

**COVER SHEET**

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SEC Registration No.

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

(Company's Full Name)

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

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

Atty. Nestor S. Romulo

Contact Person

(632) 706-7888

Contact Telephone No.

1 2 3 1

Fiscal Year

1 7 - Q

FORM TYPE

Any day in May

Month Day Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

820

Total No. of Stockholders

Total Amount of Borrowings

Php854,292,292

Domestic

-

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

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 .....June 30, 2015
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. 35<sup>th</sup> Flr. One Corporate Center, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig  
City \_\_\_\_\_ Postal Code  
Address of issuer's principal office 1605
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
<b>Common Class A</b>	<b>183,673,470</b>
<b>Common Class B</b>	<b>122,448,979</b>
<b>Outstanding Debt</b>	<b>P 854,292,292</b>

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

Yes [  ] No [  ]

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

Philippines Stock Exchange

Common Class A and Class B

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [  ] No [  ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [  ] No [  ]

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

## 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

<i>Income Statement</i>	<b>Amounts in Php</b>			
	<b>Apr. – Jun. 2015</b>	<b>Apr. – Jun. 2014</b>	<b>Jan. – Jun. 2015</b>	<b>Jan – Jun. 2014</b>
Sales and services	<b>35,089,405</b>	26,937,963	<b>63,074,907</b>	53,875,926
Cost of sales and services	<b>(17,830,616)</b>	( 9,057,372)	<b>(24,865,756)</b>	(18,114,744)
Gross profit	<b>17,258,789</b>	17,880,591	<b>38,209,151</b>	35,761,182
Expenses	<b>(17,554,516)</b>	(18,265,284)	<b>(36,197,221)</b>	(36,530,568)
Other income (charges)	<b>5,267</b>	( 340,452)	<b>5,492</b>	( 680,902)
Net Income (Loss) before tax	<b>( 290,460)</b>	( 725,145)	<b>2,017,422</b>	( 1,450,290)
Income tax expense – current	<b>1,011,105</b>	–	<b>2,167,879</b>	–
Net Income (Loss) after tax	<b>( 1,301,565)</b>	( 725,145)	<b>( 150,457)</b>	( 1,450,290)
Net income (loss) attributable to:				
Equity holders of the parent company	<b>(2,441,515)</b>	(904,263)	<b>(2,612,623)</b>	(1,821,534)
Minority interests	<b>1,139,950</b>	179,118	<b>2,462,166</b>	371,244
	<b>(1,301,565)</b>	(725,145)	<b>( 150,457)</b>	(1,450,290)
Earnings (Loss) Per Share attributable to the equity holders of the Parent Company	<b>(₱ 0.0080)</b>	(₱ 0.0030)	<b>(₱ 0.0085)</b>	(₱ 0.0060)

Unaudited Balance Sheet

<i>Balance Sheet</i>	<b>Amounts in Php</b>		
	<b>Jun. 30, 2015</b>	<b>Jun. 30, 2014</b>	<b>Dec. 31, 2014</b>
Current assets	922,669,866	1,075,135,347	911,894,489
Noncurrent assets	18,813,453	12,158,132	17,134,908
<b>Total Assets</b>	<b>941,483,319</b>	<b>1,087,293,479</b>	<b>929,029,397</b>
Current liabilities	848,720,456	980,818,481	835,633,769
Noncurrent liabilities	5,571,836	5,727,778	5,571,836
<b>Total Liabilities</b>	<b>854,292,292</b>	<b>986,546,259</b>	<b>841,205,605</b>
Stockholder's Equity	87,191,027	100,747,220	87,823,792
<b>Total Liabilities and Stockholder's Equity</b>	<b>941,483,319</b>	<b>1,087,293,479</b>	<b>929,029,397</b>

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 (₱3,464,159) for the second quarter of 2015 as compared to the same quarter of 2014 with net loss amounting to (₱710,957) million or an increase of ₱2,753,202 or 387% due to the payment of fines and penalties to Philippine Stock Exchange for the late submission of reports as of the 2<sup>nd</sup> quarter of 2015 amounting to ₱3.4 million. The Company is currently processing its petition for lifting of trading suspension. The Company's trading was suspended last May 17, 2007 due to the company's failure to submit its structured reports (annual and quarterly reports) since 2007. The Company's inability to file such reports was due to the legal issues involving the acquisition of the petrochemical plant and the surrounding circumstances. As of this report, decision for such petition is still pending.

The increase in net loss in 2015 resulted to the increase in loss per share and loss on average equity.

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

Performance indicator	June 30 2015	Dec 31 2014	June 30 2014
Net income (loss) – (In Php)	(3,464,159)	(13,833,115)	(710,957)
Income (loss) per share (In Php)	(0.011)	(0.045)	(0.002)
Income (loss) on average equity (In Php)	(0.011)	(0.045)	(0.002)
Debt to total assets	0.727	0.725	0.759
Debt to equity	2.658	2.634	3.157

#### 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	June 30 2015	Dec 31 2014	June 30 2014
<u>Profitability</u>			
a. Gross profit margin	0.606	0.200	0.664
b. Net profit margin	0.080	(0.051)	0.007
c. Return on assets	0.053	(0.079)	0.002
d. Return in equity	0.164	(0.249)	0.009
<u>Liquidity</u>			
a. Current ratio	1.387	1.390	1.313
b. Receivables turnover	1.581	1.653	0.944
c. Days' sales in receivables	231	221	387

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 loss of ₱1.3 million for the 2nd quarter of 2015 as against net loss of ₱0.7 million for the 2nd quarter of 2014 or an increase in net loss of ₱0.6 million or 46%. Earnings (loss) per share are (₱0.0080) for the 2nd quarter of 2015 and (₱0.0030) for the 2nd quarter of 2014. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group. The increase in net loss is due to net effect of (a) increase in service income from MCLSI's lease and logistics contracts; (b) decrease in operating expenses which mainly attributable to decrease in general and administrative expenses and depreciation expense. Parent Company paid its outstanding liabilities as of the 2<sup>nd</sup> quarter of 2015 with the PSE amounting to ₱3.4 million as fines and penalties for the late submission of reports from 2007 to 2014.

