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SECURITIES AND EXCHANGE COMMISSION

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Industry Classification	
Company Type	Stock Corporation

Document Information

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COVER SHEET

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SEC Registration No.

METRO ALLIANCE HOLDINGS & EQUITIES CORP.

(Company's Full Name)

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

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

Atty. Nestor S. Romulo

Contact Person

(632) 706-7888

Contact Telephone No.

12 31

Fiscal Year

17-Q

FORM TYPE

Any day in May

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign
818	**Php 477,165,527**	**-**

To be accomplished by SEC Personnel concerned

File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended ....**September 30, 2016**

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

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

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

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

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

7. **35th Flr. One Corporate Centre, Doña Julia Vargas cor. Meralco Aves. Ortigas Center, Pasig City** **1226**
   Address of issuer's principal office Postal Code

8. **(632) 848-0848**
   Issuer's telephone number, including area code

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Class A	**183,673,470**
Common Class B	**122,448,979**
Outstanding Debt	**₱467,831,798**

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

    Yes [**x**] No [ ]

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

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

12. Indicate by check mark whether the registrant:

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

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

13. Aggregate market value of the voting stock held by non-affiliates : **<u>Php73,680,126</u>**

14. Not applicable

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

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

- Unaudited Income Statement

Income Statement	**Amounts in Php**			
	Jul – Sept 2016	Jul – Sept 2015	**Jan – Sept 2016**	Jan – Sept 2015
Sales and services	**46,223,375**	33,457,722	**123,751,874**	96,532,629
Cost of sales and services	**(21,182,004)**	(15,104,516)	**(56,297,419)**	(39,970,272)
Gross profit	**25,041,371**	18,353,206	**67,454,455**	56,562,357
Expenses	**(20,985,929)**	(18,815,502)	**(51,839,082)**	(55,012,722)
Other income (expenses)	**–**	(7,282)	**16,164**	(1,790)
Net Income (Loss) Before Tax	**4,055,442**	(469,578)	**15,631,537**	1,547,845
Income tax expense	**1,579,480**	42,444	**5,313,610**	2,210,324
Net income (Loss) After Tax	**2,475,962**	(512,022)	**10,317,927**	(662,479)
Attributable to:				
Equity Holders of the Parent Company	**679,091**	(560,294)	**4,242,940**	(3,172,917)
Non-controlling interest	**1,796,871**	48,272	**6,074,987**	2,510,438
	2,475,962	(512,022)	**10,317,927**	(662,479)
Earnings (Loss) Per Share – Equity Holders Of the Parent Company	**₱0.002**	(₱0.0018)	**₱0.014**	(₱0.0104)

- Unaudited Balance Sheet

Balance Sheet	**Amounts in Php**		
	September 30, 2016	**September 30, 2015**	**Dec. 31, 2015**
Current assets	557,243,517	926,532,438	550,062,773
Noncurrent assets	17,285,295	18,540,615	13,361,700
Total Assets	***574,528,812***	***945,073,053***	***563,424,473***
Current liabilities	467,816,444	854,727,912	466,291,168
Noncurrent liabilities	9,349,083	5,571,836	8,997,865
Total Liabilities	477,165,527	860,299,748	475,289,033
Stockholder's Equity of the Parent Company	81,230,241	75,182,595	76,987,301
Non-controlling interests	16,133,044	9,590,710	11,148,139
Total Stockholders' Equity	97,363,285	84,773,305	88,135,440
Total Liabilities and Stockholders' Equity	***574,528,812***	***945,073,053***	***563,424,473***

The following companies are included in Metro Alliance consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI. The Group's last audited consolidated financial statements was for the year ended December 31, 2006. Due to uncertainties surrounding the acquisition transactions of the Bataan petrochemical plant, the scope of the 2007-2013 audits was completed by the independent auditors and the reports was approved by the Board of Directors on October 10, 2014.

The Group, having resolved its disputes with the foreign parties involved in the Bataan petrochemical project, will commence to explore business opportunities. As of report date, biggest contributor to the Group's revenue is its logistic arm, MCLSI when it steadily growing for the past several years after. The Group will reorganize its operations; evaluate its remaining assets; review all pending legal

cases; and settle and resolve its outstanding issues with other regulatory government bodies. The Group assures the public that it will focus on traditionally stable industries or sunrise sectors in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

a) Key Performance Indicators

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

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

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

Metro Alliance (parent company) financial statements registered unaudited net loss of (₱558,207) for the third quarter of 2016 as compared to the same quarter of 2015 with net loss amounting to (₱785,835) million or a decrease in net loss of ₱227,628 or 28.97% due to decrease on monthly retainer fee of legal counsel by 50% and decrease in other administrative expenses.

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

Performance indicator	Sept 30 2016	Dec 31 2015	Sept 30 2015
Net income (loss) – (In Php)	(558,207)	(3,396,903)	(785,835)
Income (loss) per share (In Php)	(0.001)	(0.011)	(0.003)
Income (loss) on average equity (In Php)	(0.001)	(0.011)	(0.003)
Debt to total assets	0.499	0.495	0.732
Debt to equity	0.966	0.715	2.726

MCLSI Logistics, Inc.
MCLSI's key performance indicators include the following:
1. Profitability
   a. Gross profit margin – measures the profitability of revenues (services) in relation to the cost of services
      (gross profit / revenues)
   b. Net profit margin – ability to generate surplus for stockholders.
      (net income / sales)
   c. Return on assets – ability to generate returns from assets.
      (net income / assets)
   d. Return on equity – ability to generate returns on investment of stockholders.
      (net income / stockholders equity)
2. Liquidity ratios
   a. Current ratio – capacity to meet current obligations out of its liquid assets
      (current assets / current liabilities)
   b. Receivables turnover and days' sales in receivables – measures the ability to collect receivables
      (net credit sales / average trade receivables)
      (365 days / receivables turnover)

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

Comparative analysis of MCLSI's key performance indicators follows:

Performance indicator	Sept 30 2016	Dec 31 2015	Sept 30 2015
Profitability			
a. Gross profit margin	0.545	0.167	0.414
b. Net profit margin	0.100	0.037	0.053
c. Return on assets	0.113	0.055	0.052
d. Return in equity	0.292	0.176	0.164
Liquidity			
a. Current ratio	1.649	1.514	1.379
b. Receivables turnover	1.300	8.365	2.312
c. Days' sales in receivables	280.76	53.63	157

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

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

b) Changes in Operating Results

Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net income of ₱2.4 million for the 3rd quarter of 2016 as against net income of ₱0.5 million for the 3rd quarter of 2015 or an increase of ₱1.9 million or 380%. Earnings (loss) per share attributable to equity holders of Parent Company are ₱0.002 for the 3rd quarter of 2016 and (₱0.0018) for the 3rd quarter of 2015. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group. The increase is due to net effect of (a) increase in service income of MCLSI from new lease and logistics contracts; (b) fine and penalties paid to PSE in 3rd quarter of 2015 for non-submission of annual and quarterly reports; (c) decrease in cost of sales and (d) decrease in general and administrative expenses.

Sales and Services

The Group registered gross service revenue of ₱46.2 million and ₱33.5 million for the quarters ended September 30, 2016 and 2015. The increase in revenue of ₱12.7 million or 37.91% for the 3rd quarter of 2016 is due to increase in service income from MCLSI's lease and logistics contracts and increase in service income from newly incorporated subsidiary of MCLSI, Metro Combined Cargo Solutions, Inc. (MCGSLI).

Cost of Sales and Services

Total cost of sales and services for the quarters ended September 30, 2016 was ₱21.2 compared with the amount recorded for the third quarter of 2015 amounting to ₱15.1 million. Despite of the increase in service income, MCSI was able to sustain the level of cost by offsetting the increase in other expenses by the decrease in other costs: personnel cost increased by ₱3.8 million or 30.16%; rent and utilities increased by ₱6.1 million or 52.59%; trucking cost increased by ₱3.4 million or 35.79%; and other expenses decreased by ₱3.4 million or 26.25%.

