) of whom are independent directors. The term of office of each director is one (1) year.

The current Directors and Executive Officers are as follows:

Name	Age	Citizenship	Position and Office
Renato B. Magadia	79	Filipino	Chairman of the Board and President
Lamberto B. Mercado, Jr.	52	Filipino	Director
Aristeo R. Cruz	51	Filipino	Independent Director
Reno I. Magadia	47	Filipino	Director
Ricardo M. Dela Torre	75	Filipino	Director
Nestor S. Romulo	72	Filipino	Director/Corporate Secretary
Byoung Hyun Suh	59	Korean	Independent Director
James B. Palit-Ang	52	Filipino	Treasurer
Richard L. Ricardo	55	Filipino	Vice President for External Affairs
Annabelle T. Abunda	41	Filipino	Finance Head

Business experience during the past five (5) years and other directorships

Name	Corporation	Position
Renato B. Magadia Chairman of the Board & President Filipino 79 years old Bachelor of Science in Business Administration <i>University of the Philippines</i> Certified Public Accountant	MAHEC Philippine Estate Corp. <i>(listed company)</i> Waterfront Phils., Inc. <i>(listed company)</i> CPDSI FEZ and ZDI Asia Healthcare, Inc. Acesite (Phils.) Hotel Corp. <i>(listed company)</i> ZetaMark, Inc. Misons Industrial & Dev. Corp.	Director Chairman of the Board/Director Chairman of the Board Chairman and President Chairman of the Board, Chairman and President, Vice Chairman Director
Lamberto B. Mercado, Jr. Director Filipino 52 years old Bachelor of Laws (L.L.B.) <i>Ateneo de Manila University School of Law</i> Lawyer	MAHEC AHI, FEZ and ZDI Waterfront Phils., Inc. <i>(listed company)</i> Forum Pacific, Inc. <i>(listed company)</i> The Wellex Group, Inc. Philippine National Construction Corporation	Director Director Director Vice President for Legal Board Member
Aristeo R. Cruz Independent Director 51 years old Bachelor of Science in Commerce - Major in Accounting <i>De La Salle University</i> Bachelor of Laws (LLB) <i>New Era University</i> CPA Lawyer	MAHEC Meycauayan College, Inc. Cruz Altares & Associates Law Office Liberty Bank (A Rural Bank), Inc.	Vice Chairman/Director Dean, College Department Founding and Managing Partner Assistant General Manager

Reno I. Magadia Director 47 years old BA, TV and Radio Broadcasting <i>California State University</i> Master's Degree – Business Administration <i>Pepperdine University,</i> <i>Los Angeles, California</i>	MAHEC Metro Combined Logistics Solutions, Inc. (formerly GAC Logistics, Inc.) Misons Industrial & Development Corp.	Managing Director Managing Director
Ricardo M. Dela Torre Director Filipino 75 years old Advanced Management Program <i>Asian Institute of</i> <i>Management, Indonesia</i> Master's in Business Management <i>Asian Institute of</i> <i>Management, Philippines</i> Bachelor of Science in Accounting <i>Ateneo de Naga, Philippines</i> Certified Public Accountant	Metro Alliance Holdings & Equities Corp. Metro Combined Logistics Solutions, Inc.	Director Director
Nestor S. Romulo Corporate Secretary/Director Filipino 72 years old Bachelor of Laws (LLB) <i>University of the Philippines,</i> Lawyer	MAHEC Winbank (Savings Bank) Westmont Investment Corp. Wincorp Securities Romulo, Serrano and Camello Law Offices Reyno, Tiu, Domingo and Santos Law Offices JP Consultancy Resources and Management, Inc. JMP Development Corp. Margarita Properties, Inc. Zuellig Distributors, Inc. Asia Healthcare, Inc. FEZ-EAC Holdings, Inc.,	Corporate Secretary/Director Chairman of the Board Chairman of the Board Director Partner Consultant Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary
Byoung Hyun Suh Independent Director Korean 59 years old B.S. in Business Administration <i>Korea University</i> <i>Seoul, Korea</i>	MAHEC Pan Islands, Inc. World OKTA (Overseas Korean Traders Association) Federation National Unification Advisory Council – R.O.K. Southeast Asia Chapter Wellex Industries, Inc. <i>(listed company)</i> Forum Pacific, Inc. <i>(listed company)</i>	President President Advisor Independent Director Independent Director

James B. Palit-Ang Treasurer Filipino 52 years old B.S.B.A Accounting <i>Philippine School of Business Administration</i>	MAHEC Noble Arch Realty & Construction Corp. Crisanta Realty & Development Corp. Philippine Estates Corp. <i>(listed company)</i>	Chairman and President Chairman and President Director
Richard L. Ricardo Vice President for External Affairs Filipino 55 years old Bachelor Science in Management Economics <i>Ateneo de Manila University</i>	Metro Alliance Holdings & Equities Corp. Wellex Industries, Inc. <i>(listed company)</i> Forum Pacific, Inc. <i>(listed company)</i> Waterfront Phils., Inc. <i>(listed company)</i> Acesite (Phils.) Hotel Corp. <i>(listed company)</i>	Director/Treasurer Director Corporate Affairs Officer/ Compliance Officer Vice President for Corporate Affairs/Compliance Officer
Annabelle T. Abunda Finance Head 41 years old Bachelor of Science in Accountancy <i>University of the Philippines Ilo-Ilo City</i> Certified Public Accountant Licensed Real Estate Broker	Metro Alliance Holdings & Equities Corp. Pacific Rehouse Corporation	Finance Head Finance and Administration Manager

Significant Employees

There are no other employees other than the officers mentioned in the preceding subsection who are expected to make significant contribution to the business.

Family Relationships

With the exception of the father-son relationship between Renato B. Magadia (Chairman and President) and Reno I. Magadia (Director), there are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, persons nominated or chosen by the Corporation to become directors, or executive officers.

Involvement in Certain Legal Proceedings

To the knowledge and/or information of Metro Alliance, none of the directors/nominees and officers were involved during the past five (5) years in any bankruptcy proceedings. Neither have they been convicted by final judgment in any criminal proceeding, or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in an action by any court or administrative bodies to have violated a securities and commodities law.

Item 10. Executive Compensation

Summary Compensation Table – Annual Compensation

The following table lists the names of the Corporation's Directors and Executive Officers Annual Compensation for the three most recent years.

Summary Compensation Table – Annual Compensation

Name and Principal Position		Year	Salary	Bonus	Other compensation
1	Renato B. Magadia Chairman of the Board and President	2017	-	-	–
		2016	-	-	–
		2015	-	-	6,000,000
2	James B. Palit-Ang Treasurer	2017	-	-	20,000
		2016	-	-	20,000
		2015	-	-	20,000
3	Nestor S. Romulo Corporate Secretary and Legal Counsel	2017	-	-	300,000
		2016	-	-	300,000
		2015	-	-	600,000
4	Aristeo R. Cruz Byoung Hyun Suh Independent Directors	2017	-	-	20,000
		2016	-	-	20,000
		2015	-	-	20,000
5	All directors and Officers as a Group unnamed	2017	-	-	340,000
		2016	-	-	340,000
		2015	-	-	6,640,000

Note: Renato B. Magadia's management fee was waived by him starting 2016 until the Company gets back to operations and became profitable again.

Compensation of Directors

Except for a nominal amount of per diem amounting to ₱10,000 during attendance in special meetings, there is no standard arrangement with regard to election, any bonus, profit sharing, pension/retirement plan, granting of any option, warrant or right to purchase any securities. There are no other arrangements or consulting contracts or other form of services with directors.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There is no employment contract and termination of employees and change-in control arrangement with directors and executive officers.

Warrants and Options Outstanding: Repricing

There are no warrants and options outstanding held by Metro Alliance's CEO, executive officers and all officers and directors as a group. There is no repricing made.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2017, Metro Alliance knows of no one who beneficially owns in excess of 5% of the its common stock except as set forth in the table below.

Title of Class	Name, address of Record owner and Relationship with issuer	Name of Beneficial Owner* and relationship with record owner	Citizenship	No. of Shares Held	Percent
Common Shares – Class B	Creston Global Limited c/o #9 Cardinal St., St. Dominic Subd., Bahay Toro, Congressional Ave, Quezon City	John Torres – Authorized signatory (Designated representative)	British	56,378,388	18.417%
Common Shares – Class A 16,249,610 Class B 26,522,612	PCD Nominee Corp. 37F Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo De Roxas, Makati City	PCD Participants and their clients**	Filipino	42,772,222	13.972%
Common Shares – Class A	Chesa Holdings, Inc. Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City	Perlie Alpuerto – Corporate Treasurer (Designated representative)	Filipino	40,500,000	13.230%
Common Shares – Class A	Pacific Wide Realty & Development Corp. Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City	Babelyn Mantos – Corporate Treasurer (Designated representative)	Filipino	31,498,000	10.289%
Common Shares – Class A 16,376,856 Class B 13,432,644	Forum Holdings Corporation Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City	Ellen Balunsat – Corporate Treasurer (Designated representative)	Filipino	29,809,500	9.837%
Common Shares – Class A	Misons Industrial and Development Corp. Unit 2002 20 th Antel 2000 Corporate Center 121 Valero St., Salcedo Village, Makati City	Renato B. Magadia – Director/Stockholder (Designated representative)	Filipino	22,000,000	7.187%
Common Shares – Class A 6,329,500 Class B 9,503,908	Pacific Concorde Corporation Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City	Lauraine F. San Roque Corporate Treasurer (Designated representative)	Filipino	15,833,408	5.172%

* Person designated to exercise investment power over the equity

** The clients of each company have the power to decide how their shares are to be voted. Natural persons authorized to vote the shares of PCD Nominee cannot be identified until the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized attorney-in-fact.

Security Ownership of Management

As of December 31, 2017, the security ownership of individual directors, executive officers and nominees of Metro Alliance is as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	%
Common–Class A	Renato B. Magadia	125,010 / Direct	Filipino	0.041
Common–Class A	Reno I. Magadia	100 / Direct	Filipino	0.000
Common–Class A	Nestor S. Romulo	1 / Direct	Filipino	0.000
Common–Class A	James B. Palit-Ang	1 / Direct	Filipino	0.000
Common–Class A	Lamberto B. Mercado, Jr.	1 / Direct	Filipino	0.000
Common–Class A	Aristeo R. Cruz	100 / Direct	Filipino	0.000
Common–Class A	Ricardo M. Dela Torre	1 / Direct	Filipino	0.000
Common–Class A	Byoung Hyun Suh	1 / Direct	Korean	0.000
Common–Class A	Richard L. Ricardo	–	Filipino	0.000
Common–Class A	Annabelle T. Abunda	–	Filipino	0.000
Total		125,215		0.041

Voting Trust Holders of 5% Or More

There are no voting trust holders of 5% or more.

Changes in Control

There is no change in control of Metro Alliance and there is no arrangement which may result in change in control.

Item 12. Certain Relationships and Related Transactions

The Group, in the normal course of business, has transactions with related parties. The following table summarizes the transactions with related parties for the year ended December 31, 2017 and 2016. Please refer to Note 27 of the Audited Consolidated Financial Statements attached to this report for the broad discussions.

a. Due from/to related parties

The amounts due from related parties included under receivables are unsecured and noninterest bearing advances, which have no definite repayment terms.

The amounts due to related parties pertain to 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. These are unsecured and noninterest bearing, except the liability to WPI, which is interest bearing but the related finance charges are being charged to Polymax, since the corresponding liability were obtained in relation to the Petrochemical Project.

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, 2013.

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, 2012 will be honored and paid, should the latter's shares be sold to other persons.

The outstanding payables recognized in the books amounted to ₱26,023,421 and ₱24,259,894 as of December 31, 2017 and 2016, respectively.

c. Compensation of key management personnel follows:

Particulars	2017	2016
Short-term employee benefits	₱17,938,847	₱9,241,800
Retirement benefits	—	—
Total	₱17,938,847	₱9,241,800

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 entity's retirement plan.

d. The related amounts applicable to the Group's transactions with related parties are as follows:

Particulars	Relationship	2017	2016	Nature, Terms and Conditions	Nature of consideration to be provided in settlement
Due from related parties:					
The Wellex Group, Inc.	Affiliate	₱ 5,258,609	₱ 5,333,594	Non-interest bearing and unsecured borrowing	Cash collection
Others	Affiliate	50,297	50,297	Non-interest bearing and unsecured borrowing	Cash collection
Total		₱ 5,308,906	₱ 5,383,891		
Advances (Asset held for Sale):					
Polymax	Special purpose entity	₱ 371,371,502	₱ 415,410,450	Represents 20% share investment in NPCA	Cash collection
Due to related parties:					
Acesite (Phils.) Hotel Corporation	Affiliate	₱ 5,627,202	₱ 5,627,202	Non-interest bearing and unsecured borrowing	Cash settlement
Wellex Mining Corp.	Affiliate	-	225,000	Non-interest bearing and unsecured borrowing	Cash settlement
The Wellex Group, Inc.	Affiliate	-	34,437,524	Funding for working capital requirements	Cash settlement
			-	Non-interest bearing and unsecured borrowing	Cash settlement
			-	Non-interest bearing and unsecured borrowing	Cash settlement
Others	Affiliate	711,629	(4,573,125)	Non-interest bearing and unsecured borrowing	Offsetting of accounts
Total		₱ 6,338,831	₱ 35,716,601		

Transactions with promoters

Metro Alliance and its subsidiaries have no transaction with promoters.

Part IV – CORPORATE GOVERNANCE
Please refer to separate “Annual Corporate Governance Report (ACGR)” submitted to
Securities and Exchange Commission (SEC)

PART V – EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

Exhibits

Financial Statements

- Statement of Management's Responsibility for Financial Statements
- Report of Independent Public Accountant
- Statements of Financial Position as of December 31, 2017 and 2016
- Statements of Comprehensive Income for the years ended December 31, 2017, 2016 and 2015
- Statements of Changes in Equity for each of the three years ended December 31, 2017, 2016 and 2015
- Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015
- Notes to Financial Statements

Supplementary Schedules

Report of Independent Public Accountants on Supplementary Schedules:

- Financial Assets
- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
- Amounts Receivables and Payable from/to Related Parties which are Eliminated during Consolidation Process of Financial Statements
- Intangible Assets - Other Assets
- Long-term Debt
- Indebtedness to Related Parties (Long-Term Loans from Related Parties) – (Not Applicable)
- Guarantees of Securities of Other Issuers (Not Applicable)
- Capital Stock
- Schedule of all the Effective Standards and Interpretations
- Reconciliation of Retained Earnings Available for Dividend Declaration (Not Applicable)
- Financial Soundness
- Map of Conglomerate or Group of Companies Within Which the Company Belongs (Not Applicable)
- Standards and Interpretations Effective For Annual Periods Beginning January 1, 2016

Reports on SEC Form 17- C filed during the year

January 10, 2017

The Corporation submitted its List of Top 100 Stockholders as disclosed also in the Philippine Stock Exchange for the period ended December 31, 2016.

January 16, 2017

The Corporation submitted its Public Ownership Report as disclosed also in the Philippine Stock Exchange for the period ended December 31, 2016.

January 23, 2017

The Corporation submitted an advised letter on the attendance of Board of Directors on BOD meetings for the year 2016.

April 12, 2017

The Corporation submitted its Public Ownership Report as disclosed also in the Philippine Stock Exchange for the period ended March 31, 2017.

April 17, 2017

The Corporation submitted its List of Top 100 Stockholders as disclosed also in the Philippine Stock Exchange for the period ended March 31, 2017.

July 11, 2017

The company disclosed the Letter of Intent (LOI) from VYNEX SIGNS PHILIPPINES, INC. indicating its desire to purchase majority control of the company.

July 12, 2017

The Corporation submitted its List of Top 100 Stockholders as disclosed also in the Philippine Stock Exchange for the period ended June 30, 2017.

July 13, 2017

The Corporation submitted its Public Ownership Report as disclosed also in the Philippine Stock Exchange for the period ended June 30, 2017.

August 25, 2017

The Corporation submitted copies of certificates of directors and key officers on the attended Good Corporate Governance Seminar held last August 17, 2017 at Manila Pavillion, Ermita, Manila conducted by SEC accredited training institution, Risk, Opportunities, Assessment and Management (ROAM), Inc.

September 29, 2017

The Corporation submitted its Notice of Annual Stockholders' Meeting on November 17, 2017 to stockholders of record as of October 18, 2017 as approved by the Board of Directors on its meeting on September 29, 2017 with the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Meeting of Stockholders held on November 22, 2016
4. Report of the President
5. Presentation and approval of the Annual Financial Statements
6. Ratifications of the actions and proceedings taken by the Board of Directors and Corporate Officers since November 22, 2016
7. Re-ratification of the increase of the authorized capital stock of the corporation from Php1,200,000,000 to Php5,000,000,000
8. Election of the Members of the Board of Directors
9. Appointment of External Auditor
10. Other business
11. Adjournment

October 11, 2017

The Corporation submitted its List of Top 100 Stockholders and Public Ownership Report as disclosed also in the Philippine Stock Exchange for the period ended September 30, 2017.

November 17, 2017

The Corporation reports the result of the Annual Stockholders' Meeting and the Organizational Meeting of the Board of Directors held on November 17, 2017 at One Café, 6th Flr. One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City.

January 15, 2018

The Corporation submitted its List of Top 100 Stockholders and Public Ownership Report as disclosed also in the Philippine Stock Exchange for the period ended December 31, 2017.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, we certify that the information set forth in this report is true, complete and correct. This report is signed in Pasig City on _____.

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141, of the Corporation Code of the Philippines, the registrant has duly caused this report to be signed on behalf by the undersigned, thereunto duly authorized, in the City of Pasig on _____.

By: _____

RENATO B. MAGADIA
Chairman of the Board and President
(Principal Executive and Operating Officer)

NESTOR S. ROMULO
Corporate Secretary

JAMES B. PALIT-ANG
Corporate Treasurer

SUBSCRIBED AND SWORN to before me this MAY 03 2018 day of _____, affiants exhibiting to me their Tax Identification No. issued by the Bureau of Internal Revenue, as follows:

AFFIANTS

Renato B. Magadia
Nestor S. Romulo
James B. Palit-Ang

TAX IDENTIFICATION NOS.

100-942-390
107-200-723
151-671-333

Doc. No. 103
Page No. 27
Book No. 61
Series of 2018

ATTY. JAMES K. ABUGAN
NOTARY PUBLIC
Until Dec. 31, 2018
IBP No. 021498/1-5-2018

Rizal Chapter
Roll No. 26890
MCLE No. V-0004484-10/31/2014
PTR # 3369955 - 01/05/2018
Mandaluyong City
TIN # 116-239-956
Tel. 631-40-90



METRO ALLIANCE

HOLDINGS & EQUITIES CORP.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

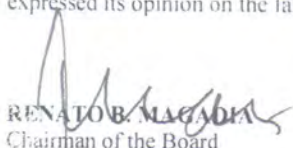
The management of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2017 and 2016**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

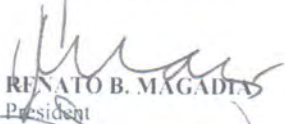
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

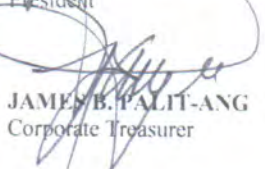
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Valdes Abad & Company, CPAs, the independent auditors, appointed by the stockholders has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


RENATO B. MAGADIA
Chairman of the Board


RENATO B. MAGADIA
President


JAMES B. PALIT-ANG
Corporate Treasurer

SUBSCRIBED AND SWORN to before me in PASIG CITY City/Province, Philippines on APR 16 2018
affiants personally appeared before me and exhibited to me their

Name
1. RENATO B. MAGADIA
2. JAMES B. PALIT-ANG

Tax Identification Number
100-942-390
151-671-333

WITNESS MY HAND AND SEAL on the date and at the place above written.