### Sales and Services

The Group registered gross service revenue of ₱35.1 million and ₱26.9 million for the quarters ended June 30, 2015 and 2014. The increase in revenue of ₱8.2 million or 23% for the 2nd quarter of 2015 is due to entry of new principals on MCLSI's lease contracts and increase in its logistics services.

### Cost of Sales and Services

Total cost of sales and services for the quarters ended June 30, 2015 and 2014 amounted to ₱17.8 million and ₱9.1 million, respectively. The increase of ₱8.7 million or 49% is parallel to increase in sales and services of MCLSI for the 2<sup>nd</sup> quarter of 2015. Ratio of cost of sales to sales as of June 30, 2015 and 2014 are 51% and 34% respectively. Increase on the cost of sales for the 2nd quarter of 2015 compared to 2014 was also attributable to higher cost of delivery of products and services such as fluctuations in oil prices used by delivery trucks and electricity rates, security services and maintenance cost of warehouse facilities.

### Operating Expenses

Total operating expenses of the Group for the 2nd quarter of 2015 amounted to ₱17.5 million as compared to ₱18.3 million for the 2nd quarter of 2014 or a decrease of ₱0.8 million or 4%. The decrease is net effect of increase in personnel cost (₱1.3 million), professional fees (₱0.1 million), decrease in depreciation expense (₱0.4 million) since some of the fixed assets already reached their useful life last year, decrease in general and administrative expenses (₱0.3 million), decrease in rent and utilities (₱0.1 million), increase in taxes and licenses (₱0.2 million) and decrease in other expenses (₱1.3 million).

### Other income (expenses)

Other income (charges) for the quarters ended June 30, 2015 and 2014 amounted to (₱5,267) and (₱340,452), respectively or an increase in other charges of ₱335,185 or 98%. The account pertains to net balance from finance cost, interest income, unrealized foreign exchange gain (loss) and dividend income. Other charger for the 2<sup>nd</sup> quarter of 2014 pertains to unrealized foreign exchange loss on MCLSI's foreign currency denominated transactions.

## **c) Changes in Financial Conditions**

### Assets

**Cash and cash equivalents** for the 2nd quarter of 2015 and 2014 and as of December 31, 2014 amounted to ₱20.2 million, ₱20.6 million and ₱22.1 million, respectively. The decrease by ₱1.9 million or 9% as of 2nd quarter of 2015 is net effect of cash used in operating activities (₱20.9 million), net cash used in investing activities (₱2.4 million) and net cash provided by financing activities (₱21.4). (See also Statement of Cash Flows on page 19 for the detailed composition of each activity).

**Receivables** amounted to ₱82.6 million as of 2nd quarter of 2015, ₱80.3 million as of December 31, 2014 and ₱68.2 million as of 2nd quarter of 2014 (net of allowance for doubtful accounts of ₱149 million for all periods). Notes and other receivables were fully covered by allowance for doubtful accounts stated above. This pertains to receivables of CPDSI (subsidiary which already ceased its operations) from its old clients which cannot be located anymore.

Trade and other receivables went up by ₱16 million or 58% in 2nd quarter of 2015 as compared to 2nd quarter of 2014 due to increase in sales and services from MCLSI lease and logistic contracts. No additional allowance for doubtful account for the 2<sup>nd</sup> quarter of 2015 as management believes that these receivables are fully realizable. The increase of ₱2.3 million or 3% in 2nd quarter of 2015 as against December 31, 2014 is due to net effect of decrease in trade receivables (₱1.5 million) and increase in other receivables (₱0.7 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 ₱31.2 million, ₱20.8 million and P25.8 million as of the June 30, 2015, December 31, 2014 and June 30, 2014, respectively (net of allowance for probable losses of P14 million for all periods). The increase by ₱5.4 million or 21% in 2nd quarter of 2015 as against same quarter of 2014 is net effect of increase in creditable withholding taxes (₱8.9 million), decrease in input taxes (₱1 million), decrease in refundable deposits (₱.7 million) and decrease in other prepayments (₱3.3 million).

The increase of ₱10.4 or 50% million in 2nd quarter of 2015 as against December 31, 2014 is due to net effect of increase in creditable withholding taxes (₱9.9 million) and increase in input tax (₱0.5 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 ₱788.7 million and P960.4 million as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively, (which constitute 83% and 89% 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 ₱171.7 million in 2nd quarter of 2015 as against 2nd

quarter of 2014, pertains to collections from Polymax which was directly paid to the creditor of MAHEC.

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.

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.

**Available-for-sale-investments** amounted to ₱6.5 million and ₱5.4 million in June 30, 2015, December 31, 2014 and June 30, 2014. This account includes shares of stocks owned in publicly listed companies. The ₱1.1 million increased in 2nd quarter as compared to same quarter of 2014 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 ₱5.4 million, ₱3.1 million and ₱2.1 million in June 30, 2015, December 31, 2014 and June 30, 2014, respectively. Net increase in property, plant and equipment in 2nd quarter of 2015 as against same quarter of 2014 by ₱3.3 million pertains depreciation charge for the quarter of ₱0.6 million due to property and equipment that was fully depreciated in 2014 and increase in additional acquisitions of transportation and office equipment of MCLSI amounting to ₱3.9 million.

The increase in 2nd quarter of 2015 as against December 31, 2014 by ₱0.4 million is due net effect of depreciation charges for the 2<sup>nd</sup> quarter of 2015 of ₱0.3 million and acquisition of transportation equipment amounting to ₱0.7 million.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of June 30, 2015 and December 31, 2014. In 2015 and 2014, 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 June 30, 2015, December 31, 2014 and June 30, 2014 amounted to ₱410 million, ₱428 million and ₱430 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 2nd quarter of 2015 against same quarter of 2014 by ₱19.8 million or 5% is mainly due to (a) MAHEC recognition of finance costs on its loan for the petrochemical project (which were passed on to Polymax) and accrual of its fixed expenses such as legal and audit fee and administrative expenses; (b) MCLSI trade payables arising from its trucking and warehousing operations.



**Due to related parties** as of June 30, 2015, December 2014 and June 30, 2014 amounted to ₱438.2 million, ₱416.7 million and ₱552 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 ₱114.3 million in 2nd quarter of 2015 as against the 2nd quarter of 2014 and decrease of ₱21.5 million as against the end of 2014 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.