Operating Expenses

Total operating expenses of the Group for the 3rd quarter of 2016 amounted to ₱20.9 million as compared to ₱18.8 million for the 3rd quarter of 2015 or an increase of ₱2.1 million or 11.17%. The increase is net effect of increase in personnel cost (₱1.9 million), decrease in depreciation expense (₱0.2 million) since some of the fixed assets already reached their useful life last year, increase in rent and utilities (₱.2 million) and increase in general and administrative expenses (₱0.2 million).

Other income (expenses)
Other income (charges) for the quarters ended September 30, 2016 and 2015 amounted to ₱16,164 and (₱7,282), respectively or a an increase of ₱8,882 or 1600%. The account pertains to interest income and dividend income and/or other income not arising from ordinary course of business. Other income for the 3rd quarter of 2016 pertains to other income relating to trucking services of MCLSI such as sale of scrap machine parts.

c) Changes in Financial Conditions

Assets
Cash and cash equivalents for the 3rd quarter of 2016 and 2015 and as of December 31, 2015 amounted to ₱16.9 million, ₱27.7 million and ₱15.7 million, respectively. The decrease by ₱1.2 million or 7.6% as of 3rd quarter of 2016 compared to December 31, 2015 is net effect of increase in receivables (₱10.9 million), decrease in prepayments (₱4.8 million), payment of cash advances from related parties (₱21.6 million), and increase in accounts payable and accrued expenses (₱23.2 million).

Receivables amounted to ₱103.8 million as of 3rd quarter of 2016, ₱92.9 million as of December 31, 2015 and ₱86.6 million as of 3rd quarter of 2015 (net of allowance for doubtful accounts of ₱147 million for quarter ended September 30, 2016 and ₱149 million December 31 and September 30, 2015, respectively). Trade and other receivables went up by ₱17.2 million or 30.46% in 3rd quarter of 2016 as compared to 3rd quarter of 2015 due to the net effect of increase in credit sale arising from service income of MCLSI (₱14.6 million), increase in due from affiliates (₱0.6 million) and decrease of in other receivables (₱0.6 million). The increase of ₱10.9 million or 11.73% in 3rd quarter of 2016 as against December 31, 2015 is due to net effect of increase in trade receivables (₱9 million), increase in due from affiliates (₱5.4 million) and decrease in other receivables (₱3.5 million). Other receivables represent non-interest bearing receivables from third party business partners of Polymax that are subject to liquidation and advances to related parties. The Group reviews the carrying amount of receivables at each balance sheet date to reduce the balance to their estimated recoverable amounts.

Prepaid expenses and other current assets amounts to ₱21.1 million, ₱25.9 million and ₱23.6 million as of September 30, 2016, December 31, 2015 and September 30, 2015 (net of allowance for probable losses of ₱12.3 million for the quarter ended September 30, 2016 and December 31, 2015 and ₱14.1 million for the quarter ended September 30, 2015). The decrease by ₱2.5 million or 9.7% in 3rd quarter of 2016 as against the 3rd quarter of 2015 is net effect of decrease in creditable withholding taxes (₱3.2 million), decrease in input taxes (₱3.9million), decrease in other prepayments (₱0.3 million) and provision of allowance for probable losses for claimed tax credit (₱2.7 million).

The decrease of ₱4.8 million in 3rd quarter of 2016 as against December 31, 2015 is due to net effect of decrease in creditable withholding taxes (₱2.4 million), increase in input tax (₱0.1 million) and decrease in other prepayments (₱2.5 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 ₱415.4 million as of September 30, 2016, ₱415.4 million as of December 31, 2015 and ₱788.7 million as of September 30, 2015 (which constitute 72% and 84% respectively of the Group's total assets as said periods) 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). The decrease of ₱373.3 million in 3rd quarter of 2016 as against 3rd quarter of 2015, pertains to collections from Polymax which was directly paid to Metro Alliance's creditors for the long outstanding obligations of the company.

On March 18, 2006 and September 20, 2006, 40% and 20%, respectively, of Polymax's interest in NPCA was sold. Thereafter management decided to discontinue operations and cease operating as a going concern. The remaining 40% interest which is for sale is valued at P900 million, which is the estimated recoverable amount from the sale of investment. The realization of the Company's advances to Polymax and the settlement of Polymax's past due liabilities for which the Company is jointly and severally liable, depends on whether sufficient cash flows can be generated from Polymax's 40% interest in NPCA, which is for sale, and from a letter of comfort issued by the major stockholders of the Company in favor of the Company.

Available-for-sale-investments amounted to ₱4.9 million, ₱4.9 million and ₱6.6 million in September 30, 2016, December 31, 2015 and September 30, 2015, respectively. This account includes shares of stocks owned in publicly listed companies. The ₱1.7million decreased in 3rd quarter as compared to 3rd quarter of 2015 pertains to decline in the value of shares of stock in the market. The fair value of these shares has been determined directly by reference to published prices in the active market.

Property, plant and equipment amounted to ₱3.1 million, ₱3.8 million and ₱5.2 million in September 30, 2016, December 31, 2015 and September 30, 2015, respectively. Decrease in property, plant and equipment in 3rd quarter of 2016 as against 3rd quarter of 2015 by ₱2.1 million pertains to depreciation charge for the quarter due to property and equipment.
.
The decrease in 3rd quarter of 2016 as against December 31, 2015 by ₱0.6 million is net of depreciation charges for the 3rd quarter of 2016 of ₱0.9 million and acquisition of transportation equipment amounting to ₱0.3 million.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of September 30, 2016 and December 31, 2015. In 2016 and 2015, 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.

Liabilities

Current Liabilities

Accounts payable and accrued expenses for the quarter ended September 30, 2016, December 31, 2015 and September 30, 2015 amounted to ₱433.1 million, ₱409.9 million and ₱434.8 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 decrease for the 3rd quarter of 2016 against 3rd quarter of 2015 by ₱1.7 million or 0.39% is mainly due to (a) payment of long outstanding legal fee; and (b) settlement MCLSI of trade payables arising from its trucking and warehousing operations that already due.

Due to related parties for the 3rd quarter of 2016, December 2015 and September 30, 2015 amounted to ₱34.7 million, ₱56.3 million and ₱419.9 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. The decrease of ₱385.2 million in 3rd quarter of 2016 as against the 3rd quarter of 2015 and decrease of ₱21.6 million as against the end of 2015 pertains to Metro Alliance settlement of advances and offsetting of receivables and payables among the Group. Significant portion of these advances were used to finance its planned acquisition of petrochemical plant in prior years. Polymax sold another 20% interest in the petrochemical plant in 2014, proceeds from it were paid directly to creditors of Metro Alliance to pay off long outstanding liabilities. The Parent company collected advances from Polymax amounting to ₱373.3 million and this amount was paid to settle loans from related party on the first quarter of 2016.

Accrued retirement benefit cost amounted to ₱9.3 million as of September 30, 2016 and ₱5.5 million as of September 30, 2015. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation. There are no provisions made for the third quarter of 2016 as management believes that current provisions are enough to cover possible retirement expenses for the year.

Summary of Material Trends, Events and Uncertainties

Petrochemical Project

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

On December 19, 2003, Polymax and IFC entered into an Assignment and Transfer Agreement (the Agreement) for the purchase by the former of the senior secured debt papers of BPC. The Company advanced to Polymax the initial deposit of US$5 million, which was remitted to IFC for the assignment payment, pursuant to the terms of the Agreement. On February 11, 2004, IFC confirmed that it has received the full payment for the assignment of the senior secured debt papers of BPC.
To partially finance the Company's advances relating to the Petrochemical Project, the Company obtained short-term loans from local banks (see Note 9). With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Company was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled ₱866.7 million, consisting of the outstanding principal balance of ₱378.3 million and finance charges of ₱488.4 million. In 2007 these past due liabilities were transferred to and applied against the advances made to Polymax.