DOC NO: 332
PAGE NO: 58
BOOK NO: 17
SERIES OF: 168

NOTARY PUBLIC FOR _____ City/Province
Notarial Commission No. _____
Commission expires on December 31, _____
Roll of Attorney Number _____
PTR No. _____
IBP No. _____
Office Address: _____

35th Flr. One Corporate Center Doña Julia Vargas Avenue corner
Meralco Ave., Ortigas Center, Pasig City, Phils. 1605
Trunkline (02) 706-7888 * Fax No. (02) 706-5982

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	0	0	0	2	9	6
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COMPANY NAME

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

PRINCIPAL OFFICE (No./Street/Barangay/City/Town)Province)

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

Form Type

A	C	F	S	-	1	6
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Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

N	A
---	---

COMPANY INFORMATION

Company's Email Address

lita.e@metroalliance.com

Mobile Number

706-7888

No. of Stockholders

822

Annual Meeting
Month/Day

Any day in May

Fiscal Year
Month/Day

December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

ATTY. NESTOR ROMULO

Email Address

nestor_romulo@yahoo.com

Telephone Number/s

(632) 706-7888

Mobile Number

35TH FLR. ONE CORPORATE CENTER, DONA JULIA VARGAS COR. MERALCO AVES., ORTIGAS CENTER, PASIG CITY

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All boxes must be properly and completely filled-up. Failure to do so shall cause delay in updating the Corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the Corporation from liability for its deficiencies.

**INDEPENDENT AUDITOR'S REPORT TO ACCOMPANYING FINANCIAL STATEMENTS FOR
FILING WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.

Ortigas Center, Pasig City

We have examined the financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** for the year ended December 31, 2017, on which we have rendered the attached report dated April 16, 2018.

In compliance with SRC Rule 68, we are stating that the Company has seven hundred eighty-nine (789) stockholders owning one hundred (100) or more shares each as of December 31, 2017.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on November 2, 2015, Valid until December 31, 2018

BIR Accreditation No. 08-002126-000-2017

Issued on December 13, 2017, Valid until December 13, 2020

SEC Accreditation No. A-142-F

Issued on September 7, 2017, Valid until April 30, 2018

For the firm:



ALFONSO L. CAY-AN

Partner

CPA Registration No. 99805

Issued on December 28, 2017, Valid until December 14, 2020

TIN No. 213-410-741-000

PTR No. 6617716, Issued Date: January 5, 2018, Makati City

BOA/PRC Reg. No. 0314

Issued on November 2, 2015, Valid until December 31, 2018

SEC Accreditation No. A-782-A

Issued on September 7, 2017, Valid until April 30, 2018

BIR Accreditation No. 08-002126-005-2017

Issued on December 13, 2017, Valid until December 13, 2020

Makati City, Philippines
April 16, 2018

STATEMENT OF REPRESENTATION

TO THE SECURITIES AND EXCHANGE COMMISSION:

In connection with my examination of the financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the accounting profession and duly registered with the Board of Accountancy (BOA);
2. That said financial statements are presented in conformity with Philippine Financial Reporting Standards, in all cases where I shall express an unqualified opinion; except that in case of any departure from such principles, I shall indicate the nature of the departure, the effects thereof, and the reasons why compliance with the principles would result in a misleading statement, if such is a fact;
3. That I shall fully meet the requirements of independence as provided under the Code of Professional Ethics for CPAs;
4. That in the conduct of the audit, I shall comply with the Philippine Standards on Auditing promulgated by the Board of Accountancy; in case of any departure from such standards or any limitation in the scope of my examination, I shall indicate the nature of the departure and the extent of the limitation, the reasons therefore and the effects thereof on the expression of my opinion or which may necessitate the negation of the expression of an opinion;
5. That I shall comply with the applicable rules and regulations of the Securities and Exchange Commission in the preparation and submission of financial statements; and
6. That relative to the expression of my opinion on the said financial statements, I shall not commit any acts discreditable to the profession as provided under the Code of Professional Ethics for CPAs.

As a CPA engaged in public practice, I make these representations in my individual capacity and as a partner in the accounting firm of **VALDES ABAD & COMPANY, CPAs**.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on November 2, 2015, Valid until December 31, 2018

BIR Accreditation No. 08-002126-000-2017

Issued on December 13, 2017, Valid until December 13, 2020

SEC Accreditation No. A-142-F

Issued on September 7, 2017, Valid until April 30, 2018

For the firm:



ALFONSO L. CAY-AN

Partner

CPA Registration No. 99805

Issued on December 28, 2017, Valid until December 14, 2020

TIN No. 213-410-741-000

PTR No. 6617716, Issued Date: January 5, 2018, Makati City

BOA/PRC Reg. No. 0314

Issued on November 2, 2015, Valid until December 31, 2018

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Makati City, Philippines
April 16, 2018

**REPORT OF INDEPENDENT PUBLIC AUDITORS
TO ACCOMPANY SEC SCHEDULES FILED SEPARATELY FROM THE
BASIC FINANCIAL STATEMENTS**

The Board of Directors

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.
Ortigas Center, Pasig City

We have examined the financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** as of December 31, 2017 on which we have rendered the attached report dated April 16, 2018. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary schedules of the Company as of December 31, 2017 and for the year ended, required by the Securities and Exchange Commission, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such supplementary schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

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Makati City, Philippines
April 16, 2018

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.
Ortigas Center, Pasig City

Opinion

We have audited the accompanying consolidated financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and notes to the financial statements, including as summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** as of December 31, 2017 and 2016 and of its financial performances and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

For each matter below, our description of how our audit addressed the matter is provided in that context.

(a) Realization of Outstanding Receivables from Polymax Worldwide

As of December 31, 2017, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱371.4 million which accounts for 88% of the Parent Company's total assets. These advances were related to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in Note 2.3 of the notes to the financial statements. The analysis of the recoverability of these advances is significant to our audit because the assessment process requires use of management judgment. It is also based on assumptions of future cash inflow to be generated by Polymax in which the settlement to their obligation to the Parent Company is dependent upon.

Audit response

We obtained an understanding of the nature of the said advances and assessed the management's plan to fully recover the outstanding balance. Our audit procedure included circulation of confirmation letter to Polymax to confirm the existence of the said advances. Likewise, this covered substantiation of partial collection made by the Parent Company during the year. We also assessed the completeness and accuracy of the disclosures relating to the said advances in the notes to financial statements as discussed in Note 2.3.

(b) Realization of Management's Plan to Address the Going Concern

Trading activity of the Parent Company has been suspended for more than 12 years which adversely affected their operations resulting to incurrence of capital deficiency and liquidity and solvency issues. The Parent Company designed a detailed plan to address the going concern uncertainties and likewise, structured its capital build-up program as discussed in Note 2.2. The realization of the plans to be performed by the Parent Company is significant to our audit as this materially affects our judgement to the ability of the Parent Company to continue its operations in foreseeable future as deemed necessary by PSA 570 (Revise) *Going Concern*.

Audit response

Our audit procedures included understanding of the current market conditions in which the Parent Company operates and assess whether management's plan to address the going concern uncertainty is feasible. We compared and tested forecasted activities to be performed with industry practices. We have reviewed the compliance of the Parent Company to the requirements of the regulatory agencies and their correspondence with regard unresolved issues. We likewise examined documentation for the on-going litigations that could impact its cash flows from third party legal counsels.

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- (i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- (iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (iv) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- (v) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

VALDES ABAD & COMPANY, CPAs

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For the firm:



ALFONSO L. CAY-AN

Partner

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Makati City, Philippines

April 16, 2018

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Philippine Peso)

		December 31,	
ASSETS	Note	2017	2016
CURRENT ASSETS			
Cash	9	36,538,607	23,330,123
Receivables, net	10	116,786,722	109,617,915
Other current assets, net	11	14,933,877	24,009,434
Total Current Assets		168,259,206	156,957,472
NON-CURRENT ASSETS			
Asset held for sale	2,12	371,371,502	415,410,450
Available for sale investment	13	26,669,885	4,829,385
Property and equipment, net	14	4,424,024	2,636,085
Deferred tax asset	18	4,530,072	5,941,769
Other non-current assets	15	4,707,271	7,371,173
Total Non-Current Assets		411,702,754	436,188,862
TOTAL ASSETS		579,961,960	593,146,334
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	16	441,327,586	454,086,364
Due to related parties	17	6,338,831	35,716,601
Total Current Liabilities		447,666,417	489,802,965
NON-CURRENT LIABILITIES			
Accrued retirement benefit costs	26	4,746,718	6,169,794
Deferred tax liability	18	-	1,432
Total Non-Current Liabilities		4,746,718	6,171,226
EQUITY			
Equity Attributable to Equity Holders of Parent Company			
Capital stock	19	306,122,449	306,122,449
Additional paid-in capital	19	3,571,923	3,571,923
Deficit	20	(222,096,817)	(234,043,783)
Remeasurement gain on retirement plan	26	4,105,556	3,057,535
Available-for-sale reserve	13	10,398,922	1,058,422
Non-controlling interest		102,102,033	79,766,546
Total Equity		25,446,792	17,405,597
TOTAL LIABILITIES AND EQUITY		579,961,960	593,146,334

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Philippine Peso)

For the Years Ended December 31,	Note	2017	2016	2015
SALE OF SERVICES	21	224,220,913	180,131,349	143,344,326
COST OF SERVICES	22	177,450,298	141,008,975	120,194,820
GROSS PROFIT		46,770,615	39,122,374	23,149,506
OTHER INCOME	23	254,195	230,841	16,366,780
EXPENSES	24	(27,891,147)	(29,493,422)	(26,030,091)
FINANCE COST	25	-	-	(7,132,891)
INCOME BEFORE INCOME TAX		19,133,663	9,859,793	6,353,304
PROVISION FOR (BENEFIT FROM) INCOME TAX	18			
Current		8,031,350	7,481,150	(3,003,941)
Deferred		529,575	(3,403,620)	(1,355,754)
NET INCOME		10,572,738	5,782,263	1,993,609
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gain (loss) on available-for-sale investments	13	9,340,500	(143,700)	(1,585,683)
Remeasurement gain (loss) on retirement plan, net of deferred income tax	26	2,054,944	3,601,487	(2,208,287)
TOTAL COMPREHENSIVE INCOME (LOSS)		21,968,182	9,240,050	(1,800,361)
Net income (loss) attributable to:				
Equity holders of the Parent Company		3,538,466	1,289,533	(768,311)
Non-controlling interest		7,034,272	4,492,730	2,761,920
		10,572,738	5,782,263	1,993,609
Other comprehensive income (loss) attributable to:				
Equity holders of the Parent Company		10,388,521	2,450,864	(2,711,909)
Non-controlling interest		1,006,923	1,006,923	(1,082,061)
		11,395,444	3,457,787	(3,793,970)
Basic income (loss) per share				
Income for the year attributable to equity holders of the Parent Company	31	0.012	0.004	(0.003)

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In Philippine Peso)

	Attributable to Equity Holders of the Parent Company					Subtotal	Minority Interests	Total Equity
	Capital Stock (Note 19)	Additional Paid- in Capital (Note 19)	Retained Earnings (Deficit) (Note 20)	Remeasurement Gain (Loss) on Retirement Plan (Note 26)	AFS Reserve (Note 13)			
BALANCES AS OF DECEMBER 31, 2014	306,122,449	3,571,923	(236,473,666)	2,347,003	2,787,805	78,355,514	9,468,280	87,823,792
Adjustment to opening balance of retained earnings	-	-	2,112,009	-	-	2,112,009	-	2,112,009
Net income (loss)	-	-	(768,311)	-	-	(768,311)	2,761,920	1,993,609
Other comprehensive income (loss)	-	-	-	(1,126,226)	(1,585,683)	(2,711,909)	(1,082,061)	(3,793,970)
Other adjustments to retained earnings	-	-	-	-	-	-	-	-
BALANCES AS OF DECEMBER 31, 2015	306,122,449	3,571,923	(235,129,968)	1,220,777	1,202,122	76,987,303	11,148,139	88,135,442
Adjustment to opening balance of retained earnings (Note 30)	-	-	(203,348)	-	-	(203,348)	-	(203,348)
Net income	-	-	1,289,533	-	-	1,289,533	4,492,730	5,782,263
Other comprehensive income (loss)	-	-	-	1,836,758	(143,700)	1,693,058	1,764,728	3,457,786
BALANCES AS OF DECEMBER 31, 2016	306,122,449	3,571,923	(234,043,783)	3,057,535	1,058,422	79,766,546	17,405,597	97,172,143
Adjustment to opening balance of retained earnings (Note 30)	-	-	8,408,500	-	-	8,408,500	-	8,408,500
Net income	-	-	3,538,466	-	-	3,538,466	7,034,272	10,572,738
Other comprehensive income	-	-	-	1,048,021	9,340,500	10,388,521	1,006,923	11,395,444
BALANCES AS OF DECEMBER 31, 2017	306,122,449	3,571,923	(222,096,817)	4,105,556	10,398,922	102,102,033	25,446,792	127,548,825

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Philippine Peso)

For the Years Ended December 31,	Note	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		19,133,663	9,859,793	6,353,304
Adjustments for:				
Prior period adjustment	30	8,408,500	(203,348)	2,112,009.00
Write-off of receivables	10	(74,984)	(325,982)	(7,508,625.00)
Reversal of provision for probable losses	11	-	-	1,873,136.00
Impairment loss	10,11	1,059,934	546,124	208,204.00
Provision for probable losses	10,11	2,189,120	3,714,664	4,998,463.00
Amortization of intangible assets	15	292,758	381,714	319,444.00
Depreciation	14	1,934,069	1,841,754	2,905,060.00
Provision for retirement benefit costs	26	1,512,558	2,368,710	1,506,001.00
Interest expense	25	-	-	7,132,891.00
Interest income	23	(242,685)	(61,280)	(61,712.00)
Dividends received	23	-	15,714	500.00
Deferred tax assets		(1,410,265)	(1,860,126)	693,267.00
Change in minority interest		(8,041,195)	(6,257,458)	(1,679,859.00)
Operating income before working capital changes		24,761,473	10,020,279	18,852,083.00
Changes in assets and liabilities:				
Receivables, net		(8,651,165)	(20,057,086)	(10,135,810)
Other current assets		8,443,779	54,542	(9,274,960.00)
Other non-current assets		2,371,144	(5,540,330)	(2,044,700.00)
Accounts payable and accrued expenses		(12,708,940)	21,124,782	(5,996,227.00)
Benefits paid		-	-	(339,712.00)
Income tax paid		-	-	(1,030,529.00)
Net Cash from Operating Activities		14,216,291	5,602,187	(9,969,855.00)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	23	242,685	61,280	61,712.00
Collection from asset held for sale	12	44,038,948	-	373,251,811.00
Acquisition of available for sale investment	13	(12,500,000)	-	-
Acquisition of property and equipment	14	(3,722,008)	(724,990)	(1,605,592.00)
Net Cash from Investing Activities		28,059,625	(663,710)	371,707,931.00
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	23	-	(15,714)	(500.00)
Interest paid	25	-	-	(7,132,891.00)
Changes in due to related parties		(29,067,432)	2,688,223	(361,030,492.00)
Net Cash from Financing Activities		(29,067,432)	2,672,509	(368,163,883.00)
NET INCREASE (DECREASE) IN CASH		13,208,484	7,610,986	(6,425,807.00)
CASH, Beginning	9	23,330,123	15,719,137	22,144,944.00
CASH, End	9	36,538,607	23,330,123	15,719,137.00

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2017, 2016 and 2015

NOTE 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.

The accompanying consolidated financial statements as of December 31, 2017 were approved and authorized for issue by the Board of Directors (BOD) on April 16, 2018.

NOTE 2– STATUS OF OPERATIONS

2.1 Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Parent Company will continue as a going concern. As of December 31, 2017 and 2016, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱371.4 million and ₱415.4 million, respectively, 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 as of December 31, 2017 and 2016, 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 12.

As explained in Note 12, 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.

In 2017, the Parent Company were able to collect partially the advances from Polymax amounting to ₱44,038,948.

The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. As explained in Note 19b, management’s plan is to infuse additional capital to address the going concern uncertainty.

2.2 Management Plan to Address Going Concern Uncertainties

In the management letter last year, we summarized the projected plans of the Company. Regrettably, no significant development has happened principally due to the continued suspension of the trading of the Company's shares on the Philippine Stock Exchange (PSE). This suspension is still in effect, despite of the company having complied with all reportorial and regulatory requirements, and the fact that there are no pending cases with government regulatory bodies and the Securities and Exchange Commission.

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 next 12 months:

Investment and sources of capital

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:

- a) 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;
- b) 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;
- c) Continuous filings with relevant government agencies;
- d) Maintaining a lean organization to sustain its operation during the said period;

Furthermore, the majority shareholders, which are 75% of the traded shares, have signified their intention to conduct a tender offer in the vicinity of ₱0.50 per share, within thirty (30) days after the lifting of Company's trading suspension, 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. Furthermore, if the lifting of the trading suspension is approved by the PSE, the Company will announce the plan for the proposed tender offer on the annual stockholders' meeting.

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 in the Amount of Php371,371,502 as of December 31, 2017

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 is still in the stage of exploring new business opportunities. Manpower will be outsourced if needed.

Capital Asset Acquisition

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

2.3 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, NPCI 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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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.

3.2 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	
	2017	2016
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.

3.3 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.**

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)

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.

Cash

Cash include cash on hand and in banks.

Financial Assets and Liabilities

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.

Financial Assets

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 December 31, 2017 and 2016.

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 December 31, 2017 and 2016.

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 December 31, 2017 and 2016.

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 of 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.

Foreign Currency Transactions and Translations

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.

Income Tax

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. Financial information on business segments are presented in Note 5.

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.

NOTE 4 – 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 12).

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 28).

Contingencies

The Group is currently involved in various legal proceedings, which are normal to its business as discussed in Note 32. 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.

Estimates and Assumptions

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.

Receivables (net of allowance for doubtful accounts of ₱146.6 million and ₱150.4 million as of December 31, 2017 and 2016, respectively) amounted to ₱116.8 million and ₱109.6 million as of December 31, 2017 and 2016, respectively (see Note 10).

The carrying amount of other current assets amounted to ₱14.9 million and ₱24.0 million as of December 31, 2017 and 2016, respectively as discussed in Note 11. Allowance on probable losses, mainly pertaining to creditable withholding and input taxes, amounted to ₱12.9 million and ₱12.3 million as of December 31, 2017 and 2016, respectively as shown also in Note 11.