**Loans payable (current and long term)** amounted to nil million as of June 30, 2015 and December 31, 2014 and ₱0.1 million for the period ended June 30, 2014, respectively. The account balance for 2nd quarter of 2014 pertains to MCLSI's loan agreements entered last July 21, 2009 for a total principal amount of P988,800 covering the acquisition of transportation equipment. The loan is payable monthly with interest at 19% per annum up to July 30, 2014 for the (first contract) and August 22, 2014 (for the second contract).

Two loan contracts were entered again by MCLSI last September 18, 2014 for the acquisition of machinery and transportation equipment. The loan is payable monthly with interest at 19% per annum up to September 30, 2019. The loans are collateralized by transportation equipment with carrying value of ₱75,335 and ₱158,655 as of June 30, 2015 and 2014.

**Accrued retirement benefit cost** amounted to P5.5 million as of June 30, 2015 and 2014. 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 decrease of P1.2 million or 18% is due to payment made on retired employees as of the 2nd quarter of 2014 and loss incurred from retirement plan. 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 as of the second quarter of 2015 as management believes that current provisions are enough to cover possible retirement expense 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 owing 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

Case Title :	<b>Metro Alliance vs The Philippine Stock Exchange ("PSE")</b>
Factual basis :	The Company has an outstanding obligation to the PSE in the amount of ₱3.4 million as of June 10, 2015 for the repeated violations of the rules and regulations of the PSE starting May 2007 until December 2012. The case was related to the same violation the Company has with the SEC where it also required submitting structured reports such as Annual and Quarterly Report from 2007 until 2012. (Please refer to preceding paragraph for the discussion of the Company's inability to file such reports). The PSE suspend the trading of the Company last May 2007.
Relief Sought :	The Company has made provisions on its financial statement sufficient enough to cover such liability.

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

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

Principal parties : Commissioner of Internal Revenue

Name of Court : Court of Appeals

Date Instituted : November 8, 2002

Status : Metro Alliance sought a reconsideration of the assessment from the Bureau but the same was denied. This prompted Metro Alliance to file a Petition for Review with the Court of Tax Appeals, which was also denied. Metro Alliance then appealed to the Court of Appeals but the same was also denied. Metro Alliance filed a Motion for Reconsideration in December 2003. On July 9, 2004, Metro Alliance received the Court of Appeals resolution denying the Motion for Reconsideration. On July 22, 2004 Metro Alliance filed with the Court of Tax Appeals a Motion for Extension of time to file and appeal to the Supreme Court. On October 20, 2004, Metro Alliance received the resolution of the Supreme Court denying its Petition of Review for lack of reversible error. Metro Alliance filed a Motion for Reconsideration. On November 22, 2004, the Supreme Court resolved to deny the motion, as no substantial arguments were raised to warrant reconsideration thereof. The denial is final. On March 28, 2006, the Second Division of the Court of Tax Appeals (CTA) rendered a resolution on Metro Alliance's Motion for Reconsideration denying the same and holding that the Court no longer has the authority to amend or alter its decision. Pursuant to Rule 4, Section 2 of the Revised Rules of the CTA Metro Alliance filed a Petition for Review before the CTA en banc. Said Petition for Review raised several issues pertaining to the Resolutions promulgated by the Second Division of the CTA on (a) January 2, 2006, which granted CIR's Motion for Issuance of Writ of Execution; and (b) March 28, 2006, which denied Metro Alliance's Motion for Reconsideration.

Relief Sought : Metro Alliance has sought a reconsideration of the assessment from the BIR amounting to P83,757,397.

Case Title : **Metro Alliance and Philippine Estate Corporation vs Philippine Trust Company, et al**

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

Principal parties : Philippine Trust Company, et. al

Name of Court : Regional Trial Court, Fourth Judicial Region  
Branch 18, Tagaytay City

Date Instituted : September 14, 2005

Status : On September 14, 2005, Metro Alliance and Philippine Estate Corporation filed a 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 with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction. Damages sought are P1,000,000 as and by way or exemplary damages and P500,000 as and by way of attorney's fees; litigation expenses and cost of suit. The case is now pending with the Regional Trial Court of Tagaytay City, Branch 18 0 SCA No. TG-05-2519.

The case stemmed from the imminent extra-judicial foreclosure of properties covered by Transfer Certificate of Title Nos. T-35522, T-35524 and T-35552 subject to the real Estate Mortgage executed by

Metro Alliance and Philippine Estate Corporation on the amount of P42,000,000 which amount was never received.

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction. Management believes that the same will be made permanent by the RTC.

**Events that will Trigger Direct Contingent or Financial Obligation**

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

**Material Off-balance Sheet Transactions, Arrangements, Obligations**

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

**Commitment For Capital Expenditures**

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

**Any Known Trends, Events of Uncertainties (Impact On Net Sales / Net Income)**

Since CPDSI, AHI, FEZ-EAC and ZDI have ceased commercial operations and MCLSI is the only operating subsidiary among the Group, sales will rely solely on MCLSI's results of operations.

**Significant Element of Income or Loss That Did Not Arise From Continuing Operations.**

There is no significant element of income or loss that did not arise from continuing operations.

**Material Changes on Line Items in the Financial Statements**

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

**Effect of Seasonal Changes in the Financial Condition or Results of Operations of the Corporation**

The financial condition or results of operations is not affected by any seasonal change.

**PART II – OTHER INFORMATION**

**(1) Market Information**

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

		Class A		Class B	
		High	Low	High	Low
2015	First Quarter	-	-	-	-
	Second 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 June 30, 2015, there are 632 holders of Class "A" shares and 403 holders of Class "B" shares.