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

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

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

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

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

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

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

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

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

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

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

On December 31, 2006, the ARSPA Variation Agreement expired with the conditions subsequent remaining unsettled. Nevertheless NPCI and PCII took control of the petrochemical plant resulting in a dispute with the Company and Polymax, which considered the sale of Polymax's 40% and 20% interest in the petrochemical plant to NPCI and PCII as null and void.
On August 21, 2007, the petrochemical plant started commercial operations under NPCI and PIIC.

Subsequently on August 27, 2013, the Company and Polymax ("Respondents") entered into a settlement agreement with NPCI, PIIC and NPC ("Claimants") to resolve the dispute arising from the uncompleted acquisition transactions described above.
By letter dated October 31, 2013, the Claimants informed the Tribunal that the Parties to all three arbitrations had settled their disputes and that they wished to cease the proceedings. A request was made, to which the Respondents concurred by letter dated November 21, 2013, that the Tribunal issue a procedural order to record that the proceedings be withdrawn by agreement.

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

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

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

Legal case
Metro Alliance

Case Title : **Metro Alliance vs Commissioner of Internal Revenue**

Factual basis : Assessment for deficiency withholding taxes for the year 1989, 1990 and 1991

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

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

On April 26, 2006, the Parent Company filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Motion for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue.

Relief Sought : As of September 30, 2016, 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. Trial hearing on April 12, 2016 was held 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.

Relief Sought: As of September 30, 2016, 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.

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.

Case Title	:	**Metro Alliance vs The Philippine Stock Exchange ("PSE")**
Factual basis	:	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.
Relief Sought	:	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. As of the date of this report, PSE has not released yet its decision on the said petition. The management is consistently addressing the Exchange additional requirements to comply.

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

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

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

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

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

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

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

PART II – OTHER INFORMATION

(1) Market Information

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

b)

		Class A		Class B	
		High	**Low**	**High**	**Low**
2016	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
2015	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-
2014	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-
2013	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. (Please refer to 'Summary of Material Trends, Events and Uncertainties').

The high, low and close market price of Class "A" and Class "B" were P0.70 and P0.84 as of May 17, 2007, the last practicable trading date before the PSE suspended the Company's trading last 2007.

(2) Holders

a) There are 306,122,449 shares outstanding: 183,673,470 shares are Class “A” and 122,448,979 shares are Class “B”. As of September 30, 2016, there are 628 holders of Class “A” shares and 403 holders of Class “B” shares.

Metro Alliance’s Top 20 Stockholders as of September 30, 2016 are as follows:

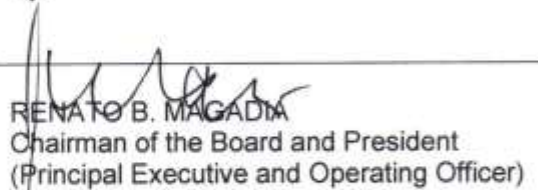
Stockholder's Name		Number of Shares		Percentage
		Class A	Class B	to Total
1	Creston Global Limited		56,378,388	18.417
2	PCD Nominee Corporation (Filipino)	16,229,110	26,522,613	13.966
3	Chesa Holdings, Inc.	40,500,000		13.230
4	Pacific Wide Realty & Development Corp.	31,498,000		10.289
5	Forum Holdings Corporation	16,376,856	13,432,644	9.106
6	Misons Industrial and Development Corp.	22,000,000		7.187
7	Pacific Concorde Corporation	6,329,500	9,503,908	5.172
8	Rexlon Realty Group, Inc.	12,200,000	2,673,112	4.859
9	Chartered Commodities Corp.	11,296,000		3.690
10	Mizpah Holdings, Inc.	10,128,700		3.309
11	William T. 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	0.731
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
	Others	9,562,486	3,1881,975	5.401
	Total	183,673,470	122,448,979	100.00

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on OCT 18 2016.

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 Makati on OCT 18 2016.

By:



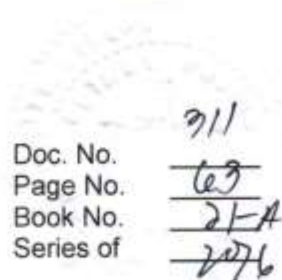
RENATO B. MAGADIA
Chairman of the Board and President
(Principal Executive and Operating Officer)

NESTOR S. ROMULO
Corporate Secretary

JAMES B. PALIT-ANG
Corporate Treasurer

SUBSCRIBED AND SWORN to before me this QUEZON CITY day of OCT 18 2016, affiants exhibiting to me their Tax Identification No. as follows:

AFFIANTS	**TAX IDENTIFICATION NO.**
Renato B. Magadia	100-942-390
Nestor S. Romulo	107-200-723
James Palit-Ang	151-671-333



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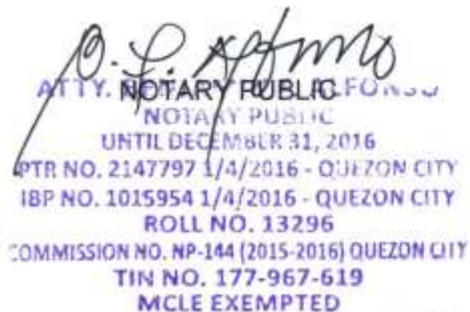
Book No. 21-A
Series of 2016



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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (In Php)

	30-Sept-2016 Unaudited	30-Sept-2015 Unaudited	31-Dec-2015 Audited
ASSETS			
Current Assets			
Cash (Note 4)	**16,947,253**	27,657,782	15,719,137
Receivables – net (Note 5)	**103,808,556**	86,635,580	92,949,511
Prepaid expenses and other current assets (Note 6)	**21,077,258**	23,576,815	25,983,675
Assets held for sale (Note 7)	**415,410,450**	788,662,261	415,410,450
Total Current Assets	**557,243,517**	926,532,438	550,062,773
Noncurrent Assets			
Available-for sale-investments (Note 8)	**4,973,085**	6,558,768	4,973,085
Property, plant and equipment – net (Note 9)	**3,110,711**	5,249,784	3,752,848
Deferred income tax assets – net	**3,876,580**	4,773,825	4,080,211
Deposits and other non-current assets	**4,727,362**	1,464,790	–
Intangible assets (Note 10)	**597,557**	493,448	555,556
Total Noncurrent Assets	**17,285,295**	18,540,615	13,361,700
TOTAL ASSETS	**574,528,812**	945,073,053	563,424,473
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable and accrued expenses (Note 11)	**433,107,550**	434,761,765	409,988,828
Due to related parties (Note 12)	**34,708,894**	419,966,147	56,302,340
Total Current Liabilities	**467,816,444**	854,727,912	466,291,168
Noncurrent Liabilities			
Accrued retirement benefit costs	**9,349,083**	5,571,489	8,997,865
Deferred income tax liability	**–**	347	–
Total Noncurrent Liabilities	**9,349,083**	5,571,836	8,997,865
Total Liabilities	**477,165,527**	860,299,748	475,289,033
Stockholders' Equity			
Equity attributable to equity holders of the Parent Company			
Capital stock	**306,122,449**	306,122,449	306,122,449
Additional paid-in capital	**3,571,921**	3,571,921	3,571,921
Deficit	**(230,887,028)**	(239,646,583)	(235,129,968)
Remeasurement gain on retirement plan	**1,220,777**	2,347,003	1,220,777
Available-for-sale reserve	**1,202,122**	2,787,805	1,202,122
	81,230,241	75,182,595	76,987,301
Non-controlling interests	**16,133,044**	9,590,710	11,148,139
Total Stockholders' Equity	**97,363,285**	84,773,305	88,135,440
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**574,528,812**	945,073,053	563,424,473