Advances to Polymax (under asset held for sale) amounting to ₱371.4 million ₱415.4 million as of December 31, 2017 and 2016, respectively, constitute 64% and 70% of the Group's total assets at the end of 2017 and 2016, 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 12.

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 2017 and 2016.

In 2016, MCLSI's management assessed that there is a significant change from the previous estimates and estimated useful life of its intangible assets to one year, since the assets will no longer provide future economic benefit to the Company as disclosed in Note 15.

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 December 31, 2017, 2016. As of December 31, 2017 and 2016, property and equipment, net of accumulated depreciation and amortization, amounted to ₱4.4 million and ₱2.6 million, respectively, as shown in Note 14 and total depreciation and amortization charged to operations amounted to ₱1,934,069 and ₱1,841,754, respectively, for periods ending December 31, 2017 and 2016.

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 8.

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, ₱5.9 million and ₱4.1 million as of December 31, 2017, 2016 and 2015, respectively (see Note 18).

The Group did not recognize deferred tax assets of the Parent Company and its non-operating subsidiaries amounting to ₱50.4 million, ₱54.0 million and ₱52.5 million as of December 31, 2017, 2016 and 2015, respectively, as management believes that the Parent Company and its non-operating subsidiaries may not have sufficient future taxable profits available to allow utilization of these deferred tax assets as discussed in Note 18.

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 ₱4.7 million, ₱6.2 million and ₱8.9 million as of December 31, 2017, 2016 and 2015, respectively (see Note 26).

NOTE 5 – SEGMENT INFORMATION

The Group's business activities are conducted in the Philippines and it is primarily in the contract logistics and supply chain management segment in 2017, 2016 and 2015.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, other current assets, asset held for sale and property and equipment, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued expenses, due to related parties and long-term debt.

The financial information with regard to the Group's significant business segments as of December 31, 2017, 2016 and 2015 and for the years then ended is presented below.

	2017		
	Distribution and Contract Logistics	Other Businesses	Total
External Sales	₱ 224,220,913	₱ -	₱ 224,220,913
Results:			
Segment result	₱ 24,761,911	₱ 5,513,001	₱ 30,274,912
Other income	253,410	785	254,195
Provision for income tax	(8,560,925)	-	(8,560,925)
Net income	₱ 16,454,396	₱ 5,513,786	₱ 21,968,182
Other Information:			
Segment assets	₱ 138,861,377	₱ 441,100,583	₱ 579,961,960
Segment liabilities	80,061,417	372,351,718	452,413,135
Capital expenditures	3,722,005	-	3,722,005
Depreciation and amortization	2,226,827	-	2,226,827
Noncash items other than depreciation and amortization	3,040,977	-	3,040,977

	2016		
	Distribution and Contract Logistics	Other Businesses	Total
External Sales	₱ 180,131,349	₱ -	₱ 180,131,349
Results:			
Segment result	₱ 16,785,177	₱ (3,698,438)	₱ 13,086,739
Other income	63,165	167,676	230,841
Provision for income tax	(4,077,530)	-	(4,077,530)
Net income	₱ 12,770,812	₱ (3,530,762)	₱ 9,240,050
Other Information:			
Segment assets	₱ 127,791,666	₱ 465,354,668	₱ 593,146,334
Segment liabilities	85,446,104	410,528,086	495,974,190
Capital expenditures	724,990	-	724,990
Depreciation and amortization	2,223,468	-	2,223,468
Noncash items other than depreciation and amortization	5,006,089	-	5,006,089

	2015		
	Distribution and Contract Logistics	Other Businesses	Total
External Sales	₱ 143,344,326	₱ -	₱ 143,344,326
Results:			
Segment result	₱ 3,475,269	₱ (14,151,231)	₱ (10,675,962)
Other income (expense)	(2,153,449)	14,726,259	12,572,810
Provision for income tax	(1,734,187)	(1,816,952)	(3,551,139)
Net income (loss)	₱ (412,367)	₱ (1,241,924)	₱ (1,654,291)
Other Information:			
Segment assets	₱ 97,238,895	₱ 466,185,578	₱ 563,424,473
Segment liabilities	67,460,801	407,603,233	475,064,034
Capital expenditures	-	-	-
Depreciation and amortization	444,314	2,195	446,509
Noncash items other than depreciation and amortization	52,352	7,132,891	7,185,243

NOTE 6 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 of changes in market interest rates relates primarily to the Group's long-term debt. As of December 31, 2017 and 2016, the Group has minimal exposure to interest rate risk since the interest rates are fixed up to the date of maturity.

Credit Risk

It is the Group's policy to require all concerned related 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.

- a. Financial information on the Company's maximum exposure to credit risk as of December 31, 2017 and 2016, without considering the effects of collaterals and other risk mitigation techniques are presented below.

Particulars	2017	2016
Cash	₱ 36,538,607	₱ 23,330,123
Receivables	116,786,722	109,617,915
Refundable deposits	7,098,766	7,381,802
Total	₱ <u>160,424,095</u>	₱ <u>140,329,840</u>

- b. Credit quality per class of financial assets

Description of the credit quality grades used by the Company follows:

Financial assets -AFS investments

High grade - Counterparties that are consistently profitable, have strong fundamentals and pays out dividends.

Standard grade - Counterparties that recently turned profitable and have the potential of becoming a high-grade company. These counterparties have sound fundamentals.

Substandard grade - Counterparties that are not yet profitable, speculative in nature but have the potential to turn around fundamentally.

Loans and receivables

High grade - High probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard grade - Collections are probable due to the reputation and the financial ability of the counterparty to pay.

Substandard grade - The counterparty shows probability of impairment based on historical trends.

The tables below show credit quality by class of financial assets based on the Company's credit quality grades (gross of related allowance for credit losses).

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

	2017			
	Neither past due nor impaired		Past due but Not impaired	Total
	High Grade	Standard Grade		
Loans and receivables:				
*Cash	₱ 36,334,985	₱ -	₱ -	₱ 36,334,985
Trade receivables	-	76,923,236	-	76,923,236
Other receivables	-	-	39,863,486	39,863,486
Total loans and receivables	36,334,985	76,923,236	39,863,486	153,121,707
Available for sale investment	26,669,885	-	-	26,669,885
Refundable deposit	7,098,766	-	-	7,098,766
Total	₱ <u>70,103,636</u>	₱ <u>76,923,236</u>	₱ <u>39,863,486</u>	₱ <u>186,890,358</u>

*Excludes cash on hand

	2016			
	Neither past due nor impaired		Past due but not impaired	Total
	High Grade	Standard Grade		
Loans and receivables:				
*Cash	₱ 22,405,026	₱ -	₱ -	₱ 22,405,026
Trade receivables	-	74,144,195	-	74,144,195
Other receivables	-	-	35,473,720	35,473,720
Total loans and receivables	<u>22,405,026</u>	<u>74,144,195</u>	<u>35,473,720</u>	<u>132,022,941</u>
Available for sale investment	4,829,385	-	-	4,829,385
Refundable deposit	<u>7,381,802</u>	<u>-</u>	<u>-</u>	<u>7,381,802</u>
Total	₱ <u>34,616,213</u>	₱ <u>74,144,195</u>	₱ <u>35,473,720</u>	₱ <u>144,234,128</u>

*Excludes cash on hand

The credit quality of receivables is managed by the Group using internal credit quality ratings. High and medium grade accounts consist of receivables from debtors with good financial standing and with relatively low defaults. The Group constantly monitors the receivables from these customers in order to identify any adverse changes in credit quality. The allowance for doubtful accounts is provided for those receivables that have been identified as individually impaired.

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.

The table below shows the maturity profile of the financial assets and liabilities, based on its internal methodology that manages liquidity based on contractual undiscounted cash flows:

Particulars	2017			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial Assets				
*Cash	₱ 36,334,985	₱ -	₱ -	₱ 36,334,985
Trade and other receivables	-	116,786,722	-	116,786,722
Refundable deposits	-	3,252,326	3,846,440	7,098,766
Subtotal	<u>36,334,985</u>	<u>120,039,048</u>	<u>3,846,440</u>	<u>160,220,473</u>
AFS investment	-	-	26,669,885	26,669,885
Total	<u>36,334,985</u>	<u>120,039,048</u>	<u>30,516,325</u>	<u>186,890,358</u>
Financial Liabilities				
Due to related parties	₱ -	₱ 6,338,831	₱ -	₱ 6,338,831
Accounts payable and accrued expenses	-	441,327,586	-	441,327,586
Total	<u>-</u>	<u>447,666,417</u>	<u>-</u>	<u>447,666,417</u>
Net Position	₱ <u>36,334,985</u>	₱ <u>(327,627,369)</u>	₱ <u>30,516,325</u>	₱ <u>(260,776,059)</u>

*Excludes cash on hand

Particulars	2016			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial Assets				
*Cash	₱ 22,405,026	₱ -	₱ -	₱ 22,405,026
Trade and other receivables	-	109,617,915	-	109,617,915
Refundable deposits	-	854,772	6,527,030	7,381,802
Subtotal	22,405,026	110,472,687	6,527,030	139,404,743
AFS investment	-	-	4,829,385	4,829,385
Total	22,405,026	110,472,687	11,356,415	144,234,128
Financial Liabilities				
Due to related parties	₱ -	₱ 35,716,601	₱ -	₱ 35,716,601
Accounts payable and accrued expenses	-	454,086,364	-	454,086,364
Total	-	489,802,965	-	489,802,965
Net Position	₱ 22,405,026	₱ (379,330,278)	₱ 11,356,415	₱ (345,568,837)

*Excludes cash on hand

NOTE 7 – 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.

The equity attributable to equity holders of the Parent Company less any reserves is shown in the table below.

Particulars	2017	2016
Capital stock	₱ 306,122,449	₱ 306,122,449
Additional paid-in-capital	3,571,923	3,571,923
Deficit	(222,096,817)	(234,043,783)
Total	₱ 87,597,555	₱ 75,650,589

NOTE 8 – FINANCIAL ASSETS AND LIABILITIES

The following table summarizes the carrying and fair values of the Group's financial assets and liabilities as of December 31, 2017 and 2016:

Particulars	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Cash	₱ 36,538,607	₱ 36,538,607	₱ 23,330,123	₱ 23,330,123
Receivables	116,786,722	116,786,722	109,617,915	109,617,915
AFS investments	26,669,885	26,669,885	4,829,385	4,829,385
Refundable deposits	7,098,766	7,098,766	7,381,802	7,381,802
Total	₱ 187,093,980	₱ 187,093,980	₱ 145,159,225	₱ 145,159,225

Particulars	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities:				
Accounts payable and accrued expenses	₱ 441,327,586	₱ 441,327,586	₱ 454,086,364	₱ 454,086,364
Due to related parties	<u>6,338,831</u>	<u>6,338,831</u>	<u>35,716,601</u>	<u>35,716,601</u>
Total	<u>₱ 447,666,417</u>	<u>₱ 447,666,417</u>	<u>₱ 489,802,965</u>	<u>₱ 489,802,965</u>

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.

Fair Value Hierarchy

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table shows the company's financial assets carried at fair value:

Particulars	2017		2016	
	Level 1	Level 3	Level 1	Level 3
Assets measured at fair value				
Cash	₱ 36,538,607	₱ -	₱ 23,330,123	₱ -
Receivables	-	116,786,722	-	109,617,915
AFS investments	26,669,885	-	4,829,385	-
Refundable deposits	-	7,098,766	-	7,381,802
Total	<u>₱ 63,208,492</u>	<u>₱ 123,885,488</u>	<u>₱ 28,159,508</u>	<u>₱ 116,999,717</u>
Liabilities				
Accounts payable and accrued expenses	₱ -	₱ 441,327,586	₱ -	₱ 454,086,364
Due to related parties	-	6,338,831	-	35,716,601
Total	<u>₱ -</u>	<u>₱ 447,666,417</u>	<u>₱ -</u>	<u>₱ 489,802,965</u>

As of December 31, 2017 and 2016, the company does not have financial assets valued using Level 2 inputs. Also, there were no transfers made between each level.

NOTE 9 – CASH

Details of cash are as follows:

Particulars	2017	2016
Cash on hand	₱ 203,622	₱ 925,097
Cash in banks	<u>36,334,985</u>	<u>22,405,026</u>
Total	₱ <u>36,538,607</u>	₱ <u>23,330,123</u>

Cash in banks earn interest at the respective bank deposit rates. Interest income from banks amounted to ₱242,685 and ₱61,280 in 2017 and 2016, respectively.

NOTE 10 – RECEIVABLES, NET

Details of receivables are as follows:

Particulars	2017	2016
Trade receivables	₱ 76,923,236	₱ 74,144,195
Due from related parties (Note 27)	5,308,906	5,383,891
Other receivables	37,306,703	36,651,131
Note receivables	<u>143,865,021</u>	<u>143,865,021</u>
Subtotal	263,403,866	260,044,238
Less: Allowance for probable losses	<u>(146,617,144)</u>	<u>(150,426,323)</u>
Total	₱ <u>116,786,722</u>	₱ <u>109,617,915</u>

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 2017 and 2016.

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.

The movements in the allowance for probable losses follow:

Particulars	2017	2016
Balance at beginning of year	₱ 150,426,323	₱ 147,037,641
Reversal of allowance	(5,291,537)	-
Provision for the year (Note 24)	1,557,342	3,714,664
Write-off during the year	<u>(74,984)</u>	<u>(325,982)</u>
Balance at end of year	₱ <u>146,617,144</u>	₱ <u>150,426,323</u>

The Group assesses the probability of collection of its outstanding receivable balances at each reporting period and accordingly recognizes impairment for accounts with remote probability of collection. For December 31, 2017 and 2016, the Group recognized impairment loss amounting to ₱1,059,934 and ₱283,425, respectively. (See Note 24)

NOTE 11 – OTHER CURRENT ASSETS, NET

Details are as follows:

Particulars	2017	2016
Creditable withholding taxes	₱ 12,662,394	₱ 18,209,899
Input taxes	9,252,271	8,629,137
Prepayments and others	2,653,009	8,569,971
Refundable deposits	<u>3,252,326</u>	<u>854,772</u>
Subtotal	27,820,000	36,263,779
Less: Allowance for probable losses	<u>(12,886,123)</u>	<u>(12,254,345)</u>
Total	₱ <u>14,933,877</u>	₱ <u>24,009,434</u>

The movements in the allowance for probable losses follow:

Particulars	2017	2016
Balance at beginning of year	₱ 12,254,345	₱ 12,254,345
Provision for the year (Note 24)	<u>631,778</u>	<u>-</u>
Balance at end of year	₱ <u>12,886,123</u>	₱ <u>12,254,345</u>

NOTE 12 – ASSET HELD FOR SALE

Asset held for sale amounting to ₱371,371,502 and ₱415,410,450 as of December 31, 2017 and 2016, respectively, which constitutes 64% and 70% of the Parent Company's total assets as of December 31, 2017 and 2016, 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.

During 2017, the Company made additional collections of the advances from Polymax amounting to ₱44,038,948.

Condensed unaudited financial information of Polymax as of December 31, 2017 and 2016 prepared on the liquidation basis of accounting is shown in the table below.

Particulars	2017	2016
Assets		
Cash and cash equivalents	₱ 130,966,060	₱ 130,966,060
Assets held for sale	347,720,000	347,720,000
Due from related parties	113,394,361	157,433,309
Total assets	<u>592,080,421</u>	<u>636,119,369</u>
Liabilities		
Liabilities related to asset held for sale	994,668,446	994,668,446
Due to Metro Alliance Holdings and Equities Corp.	371,371,502	415,410,450
Other payable	49,030,000	49,030,000
Total liabilities	<u>1,415,069,948</u>	<u>1,459,108,896</u>
Capital deficiency	₱ <u>822,989,527</u>	₱ <u>822,989,527</u>

Assets held for sale of Polymax pertains to the estimated recoverable value of Polymax's remaining 20% interest in NPCA.

Due from related parties of Polymax represents amount due from the Wellex group of companies.

Liabilities related to asset held for sale of Polymax pertain to past due liabilities, which were obtained to finance the purchase of 100% ownership interest in NPCA. The Parent Company is jointly and severally liable with Polymax with respect to these past due liabilities.

Polymax's share in the net loss of NPCA amounted to ₱293 million in 2017 and ₱172.4 million in 2016; however, this was not recognized in both years so that the carrying value of Polymax's investment in NPCA will not fall below its estimated recoverable value from sale of ₱450 million.

NOTE 13 – AVAILABLE-FOR-SALE INVESTMENT

As of December 31, the account consists of:

Particulars	2017	2016
At acquisition cost	₱ 16,270,963	₱ 3,770,963
Cumulative fair value gain– in equity	<u>10,398,922</u>	<u>1,058,422</u>
Total	₱ <u>26,669,885</u>	₱ <u>4,829,385</u>

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.

The reconciliation of the carrying amounts of investments is as follows:

Particulars	2017	2016
Beginning balance	₱ 4,829,385	₱ 4,973,085
Additions	12,500,000	-
Fair value gain (loss)	<u>9,340,500</u>	<u>(143,700)</u>
Total	₱ <u>26,669,885</u>	₱ <u>4,829,385</u>

For the year 2017, the Group 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.