Metro Alliance's Top 20 Stockholders as of June 30, 2015 are as follows:

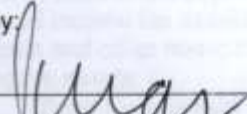
	Stockholder's Name	Number of Shares		Percentage to Total
		Class A	Class B	
1	Creston Global Limited		56,378,388	18.42
2	PCD Nominee Corporation (Filipino)	16,190,768	26,779,182	14.04
3	Chesa Holdings, Inc.	40,500,000		13.23
4	Pacific Wide Realty & Development Corp.	31,498,000		10.29
5	Forum Holdings Corporation	16,376,856	13,432,644	9.11
6	Misons Industrial and Development Corp.	22,000,000		7.19
7	Pacific Concorde Corporation	6,329,500	9,503,908	5.17
8	Rexlon Realty Group, Inc.	12,200,000	2,673,112	4.86
9	Chartered Commodities Corp.	11,296,000		3.69
10	Mizpah Holdings, Inc.	10,128,700		3.31
11	William T. Gatchalian	2,091,000	1,481,500	1.17
12	Pacific Rehouse Corp.	1,258,000	1,670,000	0.96
13	Kenstar Industrial Corp.	2,312,331		0.76
14	PCD Nominee Corporation (Non-Filipino)		2,030,952	0.66
15	Nancy Saw		1,846,500	0.60
16	Tin Fu Or Trajano		820,000	0.27
17	Severin Haselmann		730,000	0.24
18	CTBC TA#5-C184; Zuellig Corp.	684,829		0.22
19	UBP Capital Corporation	645,000		0.21
20	Rexlon T. Gatchalian	600,000		0.20
	Others	9,562,486	55,802,793	5.40
	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 JUL 16 2015.

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 JUL 16 2015.

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 JUL 16 2015 day of QUEZON CITY affiants exhibiting to me their Tax Identification No. as follows:

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

**TAX IDENTIFICATION NO.**  
207-278-104  
107-200-723  
151-671-333

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IBP NO. 975600 12-11-2014 - QUEZON CITY  
ROLL NO. 13296  
ADM. MATTER NO. NP-144 (2015-2016)  
TIN NO. 177967619  
MCLE EXEMPTED

**METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (In Php)**

“Annex A.1”

	30-Jun-2015 Unaudited	31-Jun-2014 Unaudited	31-Dec-2014 Audited
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	20,204,922	20,597,197	22,144,944
Receivables - net	82,598,387	68,249,381	80,303,539
Prepaid expenses and other current assets	31,204,295	25,847,569	20,783,745
Assets held for sale	788,662,261	960,441,200	788,662,261
<b>Total Current Assets</b>	<b>922,669,866</b>	<b>1,075,135,347</b>	<b>911,894,489</b>
<b>Noncurrent Assets</b>			
Available-for sale-investments	6,558,768	5,402,551	6,558,768
Property, plant and equipment – net	5,386,544	2,145,767	5,052,315
Deferred income tax assets - net	4,773,825	4,609,814	4,773,825
Deposits and other non-current assets	1,464,790	–	–
Intangible assets	629,526	–	750,000
<b>Total Noncurrent Assets</b>	<b>18,813,453</b>	<b>12,158,132</b>	<b>17,134,908</b>
<b>TOTAL ASSETS</b>	<b>941,483,319</b>	<b>1,087,293,479</b>	<b>929,029,397</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts Payable and accrued expenses	410,538,985	430,274,829	418,904,085
Due to related parties	438,181,471	552,543,652	416,729,684
<b>Total Current Liabilities</b>	<b>848,720,456</b>	<b>982,818,481</b>	<b>835,633,769</b>
<b>Noncurrent Liabilities</b>			
Accrued retirement benefit costs	5,571,489	5,548,363	5,571,489
Loans payable – net of current portion	–	179,415	–
Deferred income tax liabilities	347	–	347
<b>Total Noncurrent Liabilities</b>	<b>5,571,836</b>	<b>5,727,778</b>	<b>5,571,836</b>
<b>Total Liabilities</b>	<b>854,292,292</b>	<b>988,546,259</b>	<b>841,205,605</b>
<b>Stockholders' Equity</b>			
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	(236,624,123)	(222,150,006)	(236,473,666)
Remeasurement gain on retirement plan	2,347,003	2,347,003	2,347,003
Available-for-sale reserve	2,787,805	1,631,588	2,787,805
	<b>78,205,055</b>	<b>91,522,955</b>	<b>78,355,512</b>
Non-controlling interests	8,985,972	7,224,265	9,468,280
<b>Total Stockholders' Equity</b>	<b>87,191,027</b>	<b>98,747,220</b>	<b>87,823,792</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>941,483,319</b>	<b>1,087,293,479</b>	<b>929,029,397</b>

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



**METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME (In Php)**

“Annex A.2”

	Apr. – Jun 2015	Apr. – Jun 2014	Jan. – Jun. 2015	Jan. – Jun. 2014
<b>NET SALES</b>				
Services	<b>35,089,405</b>	26,937,963	<b>63,074,907</b>	53,875,926
<b>COST OF SALES AND SERVICES</b>	<b>(17,830,616)</b>	(9,057,372)	<b>(24,865,756)</b>	(18,114,744)
<b>GROSS PROFIT</b>	<b>17,258,789</b>	17,880,591	<b>38,209,151</b>	35,761,182
Expenses	<b>(17,554,516)</b>	(18,265,284)	<b>(36,197,221)</b>	(36,530,568)
Finance cost	–	( 6,979)	<b>(3,500)</b>	( 13,958)
Other income (expenses)	<b>5,267</b>	( 333,473)	<b>8,992</b>	( 666,944)
<b>LOSS BEFORE INCOME TAX</b>	<b>(290,460)</b>	( 725,145)	<b>2,017,422</b>	( 1,450,290)
<b>PROVISION FOR INCOME TAX</b>				
Current	<b>(1,011,105)</b>	–	<b>(2,167,879)</b>	–
Deferred	–	–	–	–
<b>NET INCOME (LOSS)</b>	<b>(1,301,565)</b>	( 725,145)	<b>( 150,457)</b>	( 1,450,290)
<b>Net income (loss) attributable to:</b>				
Equity holders of the parent company	<b>(2,441,515)</b>	( 904,263)	<b>(2,612,623)</b>	( 1,821,534)
Minority interests	<b>1,139,950</b>	179,118	<b>2,462,166</b>	371,244
	<b>(1,301,565)</b>	( 725,145)	<b>( 150,457)</b>	( 1,450,290)
<b>Basic/Diluted Loss Per Share</b>				
Net loss for the year attributable to the Equity holders of the Parent Company*	<b>(₱ 0.0080)</b>	(₱ 0.0030)	<b>(₱ 0.0085)</b>	(₱ 0.0060)