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

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

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Php)

	Unaudited			
	Jul – Sept 2016	Jul – Sept 2015	**Jan – Sept 2016**	Jan – Sept 2015
NET SALES				
Services	**46,223,375**	33,457,722	**123,751,874**	96,532,629
COST OF SALES AND SERVICES (Note 14)	**(21,182,004)**	(15,104,516)	**(56,297,419)**	(39,970,272)
GROSS PROFIT	**25,041,371**	18,353,206	**67,454,455**	56,562,357
Expenses (Note 15)	**(20,985,929)**	(18,815,502)	**(51,839,082)**	(55,012,722)
Finance cost	**–**	(10,500)	**–**	(14,000)
Other income (expenses)	**–**	3,218	**16,164**	12,210
LOSS BEFORE INCOME TAX	**4,055,442**	(469,578)	**15,631,537**	1,547,845
PROVISION FOR INCOME TAX				
Current	**1,579,480**	(42,444)	**5,313,610**	(2,210,324)
Deferred	**–**	–	**–**	–
NET INCOME (LOSS)	**2,475,962**	(512,022)	**10,317,927**	(662,479)
Net income (loss) attributable to:				
Equity holders of the parent company	**679,091**	(560,294)	**4,242,940**	(3,172,917)
Minority interests	**1,796,871**	48,272	**6,074,987**	2,510,438
	2,475,962	(512,022)	**10,317,927**	(662,479)
Basic/Diluted Income (Loss) Per Share				
Net loss for the year attributable to the Equity holders of the Parent Company*	**₱0.002**	(₱0.0018)	**₱0.014**	(₱0.0104)

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

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

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

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the period ended September 30,	**Unaudited** **2016**	**2015**
CASH FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	₱4,055,442	₱1,547,845
Adjustments for:		
Amortization of intangible assets	625,001	256,552
Depreciation	995,888	997,520
Interest expense	–	14,000
Interest income	(16,164)	(12,210)
Dividend income	–	(500)
Operating income (loss) before working capital changes:	5,660,167	2,803,207
Decrease (increase) in receivables	(10,859,045)	(6,332,041)
Decrease (increase) in prepaid expense and other current assets	4,906,417	(2,793,070)
Increase (decrease) in accounts payable and accrued expense	23,134,077	15,857,680
Income tax paid	(5,313,610)	2,210,324
Net cash flows provided (used in) operating activities	17,528,006	7,325,452
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	16,164	12,210
Advances to (from) related parties	(21,014,146)	848,455
Acquisition of property and equipment	(353,751)	(1,194,989)
Decrease (increase) in other noncurrent assets	5,051,843	(1,464,790
Net cash flows provided by (used in) investing activities	(16,299,890)	(1,799,114)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payment of):		
Dividend received	–	500
Interest expense	–	(14,000)
Net cash flows provided by (used in) financing activities	–	(13,500)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,228,116**	**5,512,838**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**15,719,137**	**22,144,944**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**₱16,947,253**	**₱27,657,782**

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

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

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

	For the Period Ended September 30	
	2016	2015
ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		
Capital Stock - P1 par value		
Common shares		
Class "A"		
Authorized - 720,000,000 shares		
Issued and outstanding - 183,673,470 shares		
Class "B"		
Authorized - 480,000,000 shares		
Issued and outstanding - 122,449,979	**306,122,449**	**306,122,449**
Additional Paid-in Capital	**3,571,921**	**3,571,921**
Deficit		
Balance at beginning of the year	**(235,129,968)**	**(236,473,666)**
Net income	**4,242,940**	**(3,172,917)**
Balance at end of the period	**(230,887,028)**	**(239,646,583)**
Other Reserves:		
Revaluation reserve on available-for-sale financial assets	**1,202,122**	**2,787,805**
Remeasurement Gain (Loss) on Retirement Plan	**1,220,777**	**2,347,003**
	2,422,899	**5,134,808**
EQUITY ATTRIBUTABLE TO HOLDERS OF PARENT COMPANY	**81,230,241**	**75,182,595**
MINORITY INTERESTS	**16,133,044**	**9,590,710**
TOTAL STOCKHOLDERS' EQUITY	**97,363,285**	**84,773,305**

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

1. Corporate Information

Metro Alliance Holdings & Equities Corp. (MAHEC or the Company) is incorporated in the Philippines. 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 the subsidiary engaged in the manufacture of chemicals was sold. Certain subsidiaries previously engaged in the importation and distribution of polypropylene resin and pharmacy management have ceased operations.

The new registered office address of the Company is 35th Floor One Corporate Centre, Dońa Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City.

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

Status of Operation

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Parent Company will continue as a going concern. As of September 30, 2016 and 2015, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₽415.4million, 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 ₱415.4 million and ₱788.7 million as of September 30, 2016 and 2015, 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 explained in Note 6, 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. The Parent Company financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Management Plan to Address Going Concern Uncertainties

The Group having resolved its disputes with the foreign parties involved in the Bataan petrochemical project will explore business opportunities for the next twelve month. 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 the petrochemical plant as of September 30, 2016. The Board will discuss on their succeeding meetings on how best to proceed on this remaining

investment. Recently, the management is undergoing due diligence in evaluating investment proposal from foreign investor for the plan of reacquiring the majority control of the petrochemical plant. The Board will also outline business target projects including possible investment in mining industry. MAHEC's remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional business from its existing principals.

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) Cessation of operation of subsidiaries that were losing operations and those became inactive;
b) Commitment by the majority shareholders of the company's equity be preserved;
c) Accepting the settlement of disputed issues between the shareholders of NPC Alliance Corporation and recognizing the resulting loss adjustments to reflect the realizable value of the investments of the Company related to the petrochemical project;
d) Liquidation of its bank obligation in respect to the Mabuhay Vinyl investment by way of "dacion" to a mortgage bank;
e) Sale of the Company's remaining shares in Mabuhay Vinyl to generate cash for the Company;
f) Clearing of its remaining bank obligations to free the company form debts;
g) Continuous filings with relevant government agencies;
h) Maintaining a lean organization to sustain its operation during the said period.

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 P1.00 to meet its projected investments after tender offer. Of this amount, ₱3 billion worth of shares earmarked to be issued as follows:

1. Majority interest in an operating mining company which is actively producing nickel and has a capital base of ₱1 billion. This company is presently held by the majority shareholders in joint venture with a Chinese company.

2. A second part capital increase amounting to P2 billion will be underwritten by a Chinese Bank to provide momentarily cash infusion to the company for the reacquisition of 80% NPCA shares which are sold to NPC International, an Iranian interest. This will redown to the company regaining 100% ownership of NPC Alliance. The planned acquisition will allow the entry of a Chinese Petrochemical company to buy in the company up to 70% of the company's restructured equity by way of supplying feedstocks for the NPCA ethylene plant.

The Company is expected to satisfy its cash requirements to finance its projected plans and investments in new venture until the 4th quarter of 2016.

Realization of Outstanding Receivables from Polymax Worldwide in the Amount of Php415,410,540.00 as of September 30, 2016

In order that this outstanding receivable will be fully recovered, a payment by dacion of the remaining 20% NPCA shares held by Polymax in NPC Alliance will be assigned to Metro Alliance, thus, making the company the direct shareholders of NCPA.

With the problem of the US and European economic sanction of Iran being resolved, NPCA will now be able to operate profitably, thus, enhancing the remaining value of the NPCA shares. The estimated present value of the 20% NPCA shares is placed at $20 Million.

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 6.

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 ofNPCA 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 owning 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.

2. Summary of Significant Accounting Policies

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.