Movements in the net unrealized gain (loss) on available-for-sale financial assets are as follows:

Particulars	2017	2016
Beginning balance	₱ 1,058,422	₱ 1,202,122
Fair value gain (loss)	<u>9,340,500</u>	<u>(143,700)</u>
Total	₱ <u>10,398,922</u>	₱ <u>1,058,422</u>

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

NOTE 14 – PROPERTY AND EQUIPMENT, NET

As of December 31, 2017, this account consists of the following:

Particulars	Beginning Balances	Additions/ Provisions	Disposals/ Adjustments	Ending Balances
Cost:				
Leasehold improvements	₱ 1,663,541	618,608	-	₱ 2,282,149
Machinery and equipment	21,960,958	2,500,785	-	24,461,743
Office furniture, fixtures and equipment	<u>14,073,329</u>	<u>602,615</u>	<u>-</u>	<u>14,675,944</u>
Total	<u>37,697,828</u>	<u>3,722,008</u>	<u>-</u>	<u>41,419,836</u>
Accumulated depreciation:				
Leasehold improvements	1,353,044	160,429	-	1,513,473
Machinery and equipment	20,216,831	1,491,428	-	21,708,259
Office furniture, fixtures and equipment	<u>13,491,868</u>	<u>282,212</u>	<u>-</u>	<u>13,774,080</u>
Total	₱ <u>35,061,743</u>	<u>1,934,069</u>	<u>-</u>	₱ <u>36,995,812</u>
Net Book Value	₱ <u>2,636,085</u>			₱ <u>4,424,024</u>

As of December 31, 2016, this account consists of the following:

Particulars	Beginning Balances	Additions/ Provisions	Disposals/ Adjustments	Ending Balances
Cost:				
Leasehold improvements	₱ 1,549,117	114,424	-	₱ 1,663,541
Machinery and equipment	21,849,404	111,554	-	21,960,958
Office furniture, fixtures and equipment	<u>13,574,317</u>	<u>499,012</u>	<u>-</u>	<u>14,073,329</u>
Total	<u>36,972,838</u>	<u>724,990</u>	<u>-</u>	<u>37,697,828</u>
Accumulated depreciation:				
Leasehold improvements	1,196,763	156,281	-	1,353,044
Machinery and equipment	18,843,747	1,373,084	-	20,216,831
Office furniture, fixtures and equipment	<u>13,179,479</u>	<u>312,389</u>	<u>-</u>	<u>13,491,868</u>
Total	₱ <u>33,219,989</u>	<u>1,841,754</u>	<u>-</u>	₱ <u>35,061,743</u>
Net Book Value	₱ <u>3,752,849</u>			₱ <u>2,636,085</u>

NOTE 15 – OTHER NON-CURRENT ASSETS

As of December 31, this account is composed of the following:

	<u>2017</u>	<u>2016</u>
Refundable deposits – non-current portion	₱ 3,846,440	₱ 6,527,030
Intangible assets	<u>860,831</u>	<u>844,143</u>
Total	₱ <u>4,707,271</u>	₱ <u>7,371,173</u>

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 December 31, 2017 is as follows:

Particulars	Beginning Balances	Additions/ Amortization	Disposals/ Adjustments	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	<u>933,000</u>	<u>309,446</u>	-	<u>1,242,446</u>
Total	<u>3,403,045</u>	<u>309,446</u>	-	<u>3,712,491</u>
Accumulated depreciation:				
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	<u>88,857</u>	<u>292,758</u>	-	<u>381,615</u>
Total	₱ <u>2,558,902</u>	<u>292,758</u>	-	₱ <u>2,851,660</u>
Net Book Value	₱ <u>844,143</u>			₱ <u>860,831</u>

The carrying amount of intangible assets as of December 31, 2016 is as follows:

Particulars	Beginning Balances	Additions/ Amortization	Disposals/ Adjustments	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	<u>-</u>	<u>933,000</u>	-	<u>933,000</u>
Total	<u>2,470,045</u>	<u>933,000</u>	-	<u>3,403,045</u>
Accumulated depreciation:				
Short messaging	135,135	-	-	135,135
Warehouse management system	1,309,910	-	-	1,309,910
Caerus accounting system	469,444	292,857	(262,699)	1,025,000
SAP Business one	<u>-</u>	<u>88,857</u>	-	<u>88,857</u>
Total	₱ <u>1,914,489</u>	<u>381,714</u>	<u>(262,699)</u>	₱ <u>2,558,902</u>
Net Book Value	₱ <u>555,556</u>			₱ <u>844,143</u>

Intangible assets have been fully amortized during the year as MCLSI's management assessed that these will no longer provide a future economic benefit to MCLSI.

In 2016, the management decided to fully amortize the Caerus accounting system as the intangible assets is no longer functional. Impairment loss amounted to ₱262,699 which was presented as part of operating expenses in the statements of comprehensive income.

NOTE 16 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Details of this account are as follows:

Particulars	2017	2016
Trade payables	₱ 85,940,277	₱ 71,525,568
Accrued expenses	344,569,843	360,831,742
Other liabilities	10,817,466	21,729,054
Total	₱ 441,327,586	₱ 454,086,364

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.

During the year, the Parent Company reversed accruals made which pertains to director's fee and share in operating expenses amounting to ₱8,390,000 as well as long outstanding liability amounting to ₱18,500 for which assessment disclosed remote probability of settlement. As a result, an adjustment to the prior year's operation was made, which pertains to the restatement of the expense relative to the liability recognized (see Note 30).

Other liabilities mainly pertain to payable to government agencies.

NOTE 17 – DUE TO RELATED PARTIES

As of December 31, 2017, this account consists of:

Particulars	Beginning Balance	Additions	Payments/ Adjustments	Ending Balance
Acesite (Phils.) Hotel Corporation	₱ 5,627,202	₱ -	₱ -	₱ 5,627,202
The Wellex Group, Inc. (TWGI)	34,437,524	14,852,960	49,290,484	-
Wellex Mining Corporation	225,000	-	225,000	-
Others	(4,573,125)	118,556	(5,166,198)	711,629
Total (Note 27)	₱ 35,716,601	₱ 14,971,516	₱ 44,349,286	₱ 6,338,831

As of December 31, 2016, this account consists of:

Particulars	Beginning Balance	Additions	Payments/ Adjustments	Ending Balance
<i>Due from affiliates</i>				
Acesite (Phils.) Hotel Corporation	₱ 5,627,202	₱ -	₱ -	₱ 5,627,202
The Wellex Group, Inc. (TWGI)	31,472,501	2,965,023	-	34,437,524
Wellex Mining Corporation	225,000	-	-	225,000
PHES	28,000	-	28,000	-
Others	(4,574,325)	1,200	-	(4,573,125)
Subtotal	<u>32,778,378</u>	<u>2,966,223</u>	<u>28,000</u>	<u>35,716,601</u>
<i>Due from stockholders</i>				
Stockholders	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>-</u>
Total (Note 27)	₱ <u>33,028,378</u>	₱ <u>2,966,223</u>	₱ <u>278,000</u>	₱ <u>35,716,601</u>

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.

NOTE 18 – INCOME TAXES

a. The components of the Group's provision for (benefit from) income tax are as follows:

Particulars	2017	2016	2015
NCIT	₱ <u>8,031,350</u>	₱ <u>7,481,150</u>	₱ <u>3,003,941</u>
Current tax expense	<u>8,031,350</u>	<u>7,481,150</u>	<u>3,003,941</u>
Deferred tax expense (benefit)	<u>529,575</u>	<u>(3,403,620)</u>	<u>1,355,754</u>
Aggregate tax expense	₱ <u><u>8,560,925</u></u>	₱ <u><u>4,077,530</u></u>	₱ <u><u>4,359,695</u></u>

b. The reconciliation of the provision for (benefit from) income tax loss computed at the statutory tax rate with the provision for (benefit from) income tax shown in the consolidated statements of comprehensive income is as follows:

Particulars	2017	2016	2015
Provision for (benefit from) income tax loss at statutory tax rate	₱ <u>7,492,741</u>	₱ <u>3,974,057</u>	₱ <u>3,020,103</u>
Tax effects of:			
Trade receivables written off	-	97,795	-
Nondeductible interest and other expenses	<u>21,309</u>	<u>22,187</u>	<u>-</u>
Change in unrecognized deferred tax assets	<u>1,119,388</u>	<u>-</u>	<u>1,355,754</u>
Interest and dividends	<u>(72,513)</u>	<u>(16,509)</u>	<u>(16,162)</u>
	₱ <u><u>8,560,925</u></u>	₱ <u><u>4,077,530</u></u>	₱ <u><u>4,359,695</u></u>

c. The components of MCLSI's net deferred tax assets are the tax effects of the following:

Particulars	2017	2016	2015
Deferred tax assets:			
Allowance for probable losses	₱ 444,708	₱ 1,587,461	₱ 570,857
Accrued retirement benefits costs	1,133,110	1,560,033	2,392,914
Unrealized foreign exchange loss	2,234,033	1,299,807	912,809
Accrued rent	-	776,247	-
NOLCO	718,221	718,221	203,631
	4,530,072	5,941,769	4,080,211
Deferred tax liability	-	(1,432)	-
Net deferred tax assets	₱ 4,530,072	₱ 5,940,337	₱ 4,080,211

d. Deferred tax assets of the Parent Company and its non-operating subsidiaries amounting to ₱50,379,389, ₱54,006,033 and ₱52,487,366 as of December 31, 2017, 2016 and 2015, respectively, pertaining to the items shown below, have not been recognized as management believes that the Parent Company and its non-operating subsidiaries may not have sufficient taxable profits or tax liabilities against which these deferred tax assets may be utilized.

Particulars	2017	2016	2015
Allowance for probable losses	₱ 158,020,909	₱ 157,389,131	₱ 154,493,914
NOLCO	8,940,702	21,661,295	19,494,286
Accrued retirement benefits costs	969,685	969,685	969,685
Total	₱ 167,931,296	₱ 180,020,111	₱ 174,957,885

The NOLCO can be claimed as deduction from regular taxable income as follows:

Year incurred	Amount	Applied	Expired	Balance	Expiry date
2017	₱ 3,826,714	₱ -	₱ -	₱ 3,826,714	2020
2016	3,387,063	-	-	3,387,063	2019
2015	1,726,925	-	-	1,726,925	2018
2014	16,547,307	-	16,547,307	-	2017
2013	2,946,979	-	2,946,979	-	2016
Total	₱ 28,434,988	₱ -	₱ 19,494,286	₱ 8,940,702	

NOTE 19 – CAPITAL STOCK

a. The Group's capital stock as of December 31, 2017 and 2016 consists of the following common shares:

Particulars	2017	2016
Class "A" – ₱1 par value		
Authorized – 720,000,000 shares with par value of ₱1	₱ <u>720,000,000</u>	₱ <u>720,000,000</u>
Issued and outstanding – 183,673,470 shares with par value of ₱1	₱ <u>183,673,470</u>	₱ <u>183,673,470</u>
Number of equity holders	<u>629</u>	<u>629</u>
Class "B" – ₱1 par value		
Authorized – 480,000,000 shares with par value of ₱1	₱ <u>480,000,000</u>	₱ <u>480,000,000</u>
Issued and outstanding – 122,448,979 shares with par value of ₱1	₱ <u>122,448,979</u>	₱ <u>122,448,979</u>
Number of equity holders	<u>404</u>	<u>404</u>
Additional Paid-in Capital	₱ <u>3,571,923</u>	₱ <u>3,571,923</u>

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 Parent Company's stockholders approved the increase in authorized capital stock from ₱1.2 billion consisting of 1.2 billion shares to ₱5 billion consisting of 5 billion shares, both with par value of ₱1 per share. The increase did not push through because of dispute in the acquisition of the Petrochemical Project, which was finally settled in 2013 as discussed in Note 2. After final settlement of the dispute, the Parent Company's management has decided to pursue the said increase in authorized capital stock of the Parent Company.

NOTE 20 – CUMULATIVE DEFICIT

This account consists of cumulative balance of periodic earnings and prior period adjustments, if any.

As of December 31, the account consists of the following:

Particulars	2017	2016	2015
Cumulative deficit, beginning	₱ (234,043,783)	₱ (235,129,968)	₱ (236,473,666)
Prior period adjustment (Note 30)	<u>8,408,500</u>	<u>(203,348)</u>	<u>2,112,009</u>
Cumulative deficit, as adjusted	<u>(225,635,283)</u>	<u>(235,333,316)</u>	<u>(234,361,657)</u>
Net income (loss) based on the face of AFS	21,968,182	9,240,050	(1,800,361)
Add: Non-actual gain/unrealized loss			
Unrealized loss (gain) on re-measurement of AFS	(9,340,500)	143,700	1,585,683
Remeasurement loss (gain) on retirement plan	(2,054,944)	(3,601,487)	2,208,287
Less: Non-controlling interest in net income	<u>(7,034,272)</u>	<u>(4,492,730)</u>	<u>(2,761,920)</u>
Net income (loss) actual/realized	<u>3,538,466</u>	<u>1,289,533</u>	<u>(768,311)</u>
Cumulative deficit, end	₱ <u>(222,096,817)</u>	₱ <u>(234,043,783)</u>	₱ <u>(235,129,968)</u>

NOTE 21 – SALE OF SERVICES

For the years ended December 31, 2017, 2016 and 2015, the account comprises of sale of services amounting to ₱224,220,913, ₱180,131,349 and ₱143,344,326, respectively.

NOTE 22 – COST OF SERVICES

As of the years ended December 31, the account consists of:

Particulars	2017	2016	2015
Personnel costs	₱ 87,587,102	₱ 54,002,689	₱ 43,497,407
Rent and utilities	40,273,008	32,463,709	16,182,835
Transportation and travel	35,479,886	37,890,301	37,139,315
Security services	6,518,707	3,406,357	1,785,538
Outside services	3,382,128	8,477,422	11,343,859
Depreciation (Note 14)	1,526,517	1,716,811	2,777,995
Repairs and maintenance	551,322	440,400	326,178
Communication and office supplies	437,774	931,949	1,715,268
Others	1,693,854	1,679,337	5,426,425
Total	₱ 177,450,298	₱ 141,008,975	₱ 120,194,820

NOTE 23 – OTHER INCOME

As of the years ended December 31, the account consists of:

Particulars	2017	2016	2015
Interest income	₱ 242,685	₱ 61,280	₱ 61,712
Dividend income	-	15,714	500
Other income	11,510	153,847	16,304,568
Total	₱ 254,195	₱ 230,841	₱ 16,366,780

In 2015, the Parent Company settled its outstanding liability to Waterfront Philippines, Inc. with a principal balance of ₱365,933,148 with a discount of ₱15,609,465, exclusive of output VAT. The discount was recognized as Parent Company's other income arising from a condoned liability in its books.

NOTE 24 – EXPENSES

As of the years ended December 31, the account consists of:

Particulars	2017	2016	2015
Personnel costs	₱ 9,676,561	₱ 12,469,111	₱ 8,783,940
Professional fees	2,804,643	2,052,704	1,808,260
Taxes and licenses	2,745,280	1,489,725	1,047,827
Provision for probable losses (Notes 10 and 11)	2,189,120	3,714,664	4,998,463
Entertainment	2,077,981	2,693,636	1,211,293
Communication and supplies	1,694,507	1,344,195	848,860
Rent and utilities	1,210,935	1,376,872	1,194,341
Impairment loss (Note 10 and 11)	1,059,934	546,124	208,204
Depreciation (Note 14)	407,552	124,943	127,065
Transportation and travel	382,589	482,736	713,561
Amortization of intangible assets (Note 15)	292,758	381,714	319,444
Insurance	53,399	24,676	14,823
Others	3,016,643	2,792,322	4,754,010
Total	₱ 27,611,902	₱ 29,493,422	₱ 26,030,091

Other expenses include foreign exchange losses, outside services fee and miscellaneous expenses.

NOTE 25 – FINANCE COST

For the years ended December 31, 2017, 2016 and 2015, the account comprises of interest expense amounting to NIL, NIL and ₱7,132,891, respectively.

NOTE 26 – RETIREMENT BENEFITS COSTS

The Parent Company has an unfunded, non-contributory defined benefit retirement plan providing retirement benefits to its regular employee. MCLSI has a funded, 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 MCLSI's 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 following tables summarize the components of net retirement expense recognized in the consolidated statement of comprehensive income and the funding status and amounts recognized in the consolidated balance sheet.

The components of retirement expense which were charged to operations are as follows:

Particulars	2017	2016	2015
Current service cost	₱ 1,233,313	₱ 2,032,099	₱ 1,240,016
Interest cost	279,245	336,611	265,985
Total retirement expense	₱ 1,512,558	₱ 2,368,710	₱ 1,506,001

The details of the retirement obligation recognized in the consolidated balance sheets are as follows:

Particulars	2017	2016	2015
Present value of benefit obligation	₱ 4,833,310	₱ 6,255,525	₱ 9,030,323
Fair value of plan assets	<u>(86,592)</u>	<u>(85,731)</u>	<u>(84,258)</u>
Liability recognized in the balance sheet	₱ <u>4,746,718</u>	₱ <u>6,169,794</u>	₱ <u>8,946,065</u>

The changes in present value of retirement obligation are as follows:

Particulars	2017	2016	2015
Present value of obligation at beginning of year	₱ 6,255,525	₱ 9,030,323	₱ 5,652,947
Current service cost	1,233,313	2,032,099	1,240,016
Interest cost on benefit obligation	273,266	403,984	270,693
Actuarial gain	(2,928,794)	(5,210,881)	2,338,879
Benefits paid	<u>-</u>	<u>-</u>	<u>(472,212)</u>
Present value of obligation at end of year	₱ <u>4,833,310</u>	₱ <u>6,255,525</u>	₱ <u>9,030,323</u>

The changes in the fair value of plan assets and actual return on plan assets are as follows:

Particulars	2017	2016	2015
Fair value of plan assets at beginning of year	₱ 85,731	₱ 84,258	₱ 81,458
Expected return on plan assets	(5,979)	67,373	4,708
Actuarial gain (loss) on plan assets	6,840	(65,900)	130,592
Benefits paid	<u>-</u>	<u>-</u>	<u>(132,500)</u>
Fair value of plan assets at end of year	₱ <u>86,592</u>	₱ <u>85,731</u>	₱ <u>84,258</u>

Movements in the net liability recognized in the current period are as follows:

Particulars	2017	2016	2015
Liability recognized at beginning of the year	₱ 6,169,794	₱ 8,946,065	₱ 5,571,489
Retirement expense	1,512,558	2,368,710	1,506,001
Other comprehensive income (loss)	(2,935,634)	(5,144,981)	2,208,287
Benefits paid	<u>-</u>	<u>-</u>	<u>(339,712)</u>
Liability recognized at end of the year	₱ <u>4,746,718</u>	₱ <u>6,169,794</u>	₱ <u>8,946,065</u>

The movement in the recognized actuarial gain in the financial positions over the year is as follows:

Particulars	2017	2016	2015
Retirement benefits costs – OCI, beginning	₱ 5,995,166	₱ 2,393,679	₱ -
Actuarial gain recognized	2,935,634	5,144,981	(2,208,287)
Deferred tax	<u>(880,690)</u>	<u>(1,543,494)</u>	<u>-</u>
Retirement benefits costs – OCI, ending	₱ 8,050,110	₱ 5,995,166	₱ (2,208,287)
Percentage of ownership	<u>51%</u>	<u>51%</u>	<u>51%</u>
Equity holders of parent	₱ <u>4,105,556</u>	₱ <u>3,057,535</u>	₱ <u>(1,126,226)</u>

The major categories of plan assets are as follows:

Particulars	2017	2016	2015
Cash and cash equivalents	₱ 812	₱ 812	₱ 1,543
Investment in Unit Investment Trust Funds	<u>85,780</u>	<u>84,919</u>	<u>82,715</u>
Total	₱ <u>86,592</u>	₱ <u>85,731</u>	₱ <u>84,258</u>

The assumptions used to determine retirement benefits costs for the years ended December 31 are as follows:

Particulars	2017	2016	2015
Discount rate	5.73%	5.37%	5.08%
Salary increase rate	3.00%	2.00%	5%

The expected rate of return on plan assets assumed at a range of 5% to 6% was based on a reputable fund trustee's indicative yield rate for a risk portfolio similar to that of the fund with consideration of the funds' past performance.

A quantitative sensitivity analysis for significant assumption as at December 31, 2017 is as shown below:

	Sensitivity Level			
	1% Increase		1% Decrease	
Impact on Net Defined Benefit Obligation	In %	Amount	In %	Amount
Discount rate	6.73%	3,533,948	4.73%	4,245,920
Future salary increases	4.00%	4,278,704	2.00%	3,500,367

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The discount rate and the future salary increase rate assumed was 5.73% and 2.00%, respectively.

The average duration of the defined plan obligation at the end of the reporting period is 15.59 years, 18.30 years and 24.91 years in 2017, 2016 and 2015, respectively.