\*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**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (In Php)**

“Annex A.3”

	Unaudited As of June 30, 2015	June 30 2014	Audited December 31, 2014
<b>CASH FROM OPERATING ACTIVITIES</b>			
Loss before income tax and discontinued operations	(₱ 150,457)	(₱ 1,450,290)	(₱ 3,713,423)
Adjustments for:			
Unrealized foreign exchange gain (loss)	–	730,462	–
Amortization of intangible asset	120,474	–	150,000
Depreciation	604,080	1,858,112	1,192,994
Interest expense	3,500	13,958	7,207,800
Interest income	(8,992)	( 433)	( 34,799)
Dividend received	–	–	500
Deferred tax assets	–	–	(2,536,463)
Other non-cash adjustments	–	–	(2,569,558)
Operating income (loss) before working capital changes:	568,605	1,151,809	(3,793,183)
Decrease (increase) in receivables	( 2,294,848)	7,637,034	(4,417,124)
Decrease (increase) in prepaid expense and other current assets	( 9,751,752)	(4,786,179)	277,644
Increase (decrease) in accounts payable and accrued expense	( 8,365,100)	4,090,583	15,287,308
Cash generated (used in) operations	(19,843,195)	8,093,247	7,354,646
Income tax paid	( 1,151,107)	–	–
Net cash flows provided (used in) operating activities	(20,994,202)	8,093,247	7,354,646
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest received	8,992	433	34,799
Decrease (increase) in assets held for sale	–	151,222	171,627,717
Advances from (to) related parties	–	( 877,042)	–
Acquisition of property and equipment	(938,309)	(1,205,134)	( 4,375,620)
Acquisition of intangible assets	–	–	( 900,000)
Decrease (increase) in other noncurrent assets	(1,464,790)	–	–
Increase (decrease) in AFS financial assets	–	–	( 425,755)
Net cash flows provided by (used in) investing activities	(2,394,107)	(1,930,521)	165,961,141
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend received	–	–	( 500)
Advances to (from) related parties	21,451,787	–	(158,231,557)
Payment of long term debt	–	–	( 179,415)
Interest expense paid	(3,500)	( 13,958)	( 7,207,800)
Net cash flows provided by (used in) financing activities	21,448,287	( 13,958)	(165,619,272)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>( 1,940,022)</b>	<b>6,148,768</b>	<b>7,696,515</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>22,144,944</b>	<b>14,448,429</b>	<b>14,448,429</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>₱20,204,922</b>	<b>₱20,597,197</b>	<b>₱22,144,944</b>

*(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**

	<b>For the Period Ended June 30</b>	
	<b>2015</b>	<b>2014</b>
<b>ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>		
<b>Capital Stock - P1 par value</b>		
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	<b>306,122,449</b>	306,122,449
<b>Additional Paid-in Capital</b>	<b>3,571,921</b>	3,571,921
<b>Deficit</b>		
Balance at beginning of the year	<b>(236,473,666)</b>	(220,699,716)
Net loss	<b>( 150,457)</b>	( 1,450,290)
Balance at end of the period	<b>(236,624,123)</b>	(222,150,006)
<b>Other Reserves:</b>		
Revaluation reserve on available-for-sale financial assets	<b>2,787,805</b>	1,631,588
Remeasurement Gain (Loss) on Retirement Plan	<b>2,347,003</b>	2,347,003
	<b>5,134,808</b>	3,978,591
<b>EQUITY ATTRIBUTABLE TO HOLDERS OF PARENT COMPANY</b>	<b>78,205,055</b>	91,522,955
<b>MINORITY INTERESTS</b>	<b>8,985,972</b>	7,224,265
<b>TOTAL STOCKHOLDERS’ EQUITY</b>	<b>87,191,027</b>	98,747,220

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

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**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 registered office address of the Company is 22nd Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City.

**Status of Operation**

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

The remaining 40% of Polymax’s interest which is valued at P900 million, which is estimated recoverable amount from the sale of investment. The realization of the Company’s advances to Polymax (an unconsolidated special purpose entity in 2007) and the settlement Polymax’s past due liabilities for which the Company is jointly and severally liable, depends on whether sufficient cash flows can be generated from Polymax’s 40% interest in NPCA, which is for sale, and from a letter of comfort issued by the Wellex Group of Companies in favor of the Company. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

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, as discussed on succeeding paragraphs, the scope of the 2007-2013 audit was completed by the independent auditors and the reports was approved by the Board of Directors on October 10, 2014.

**Acquisition Transactions**

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 P=866.7 million, consisting of the outstanding principal balance of P=378.3 million and finance charges of P=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 P=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 owing 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 P=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 P=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.

Consequently, the consolidated financial statements have been prepared assuming that the Group will continue as a going concern.

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## 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	
	2015	2014
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 10 established 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 June 30, 2015 and 2014.

*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 June 30, 2015 and 2014.

*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 June 30, 2015 and 2014.

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

##### *Logistics and Other Services*

Revenue is recognized when the related services are rendered.

##### *Interest*

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

##### *Dividend Income*

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

#### Expenses

Expenses are recognized as incurred.

#### Leases

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

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

#### Borrowing Costs

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

#### Retirement Benefits Costs

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

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

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

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

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

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

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

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

#### Foreign Currency Transactions and Translations

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

#### Income Tax

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

### *Current Tax*

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

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

### *Deferred Tax*

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

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

### Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

### Earnings Per Share

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

### Segments

The Group's operating businesses are recognized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serve different markets. Financial information on business segments are presented in Note 5.

### Provisions

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

### Contingencies

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



### Events after the End of Reporting Period

Post year-end events that provide additional information about the Group's position at 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.

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### **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 in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as these become reasonably determinable.

#### Judgments

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

#### *Consolidation of SPE*

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

Receivables (net of allowance for doubtful accounts of ₱149.5 million as of June 30, 2015 and 2014, respectively), amounted to ₱82.6 million and ₱68.2 million as of June 30, 2015 and 2014, respectively (see Note 7).