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	
	Sept 30	
	2016	2015
Operating subsidiaries:		
Metro Combined Logistics Solutions, Inc. (MCLSI) (formerly GAC Logistics, Inc.)	**51.00**	51.00
Non-operating subsidiaries:		
Consumer Products Distribution Services, Inc. (CPDSI)	**100.00**	100.00
FEZ-EAC Holdings, Inc. (FEZ-EAC)	**100.00**	100.00
Zuellig Distributors, Inc. (ZDI)	**100.00**	100.00
Asia Healthcare, Inc. (AHI)	**60.00**	60.00

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.

Adoption of New Standards, Amendments to Standards and Interpretations

The PFRSC approved the adoption of new standards, amendments to standards, and interpretations.

Amendments to Standards and Interpretations Adopted in 2013

Starting January 1, 2013, the Group adopted the following new and amended PAS and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC):

- PFRS 10, *Consolidated Financial Statements.* PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. Adoption of this standard has no significant impact on the consolidated financial statements.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments).* The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be

recycled. Adoption of this standard is reflected in the consolidated statement of comprehensive income.

- PAS 19*, Employee Benefits (Revised).* For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period. The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized. Adoption of this standard resulted in the inclusion of additional disclosures in the consolidated financial statements and restatement of December 31 and January 1, 2012 accounts.

- PFRS 12, *Disclosure of Interests in Other Entities.* PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). Adoption of this standard has no significant impact on the consolidated financial statements.

- PFRS 13, *Fair Value Measurement.* PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS.PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Adoption of this standard resulted in the inclusion of additional disclosures in the consolidated financial statements (see Note 26).

Annual Improvements to PFRSs (2009-2011 Cycle)

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information.* These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has included comparative information in respect of the opening consolidated balance sheet as at January 1, 2012 since there is a retrospective application of an accounting policy.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments.* The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. This has no impact on the consolidated financial statements.

Future Changes in Accounting Policies

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been early adopted. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below.

Effective 2014
PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (*Amendments*). These Amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these Amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

Effective in 2015
PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (*Amendments*). The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.

Annual Improvements to PFRSs (2010-2012 Cycle)

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets.* The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.

- PFRS 13*, Fair Value Measurement – Short-term Receivables and Payables.* The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 24*, Related Party Disclosures – Key Management Personnel.* The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

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 September 30, 2016 and 2015.

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

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

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

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

The Group has no HTM investments as of September 30, 2016 and 2015.

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

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

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

The Group has no derivative liabilities as of September 30, 2016 and 2015.

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 balance sheet.

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:

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

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

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

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

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

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of Non-financial Asset with Definite Useful Life
The carrying values of property and equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the

cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

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

Revenue

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

Logistics and Other Services

Revenue is recognized when the related services are rendered.

Interest

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

Dividend Income

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

Expenses

Expenses are recognized as incurred.

Leases

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

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

Borrowing Costs

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

Retirement Benefits Costs

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

The net defined liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period, reduced by the fair value of plan assets (if any), adjusted for any

effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form or refunds from the plan or reductions in future contributions to the plan.

Retirement benefits costs include service cost, net interest on the net defined obligation or asset and remeasurements of net defined benefit obligation or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as part of cost of services and expenses in the consolidated statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.
Net interest on the net defined obligation or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

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

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

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 is 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 balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates, judgment 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 n 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 8).

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 23).

Contingencies
The Group is currently involved in various legal proceedings, which are normal to its business as discussed in Note 29. 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.

Estimated Allowance for Doubtful Accounts and Probable Losses
The Group reviews the carrying amounts of receivables, creditable withholding taxes 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.

Provision for doubtful accounts and other losses are determined at the end of each balance sheet date and reduce the balance of these assets to their estimated recoverable amounts.

Receivables (net of allowance for doubtful accounts of ₱147 million and ₱149.5 million as of September 30, 2016 and 2015, respectively), amounted to ₱103.8 million and ₱86.6 million as of September 30, 2016 and 2015, respectively (see Note 7).

Creditable withholding taxes and input taxes, included under "Prepaid expenses and other current assets" in the consolidated balance sheets, totaling ₱26.5 million and ₱33.6 million as of September 30, 2016 and 2015, respectively, are covered with allowance for doubtful accounts of ₱12.3 and ₱14.1 million as of September 30, 2016 and 2015, respectively.

Advances to Polymax (under assets held for sale) amounting to ₱415.4 million and ₱788.7 million as of September 30, 2016 and 2015, respectively, constitute 72% and 84% of the Group's total assets as at September 30, 2016 and 2015, 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 Company is jointly and severally liable, is dependent on whether sufficient cash flows can be generated from the sale 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, as discussed in Note 8.

Estimated 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 September 30, 2016 and 2015.

In September 30, 2016 and 2015, 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 12.

As of September 30, 2016 and 2015, property and equipment, net of accumulated depreciation, amounted to ₱3.1 million and ₱5.2 million, respectively (see Note 11). Total depreciation expense charged to operations amounted to ₱0.9 million, ₱0.1 million and ₱0.9 million for the period ended September 30, 2016, December 31, 2015 and September 30, 2015, respectively (see Notes 16 and 17).

Evaluation of Impairment of Noncurrent Nonfinancial Assets
The Group assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash generating unit to which the asset belongs.

Management believes that there was no indication of impairment on property and equipment as of September 30, 2016 and 2015. As of September 30, 2016 and 2015, property and equipment, net of accumulated depreciation and amortization, amounted to ₱3.1 million and ₱5.2 million, respectively, as shown in Note 11 and total depreciation and amortization charged to operations amounted to ₱0.5 million in 2016 and ₱0.6 million in 2015 (see Notes 18 and19).

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 26.

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.

Classification of Financial Instruments

The Group 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, a financial liability or an equity instrument. The substance of financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets.

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

Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income taxes at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable (or recognizes deferred income tax assets 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 net deferred income tax assets amounted to ₱3.9 million and ₱4.8 million as of September 30, 2016 and 2015, respectively (see Note 18).

The Group did not recognize deferred income tax assets on certain deductible temporary differences and NOLCO as management believes that the Group may not have sufficient future taxable profits available to allow utilization of these deferred income tax assets (see 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 describe in Note 19 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, 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.

The accrued retirement benefit costs amounted to ₱9.3 million and ₱5.5 million as of September 30, 2016 and 2015, respectively (see Note 19).

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 finance leases (See Notes 12 and 20).

4. Cash and Cash Equivalents

	Sept. 30, 2016	Dec 31, 2015	Sept. 30, 2015
Cash on hand	₱ 141,000	₱ 141,000	₱ 141,000
Cash in banks	16,806,253	15,578,137	27,516,782
	₱16,947,253	₱ 15,719,137	₱ 27,657,782

As of September 30, 2016, December 31, 2015 and September 30, 2015, US Dollar denominated cash, as stated in Philippine Peso amounted to ₱29,405.42, ₱28,482 and ₱25,554.

Cash in banks earn interest at the respective bank deposit rates. Interest income from banks amounted to ₱16,164 in September 30, 2016, ₱61,712 in December 31, 2015 and ₱12,210 in September 30, 2015.

5. Receivables

	Sept 30 2016	Dec 31 2015	Sept 30 2015
Notes	₱143,865,021	₱143,865,021	₱138,710,706
Trade	62,177,851	53,179,627	47,569,163
Due from affiliates (Note 14)	11,102,997	5,716,471	10,515,342
Others	33,700,328	37,226,033	39,388,172
	250,846,197	239,987,152	236,183,383
Less allowance for doubtful accounts	(147,037,641)	(147,037,641)	(149,547,803)
	₱103,808,556	₱92,949,511	₱86,635,580

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 2015 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 include advances to employees and associates. The credit quality and aging to trade and other receivables are fully disclosed in Note 22. Provision for allowance for doubtful accounts is provided at the end of each balance sheet date. The Group's receivables are not held as collateral for its liabilities and are free from any encumbrances.