NOTE 27 - 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.

c. Compensation of key management personnel follows:

Particulars	2017	2016
Short-term employee benefits	₱ 17,938,847	₱ 9,241,800

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 entity's retirement plan.

d. The related amounts applicable to the Group's transactions with related parties as of December 31, 2017 are as follows:

Particulars	Relationship	Beginning Balance	Additions	Collections/ Payments	Ending Balance	Nature, Terms and Conditions	Nature of consideration to be provided in settlement
Due from related parties:							
The Wellex Group, Inc.	Affiliate	₱ 5,416,174	₱ -	₱ 157,565	₱ 5,258,609	Non-interest bearing and unsecured borrowing	Cash collection
Others	Affiliate	50,297	-	-	50,297	Non-interest bearing and unsecured borrowing	Cash collection
Total (Note 10)		₱ 5,466,471	₱ -	₱ 157,565	₱ 5,308,906		
Advances (Asset held for Sale):							
Polymax (Note 12)	Special purpose entity	₱ 415,410,450	₱ -	₱ 44,038,948	₱ 371,371,502	Represents 20% share investment in NPCA	Cash collection
Due to related parties:							
Acesite (Phils.) Hotel Corporation	Affiliate	₱ 5,627,202	₱ -	₱ -	₱ 5,627,202	Non-interest bearing and unsecured borrowing	Cash settlement
Wellex Mining Corp.	Affiliate	225,000	-	225,000	-	Non-interest bearing and unsecured borrowing	Cash settlement
The Wellex Group, Inc.	Affiliate	34,437,524	14,852,960	49,290,484	-	Funding for working capital requirements	Cash settlement
Others	Affiliate	(4,573,125)	118,556	(5,166,198)	711,629	Non-interest bearing and unsecured borrowing	Offsetting of accounts
Total (Note 17)		₱ 35,716,601	₱ 14,971,516	₱ 44,349,286	₱ 6,338,831		

During 2017, the Parent Company collected advances from Polymax Worldwide, Limited amounting to ₱44,038,948.

The related amounts applicable to the Group's transactions with related parties as of December 31, 2016 are as follows:

Particulars	Relationship	Beginning Balance	Additions	Collections / Payments	Ending Balance	Nature, Terms and Conditions	Nature of consideration to be provided in settlement
Due from related parties:							
The Wellex Group, Inc.	Affiliate	₱ 5,416,174	₱ -	₱ 82,580	₱ 5,333,594	Non-interest bearing and unsecured borrowing	Cash collection
Others	Affiliate	50,297	-	-	50,297	Non-interest bearing and unsecured borrowing	Offsetting of accounts
Total (Note 10)		₱ 5,466,471	₱ -	₱ 82,580	₱ 5,383,891		
Advances (Asset held for Sale):							
Polymax (Note 12)	Special purpose entity	₱ 415,410,450	₱ -	₱ -	₱ 415,410,450	Represents 20% investment share in NPCA	Cash collection
Due to related parties:							
Acesite (Phils.) Hotel Corporation	Affiliate	₱ 5,627,202	₱ -	₱ -	₱ 5,627,202	Non-interest bearing and unsecured borrowing	Cash settlement
Wellex Mining Corp.	Affiliate	225,000	-	-	225,000	Non-interest bearing and unsecured borrowing	Cash settlement
The Wellex Group, Inc.	Affiliate	31,472,501	2,965,023	-	34,437,524	Funding for working capital requirements	Cash settlement
Philippine Estate Corp.	Affiliate	28,000	-	28,000	-	Non-interest bearing and unsecured borrowing	Cash settlement
Individuals	Stockholders	250,000	-	250,000	-	Non-interest bearing and unsecured borrowing	Cash settlement
Others	Affiliate	(4,574,325)	1,200	-	(4,573,125)	Non-interest bearing and unsecured borrowing	Offsetting of accounts
Total (Note 17)		₱ 33,028,378	₱ 2,966,223	₱ 278,000	₱ 35,716,601		

In 2016, the Parent Company was not able to collect advances from Polymax Worldwide, Limited.

NOTE 28 – LEASE AGREEMENT

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. The future lease liabilities on these agreements are presented as follows:

Particulars	2017	2016	2015
Within one year	₱ 20,190,968	₱ 28,381,332	₱ 9,644,726
After one year but not more than five years	<u>7,526,518</u>	<u>37,191,170</u>	<u>15,047,381</u>
Total	₱ <u>27,717,486</u>	₱ <u>65,572,502</u>	₱ <u>24,692,107</u>

Rentals incurred during the year on the above leases are recognized as follows:

Particulars	2017	2016	2015
Cost of services	₱ 39,211,363	₱ 31,563,965	16,182,835
Operating expense	<u>1,029,650</u>	<u>1,171,800</u>	<u>1,008,000</u>
Total	₱ <u>40,241,013</u>	₱ <u>32,735,765</u>	<u>17,190,835</u>

28.1 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.

28.2 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 contract.
- 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 ₱321,342. 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.

NOTE 29 – LOGISTICS AGREEMENT

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.

NOTE 30 – PRIOR PERIOD ADJUSTMENT

In 2017, the Group's current year's operations was restated to effect the adjustment relating to reversal of accrued expenses amounting to ₱8,390,000 recognized in prior years; for which assessment revealed that the Company is no longer liable.

<u>Accounts</u>	<u>Beginning Balance as of January 1, 2017</u>	<u>Adjustments/ Corrections</u>	<u>Adjusted Beginning Balance</u>
Accounts payable and accrued expenses	454,086,364	(8,408,500)	445,677,864
Cumulative deficit	(234,043,783)	8,408,500	(225,635,283)

In 2016, the Group's current year's operations were restated to recognize the adjustment on the cumulative deficit which represents unrecognized prior year's excess tax credits amounting to ₱203,348.

<u>Accounts</u>	<u>Beginning Balance as of January 1, 2016</u>	<u>Adjustments/ Corrections</u>	<u>Adjusted Beginning Balance</u>
Cumulative deficit	(235,129,968)	(203,348)	(235,333,316)

In 2015, the Parent Company's current year's operations were adjusted to reflect the prior year's excess tax credits which was unrecognized in the books amounting to ₱2,112,009.

Accounts	Beginning Balance as of January 1, 2017	Adjustments/ Corrections	Adjusted Beginning Balance
Prepaid income tax	-	2,112,009	2,112,009
Retained earnings	(86,281,892)	2,112,009	(84,169,883)

NOTE 31 – BASIC INCOME (LOSS) PER SHARE

The following table presents the information necessary to compute the basic loss per share attributable to equity holders of the Parent Company:

Particulars	2017	2016	2015
Net income loss attributable to equity holders of the Parent Company	₱ 3,538,466	₱ 1,289,533	₱ (768,311)
Weighted average number of common shares	306,122,449	306,122,449	306,122,449
Basic Income (Loss) Per Share	₱ 0.012	₱ 0.004	₱ (0.003)

NOTE 32 – OTHER MATTERS

As of December 31, 2017, the Company has the following legal cases:

a. Metro Alliance vs. Commissioner of Internal Revenue

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 December 31, 2017, 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 Parent Company financial statements.

b. Metro Alliance and Philippine Estate Corporation vs. Philippine Trust Company, et al., Civil Case SCA#TG-05-2519

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 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.

c. MAHEC, POLYMAX & WELLEX vs. Phil. Veterans Bank., et al., Civil Case #08-555, RTC Makati Branch 145

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. Based on the facts of these cases, management believes that its positions have legal merits and the resolution thereof will not materially affect the Parent Company's financial position and result of operations.

METRO ALLIANCE HOLDINGS AND EQUITIES CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES

I	Supplemental schedules required by Annex 68-E	
A	Financial Assets	Attached
B	Amounts receivables from directors, officers, employees, related parties and principal stockholders (other than related parties)	Attached
C	Amounts receivables and payable from/to related parties which are eliminated during consolidation process of financial statements	Attached
D	Intangible assets - other asset	Attached
E	Long-term debt	Attached
F	Indebtedness to related parties (Long-term loans from related parties)	Not applicable
G	Guarantees of securities of other issuers	Not applicable
H	Capital Stock	Attached
II	Schedule of all the effective standards and interpretations	Attached
III	Reconciliation of retained earnings available for dividend declaration	Not applicable
IV	Map of the relationships of the Company within the Group	Attached
V	Schedule of Financial Ratios	Attached

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

I. SUPPLEMENTAL SCHEDULES REQUIRED BY ANNEX 68-E AS AT DECEMBER 31, 2017

SCHEDULE A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and rates	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Cash	-	₱ 36,538,607	36,538,607	242,685
AFS Financial Assets				
Waterfront Philippines, Inc	-	14,082,590	14,082,590	
Others	-	12,587,295	12,587,295	
Total		₱ 26,669,885	26,669,885	

SCHEDULE B. Amounts of Receivable from Directors, Officers, Employees Related Parties and Principal Stockholders (Other Than Related Parties)

Name and designation of debtor	Balance at beginning of period	Amounts (collected) /transferred	Amounts written-off	Current	Non-current	Balance at end of period
Polymax Worldwide Limited (special purpose entity)	₱ 415,410,450	(44,038,948)	-	-	371,371,502	371,371,502
The Wellex Group, Inc	5,416,174	(157,565)	-	5,258,609	-	5,258,609
Others	50,297	-	-	50,297	-	50,297
Total	₱ 420,876,921	(44,196,513)	-	5,308,906	371,371,502	376,680,408

SCHEDULE C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected/ consolidated	Amounts written-off	Current	Non-current	Balance at end of period
Due to related party Metro Combined Logistics Solutions, Inc	₱ -	500,000	-	-	500,000	-	500,000

SCHEDULE D. Intangible Assets – Other Assets

Description	Balance at beginning of period	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Balance at end of period
Caerus accounting system	₱ 844,143	309,446	292,758			860,831

SCHEDULE E. Long-term Debt

<u>Title of issue</u>	<u>Amount authorized by indenture</u>	<u>Amount shown under caption "Current portion of long term debt</u>	<u>Amount shown under caption "Long term debt" in related balance sheet</u>
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Not Applicable**SCHEDULE F. Indebtedness to Related Parties (Long Term Loans from Related Parties)**

<u>Name of related party</u>	<u>Balance at beginning of period</u>	<u>Amount shown under caption "Current portion of long term debt"</u>
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Not Applicable**SCHEDULE G. Guarantees of Securities of Other Issuers**

<u>Name of issuing entity of securities guaranteed by the Company for which this statement is filed</u>	<u>Title of issue of each class of securities guaranteed</u>	<u>Total amount guaranteed and outstanding</u>	<u>Amount owned by person for which statement is filed</u>	<u>Nature of guarantee</u>
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Not Applicable**SCHEDULE H. Capital Stock**

<u>Title of issue</u>	<u>Number of shares authorized</u>	<u>Number of shares issued and outstanding as shown under related balance sheet</u>	<u>Number of shares reserved for options, warrants, conversion and other rights</u>	<u>Number of shares held by related parties</u>	<u>Directors, officers and employees</u>	<u>Others</u>
Common – Class A	720,000,000	183,673,470	-	156,590,387	125,115	26,957,968
Common – Class B	480,000,000	122,448,979	-	85,139,552	22,001,000	15,308,427
Total	<u>1,200,000,000</u>	<u>306,122,449</u>	<u>-</u>	<u>241,729,939</u>	<u>22,126,115</u>	<u>42,266,395</u>

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

II. SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS AS AT DECEMBER 31, 2017

The following table summarizes the effective standards and interpretations as at December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Meaning of Effective PFRSs	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendment of PFRS 2: Classification and Measurement of Share- Based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting to Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 5: Sale of Controlling Interest in the Subsidiary			✓
	Amendment to PFRS 5: Changes in methods of disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
	Amendment to PFRS 6: Transition Relief			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendment to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9			✓
	Amendment to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Disclosures of Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments		✓	
	Financial Instruments: Classification and Measurement of Financial Liabilities		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Reissue to incorporate a hedge accounting chapter and permit early application of the requirements for presenting in other comprehensive income the “own credit” gains or losses on financial liabilities designated under the fair value option without early applying to other requirements of PFRS 9			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Financial Instruments (final version), incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisition of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short- Term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers			✓
PFRS 16	Leases	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Classification of Derivatives as Current or Non-Current	✓		
	Amendments to PAS 1 - Classification of Liabilities as Current	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of Statement of Changes in Equity	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Comparative information	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41, Agriculture; Bearer Plants			✓
PAS 17	Leases	✓		
	Amendments to PAS 17: Classification of Land Leases			✓
PAS 18	Revenue	✓		
	Amended by IAS 39 Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 18: Guidance for Determining Whether an Entity is Acting as a Principal or as an Agent.			✓
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Discount Rate: Regional Market			✓
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 23 (Revised)	Borrowing Costs			✓
	Amendment to PAS 23: Requirement of Capitalization of Borrowing Cost			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments for investment entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
	Amendments for investment entities			✓
PAS 28	Investments in Associates and Joint Ventures			✓
PAS 28 (Amended)	Amendments to PAS 28: Investment Entities – Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Equity Distributions	✓		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Disclosure of Estimates Used to Determine a Recoverable Amount	✓		
	Amendments to PAS 36: Units of Accounting for Goodwill Impairment Testing Using Segments Under PFRS 8 Before Aggregation			✓
	Amendments to PAS 36: Recoverable Amount Disclosures for Non- Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 38: Measurement of Intangible Assets in Business Combinations			✓
	Amendments to PAS 38: Proportionate Restatement of Accumulated Depreciation Under the Revaluation Method			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Reclassifications of Financial Assets	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
	Amendments to Philippine Interpretations IFRIC 16: Entity That Can Hold Hedging Instruments			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

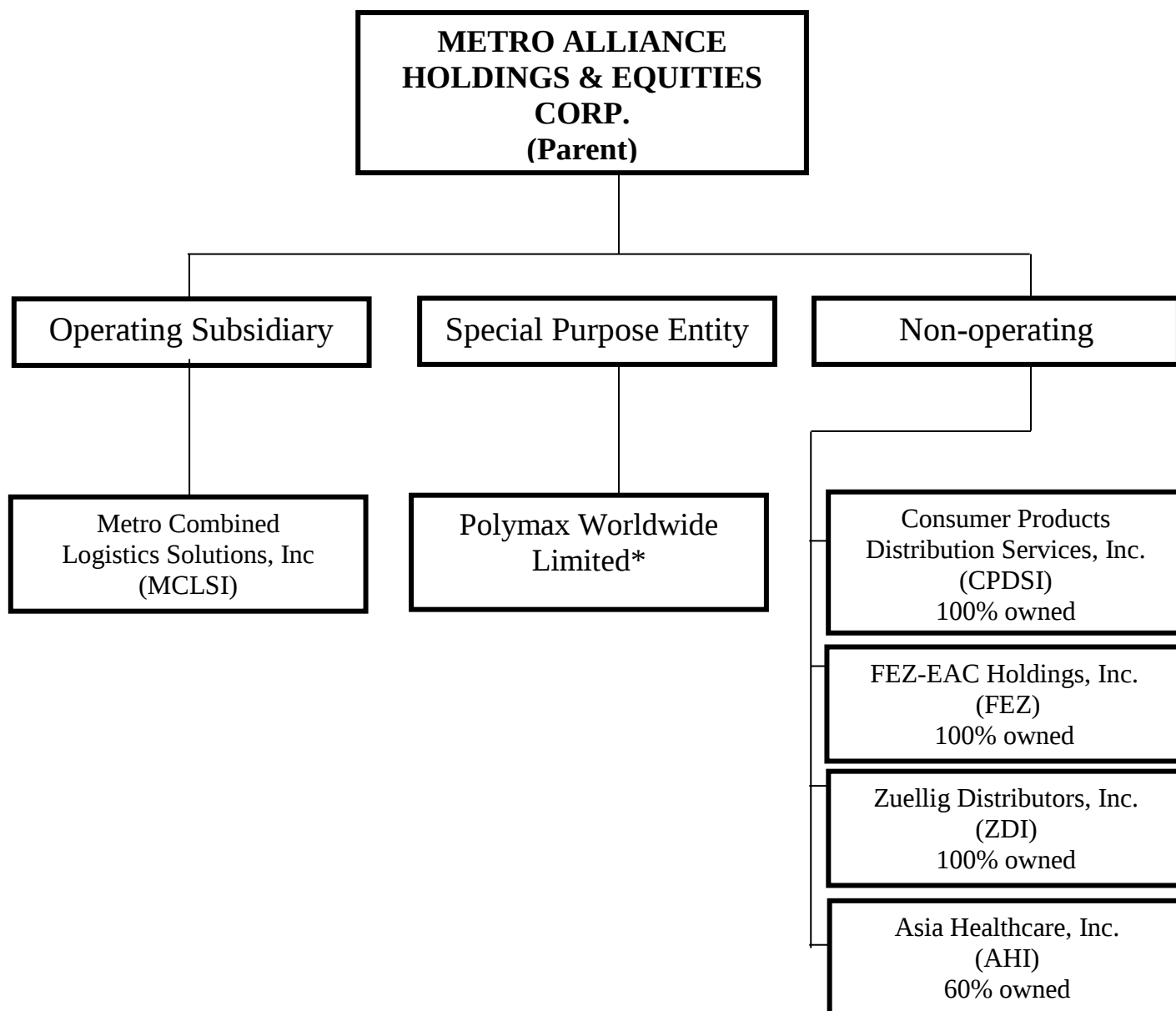
**III. RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2017**

Not applicable*

*The Parent Company's Retained Earnings as of December 31, 2017 did not exceed its 100% of paid-in capital stock since it is in deficit position

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

IV. MAP OF THE RELATIONSHIP OF THE COMPANY WITHIN THE GROUP FOR THE YEAR ENDED DECEMBER 31, 2017



*Polymax Worldwide Limited was excluded from the consolidated financial statements since 2007 because the entity is no longer operating as a going concern and is in the process of liquidation.

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES**V. SCHEDULE OF FINANCIAL RATIOS FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Financial Ratios</u>	<u>Description</u>	<u>2017</u>	<u>2016</u>
Current / liquidity ratio	Current assets over current liabilities	0.38	0.32
Asset to equity ratio	Total asset over total equity	4.55	6.10
Net debt to equity ratio	Interest - bearing loans and borrowings less cash over total equity	-	-
Debt-to-equity ratio	Short term loans over total equity	-	-
Solvency ratio	After tax net profit plus depreciation over total liabilities	0.05	0.02
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	-	-
Gross profit margin	Gross profit over net revenues	21%	22%
Net income margin	Net income over net revenues	5%	3%



METRO ALLIANCE

HOLDINGS & EQUITIES CORP.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

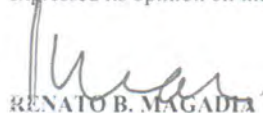
The management of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2017 and 2016**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

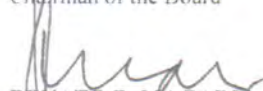
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Valdes Abad & Company, CPAs, the independent auditors, appointed by the stockholders has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


RENATO B. MAGADIA
Chairman of the Board


RENATO B. MAGADIA
President


JAMES B. PALIT-ANG
Corporate Treasurer



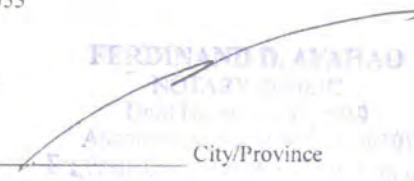
SUBSCRIBED AND SWORN to before me in PASIG CITY City/Province, Philippines on _____
affiants personally appeared before me and exhibited to me their

Name
1. RENATO B. MAGADIA
2. JAMES B. PALIT-ANG

Tax Identification Number
100-942-390
151-671-333

WITNESS MY HAND AND SEAL on the date and at the place above written.