Creditable withholding taxes and input taxes, included under "Prepaid expenses and other current assets" in the consolidated balance sheets, totaling ₱41.2 million and ₱33.3 million as of June 30, 2015 and 2014, respectively, are covered with allowance for doubtful accounts of ₱14.1 million as of June 30, 2015 and 2014.

Advances to Polymax (under assets held for sale) amounting to ₱788.7 million and ₱960.4 million as of June 30, 2015 and 2014, respectively, constitute 83% and 85% of the Group's total assets as at June 30, 2015 and 2014, 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 June 30, 2015 and 2014.

In June 30, 2015 and 2014, 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 June 30, 2015 and 2014, property and equipment, net of accumulated depreciation, amounted to ₱5.4 million and ₱2.1 million, respectively (see Note 11). Total depreciation expense charged to operations amounted to ₱0.6 million, ₱0.5 million and ₱0.9 million for the period ended June 30, 2015, December 31, 2014 and June 30, 2014, 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 June 30, 2015 and 2014. As of June 30, 2015 and 2014, property and equipment, net of accumulated depreciation and amortization, amounted to ₱5.4 million and ₱2.1 million, respectively, as shown in Note 11 and total depreciation and amortization charged to operations amounted to ₱0.6 million in 2015 and ₱0.3 million in 2014 (see Notes 18 and 19).

#### 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 ₱4.8 million and ₱4.6 million as of June 30, 2015 and 2014, 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 ₱5.5 million as of June 30, 2015 and 2014 (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

	June 30, 2015	Dec 31, 2014	June 30, 2014
Cash on hand	₱ 141,000	₱ 141,000	₱ 76,000
Cash in banks	20,063,922	22,003,944	20,521,197
	₱ 20,204,922	₱ 22,144,944	₱ 20,597,197

As of June 30, 2015, December 31, 2014 and June 30, 2014, US Dollar denominated cash, as stated in Philippine Peso amounted to ₱26,630, ₱24,482 and ₱26,356.

Cash in banks earn interest at the respective bank deposit rates. Interest income from banks amounted to ₱8,992 in June 30, 2015, ₱34,799 in December 31, 2014 and ₱433 in June 30, 2014.

#### 5. Receivables

	June 30 2015	Dec 31 2014	June 30 2014
Notes	₱138,710,706	₱138,710,706	₱138,710,706
Trade	43,842,943	42,259,980	27,833,762
Due from affiliates (Note 14)	10,837,097	10,975,236	11,638,900
Others	38,755,444	37,905,420	39,170,459
	232,146,190	229,851,342	217,353,827
Less allowance for doubtful accounts	(149,547,803)	(149,547,803)	(149,104,446)
	₱82,598,387	₱80,303,539	₱68,249,381

Trade receivables pertain to logistics and warehouse rental receivables which are collectible monthly based on terms of the contract.

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.

#### 6. Prepaid Expenses and Other Current Assets

Details are as follows:

	June 30 2015	Dec 31 2014	June 30 2014
Creditable withholding taxes	₱31,541,311	₱21,629,997	₱22,554,461
Input taxes	9,714,188	9,204,952	10,741,167
Refundable deposits	1,400,410	1,400,410	713,285
Prepayments and others	2,675,867	2,675,867	5,966,137
	45,331,776	34,911,226	39,975,050
Less allowance for probable losses	14,127,481	14,127,481	14,127,481
	₱31,204,295	₱20,783,745	₱25,847,569

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 ₱788.7 million as of June 30, 2015, December 31, 2014 and ₱960.4 million as of June 30, 2014 (which constitute 84% and 89% of the Group's total assets as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively) represent advances to Polymax, the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA).

On March 18 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 June 30, 2015, December 31, 2014 and June 30, 2014 prepared on the liquidation basis of accounting (where assets are stated at estimated recoverable value and all known liabilities are recognized) is shown in the table below.

	June 30 2015	Dec 31 2013	June 30 2014
<b>Assets</b>			
Cash and cash equivalents	₱130,966,060	₱130,966,060	₱ –
Assets held for sale	347,720,000	347,720,000	900,000,000
Due from related parties	530,685,120	530,685,120	485,685,120
<b>Total assets</b>	<b>1,009,371,180</b>	<b>1,009,371,180</b>	<b>1,385,685,120</b>
<b>Liabilities</b>			
Liabilities related to assets held for sale	994,668,446	994,668,446	994,668,446
Due to Metro Alliance Holdings and Equities Corp.	788,662,261	788,662,261	960,441,200
Other payable	49,030,000	49,030,000	49,030,000
<b>Total liabilities</b>	<b>1,832,360,707</b>	<b>1,832,360,707</b>	<b>2,004,139,646</b>
<b>Net equity</b>	<b>(₱822,989,527)</b>	<b>(₱822,989,527)</b>	<b>(₱618,454,526)</b>

Assets held for sale pertains to the estimated recoverable value of Polymax's 20% 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 Company is jointly and severally liable with Polymax with respect to these past due liabilities.

## 8. Available-for-sale Investments

	June 30 2015	Dec 31 2014	June 30 2014
Listed	₱6,558,768	₱6,558,768	₱5,402,551
Unlisted	–	–	–
	<b>₱6,558,768</b>	<b>₱6,558,768</b>	<b>₱5,402,551</b>

Accumulated AFS reserve amounted to ₱2,787,805 and ₱1,631,588 as of June 30, 2015, December 31, 2014 and June 30, 2014.