The movements in the allowance for probable losses are as follows:

Particulars		**2016**	**2015**
Balance at beginning of year	₱	**147,037,641**	**149,547,803**
Provision for the quarter		**–**	**--**
Balance at end of quarter	₱	**147,037,641**	**149,547,803**

6. Prepaid Expenses and Other Current Assets

Details are as follows:

	Sept 30 2016	Dec 31 2015	Sept 30 2015
Creditable withholding taxes	₱20,465,435	₱22,881,472	₱23,686,492
Input taxes	6,026,872	7,810,326	9,941,527
Refundable deposits	3,792,938	3,792,938	1,400,410
Prepayments and others	3,046,358	3,753,284	2,675,867
	33,331,603	38,238,020	37,704,296
Less allowance for probable losses	12,254,345	12,254,345	14,127,481
	₱21,077,258	₱25,983,675	₱23,576,815

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

7. Assets Held for Sale/Discontinued Operation

Asset held for sale amounting to ₱415,410,450 and ₱788,662,260 as of September 30, 2016 and 2015, respectively, which constitutes 94% and 84% of the Group's total assets as of September 30, 2016 and 2015, respectively, 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, Polymax's management decided to discontinue operations, cease operating as a going concern, and exclude the accounts of Polymax in the Group's consolidated financial statements. The remaining 40% interest of Polymax in NPCA, which is for sale, is valued at₱900 million, which is the estimated recoverable amount from sale of the investment (see Note 2 for details).

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 40% interest in NPCA. In this regard and to ensure the recoverability 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, 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.

Condensed unaudited financial information of Polymax as of September 30, 2016 and 2015 prepared on the liquidation basis of accounting is shown in the table below.

	Sept 30 2016	Dec 31 2015	Sept 30 2015
Assets			
Cash and cash equivalents	₱130,966,060	₱130,966,060	₱130,966,060
Assets held for sale	347,720,000	347,720,000	347,720,000
Due from related parties	157,433,30	157,433,30	530,685,120
Total assets	636,119,370	636,119,370	1,009,371,180
Liabilities			
Liabilities related to assets held for sale	994,668,446	994,668,446	994,668,446
Due to Metro Alliance Holdings and Equities Corp.	415,410,450	415,410,450	788,662,261
Other payable	49,030,000	49,030,000	49,030,000
Total liabilities	1,459,108,896	1,459,108,896	1,832,360,707
Net equity	(₱822,989,527)	(₱822,989,527)	(₱822,989,527)

Assets held for sale pertains to the estimated recoverable value of Polymax's 40% interest in NPCA.

Liabilities related to assets held for sale pertain to past due liabilities which were obtained to finance the acquisition of 100% ownership interest in NPCA. The Parent Company is jointly and severally liable with Polymax with respect to these past due liabilities. These liabilities were previously carried in the books of the Parent Company but were unilaterally transferred to Polymax in 2007 and partially applied against the advances made to Polymax to reflect the economic substance of the loan and acquisition transactions, instead of merely their legal forms, as discussed in Note 2.

8. Available-for-sale Investments

Available-for-sale investments consist of investment in shares of Waterfront Philippines, Inc. (WPI) and others that are quoted in the local stock exchange, as well as investments in unlisted shares. Movements of the account follow:

Particulars	September 30 **2016**	2015
Balance at beginning of year	₱ **4,973,085**	₱ 6,471,473
Cumulative fair value gain (loss) – in equity	**–**	(1,498,388)
Total	₱ **4,973,085**	₱ 4,973,085

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

Particulars	September 30 2016	2015
Balance at beginning of year	₱ **1,202,122**	₱ 2,787,805
Cumulative fair value gain (loss) – in equity	**–**	(1,585,683)
Total	₱ **1,202,122**	₱ 1,202,122

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

9. Property and Equipment - At Cost

September 30, 2016

	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	**Total**
Cost				
Balances at beginning of year	₱1,549,117	₱21,849,404	₱13,574,317	**₱36,972,838**
Additions	–	353,751	–	**353,751**
Balances at end of year	₱1,549,117	₱22,203,155	₱13,574,317	**₱37,326,589**
Accumulated Depreciation and Impairment Loss				
Balances at beginning of year	1,196,763	18,843,748	13,179,479	**33,219,990**
Depreciation	32,230	568,820	394,838	**995,888**
Balances at end of year	1,228,993	19,412,568	13,574,317	**34,215,878**
Net book value	**₱ 320,124**	**₱ 2,790,857**	**₱ –**	**₱3,110,711**

September 30, 2015

	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Total
Cost				
Balances at beginning of year	₱892,995	₱22,442,079	₱15,606,280	₱38,941,354
Additions	–	1,194,989	–	1,194,989
Balances at end of year	₱892,995	₱23,637,068	₱15,606,280	₱40,136,343
Accumulated Depreciation and Impairment Loss				
Balances at beginning of year	727,337	18,722,844	14,438,858	33,889,039
Depreciation	24,519	541,709	431,292	997,520
Balances at end of year	751,856	19,264,553	14,870,150	34,886,559
Net book value	₱141,139	₱4,372,515	₱736,130	₱ 5,249,784

The Group has no outstanding contractual commitments to acquire certain property and equipment as of September 30, 2016 and 2015.

In 2016 and 2015, 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.

10. Intangible Assets

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

The carrying amount of intangible assets as of September 30, 2016 is as follows:

Particulars	Beginning Balances	Additions	Ending Balances
Cost:			
Short messaging	₱ 135,135	–	**₱ 135,135**
Warehouse management system	1,309,910	–	**1,309,910**
Caerus accounting system	1,025,000	–	**1,025,000**
SAP accounting system	–	667,002	**667,002**
Total	₱ 2,470,045	667,002	**₱ 3,137,047**
Accumulated Amortization:			
Short messaging	₱ 135,135	–	**₱ 135,135**
Warehouse management system	1,309,910	–	**1,309,910**
Caerus accounting system	469,444	352,083	**821,527**
SAP accounting system	–	272,918	**272,918**
Total	₱ 1,914,489	625,001	**₱ 2,539,490**
Carrying amount	₱ 555,556	42,001	**₱ 597,557**

The carrying amount of intangible assets as of September 30, 2015 is as follows:

Particulars	Beginning Balances	Additions	Ending Balances
Cost:			
Short messaging	₱ 135,135	–	**₱ 135,135**
Warehouse management system	1,309,910	–	**1,309,910**
Caerus accounting system	900,000	–	**900,000**
Total	₱ 2,345,045	–	**₱ 2,345,045**
Accumulated Amortization:			
Short messaging	₱ 135,135	–	**₱ 135,135**
Warehouse management system	1,309,910	–	**1,309,910**
Caerus accounting system	150,000	–	**150,000**
Total	₱ 1,595,045	–	**₱ 1,595,045**
Carrying amount	₱ 750,000		**₱ 750,000**

Intangible assets were not pledged as security for any liability. MCLSI has no outstanding contractual commitments to acquire certain intangible assets.

Intangible assets pertaining to non-exclusive software license costs for use in the warehouse management system that was acquired in 2013 have been fully amortized during the year as management assessed that it will not provide a future economic benefit to the Company.

11. Accounts Payable and Accrued Expenses

Details of this account are shown below.

	Sept 30 2016	Dec 31 2015	Sept 30 2015
Accrued expenses	**₱185,955,112**	₱186,567,290	**₱360,009,860**
Trade payables	**30,630,067**	31,382,148	**45,647,252**
Accrued finance charges – related party	**–**	–	**14,209,630**
Other liabilities	**216,522,371**	192,039,390	**14,895,023**
	₱433,107,550	₱409,988,828	**₱434,761,765**

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

Accrued expenses and other liabilities 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. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* is not disclosed as it may prejudice the outcome of the related claims and tax assessments.

Other liabilities mainly pertain to payable to government agencies.