DOC NO: 336
PAGE NO: 68
BOOK NO: 7
SERIES OF: 118


FERDINAND D. AYARADO
NOTARY PUBLIC
Notary Public for _____ City/Province
Notarial Commission No. _____
Commission expires on December 31, _____
Roll of Attorney Number _____
PTR No. _____
IBP No. _____
Office Address: _____

35th Flr. One Corporate Center Doña Julia Vargas Avenue corner
Meralco Ave., Ortigas Center, Pasig City, Phils. 1605
Trunkline (02) 706-7888 * Fax No. (02) 706-5982

for
AUDITED FINANCIAL STATEMENTS

[illegible][illegible]

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F	S	1	7
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C	R	M	D
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COMPANY INFORMATION		
Company's email Address	Company's Telephone Number	Mobile Number
metro.alliance@yahoo.com	706-7888	
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
	Any Business Day of May	December 31

CONTACT PERSON INFORMATION			
The designated contact person <u>MUST</u> be an Officer of the Corporation			
Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Nestor S. Romulo	nestor_romulo@yahoo.com		

CONTACT PERSON'S ADDRESS

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

Valdes Abad & Company

(Formerly: Valdes Abad & Associates)

certified public accountants

CJV Building 108 Aguirre
Street, Legaspi Village,
Makati City, Philippines

Branches:
Cebu and Davao

Phone: (632) 892-5931 to 35
(632) 519-2105
Fax: (632) 819-1468
E-mail: valdes.abad.associates@gmail.com
BOA/PRC Reg. No. 0314
SEC Accreditation No. A-142-F



INDEPENDENT AUDITOR'S REPORT TO ACCOMPANYING FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION

35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.
Ortigas Center, Pasig City

We have examined the financial statements of **METRO ALLIANCE HOLDINGS AND EQUITIES CORPORATION** for the year ended December 31, 2017, on which we have rendered the attached report dated April 11, 2018.

In compliance with SRC Rule 68, we are stating that the Company has seven hundred eighty-nine (789) stockholders owning one hundred (100) or more shares each as of December 31, 2017.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

Issued on November 2, 2015, Valid until December 31, 2018

BIR Accreditation No. 08-002126-000-2017

Issued on December 13, 2017, Valid until December 13, 2020

SEC Accreditation No. A-142-F

Issued on September 7, 2017, Valid until April 30, 2018

For the firm:

ALFONSO L. CAY-AN

Partner

CPA Registration No. 99805

Issued on December 28, 2017, Valid until December 14, 2020

TIN No. 213-410-741-000

PTR No. 6617716, Issued Date: January 5, 2018, Makati City

BOA/PRC Reg. No. 0314

Issued on November 2, 2015, Valid until December 31, 2018

SEC Accreditation No. A-782-A

Issued on September 7, 2017, Valid until April 30, 2018

BIR Accreditation No. 08-002126-005-2017

Issued on December 13, 2017, Valid until December 13, 2020

Makati City, Philippines
April 11, 2018

Valdes Abad & Company

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gmn
international

PARTNERING FOR SUCCESS

STATEMENT OF REPRESENTATION

TO THE SECURITIES AND EXCHANGE COMMISSION:

In connection with my examination of the financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the accounting profession and duly registered with the Board of Accountancy (BOA);
2. That said financial statements are presented in conformity with Philippine Financial Reporting Standards, in all cases where I shall express an unqualified opinion; except that in case of any departure from such principles, I shall indicate the nature of the departure, the effects thereof, and the reasons why compliance with the principles would result in a misleading statement, if such is a fact;
3. That I shall fully meet the requirements of independence as provided under the Code of Professional Ethics for CPAs;
4. That in the conduct of the audit, I shall comply with the Philippine Standards on Auditing promulgated by the Board of Accountancy; in case of any departure from such standards or any limitation in the scope of my examination, I shall indicate the nature of the departure and the extent of the limitation, the reasons therefore and the effects thereof on the expression of my opinion or which may necessitate the negation of the expression of an opinion;
5. That I shall comply with the applicable rules and regulations of the Securities and Exchange Commission in the preparation and submission of financial statements; and
6. That relative to the expression of my opinion on the said financial statements, I shall not commit any acts discreditable to the profession as provided under the Code of Professional Ethics for CPAs.

As a CPA engaged in public practice, I make these representations in my individual capacity and as a partner in the accounting firm of **VALDES ABAD & COMPANY, CPAs**.

VALDES ABAD & COMPANY, CPAs

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PARTNERING FOR SUCCESS

REPORT OF INDEPENDENT PUBLIC AUDITORS TO ACCOMPANY SEC SCHEDULES FILED SEPARATELY FROM THE BASIC FINANCIAL STATEMENTS

The Board of Directors

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION

35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.

Ortigas Center, Pasig City

We have examined the financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** as of December 31, 2017 on which we have rendered the attached report dated April 11, 2018. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary schedules of the Company as of December 31, 2017 and for the year ended, required by the Securities and Exchange Commission, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such supplementary schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VALDES ABAD & COMPANY, CPAs

BOA/PRC Reg. No. 0314

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Issued on December 13, 2017, Valid until December 13, 2020

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For the firm:

ALFONSO L. CAY-AN

Partner

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Issued on December 13, 2017, Valid until December 13, 2020

Makati City, Philippines

April 11, 2018



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
METRO ALLIANCE HOLDINGS & AND EQUITIES CORPORATION
35th Floor One Corporate Center, Dona Julia Vargas Ave., cor. Meralco Ave.
Ortigas Center, Pasig City

Opinion

We have audited the accompanying consolidated financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of comprehensive income, statements of changes in equity balance, and statements of cash flows for the years then ended, and notes to the financial statements, including as summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** as of December 31, 2017 and 2016 and of its financial performances and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

For each matter below, our description of how our audit addressed the matter is provided in that context.

(a) Realization of Outstanding Receivables from Polymax Worldwide

As of December 31, 2017, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱371.4 million which accounts for 88% of the Parent Company's total assets. These advances were related to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in Note 2.3 of the notes to the financial statements. The analysis of the recoverability of these advances is significant to our audit because the assessment process requires use of management judgment. It is also based on assumptions of future cash inflow to be generated by Polymax in which the settlement to their obligation to the Parent Company is dependent upon.

Audit response

We obtained an understanding of the nature of the said advances and assessed the management's plan to fully recover the outstanding balance. Our audit procedure included circulation of confirmation letter to Polymax to confirm the existence of the said advances. Likewise, this covered substantiation of partial collection made by the Parent Company during the year. We also assessed the completeness and accuracy of the disclosures relating to the said advances in the notes to financial statements as discussed in Note 2.3.

(b) Realization of Management's Plan to Address the Going Concern

Trading activity of the Parent Company has been suspended for more than 12 years which adversely affected their operations resulting to incurrence of capital deficiency and liquidity and solvency issues. The Parent Company designed a detailed plan to address the going concern uncertainties and likewise, structured its capital build-up program as discussed in Note 2.2. The realization of the plans to be performed by the Parent Company is significant to our audit as this materially affects our judgement to the ability of the Parent Company to continue its operations in foreseeable future as deemed necessary by PSA 570 (Revise) *Going Concern*.

Audit response

Our audit procedures included understanding of the current market conditions in which the Parent Company operates and assess whether management's plan to address the going concern uncertainty is feasible. We compared and tested forecasted activities to be performed with industry practices. We have reviewed the compliance of the Parent Company to the requirements of the regulatory agencies and their correspondence with regard unresolved issues. We likewise examined documentation for the on-going litigations that could impact its cash flows from third party legal counsels.

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

- (i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- (iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (iv) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- (v) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



Report on Bureau of Internal Revenue Requirement

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on Note 25 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VALDES ABAD & COMPANY, CPAs

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For the firm:



ALFONSO L. CAY-AN

Partner

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Makati City, Philippines

April 11, 2018



METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
(In Philippine Peso)

		December 31,	
ASSETS	Notes	2017	2016
CURRENT ASSETS			
Cash	8	260,462	873,465
Trade and other receivables	9	42,360	294,915
Other current assets	10	1,263,024	1,833,962
Total Current Assets		1,565,846	3,002,342
NON-CURRENT ASSETS			
Assets held for sale	11	371,371,502	415,410,450
Available-for-sale investments	12	26,582,600	4,742,100
Investment in subsidiaries	13	18,640,500	18,640,500
Total Non-Current Assets		416,594,602	438,793,050
TOTAL ASSETS		418,160,448	441,795,392
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accrued expenses and other current liabilities	15	177,057,651	186,097,150
NON CURRENT LIABILITIES			
Due to subsidiaries, affiliates and stockholders	16	6,127,202	34,813,190
Retirement benefit payable	18	969,685	969,685
Total non-current liabilities		7,096,887	35,782,875
EQUITY			
Capital stock	19	306,122,449	306,122,449
Additional paid-in capital	19	3,571,923	3,571,923
Reserve for fluctuations in available-for-sale investments	12	10,400,877	1,060,377
Cumulative deficit	20	(86,089,339)	(90,839,382)
Total Equity		234,005,910	219,915,367
TOTAL LIABILITIES AND EQUITY		418,160,448	441,795,392

See Notes to Parent Company Financial Statements



METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME
(In Philippine Peso)

For the Years Ended December 31,	Notes	2017	2016	2015
REVENUES		-	-	-
GENERAL AND ADMINISTRATIVE EXPENSES	21	<u>3,640,742</u>	<u>3,440,272</u>	<u>10,612,933</u>
OPERATING LOSS		<u>(3,640,742)</u>	<u>(3,440,272)</u>	<u>(10,612,933)</u>
OTHER INCOME				
Other income		-	150,487	16,304,568
Interest income		785	1,475	6,874
Dividend income		-	15,714	500
Finance cost		<u>-</u>	<u>-</u>	<u>(7,132,891)</u>
Net		<u>785</u>	<u>167,676</u>	<u>9,179,051</u>
NET LOSS BEFORE TAX		(3,639,957)	(3,272,596)	(1,433,882)
INCOME TAX EXPENSE		<u>-</u>	<u>-</u>	<u>1,963,021</u>
NET LOSS		(3,639,957)	(3,272,596)	(3,396,903)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gain (loss) on available-for-sale investments	12	9,340,500	(143,700)	(1,585,683)
TOTAL COMPREHENSIVE INCOME (LOSS)		5,700,543	(3,416,296)	(4,982,586)

See Notes to Parent Company Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

(In Philippine Peso)

			December 31,	
	Notes	2017	2016	2015
CAPITAL STOCK				
Class "A"	19	183,673,470	183,673,470	183,673,470
Class "B"	19	122,448,979	122,448,979	122,448,979
		306,122,449	306,122,449	306,122,449
ADDITIONAL PAID-IN-CAPITAL	19	3,571,923	3,571,923	3,571,923
RESERVE FLUCTUATIONS IN AVAILABLE FOR-SALE INVESTMENTS				
Balance at beginning of year	12	1,060,377	1,204,077	2,789,760
Other comprehensive gain (loss)	12	9,340,500	(143,700)	(1,585,683)
Balance at end of year		10,400,877	1,060,377	1,204,077
DEFICIT				
Balance at beginning of year	20	(90,839,382)	(87,566,786)	(86,281,892)
Prior period adjustments	24	8,390,000	-	2,112,009
Net loss	20	(3,639,957)	(3,272,596)	(3,396,903)
Balance at end of year		(86,089,339)	(90,839,382)	(87,566,786)
TOTAL EQUITY		234,005,910	219,915,367	223,331,663

See Notes to Parent Company Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Philippine Peso)

For the Years Ended December 31,	Notes	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss before tax		(3,639,957)	(3,272,596)	(1,433,882)
Adjustments for:				
Depreciation		-	-	2,195
Prior period adjustment	24	8,390,000	-	2,112,009
Provision for doubtful accounts	21	706,762	-	208,204
Impairment loss	21	172,572	283,426	4,946,111
Dividend income		-	(15,714)	(500)
Interest income		(785)	(1,475)	(6,874)
Operating income (loss) before working capital changes		5,628,592	(3,006,359)	5,827,263
Changes in assets and liabilities:				
Trade and other receivables	9	(376,779)	(278,959)	(173,084)
Other current assets	10	570,938	(184,302)	(2,578,518)
Accrued expenses and other liabilities	15	(9,039,499)	9,530	(15,953,467)
Net Cash from Operating Activities		(3,216,748)	(3,460,090)	(12,877,806)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of available for sale securities	12	(12,500,000)	-	-
Decrease in asset held for sale	11	44,038,948	-	373,251,811
Dividends received		-	15,714	500
Interest received		785	1,475	6,874
Net Cash from Investing Activities		31,539,733	17,189	373,259,185
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in due from related parties	22	(250,000)	-	-
Net changes in due to related parties	22	(28,685,988)	2,937,023	(360,837,631)
Net Cash from Financing Activities		(28,935,988)	2,937,023	(360,837,631)
NET DECREASE IN CASH				
		(613,003)	(505,878)	(456,252)
CASH, Beginning	8	873,465	1,379,343	1,835,595
CASH, End	8	260,462	873,465	1,379,343

See Notes to Parent Company Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

December 31, 2017, 2016 and 2015

NOTE 1 – REPORTING ENTITY

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION (MAHEC or the Parent Company) was incorporated in the Philippines in 1929. In 1979, the Parent Company obtained approval from the Securities and Exchange Commission (SEC) for the extension of its corporate life to another 50 years under registration number 296. MAHEC is a holding company with business interests in companies engaged in the manufacture of chemicals, petrochemical and contract logistics.

The new registered office address of the Parent Company is 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.

The accompanying Parent Company financial statements as of December 31, 2017 were authorized for issue by the Board of Directors (BOD) on April 11, 2018.

NOTE 2 – STATUS OF OPERATIONS

2.1 Going Concern

The accompanying Parent Company financial statements have been prepared assuming that the Parent Company will continue as a going concern. As of December 31, 2017 and 2016, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱371.4 million and ₱415.4 million, respectively, 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 accrued interest and penalties, amounting to ₱994.7 million as of December 31, 2017 and 2016, 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 explained in Note 11, the remaining 20% of Polymax's interest in the petrochemical plant is for sale. 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, depend on whether sufficient cash flows can be generated from the sale 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.

In 2017, the Parent Company were able to collect partially their advances from Polymax amounting to ₱44,038,948.

2.2 Management Plan to Address Going Concern Uncertainties

In the management letter last year, we summarized the projected plans of the Company. Regrettably, no significant development has happened principally due to the continued suspension of the trading of the Company's shares on the Philippine Stock Exchange (PSE). This suspension is still in effect, despite of the company having complied with all reportorial and regulatory requirements, and the fact that there are no pending cases with government regulatory bodies and the Securities and Exchange Commission.

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 next 12 months:

Investment and sources of capital

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:

- a) 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;
- b) 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;
- c) Continuous filings with relevant government agencies;
- d) Maintaining a lean organization to sustain its operation during the said period;

Furthermore, the majority shareholders, which are 75% of the traded shares, have signified their intention to conduct a tender offer in the vicinity of ₱0.50 per share, within thirty (30) days after the lifting of Company's trading suspension, 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. Furthermore, if the lifting of the trading suspension is approved by the PSE, the Company will announce the plan for the proposed tender offer on the annual stockholders' meeting.

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 in the Amount of Php371,371,502 as of December 31, 2017

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 is still in the stage of exploring new business opportunities. Manpower will be outsourced if needed.

Capital Asset Acquisition

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

2.3 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 11.

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 a 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 Guaranteed 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, 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 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, NPCI 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 for 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 rising from their various agreements.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of Compliance

The Parent Company financial statements are prepared as the separate financial statements of the Parent Company in compliance with Philippine Financial Reporting Standards (PFRS) approved by the Financial Reporting Standards Council and the SEC.

The accompanying financial statements are the Parent Company's financial statements prepared in compliance with Philippine Accounting Standard (PAS) 27, *Consolidated and Separate Financial Statements*.

The Parent Company also prepares and issues consolidated financial statements for the same periods, which include the Parent Company financial statements and subsidiaries. As a publicly listed company, the Parent Company is required by the SEC to prepare both separate and consolidated financial statements under full PFRS, which are available for public use.

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

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

3.2 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 IASB 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.*

Amendments to clarify the classification and measurement of share-based payment transactions

The IASB 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 IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)* provide two options for entities that issue insurance contracts within the scope of IFRS 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 IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 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)*

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.

Cash

Cash includes cash on hand and in banks.

Financial Assets and Liabilities

Date of Recognition. The Parent Company recognizes a financial asset or a financial liability in the Parent Company 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 Parent Company classifies its financial assets and liabilities in the following categories: held-to-maturity (HTM) financial assets, available-for-sale (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 Parent Company recognizes the difference between the transaction price and fair value (a Day 1 Profit) in the Parent Company 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 Parent Company statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the 'day 1' profit amount.

Financial Assets

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 Parent Company statement of comprehensive income under profit and loss.

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 Parent Company has no financial assets at FVPL as of December 31, 2017 and 2016.

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.

Cash and due from related parties 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 Parent Company's management has the positive intention and ability to hold to maturity. Where the Parent Company 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 Parent Company's statement of comprehensive income under profit and loss when the HTM investments are derecognized or impaired, as well as through the amortization process.

The Parent Company has no HTM investments as of December 31, 2017 and 2016.

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 carried at fair value in the Parent Company balance sheet. Changes in the fair value of such assets are reported in the equity section of the Parent Company balance sheet until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the Parent Company statement of comprehensive income. Interest earned on holding AFS investments are recognized in the Parent Company statement of comprehensive income using effective interest rate.

The Parent Company's investments in equity securities recognized 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 Parent Company elects to designate a financial liability under this category.

The Parent Company has no derivative liabilities as of December 31, 2017 and 2016.

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 due to related parties and accrued expenses and other current liabilities.

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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company'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 Parent Company 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 Parent Company's statement of comprehensive income.

The Parent Company 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 Parent Company's 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 Parent Company statement of comprehensive income, is transferred from equity to the Parent Company 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 Parent Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Parent Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Parent Company 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 therefore, the related assets and liabilities are presented gross in the Parent Company balance sheet.

Asset Held for Sale

An asset is classified as asset held for sale when their 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.

Investment in Subsidiary

A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by the Parent Company. The Parent Company has control over an entity if it has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investment in subsidiary in the Parent Company financial statements is carried at cost, less any impairment in the value of the individual investment.

Computer Equipment

Computer equipment is stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the computer equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of computer equipment comprises 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 asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as an additional cost of computer equipment.