## 9. Property and Equipment - At Cost

### June 30, 2015

	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Total
<b>Cost</b>				
Balances at beginning of year	₱892,995	₱22,442,079	₱15,606,280	<b>₱38,941,354</b>
Additions	–	938,309	–	<b>938,309</b>
Balances at end of year	₱892,995	₱23,380,388	₱15,606,280	<b>₱39,879,663</b>
<b>Accumulated Depreciation and Impairment Loss</b>				
Balances at beginning of year	727,337	18,722,844	14,438,858	<b>33,889,039</b>
Depreciation	16,346	300,206	287,528	<b>604,080</b>
Balances at end of year	743,683	19,023,050	14,726,386	<b>34,493,119</b>
<b>Net book value</b>	<b>₱ 149,312</b>	<b>₱ 4,357,338</b>	<b>₱ 927,698</b>	<b>₱5,386,544</b>

### June 30, 2014

	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Total
<b>Cost</b>				
Balances at beginning of year	₱1,078,126	₱18,684,425	₱15,186,664	₱34,949,215
Additions	–	2,134,190	–	2,134,190
Balances at end of year	₱1,078,126	₱ 20,818,615	₱15,186,664	₱37,083,405
<b>Accumulated Depreciation and Impairment Loss</b>				
Balances at beginning of year	₱1,078,126	₱18,122,433	₱13,878,967	₱33,079,526
Depreciation	–	1,340,582	517,530	1,858,112
Balances at end of year	1,078,126	19,463,015	14,396,497	34,937,638
<b>Net book value</b>	<b>₱ –</b>	<b>₱ 1,355,600</b>	<b>₱ 790,167</b>	<b>₱ 2,145,767</b>

Transportation equipment of MCLSI with a carrying value of ₱75,335 and ₱158,655 as of June 30, 2014 and 2013, respectively, has been pledged to fulfill collateral requirements of the loan (see Note 13). The loan was fully settled as of September 30, 2014.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of June 30, 2015 and 2014.

In 2015 and 2014, 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. Accounts Payable and Accrued Expenses

Details of this account are shown below.

	June 30 2015	Dec 31 2014	June 30 2014
Accrued expenses	<b>₱359,731,701</b>	358,151,980	₱359,180,009
Trade payables	<b>28,725,154</b>	32,204,196	44,594,229
Accrued finance charges – related party	<b>14,209,630</b>	14,209,630	7,288,162
Other liabilities	<b>7,872,500</b>	14,338,279	19,212,429
	<b>₱410,538,985</b>	₱418,904,085	₱430,274,829

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.

## 11. Long Term Debt

Long-term debt represents loans obtained by MCLSI amount to ₱179,415 as of December 31, 2013 which is fully paid during 2014.

On July 21, 2009, MCLSI entered into two loan agreements for a total principal amount of ₱ 988,800 covering the acquisition of transportation equipment. The loan is payable monthly with interest at 19% per annum up to July 30, 2014 (for the first contract) and August 22, 2014 (for the second contract). The two loans are collateralized by transportation equipment as discussed in Note 9).

## 12. Related Party Transactions

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
<u>Entity with significance influence over the entity</u>						
Polymax	Non-interest bearing under asset held for sale (Note 6)	12/31/14	(₱171,627,717)	₱788,662,261	Non-interest bearing	Unsecured; not impaired
		<b>06/30/15</b>	<b>–</b>	<b>788,662,261</b>		
<u>Operating Subsidiary</u>						
MCLSI	Non-interest bearing	12/31/14	–	₱ 500,000	Non-interest bearing	Unsecured; not impaired
		<b>06/30/15</b>	<b>–</b>	<b>500,000</b>	Non-interest bearing	Unsecured; not impaired
<u>Associates (entities under common control)</u>						
The Wellex Group, Inc.	Non-interest bearing due from related parties	12/31/14	(5,384,826)	5,416,174	Non-interest bearing	Unsecured; not impaired
		<b>06/30/15</b>	<b>60,362</b>	<b>5,476,536</b>		
Waterfront Philippines, Inc.	Non-interest bearing due to related parties	12/31/14	(3,042,977)	(365,933,148)	Non-interest bearing	Unsecured; not impaired
		<b>06/30/15</b>	<b>–</b>	<b>(365,933,148)</b>		

Acesite (Phils.) Hotel Corporation	Non-interest bearing due to related parties	12/31/14 <b>06/30/15</b>	– –	6,239,733 <b>6,239,733</b>	Non-interest bearing	Unsecured; not impaired
The Wellex Group	Non-interest bearing due to related parties	12/31/14 <b>06/30/15</b>	22,491,481 <b>5,999,348</b>	(22,491,481) <b>(28,490,829)</b>	Non-interest bearing	Unsecured; not impaired
Gulf Agency Company Holdings (BV)	Non-interest bearing due to related parties	12/31/14 <b>06/30/15</b>	– –	(22,670,814) <b>(22,670,814)</b>	Non-interest bearing	Unsecured; not impaired
Others	Non-interest bearing due to related parties	12/31/14 <b>06/30/15</b>	– –	293,487 <b>293,487</b>	Non-interest bearing	Unsecured; not impaired

#### 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.

	<b>June 30 2015</b>	Dec 31 2014	June 30 2014
Short-term employee benefits	P 518,639	P8,161,952	P 600,540
Retirement benefits	534,268		–
	<b>P 1,053,907</b>	<b>P8,161,952</b>	<b>P 600,540</b>

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 P3,000 for every meeting attended beginning May 30, 2012.

Per diem of directors of MCLSI amounted to P19,398 and P22,535 as of June 30, 2015 and 2014, respectively.

The compensation of key management personnel and per diem are presented in the statement of comprehensive income as part of cost of services.

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.

### **13. Capital Stock**

- a. The Group's capital stock as of June 30, 2015 and 2014 consists of the following common shares:

Class "A" – P1 par value	
Authorized – 720,000,000 shares	
Issued and Outstanding – 183, 673,470 shares	
Number of equity holders – 676 in 2015 and 2014	P183,673,470
Class "B" – P1 par value	
Authorized – 480,000,000 shares	
Issued and Outstanding – 122,448,979 shares	
Number of equity holders – 421 in 2015 and 2014	P122,448,979
	<b>P306,122,449</b>



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.

	June 30 2015	Dec 31 2014	June 30 2014
Personnel costs	<b>₱8,445,388</b>	₱35,659,774	<b>₱4,166,391</b>
Rent and utilities (Note 20)	<b>3,566,594</b>	12,073,142	<b>1,449,180</b>
Transportation and Travel	<b>1,080,396</b>	26,966,919	<b>1,358,606</b>
Outside services	<b>1,060,352</b>	9,143,490	<b>543,442</b>
Security services	<b>431,571</b>	1,383,389	<b>181,147</b>
Communication and office supplies	<b>415,252</b>	1,529,346	<b>271,721</b>
Depreciation (Note 11)	<b>300,206</b>	681,400	<b>139,458</b>
Repairs and maintenance	<b>143,993</b>	188,287	<b>21,575</b>
Others	<b>2,386,864</b>	14,479,788	<b>925,852</b>
	<b>₱17,830,616</b>	₱102,105,535	<b>₱9,057,372</b>

#### 15. Expenses

Details of this account are shown below.