12. Related Party Transactions

a. Due from/to related parties

   The amounts due from related parties included under receivables are unsecured and noninerest 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, Pretrochemical 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. Advances from WPI were fully settled in 2015.

b. Payables for shared operating expenses

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

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

Compensation of Key Management Personnel
Key management personnel are those person having authority and responsibility for planning and directing and controlling the activities of the Group, directly or indirectly.
Details of compensation of key management personnel are as follows.

	Sept 30 2016	Dec 31 2015	Sept 30 2015
Short-term employee benefits	₱9,349,083	₱8,655,149	₱6,954,626
Retirement benefits	–	–	846,666
	₱9,349,083	₱8,655,149	₱7,801,292

In the stockholder's meeting of MCLSI held on May 30, 2012, it was resolved that each director shall be paid a reasonable per diem in the amount of ₱3,000 for every meeting attended beginning May 30, 2012.

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

Significant transactions with related parties include the following:

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

Related Party	Category	Period	Amount/ Volume of Transactions	Receivables (Payables)	Terms	Conditions
Entity with significance influence over the entity						
Polymax	Non-interest bearing under asset held for sale (Note 6)	12/31/15	(₱373,251,811)	₱415,410,450	Non-interest bearing	Unsecured; not impaired
		09/30/16	**–**	**415,510,450**		
Operating subsidiary						
MCLSI	Non-interest bearing under asset held for sale (Note 6)	12/31/15	(250,000)	250,000	Non-interest bearing	Unsecured; not impaired
		09/30/16	**–**	**250,000**		
Associates (entities under common control)						
The Wellex Group, Inc.	Non-interest bearing due from related parties	12/31/15	–	5,416,174	Non-interest bearing	Unsecured; not impaired
		09/30/16	**60,362**	**5,476,536**		
Others	Non-interest bearing due from related parties	12/31/15	(243,190)	50,297	Non-interest bearing	Unsecured; not impaired
		09/30/16	153,243	**203,540**		
Acesite (Phils.) Hotel Corporation	Non-interest bearing due to related parties	12/31/15	(612,531)	(5,627,202)	Non-interest bearing	Unsecured; not impaired
		09/30/16	**–**	**(5,627,202)**		
Waterfront Philippines Inc. (WPI)	Non-interest bearing due to related parties	12/31/15	(365,933,148)	–	Non-interest bearing	Unsecured; not impaired
		09/30/16	**–**	**–**		
The Wellex Group, Inc.	Non-interest bearing due to related parties	12/31/15	4,684,695	(27,176,176)	Non-interest bearing	Unsecured; not impaired
		09/30/16	**14,862,601**	**(12,313,575)**		
Gulf Agency Company Holdings (BV)	Non-interest bearing due to related parties	12/31/15	(782,481)	(23,273,962)	Non-interest bearing	Unsecured; not impaired
		09/30/16	**(4,929,980)**	**(16,768,117)**		
Other related parties						
Others	Non-interest bearing due to related parties	12/31/15	4,277,971	(4,883,463)	Non-interest bearing	Unsecured; not impaired
		09/30/16	**5,172,921**	**5,172,921**		
Accrued finance charges						
Waterfront Philippines, Inc. (WPI)		12/31/2015	**(14,209,630)**	**–**	Non-interest bearing	Unsecured; not impaired
		09/30/2016	**–**	**–**		

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

In 2015, the Parent Company was able to collect advances from Polymax Worldwide, Limited. The collections were used to settle its long outstanding liability to WPI with a principal balance of ₱365,933,148 and accrued finance charges of ₱7,132,891 at a discount of ₱17,482,601. This discount was recognized as Company's other income arising from a condoned liability in its books.

13. Capital Stock

a. The Group's capital stock as of June 30, 2016 and 2015 consists of the following common shares:

Class "A" – ₱1 par value	
Authorized – 720,000,000 shares	
Issued and Outstanding – 183, 673,470 shares	
Number of equity holders – 676 in 2013 and 2012	₱183,673,470
Class "B" – ₱1 par value	
Authorized – 480,000,000 shares	
Issued and Outstanding – 122,448,979 shares	
Number of equity holders – 421 in 2013 and 2012	₱122,448,979
	₱306,122,449

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

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

14. Cost of Sales and Services

Details of this account are shown below.

	Sept 30 2016	Dec 31 2015	Sept 30 2015
Personnel costs	**₱16,439,593**	₱43,497,407	**₱12,586,065**
Rent and utilities (Note 20)	**17,716,628**	16,182,835	**11,633,614**
Transportation and Travel	**12,850,147**	37,139,315	**9,542,436**
Outside services	**2,547,698**	11,343,859	**2,067,405**
Security services	**2,629,949**	1,785,538	**1,242,476**
Communication and office supplies	**1,295,545**	1,715,268	**585,957**
Depreciation and amortization (Note 11)	**807,793**	2,777,995	**579,208**
Repairs and maintenance	**251,742**	326,178	**317,760**
Others	**1,758,324**	5,426,425	**1,415,351**
	₱56,297,419	₱120,194,820	**₱39,970,272**

15. Expenses

Details of this account are shown below.

	Sept 30 2016	Sept 30 2015
Salaries, wages and employee Benefits	**₱33,936,981**	₱35,818,702
General and administrative expenses	**8,536,926**	8,349,210
Rent and utilities	**1,895,003**	1,020,449
Depreciation	**188,095**	418,312
Taxes and licenses	**887,619**	838,451
Professional fee	**943,090**	865,796
Others	**5,451,368**	7,701,802
	₱51,839,082	₱55,012,722

Others include professional fees, communication, supplies, transportation, entertainment and others.

16. Leases

Operating leases of MCLSI relate of leases of a warehouse, renewable upon agreement of parties, and office space, both for a period of two years. Operating lease payments represent rentals payable by the MCLSI for its warehouse and office space. The lease contact for warehouse provided for prepaid rent and rental security deposits equivalent to one month rental ₱ 354,640.

At reporting date, the MCLSI had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	September 30, 2016
Within one year	**₱9,392,726**
After one year but not more than five years	**14,459,381**
	₱23,852,107

Rental are distributed as follows:	
Cost of services	**₱ 16,182,835**
Operating expense	**756,000**
Rental expense for the quarter	**₱ 16,938,835**

Office space

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, 2016 and ending on January 31, 2017, renewable subject to the terms and conditions as may be mutually agreed upon. Monthly rental payments amounted to ₱70, 781. The contract also provided for prepaid rent and rental security deposits equivalent to two months' rental of ₱141, 561 representing one-month deposit and one-month advance rental. The advance rental shall be applied on the first month of lease term. Deposit shall be non-interest bearing and shall apply to whatever valid claims in case of the pre-termination of the lease term.

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. Rental deposits amounted to ₱701,505 equivalent to three (3) months rental to answer for any of its obligations and to be refunded upon the expiration of lease term after the termination of the contact.

b) MCLSI entered into a 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 ₱330,691.20. Rental deposits amounted to ₱932.400 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 ₱350,162.40. Rental deposits amounted to ₱987,300 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.

17. Logistics Agreements

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

18. Financial Assets and Financial Liabilities

The following table summarizes the carrying and fair values of the Group's financial assets and financial liabilities as of September 30, 2016 and December 31, 2015:

	September 30 2016		December 31 2015	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	**₱ 16,947,253**	**₱ 16,947,253**	₱15,719,137	₱15,719,137
Receivables	**103,808,556**	**103,808,556**	92,949,511	92,949,511
AFS investments	**4,973,085**	**4,973,085**	4,973,085	4,973,085
Refundable deposits (included in "Other noncurrent assets")	**3,792,938**	**3,792,938**	3,792,938	3,792,938
	₱129,521,832	**₱129,521,832**	₱117,434,671	₱117,434,671
Financial Liabilities				
Accounts payable and accrued expenses*	**₱30,360,067**	**₱30,360,067**	₱ 31,382,148	₱ 31,382,148
Due to affiliates	**34,708,894**	**34,708,894**	56,302,340	56,302,340
	₱65,068,961	**₱65,068,961**	₱ 87,684,488	₱ 87,684,488

**Excluding payable to government agencies and reserve for contingencies which are not considered as financial liabilities*

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, receivables, loans payable, due to affiliates, accounts payable and accrued expenses approximate their fair values.