Depreciation of computer equipment is computed using the straight-line method over the estimated useful lives of three years.

The remaining useful life, residual value and depreciation method are reviewed and adjusted, if appropriate, at each financial year-end to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of computer equipment.

The carrying value of computer equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

When each major inspection is performed, its cost is recognized in the carrying amount of the computer equipment as a replacement, if the recognition criteria are satisfied.

An item of computer equipment is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses arising on the retirement and disposal of an item of computer equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are included in the Parent Company's statement of comprehensive income in the period of retirement or disposal.

Impairment of Non-Financial Assets

The carrying values of investment in subsidiary and computer equipment 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 Parent Company's 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 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.

Revenue

Revenue is recognized to the extent that is probable that the economic benefits associated with the transaction will flow to the Parent Company and the revenue can be measured reliably.

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

Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Operating Leases

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

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

Retirement Benefits Cost

The Parent Company provides for estimated retirement benefits to be paid under Republic Act (RA) No. 7641 to its permanent employee. The amount of retirement benefits is dependent on such factors as years of service and compensation.

Foreign Currency Transactions and Translations

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.

Income Tax

Income tax for the year comprises current and deferred income tax. Income tax is recognized in the Parent Company's 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.

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 asset and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carry forward tax benefit of the net operating loss carryover (NOLCO). 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 the balance sheet 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 benefit of unused NOLCO 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.

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.

Provisions

Provisions are recognized only when the Parent Company 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 Parent Company expects a provision to be reimbursed, the reimbursement is recognized as a Parent Company asset but only when the receipt of the reimbursement is virtually certain.

Contingencies

Contingent liabilities are not recognized in the Parent Company 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 Parent Company financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Parent Company's position at balance sheet date (adjusting events) are reflected in the Parent Company's financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the Parent Company financial statements when material.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

4.1 Use of Estimates and Judgment

The preparation of the Parent Company's financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the Parent Company's financial statements and accompanying notes. The estimates, judgments and assumptions used in the accompanying Parent Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Parent Company's 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 financial statements as these become reasonably determinable.

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.

Estimated Allowance for Doubtful Accounts and Probable Losses

The Parent Company reviews the carrying amounts of due from related parties, creditable withholding taxes and input taxes (classified as other current assets) as well as 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.

Creditable withholding taxes and input taxes totaling ₱12,304,813 and ₱12,151,929 as of December 31, 2017 and 2016, respectively, were provided with ₱11,190,696 and ₱10,558,918 allowances for probable losses as of December 31, 2017 and 2016 (see Note 10).

Advances to Polymax (under asset held for sale) amounting to ₱371.4 million and ₱415.4 million as of December 31, 2017 and 2016, respectively, constitutes 88% and 94%, respectively, of the Parent Company's total assets for both years. 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, are 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 (see Note 11).

Estimated Useful Life and Residual Value of Computer Equipment

The Parent Company estimates the useful life and residual value of its computer equipment based on the period over which the assets are expected to be available for use. The Parent Company reviews annually the estimated useful life and residual value of computer equipment 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 life of equipment would increase depreciation expense, while an increase in the estimated useful lives would decrease depreciation expense. As of December 31, 2017, 2016 and 2015, equipment, net of accumulated depreciation, amounted to nil. For periods ending December 31, 2017 and 2016, no depreciation expense was charged to operations for both years. In 2015, depreciation expense recognized in current operations amounted to ₱2,195 (see Note 14).

Asset Impairment

The Parent Company assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Parent Company has determined that its investment in subsidiary amounting to ₱647,976,305 is impaired resulting to allowance of ₱629,335,805 as of December 31, 2017 and 2016 (see Note 13).

Computer equipment maintained by the Parent Company is at zero book value, no impairment is recognized for this asset (see Note 14).

Fair Value of Financial Asset and Financial Liabilities

The Parent Company carries certain financial assets and financial liabilities at fair value, which requires the use of accounting estimates and judgment. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., quoted market prices, 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 recoverable amount of AFS investments with available market prices was determined based on quoted bid prices. AFS investments amounted to ₱26,582,600 and ₱4,742,100 as of December 31, 2017 and 2016, respectively (see Note 12).

Realizability of Deferred Tax Assets

The Parent Company reviews the carrying amounts of deferred income taxes at each balance sheet date and reduces deferred income tax assets (DTA) to the extent that it is no longer probable (or recognizes DTA to the extent that it is probable) that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

The Parent Company did not recognize deferred income tax assets on deductible temporary difference (accrued retirement benefits cost) and unused NOLCO totaling ₱7.4 million, ₱17.8 million and ₱17.6 million as of December 31, 2017, 2016 and 2015 respectively, because management believes that the Parent Company may not have sufficient future taxable profits available to allow utilization of these deferred income tax assets (see Note 17).

Classification of Financial Instruments

The Parent Company classifies a financial instrument, or its component parts, on initial recognition, as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, financial liability or an equity instrument. The substance of financial instrument, rather than its legal form, governs its classification in the Parent Company's balance sheet.

The Parent Company determines the classification at initial recognition and reevaluates this designation at every financial reporting date.

Contingencies

The Parent Company is currently involved in various legal proceedings, which are normal to its business as discussed in Note 25. The Parent Company'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 Parent Company and its legal counsel believe that these legal proceeding will not have a material adverse effect on the financial statements. It is possible, however, that changes in estimates relating to these proceedings may materially affect results of operations.

NOTE 5 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Parent Company's principal financial instruments consist of cash, due from related parties, AFS investments and due to related parties. The main purpose of these financial instruments is to finance the Parent Company's operations. Other financial liabilities consist of accrued expenses and other current liabilities, which arise directly from the Parent Company's operations.

The main risks arising from the Parent Company's financial instruments are credit risk and liquidity risk. The BOD reviews and approves the policies for managing these risks which are summarized below.

Credit Risk

It is the Parent Company's policy to require all concerned related parties 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.

a. Maximum exposure to credit risk

The Parent Company's financial assets as reflected in the statements of financial position and related notes already represent their maximum financial assets' exposure to credit risk before and after taking into account collateral or credit enhancement held as of the reporting dates.

b. Credit quality per class of financial assets

Description of the credit quality grades used by the Company follows:

Financial assets -AFS investments

High grade - Counterparties that are consistently profitable, have strong fundamentals and pays out dividends.

Standard grade - Counterparties that recently turned profitable and have the potential of becoming a high-grade company. These counterparties have sound fundamentals.

Substandard grade - Counterparties that are not yet profitable, speculative in nature but have the potential to turn around fundamentally.

Loans and receivables

High grade - High probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard grade - Collections are probable due to the reputation and the financial ability of the counterparty to pay.

Substandard grade - The counterparty shows probability of impairment based on historical trends.

The tables below show credit quality by class of financial assets based on the Company's credit quality grades (gross of related allowance for credit losses).

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

Particulars	2017			2016		
	Neither Past Due nor Impaired			Neither Past Due nor Impaired		
	High Grade	Standard Grade	Total	High Grade	Standard Grade	Total
Loans and receivables:						
*Cash	₱ 235,462	₱ -	₱ 235,462	₱ 848,465	₱ -	₱ 848,465
Due from related parties	-	-	-	250,000	-	250,000
Total loans and receivables	235,462	-	235,462	1,098,465	-	1,098,465
AFS investment	26,582,600	-	26,582,600	4,742,100	-	4,742,100
Total	₱ 26,818,062	₱ -	₱ 26,818,062	₱ 5,840,565	₱ -	₱ 5,840,565

*Excludes cash on hand

The credit quality of receivables is managed by the Parent Company using internal credit quality ratings. High and standard grade accounts consist of receivables from debtors with good financial standing and with relatively low defaults. The Parent Company constantly monitors the receivables from these customers in order to identify any adverse changes in credit quality. The allowance for doubtful accounts is provided for those receivables that have been identified as individually impaired.

The risk on cash is minimal as the Parent Company deals only with reputable banks with strong credit ratings.

Due from related parties are high grade accounts that are due from related parties with good financial standing.

Liquidity Risk

The Parent Company's objective is to maintain a balance between flexibility and continuity of funding. However, because of past due liabilities for which the Parent Company is jointly and severally liable, the Parent Company'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.

The table below shows the maturity profile of the financial assets and liabilities, based on its internal methodology that manages liquidity based on contractual undiscounted cash flows:

Particulars	2017			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial Assets				
*Cash	₱ 235,462	₱ -	₱ -	₱ 235,462
Trade and other receivables	-	-	-	-
Subtotal	235,462	-	-	235,462
AFS investment	-	-	26,582,600	26,582,600
Total	235,462	-	26,582,600	26,818,062
Financial Liabilities				
Due to related parties	₱ -	₱ -	₱ 6,127,202	₱ 6,127,202
Accounts payable and accrued expenses	-	176,752,539	-	176,752,539
Total	-	176,752,539	6,127,202	182,879,741
Net Position	₱ 235,462	₱ (176,752,539)	₱ 20,455,398	₱ (156,061,679)
Particulars	2016			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial Assets				
*Cash	₱ 848,465	₱ -	₱ -	₱ 848,465
Trade and other receivables	-	250,000	-	250,000
Subtotal	848,465	250,000	-	1,098,465
AFS investment	-	-	4,742,100	4,742,100
Total	848,465	250,000	4,742,100	5,840,565
Financial Liabilities				
Due to related parties	₱ -	₱ -	₱ 34,813,190	₱ 34,813,190
Accounts payable and accrued expenses	-	185,792,038	-	185,792,038
Total	-	185,792,038	34,813,190	220,605,228
Net Position	₱ 848,465	₱ (185,542,038)	₱ (30,071,090)	₱ (214,764,663)

**Excludes cash on hand*

The Parent Company's due to related parties and accrued expenses and other current liabilities are payable in less than one year.

NOTE 6 – CAPITAL MANAGEMENT

The primary objectives of the Parent Company's capital management are to safeguard the ability of the Parent Company to continue as a going concern and to maintain a capital structure that supports its business. The Parent Company manages its capital structure in light of changes in economic conditions and in close coordination with its major stockholders and other related parties by making adjustments on payments to its related parties and issuing new shares.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Parent Company's external environment and the risks underlying the Parent Company's business, operation and industry.

The Parent Company defines capital as paid-in capital stock, additional paid-in capital and retained earnings (deficit). Other components of equity such as reserve for fluctuations in AFS investments are excluded from capital for purposes of capital management.

The Parent Company monitors capital as follows:

Particulars	2017	2016
Capital stock	₱ 306,122,449	₱ 306,122,449
Additional paid-in capital	3,571,923	3,571,923
Deficit	<u>(86,089,339)</u>	<u>(90,839,382)</u>
Total	₱ <u>223,605,033</u>	₱ <u>218,854,990</u>

The Parent Company is not subject to externally-imposed capital requirements.

NOTE 7 – FAIR VALUE MEASUREMENT

The following table summarizes the carrying and fair values of the Parent Company's financial assets and financial liabilities as of December 31, 2017 and 2016:

Particulars	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash	260,462	260,462	873,465	873,465
Due from related parties	-	-	250,000	250,000
AFS investments	26,582,600	26,582,600	4,742,100	4,742,100
	<u>26,843,062</u>	<u>26,843,062</u>	<u>5,865,565</u>	<u>5,865,565</u>
Financial Liabilities				
Due to related parties	6,127,202	6,127,202	34,813,190	34,813,190
Accrued expenses and other current liabilities	176,752,539	176,752,539	185,792,038	185,792,038
Total	<u>182,879,741</u>	<u>182,879,741</u>	<u>220,605,228</u>	<u>220,605,228</u>

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 Financial Liabilities

Due to the short-term nature of the transactions, the carrying values of cash, due from (to) related parties and accrued expenses and other current liabilities approximate their fair values.

AFS Investments

The fair values of AFS investments, which are publicly traded instruments, are based on quoted bid prices.

NOTE 8 – CASH

As of December 31, the account consists of the following

Particulars	2017	2016
Petty cash	₱ 25,000	₱ 25,000
Cash in bank	<u>235,462</u>	<u>848,465</u>
Total	₱ <u>260,462</u>	₱ <u>873,465</u>

NOTE 9 – TRADE AND OTHER RECEIVABLES

As of December 31, the account consists of the following

Particulars	2017	2016
Advances to officers and employees	₱ 40,014	₱ 44,915
Advances to subsidiaries (Note 22)	147,823,457	147,998,473
Others	<u>2,346</u>	<u>-</u>
Total	147,865,817	148,043,388
Less: Allowance for impairment	<u>(147,823,457)</u>	<u>(147,748,473)</u>
Total	₱ <u>42,360</u>	₱ <u>294,915</u>

A reconciliation of allowance for impairment of receivables is shown below:

Particulars	2017	2016
Balance at the beginning of the year	₱ 147,748,473	₱ 147,663,743
Provision for impairment of receivables	<u>74,984</u>	<u>84,730</u>
Balance at the end of the year	₱ <u>147,823,457</u>	₱ <u>147,748,473</u>

NOTE 10 – OTHER CURRENT ASSETS

This account consists of:

Particulars	2017	2016
Creditable withholding taxes	₱ 7,721,700	₱ 7,721,700
Input taxes	4,583,113	4,430,229
Prepaid income tax	145,897	145,977
Deferred MCIT	3,010	3,010
Prepaid expense	<u>-</u>	<u>91,964</u>
Total	12,453,720	12,392,880
Less: Allowance for probable losses	<u>(11,190,696)</u>	<u>(10,558,918)</u>
Net realizable value	₱ <u>1,263,024</u>	₱ <u>1,833,962</u>

NOTE 11 – ASSETS HELD FOR SALE

Asset held for sale amounting to ₱371,371,502 and ₱415,410,450 as of December 31, 2017 and 2016, respectively, which constitutes 88% and 94%, respectively, of the Parent Company's total assets for both years, 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 ₱300million and ₱73million respectively.

During 2017, the Company made additional collections of the advances from Polymax amounting to ₱44,038,948.

Condensed unaudited financial information of Polymax as of December 31, 2017 and 2016 prepared on the liquidation basis of accounting is shown in the table below.

Particulars	2017	2016
Assets		
Cash and cash equivalents	₱ 130,966,060	₱ 130,966,060
Assets held for sale	347,720,000	347,720,000
Due from related parties	113,394,361	157,433,309
Total assets	<u>592,080,421</u>	<u>636,119,369</u>
Liabilities		
Liabilities related to asset held for sale	994,668,446	994,668,446
Due to Metro Alliance Holdings and Equities Corp.	371,371,502	415,410,450
Other payable	49,030,000	49,030,000
Total liabilities	<u>1,415,069,948</u>	<u>1,459,108,896</u>
Capital deficiency	₱ <u>822,989,527</u>	₱ <u>822,989,527</u>

Assets held for sale of Polymax pertains to the estimated recoverable value of Polymax's remaining 20% interest in NPCA.

Due from related parties of Polymax represents amount due from the Wellex group of companies.

Liabilities related to asset held for sale of Polymax pertain to past due liabilities, which were obtained to finance the purchase of 100% ownership interest in NPCA. The Parent Company is jointly and severally liable with Polymax with respect to these past due liabilities.

Polymax's share in the net loss of NPCA amounted to ₱293 million in 2017 and ₱172.4 million in 2016; however, this was not recognized in both years so that the carrying value of Polymax's investment in NPCA will not fall below its estimated recoverable value from sale of ₱450 million.

NOTE 12 – AVAILABLE-FOR-SALE INVESTMENTS

As of December 31, the account consists of:

Particulars	2017	2016
At acquisition cost	₱ 16,181,723	₱ 3,681,723
Cumulative fair value gain (loss) – in equity	<u>10,400,877</u>	<u>1,060,377</u>
Total	₱ <u>26,582,600</u>	₱ <u>4,742,100</u>

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.

The reconciliation of the carrying amounts of investments is as follows:

Particulars	2017	2016
Beginning balance	₱ 4,742,100	₱ 4,885,800
Additions	12,500,000	-
Fair value gain (loss)	<u>9,340,500</u>	<u>(143,700)</u>
Total	₱ <u>26,582,600</u>	₱ <u>4,742,100</u>

For the year 2017, the 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.

Movements in the net unrealized gain (loss) on available-for-sale financial assets are as follows:

Particulars	2017	2016
Beginning balance	₱ 1,060,377	₱ 1,204,077
Fair value gain (loss)	<u>9,340,500</u>	<u>(143,700)</u>
Total	₱ <u>10,400,877</u>	₱ <u>1,060,377</u>

NOTE 13 – INVESTMENT IN SUBSIDIARIES

As of December 31, the account consists of the following:

Particulars	2017	2016
Unlisted shares, carried at cost		
Asia HealthCare Inc. (AHI)	₱ 9,000,000	₱ 9,000,000
Consumer Products Distribution Services, Inc. (CPDSI)	540,335,805	540,335,805
Fez-Eac Holdings Inc. (FEZ)	30,000,000	30,000,000
Metro Combined Logistics Solutions, Inc (MCLSI)	18,640,500	18,640,500
Zuellig Distributors Inc.(ZDI)	<u>50,000,000</u>	<u>50,000,000</u>
Total	647,976,305	647,976,305
Less: Allowance for impairment	<u>(629,335,805)</u>	<u>(629,335,805)</u>
Net realizable value	₱ <u>18,640,500</u>	₱ <u>18,640,500</u>

Details of the Company's Subsidiaries and the related movement in investments are as follows:

Subsidiaries	Principal Activity	Description of Percentage of Ownership Shares held	Interest	
			2017	2016
AHI	Trading and pharmacy management	60%	60%	60%
CPDSI	Importation/Distributor of Polypropylene	100%	100%	100%
FEZ	Trading and distribution	100%	100%	100%
MCLSI	Outside logistic provider	51%	51%	51%
ZDI	Trading and distribution	100 %	100%	100%

NOTE 14 – COMPUTER EQUIPMENT

As of December 31, 2017 and 2016, the computer equipment maintained by the Company is NIL, no acquisition was made during the year and no depreciation expense was recognized.

Depreciation expense recognized for years ended December 31, 2016 and 2015 amounted to NIL and ₱2,195, respectively.

NOTE 15 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

This account consists of:

Particulars	2017	2016
Accrued expenses	₱ 176,686,907	₱ 185,775,691
Other liabilities	<u>370,744</u>	<u>321,459</u>
Total	₱ <u>177,057,651</u>	₱ <u>186,097,150</u>

Other liabilities pertain to payable to government agencies.

The Parent Company has liabilities arising in the ordinary conduct of business, which are either pending decision by the government authorities or are being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, adequate provisions, which are recorded as part of accrued expenses, have been provided in the financial statements to cover 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 on the grounds that it may prejudice the outcome of these claims and tax assessments.

During the year, the Parent Company reversed accruals made which pertains to director's fee and share in operating expenses amounting to ₱8,390,000 for which assessment disclosed remote probability of settlement. As a result, an adjustment to the prior year's operation was made, which pertains to the restatement of the expense relative to the liability recognized (see Note 24).