AFS Investments
The fair values of publicly traded instruments and similar investments are based on quoted bid prices.

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

Refundable Deposits
The fair values of refundable deposits and obligation under finance lease have been determined by discounting the expected future cash flows at prevailing interest rates.

19. Financial Risk Management Objectives and Polices

The Group's principal financial instruments consist of cash, due from (to) affiliates AFS investments and loans payable. The main purpose of these financial instruments is to finance the Group's operations. The Group's other financial assets and financial liabilities include receivables, accoaccrued expenses and other current liabilities, which arise directly from its operations.

The main risk 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:

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

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

	September 30 2016			
	On Demand	**Within 1 Year**	**More than 1 Year**	**Total**
Cash and cash equivalents	**₱16,947,253**	**₱ –**	**₱ –**	**₱16,947,253**
Receivables	**62,177,851**	**–**	**41,630,705**	**103,808,556**
Refundable deposits	**–**	**3,792,938**	**–**	**3,792,938**
	79,125,104	**3,792,938**	**41,630,705**	**124,548,747**
AFS financial assets	–	**–**	**4,973,085**	**4,973,085**
	₱79,125,104	**₱3,792,938**	**₱46,603,790**	**₱129,521,832**
Due to related parties	**₱ –**	**₱ –**	**₱34,708,894**	**₱34,708,894**
Accrued expenses and other current liabilities	**–**	**30,360,067**	**402,747,483**	**433,107,550**
	₱ –	**₱30,360,067**	**₱437,456,377**	**₱467,816,444**

	December 31 2015			
	On Demand	Within 1 Year	More than 1 Year	Total
Cash and cash equivalents	₱15,719,137	₱ –	₱ –	₱15,719,137
Receivables	53,179,627	–	39,769,884	92,949,511
Refundable deposits	–	3,792,938	–	3,792,938
	68,898,764	3,792,938	39,769,884	112,461,586
AFS financial assets	–	–	4,973,085	4,973,085
	₱68,898,764	₱ 3,792,938	₱44,742,969	₱117,434,671
Due to related parties	₱ –	₱ –	₱56,302,340	₱56,302,340
Accrued expenses and other current liabilities	–	31,382,148	378,606,681	409,988,829
	₱ **–**	₱31,382,148	₱434,909,021	₱466,291,169

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

Financial information on the Company's maximum exposure to credit risk as of September 30, 2016 and December 31, 2015, without considering the effects of collaterals and other risk mitigation techniques are presented below. (see next page)

	September 30 2016	December 31 2015
Cash and cash equivalents	**₱16,947,253**	₱ 15,719,137
Receivables	**103,808,556**	92,949,511
Refundable deposits	**3,792,938**	3,792,938
	₱124,548,747	₱ 112,461,586

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

September 30 2016

	High Grade	**Medium Grade**	**Past due but not impaired**	**Total**
Cash and cash equivalents	₱16,947,253	₱ –	₱ –	**₱16,947,253**
Receivables	62,177,851	–	41,630,705	**103,808,556**
Refundable deposits	3,792,938	–	–	**3,792,938**
	₱82,918,042	**₱ –**	**₱41,630,705**	**₱124,548,747**

December 31 2015

	High Grade	Medium Grade	Past due but not impaired	Total
Cash and cash equivalents	₱15,719,137	₱ –	₱ –	**₱15,719,137**
Receivables	53,179,627	–	39,769,884	**92,949,511**
Refundable deposits	3,792,938	–	–	**3,792,938**
	₱72,691,702	**₱ –**	**₱39,769,884**	**₱112,461,586**

20. Capital Management

The primary objective of the Company's capital management is to maintain a strong credit rating and healthy capital ratios to maximize shareholders equity and for future business expansion.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings. Other components of equity such as unrealized gains are excluded from capital for purposes of capital management.

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 Group's external environment and the risks underlying the Parent Company's business, operation and industry.

As of September 30, 2016, the Parent Company's authorized and issued capital stock amounted to ₱306 million and there were no changes from prior period.

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

The Group monitors its capital gearing by measuring the ratio of interest-bearing loan to total equity. Interest-bearing loan includes all short-term and long-term loans. The Group's total equity attribute to equity holders of the Parent Company as at September 30, 2016, December 31 and September 30, 2015 amounted to ₱81.2 million, ₱77 million and ₱75.2 million, respectively.

21. Other Matters

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

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

On April 26, 2006, the Parent Company filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Motion for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue. As of September 30, 2016, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable. Management believes, however, that the ultimate outcome of the case will not have a material effect on the consolidated financial statements.

B. On September 14, 2005, the Parent Company and a third party filed a civil action against a local bank for the imminent extra-judicial foreclosure of the properties of the third party which are used as real estate mortgage for additional loans from the local bank amounting to ₱42 million, which the Parent Company maintains has never been received.

   On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction (first injunction). As of October 10, 2014, the case is still pending with the same court. Trial on the merits of the case has not been started as the Parent Company, through its counsel, filed an Amended Complaint with an Urgent Application for the Issuance of Writ of Preliminary Injunction after the first injunction was nullified by the Court of Appeals and affirmed by the SC.

   The case is has started and now on going in the Tagaytay Court for trial hearings under a new judge. Trial hearing was on April 2016 for the presentation of the Parent Company's witness. The Parent Company and its legal counsel are positive that the court will sustain their position.

C. There is a consolidated injunction suit with damages filed on July 23, 2008 to nullify a foreclosure of a lot. In successive certiorari cases that plaintiffs filed, both CA & SC upheld the counterparty. The counterparty filed a Notice of Appeal to CA on May 8, 2015 which was questioned defective but still approved and ruled against the Parent Company. In its May 12, 2015 Order, both cases are now on appeal in the CA.

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

METRO ALLIANCE HOLDINGS & EQUITIES CORP.
AND SUBSIDIARIES
APPENDIX A – FINANCIAL SOUNDNESS
SEPTEMBER 30, 2016

	September 30 2016	September 30 2015	December 31 2015
Profitability ratios:			
Return on assets	**1.80%**	**-0.07%**	0.35%
Return on equity	**10.60%**	**-0.76%**	2.59%
Net profit margin	**54.51%**	**-0.69%**	1.39%
Solvency and liquidity ratios:			
Current ratio	**119.12%**	**108.72%**	117.97%
Debt to equity ratio	**490.09%**	**982.76%**	617.36%
Quick ratio	**25.81%**	**13.37%**	23.30%
Cash-flow liquidity ratio	**3.75%**	**4.10%**	3.37%
Financial leverage ratio:			
Asset to equity ratio	**590.09%**	**1082.76%**	731.84%
Debt to asset ratio	**83.05%**	**90.76%**	84.36%
Interest rate coverage ratio	**0.00%**	**111.56%**	1.89%

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
TRADE RECEIVABLES AGING SUMMARY
As of September 30, 2016
in Php '000s

Principal/Customer	Credit Terms	Total	Amount in Php '000				
			Current	1-30	31-60	61-90	Over 90
MCLSI Logistics							
Rustans Supermarkets, Inc. (RSI)	30 days	32,791	22,052	6,913	1,913	1,913	–
Johnson & Johnson (J&J)	30	16,512	5,543	4,969	2,789	3,211	–
Zuellig Pharma Corp. (ZPC)	60	6,118	4,010	1,304	804	–	–
Interphil Laboratories Inc.	30	1,857	737	1,120	–	–	–
Alaska	60	2,164	500	500	–	179	985
Lixil Phils.	30	1,325	825	500	–	–	–
Others	60	1,410	926	–	–	–	484
		62,177	34,593	15,306	5,506	5,303	1,469