NOTE 16 – DUE TO SUBSIDIARIES, AFFILIATES AND STOCKHOLDERS

As of December 31, 2017, this account consists of:

Particulars	Beginning Balance	Additions	Payments/ Adjustments	Ending Balance
<i>Due to Affiliate</i>				
Acesite (Phils.) Hotel Corporation	₱ 5,627,202	₱ -	₱ -	₱ 5,627,202
The Wellex Group, Inc. (TWGI)	34,437,524	14,852,960	49,290,484	-
Wellex Mining Corporation	225,000	-	225,000	-
Others	(5,476,536)	-	(5,476,536)	-
Subtotal	₱ 34,813,190	₱ 14,852,960	₱ 44,038,948	₱ 5,627,202
<i>Due to Subsidiaries</i>				
Consumer Products Distribution Services	233,342,805	-	-	233,342,805
FEZ-EAC Holding Inc.	30,078,688	-	-	30,078,688
Zuellig Distributors Inc.	27,446,253	-	-	27,446,253
MCLSI	-	500,000	-	500,000
Valuation allowance for impairment	(290,867,746)	-	-	(290,867,746)
Subtotal	₱ -	₱ 500,000	₱ -	₱ 500,000
Total (Note 22)	₱ 34,813,190	₱ 15,352,960	₱ 44,038,948	₱ 6,127,202

As of December 31, 2016, this account consists of:

Particulars	Beginning Balance	Additions	Payments/ Adjustments	Ending Balance
<i>Due to Affiliate</i>				
Acesite	₱ 5,627,202	₱ -	₱ -	₱ 5,627,202
The Wellex Group, Inc. (TWGI)	31,472,501	2,965,023	-	34,437,524
Wellex Mining Corporation	225,000	-	-	225,000
PHES	28,000	-	28,000	-
Others	(5,476,536)	-	-	(5,476,536)
Subtotal	₱ 31,876,167	₱ 2,965,023	₱ 28,000	₱ 34,813,190
<i>Due to Subsidiaries</i>				
Consumer Products Distribution Services	233,342,805	-	-	233,342,805
FEZ-EAC Holding Inc.	30,078,688	-	-	30,078,688
Zuellig Distributors Inc.	27,446,253	-	-	27,446,253
Valuation allowance for impairment	(290,867,746)	-	-	(290,867,746)
Subtotal	₱ -	₱ -	₱ -	₱ -
Total (Note 22)	₱ 31,876,167	₱ 2,965,023	₱ 28,000	₱ 34,813,190

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.

NOTE 17 – INCOME TAXES

The reconciliation of the income tax expense computed at the statutory tax rate with the income tax expense shown in the Parent Company statements of comprehensive income is as follows:

Particulars	2017	2016	2015
Net loss	₱ <u>(3,639,957)</u>	₱ <u>(3,272,596)</u>	₱ <u>(1,433,882)</u>
Permanent differences:			
Non-deductible expenses and losses	224,895	-	3,035,714
Impairment loss of receivables	-	283,426	4,946,111
Interest income subjected to final tax	(785)	(1,475)	(6,874)
Interest expense subject to ceiling	-	-	2,835
Non-deductible dividend income	-	(15,714)	(500)
Temporary differences:			
Provision for doubtful accounts	706,762	-	-
Taxable income	<u>(2,709,085)</u>	<u>(3,006,359)</u>	<u>6,543,404</u>
Applicable tax rate	30%	30%	30%
Current tax expense	-	-	1,963,021
Prior year's excess tax credits	-	-	1,963,021
Income tax due	₱ <u>-</u>	₱ <u>-</u>	₱ <u>-</u>

Deferred income tax assets of ₱2,217,567, ₱5,343,402 and ₱5,289,254 as of December 31, 2017, 2016 and 2015, respectively, have not been recognized on deductible temporary difference and carry forward benefits of unused NOLCO as shown below, as management believes that the Parent Company may not have sufficient taxable profits or tax liabilities against which these temporary differences and NOLCO may be utilized.

Particulars	2017	2016	2015
NOLCO	₱ 5,715,444	₱ 16,841,654	₱ 16,661,160
Provision for doubtful accounts	706,762	-	-
Accrued retirement benefits cost	969,685	969,685	969,685
Total	₱ <u>7,391,891</u>	₱ <u>17,811,339</u>	₱ <u>17,630,845</u>

NOLCO can be claimed as deduction from regular taxable income as follows:

Year incurred	Amount	Applied	Expired	Balance	Expiry date
2017	₱ 2,709,085	₱ -	₱ -	₱ 2,709,085	2020
2016	3,006,359	-	-	3,006,359	2019
2014	13,835,295	-	13,835,295	-	2017
2013	2,825,865	-	2,825,865	-	2016
Total	₱ <u>22,376,604</u>	₱ <u>-</u>	₱ <u>16,661,160</u>	₱ <u>5,715,444</u>	

NOTE 18 – RETIREMENT BENEFIT PAYABLE

The Parent Company's retirement benefit obligation under RA No. 7641 amounted to ₱969,685 as of December 31, 2017 and 2016, respectively. The accrued retirement benefit cost is determined based on the number of years of service rendered and compensation of a covered employee.

Movement of accrued retirement benefits cost is shown below.

Particulars	2017	2016
Present value of benefit obligation	₱ 969,685	₱ 969,685
Current service cost	-	-
Liability recognized in the balance sheet	₱ 969,685	₱ 969,685

No provision of additional retirement benefit cost was made during the year.

NOTE 19 – CAPITAL STOCK

- a. The Parent Company's capital stock as of December 31, 2017 and 2016 consists of the following common shares:

Particulars	2017	2016
Authorized		
720,000,000 shares are considered as Class A at ₱1 par value per share	₱ 720,000,000	₱ 720,000,000
480,000,000 shares are considered as Class A at ₱1 par value per share	480,000,000	480,000,000
	₱ 1,200,000,000	₱ 1,200,000,000
Issued and Outstanding		
183, 673,470 Class A shares at ₱1 par value per share	₱ 183,673,470	₱ 183,673,470
122,448,979 Class B shares at ₱1 par value per share	122,448,979	122,448,979
	₱ 306,122,449	₱ 306,122,449
Additional Paid-in Capital	₱ 3,571,923	₱ 3,571,923

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 billion consisting of 5 billion shares, both with par value of ₱1 per share. However, the increase was held in abeyance because of the dispute in the acquisition of the Petrochemical Project, which was settled in 2013 as discussed in Note 2.

NOTE 20 – CUMULATIVE DEFICIT

This account consists of cumulative balance of periodic earnings and prior period adjustments, if any.

As of December 31, the account consists of the following:

Particulars	2017	2016	2015
Cumulative deficit, beginning	₱ (90,839,382)	₱ (87,566,786)	₱ (86,281,892)
Prior period adjustment (Note 24)	<u>8,390,000</u>	<u>-</u>	<u>2,112,009</u>
Cumulative deficit, as adjusted	<u>(82,449,382)</u>	<u>(87,566,786)</u>	<u>(84,169,883)</u>
Net income (loss) based on the face of AFS	5,700,543	(3,416,296)	(4,982,586)
Add: Non-actual gain/unrealized loss			
Unrealized gain or loss on re-measurement of AFS	<u>(9,340,500)</u>	<u>143,700</u>	<u>1,585,683</u>
Net Loss Actual/Realized	<u>(3,639,957)</u>	<u>(3,272,596)</u>	<u>(3,396,903)</u>
Cumulative deficit, end	₱ <u>(86,089,339)</u>	₱ <u>(90,839,382)</u>	₱ <u>(87,566,786)</u>

NOTE 21 – GENERAL AND ADMINISTRATIVE EXPENSES

The details of general and administrative expenses are shown below:

Particulars	2017	2016	2015
Professional fees	₱ 907,533	₱ 835,333	₱ 813,429
Personnel costs	876,551	756,357	841,869
Bad debts expense	706,762	84,730	208,204
Entertainment, amusement and recreation	393,538	1,123,052	289,976
Rent and utilities	252,000	252,000	252,000
Impairment loss	172,572	198,695	4,946,111
Taxes and licenses	26,932	25,549	23,311
Office supplies	80,154	63,175	97,911
Depreciation	-	-	2,195
Others	<u>224,700</u>	<u>101,381</u>	<u>3,137,927</u>
Total	₱ <u>3,640,742</u>	₱ <u>3,440,272</u>	₱ <u>10,612,933</u>

Expenses classified as others pertains to various expenses such as printing, bank service charge, notarial fee, postage and delivery, trainings and seminars, transportation and travel, membership dues and fuel and oil.

NOTE 22 – RELATED PARTY TRANSACTIONS

The following transactions have been entered into with related parties as of December 31, 2017:

Particulars	Relationship	Beginning Balance	Additions	Collections/ Payments	Ending Balance	Nature, Terms and Conditions	Nature of consideration to be provided in settlement
Due from related parties:							
MCLSI	Subsidiary	₱ 250,000	₱ -	₱ 250,000	₱ -	Non-interest bearing and unsecured borrowing	Cash collection
CPDSI	Subsidiary	<u>147,748,473</u>	<u>74,984</u>	<u>-</u>	<u>147,823,457</u>	Non-interest bearing and unsecured borrowing	Offsetting of accounts
Total (Note 9)		₱ <u>147,998,473</u>	₱ <u>74,984</u>	₱ <u>250,000</u>	₱ <u>147,823,457</u>		
Advances (Asset held for Sale):							
Polymax (Note 11)	Special purpose entity	₱ <u>415,410,450</u>	₱ <u>-</u>	₱ <u>44,038,948</u>	₱ <u>371,371,502</u>	Represents 20% share investment in NPCA	Cash collection
Due to related parties:							
Acesite (Phils.) Hotel Corporation	Affiliate	₱ 5,627,202	₱ -	₱ -	₱ 5,627,202	Non-interest bearing and unsecured borrowing	Cash settlement
Wellex Mining Corp.	Affiliate	225,000	-	225,000	-	Non-interest bearing and unsecured borrowing	Cash settlement
The Wellex Group, Inc.	Affiliate	34,437,524	14,852,960	49,290,484	-	Funding for working capital requirements	Cash settlement
CPDSI	Subsidiary	233,342,805	-	-	233,342,805	Non-interest bearing and unsecured borrowing	Offsetting of accounts
FEZ-EAC Holdings, Inc.	Subsidiary	30,078,688	-	-	30,078,688	Non-interest bearing and unsecured borrowing	Cash settlement
Zuellig Distributors, Inc.	Subsidiary	27,446,253	-	-	27,446,253	Non-interest bearing and unsecured borrowing	Cash settlement
MCLSI	Subsidiary	-	500,000	-	500,000	Non-interest bearing and unsecured borrowing	Cash settlement
Others	Affiliate	<u>(5,476,536)</u>	<u>-</u>	<u>(5,476,536)</u>	<u>-</u>	Non-interest bearing and unsecured borrowing	Cash settlement
Total (Note 16)		₱ <u>325,680,936</u>	₱ <u>15,352,960</u>	₱ <u>44,038,948</u>	₱ <u>296,994,948</u>		

The following transactions have been entered into with related parties as of December 31, 2016:

Particulars	Relationship	Beginning Balance	Additions	Collections / Payments	Ending Balance	Nature, Terms and Conditions	Nature of consideration to be provided in settlement
Due from related parties:							
MCLSI	Subsidiary	₱ 250,000	₱ -	₱ -	₱ 250,000	Non-interest bearing and unsecured borrowing	Cash collection
CPDSI	Subsidiary	147,663,743	84,730	-	147,748,473	Non-interest bearing and unsecured borrowing	Offsetting of accounts
Total (Note 9)		₱ 147,913,743	₱ 84,730	₱ -	₱ 147,998,473		
Advances (Asset held for Sale):							
Polymax (Note 11)	Special purpose entity	₱ 415,410,450	₱ -	₱ -	₱ 415,410,450	Represents 20% investment share in NPCA	Cash collection
Due to related parties:							
Acesite (Phils.) Hotel Corporation	Affiliate	₱ 5,627,202	₱ -	₱ -	₱ 5,627,202	Non-interest bearing and unsecured borrowing	Cash settlement
Wellex Mining Corp.	Affiliate	225,000	-	-	225,000	Non-interest bearing and unsecured borrowing	Cash settlement
The Wellex Group, Inc.	Affiliate	31,472,501	2,965,023	-	34,437,524	Funding for working capital requirements	Cash settlement
Philippine Estate Corp.	Affiliate	28,000	-	28,000	-	Non-interest bearing and unsecured borrowing	Cash settlement
CPDSI	Subsidiary	233,342,805	-	-	233,342,805	Non-interest bearing and unsecured borrowing	Offsetting of accounts
FEZ-EAC Holdings, Inc.	Subsidiary	30,078,688	-	-	30,078,688	Non-interest bearing and unsecured borrowing	Cash settlement
Zuellig Distributors, Inc.	Subsidiary	27,446,253	-	-	27,446,253	Non-interest bearing and unsecured borrowing	Cash settlement
Others	Affiliate	(5,476,536)	-	-	(5,476,536)	Non-interest bearing and unsecured borrowing	Offsetting of accounts
Total (Note 16)		₱ 322,743,913	₱ 2,965,023	₱ 28,000	₱ 325,680,936		

During 2017, the Parent Company collected advances from Polymax Worldwide, Limited amounting to ₱44,038,948. In 2016, no collection of advances was made by the Parent Company.

The Parent Company has no compensation to key management personnel in 2017 and 2016.

NOTE 23 – LEASE AGREEMENT

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.

The future minimum lease payments under the non-cancellable operating leases are as follows:

Particulars	2017	2016	2015
Not later than one year	₱ 252,000	₱ 252,000	₱ 252,000
Later than one year and not later than five years	336,000	588,000	588,000
Total	₱ 588,000	₱ 840,000	₱ 840,000

Total rent expense related to the lease agreement which is charged to operations amounts to ₱252,000 for December 31, 2017, 2016 and 2015.

NOTE 24 – PRIOR PERIOD ADJUSTMENT

In 2017, the Parent Company's current year's operations was restated to effect the adjustment relating to reversal of accrued expenses amounting to ₱8,390,000 recognized in prior years; for which assessment revealed that the Company is no longer liable.

Accounts	Beginning Balance as of January 1, 2017	Adjustments/ Corrections	Adjusted Beginning Balance
Accrued expenses	185,775,691	(8,390,000)	177,385,691
Retained earnings	(90,839,382)	8,390,000	(82,449,382)

In 2016, no adjustments were made by the Parent Company to the beginning balances of accounts.

In 2015, the Parent Company's current year's operations were adjusted to reflect the prior year's excess tax credits which was unrecognized in the books amounting to ₱2,112,009.

Accounts	Beginning Balance as of January 1, 2017	Adjustments/ Corrections	Adjusted Beginning Balance
Prepaid income tax	-	2,112,009	2,112,009
Retained earnings	(86,281,892)	2,112,009	(84,169,883)

NOTE 25 – OTHER MATTERS

As of December 31, 2017, the Company has the following legal cases:

a. *Metro Alliance vs. Commissioner of Internal Revenue*

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 December 31, 2017, 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 Parent Company financial statements.

b. *Metro Alliance and Philippine Estate Corporation vs. Philippine Trust Company, et al., Civil Case SCA#TG-05-2519*

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 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.

c. MAHEC, POLYMAX & WELLEX vs. Phil. Veterans Bank., et al., Civil Case #08-555, RTC Makati Branch 145

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 ₱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 counsel, *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. Based on the facts of these cases, management believes that its positions have legal merits and the resolution thereof will not materially affect the Parent Company's financial position and result of operations.

NOTE 26 – SUPPLEMENTARY TAX INFORMATION UNDER RR – 15- 2010
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Presented below is the supplementary information which is required by the Bureau of Internal Revenue to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and license fees paid or accrued during the year ended December 31, 2017 required under RR No. 15-2010, which became effective on December 31, 2010, are as follows:

26.1 Output VAT

The Parent Company has no sales transactions that are subject to output VAT in 2017.

26.2 Input VAT

The movements of input VAT during the year are summarized below.

Particulars	Amount
Balance at beginning of year	₱ 4,430,229
Current year's domestic purchases/payments during the year	152,884
Input tax claimed	-
Adjustment	-
Balance at end of year	₱ <u>4,583,113</u>

26.3 Other Taxes and Licenses

The details of other taxes and licenses paid and accrued are shown below.

<u>Particulars</u>	<u>Amount</u>
Annual registration fee	₱ 500
Documentary stamp tax	548
Business permit	19,673
Others	<u>6,211</u>
Total	₱ <u><u>26,932</u></u>

26.4 Withholding Taxes

Withholding taxes paid/accrued and/or withheld for the year ended December 31, 2017 consist of:

<u>Particulars</u>	<u>Total</u>
Tax on compensation and benefits	₱ 13,497
Expanded withholding tax	<u>58,518</u>
Total	₱ <u><u>72,015</u></u>

26.5 Deficiency Tax

For the period ended December 31, 2017, the Parent Company paid for the 2015 deficiency tax assessment amounting to ₱113,700.

The other deficiency tax case in which the Parent Company may be liable is discussed in Note 25a.

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION
Schedule of Philippine Financial Reporting Standards

The following table summarizes the effective standards and interpretations as at December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Meaning of Effective PFRSs	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendment of PFRS 2: Classification and Measurement of Share-Based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting to Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendment to PFRS 5: Sale of Controlling Interest in the Subsidiary			✓
	Amendment to PFRS 5: Changes in methods of disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
	Amendment to PFRS 6: Transition Relief			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendment to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9			✓
	Amendment to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Disclosures of Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments		✓	
	Financial Instruments: Classification and Measurement of Financial Liabilities		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Reissue to incorporate a hedge accounting chapter and permit early application of the requirements for presenting in other comprehensive income the "own credit" gains or losses on financial liabilities designated under the fair value option without early applying to other requirements of PFRS 9			✓
	Financial Instruments (final version), incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisition of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 12: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short- Term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers			✓
PFRS 16	Leases	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Classification of Derivatives as Current or Non-Current	✓		
	Amendments to PAS 1 - Classification of Liabilities as Current	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of Statement of Changes in Equity	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Comparative information	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41, Agriculture; Bearer Plants			✓
PAS 17	Leases	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 17: Classification of Land Leases			✓
PAS 18	Revenue	✓		
	Amended by IAS 39 Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 18: Guidance for Determining Whether an Entity is Acting as a Principal or as an Agent.			✓
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Discount Rate: Regional Market			✓
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
	Amendment to PAS 23: Requirement of Capitalization of Borrowing Cost			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments for investment entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
	Amendments for investment entities			✓
PAS 28	Investments in Associates and Joint Ventures			✓
PAS 28 (Amended)	Amendments to PAS 28: Investment Entities – Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Equity Distributions	✓		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 36: Disclosure of Estimates Used to Determine a Recoverable Amount	✓		
	Amendments to PAS 36: Units of Accounting for Goodwill Impairment Testing Using Segments Under PFRS 8 Before Aggregation			✓
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 38: Measurement of Intangible Assets in Business Combinations			✓
	Amendments to PAS 38: Proportionate Restatement of Accumulated Depreciation Under the Revaluation Method			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Reclassifications of Financial Assets	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
	Amendments to Philippine Interpretations IFRIC 16: Entity That Can Hold Hedging Instruments			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