	June 30 2015	June 30 2014
Salaries, wages and employee Benefits	<b>₱12,227,701</b>	₱10,959,170
General and administrative expenses	<b>3,115,285</b>	3,470,404
Rent and utilities	<b>258,843</b>	365,306
Depreciation (Note 11)	<b>303,874</b>	789,598
Taxes and licenses	<b>248,363</b>	91,326
Professional fee	<b>331,372</b>	182,653
Others	<b>1,069,078</b>	2,406,827
	<b>₱ 17,554,516</b>	₱18,265,284

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 contract 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:

	June 30 2015
Within one year	<b>₱4,560,360</b>
After one year but not more than five years	<b>998,340</b>
	<b>₱5,558,700</b>

Rental are distributed as follows:

Cost of services	P 3,566,594
Operating expense	258,843
<b>Rental expense as of 2<sup>nd</sup> quarter of 2015</b>	<b>P 3,825,437</b>

During the year, the Company entered into a new lease contract for its office space. The term of the contract is one (1) year, commencing on February 1, 2014 and ending on January 31, 2015, renewable subject to terms and conditions as may be mutually agreed upon. The contract also provided for prepaid rent and rental security deposits equivalent to two months rental of P134,820.00 representing one month deposit and one month advance rental. The advance rental shall be applied to 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.

## 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 June 30, 2014 and December 31, 2013:

	June 30 2015		December 31 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	P20,201,922	P20,204,922	P22,144,944	P22,144,944
Receivables	82,598,387	82,598,387	80,303,539	80,303,539
AFS investments	6,558,768	6,558,768	6,558,768	6,558,768
Refundable deposits (included in "Other noncurrent assets")	1,400,410	1,400,410	1,400,410	1,400,410
	<b>P110,762,487</b>	<b>P110,762,487</b>	P110,407,661	P110,407,661
<b>Financial Liabilities</b>				
Accounts payable and accrued expenses*	P28,725,154	P28,725,154	P 32,204,196	P 32,204,196
Due to affiliates	438,181,471	438,181,471	416,729,684	416,729,684
	<b>P466,906,625</b>	<b>P466,906,625</b>	P448,933,880	P448,933,880

\*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 Policies

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.

### June 30 2015

	On Demand	Within 1 Year	More than 1 Year	Total
Cash and cash equivalents	₱ 22,424,510	₱ –	₱ –	₱22,424,510
Receivables	–	43,842,943	38,755,444	82,598,387
Refundable deposits	–	1,400,410	1,400,410	1,400,410
	22,424,510	45,243,353	40,155,854	106,423,307
AFS financial assets	–	–	6,558,768	6,558,768
	₱22,424,510	₱45,243,353	₱46,714,622	₱112,982,075
Due to related parties	₱ –	₱ –	₱438,181,471	₱438,181,471
Accrued expenses and other current liabilities	7,872,500	28,725,154	373,941,331	410,538,985
	₱ 7,872,500	₱ 28,725,154	₱812,122,802	₱848,720,456

### December 31 2014

	On Demand	Within 1 Year	More than 1 Year	Total
Cash and cash equivalents	₱22,144,944	₱ –	₱ –	₱22,144,944
Receivables	–	41,535,701	38,767,838	80,303,539
Refundable deposits	–	1,400,410	–	1,400,410
	22,144,944	42,936,111	38,767,838	103,848,893
AFS financial assets	–	–	6,558,768	6,558,768
	₱22,144,944	₱42,936,111	₱45,326,606	₱110,407,661
Due to related parties	₱ –	₱ –	₱416,729,684	₱416,729,684
Accrued expenses and other current liabilities	–	32,204,196	386,699,890	418,904,085
	₱ –	₱32,204,196	₱803,429,574	₱835,633,769

### *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 June 30, 2015 and December 31, 2014, without considering the effects of collaterals and other risk mitigation techniques are presented below. (see next page)

	<b>June 30 2015</b>	December 31 2014
Cash and cash equivalents	<b>₱ 20,204,922</b>	₱ 22,144,944
Receivables	<b>82,598,387</b>	80,303,539
Refundable deposits	<b>1,400,410</b>	1,400,410
	<b>₱104,203,719</b>	₱ 103,848,893

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

#### **June 30 2015**

	<b>High Grade</b>	<b>Medium Grade</b>	<b>Past due but not impaired</b>	<b>Total</b>
Cash and cash equivalents	₱20,204,922	₱ –	₱ –	<b>₱20,204,922</b>
Receivables	43,842,943	27,818,347	10,837,097	<b>82,598,387</b>
Refundable deposits	1,400,410	–	–	<b>1,400,410</b>
	<b>₱65,448,275</b>	<b>₱ 27,818,347</b>	<b>₱10,837,097</b>	<b>₱104,103,719</b>

#### **December 31, 2014**

	<b>High Grade</b>	<b>Medium Grade</b>	<b>Past due but not impaired</b>	<b>Total</b>
Cash and cash equivalents	₱22,144,944	₱ –	₱ –	<b>₱22,144,944</b>
Receivables	41,535,701	–	38,767,838	<b>41,535,701</b>
Refundable deposits	1,400,410	–	–	<b>1,400,410</b>
	<b>₱65,081,055</b>	<b>₱ –</b>	<b>₱38,767,838</b>	<b>₱103,848,893</b>

## **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 June 30, 2015, 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 June 30, 2015, December 31 and June 30, 2014 amounted to ₱78.2 million, ₱78.4 million and ₱91.5 million, respectively.

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## 21. Other Matters

- a. On July 5, 2002, the Company received a decision from the Court of Tax Appeals (CTA) denying the 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 Company filed a Motion for Reconsideration on July 31, 2002 but 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 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 Company. The Company, through its legal counsel, filed a Motion for Reconsideration with the CA in December 2003.

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

On April 26, 2006, the 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 Monitor for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue. As of June 30, 2015, the 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 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 ₱42.0 million, which the Company maintains has ever been received.

On October 6, 2005, the Regional Trial Court of Tagaytay City (RTC) issued and granted the Writ of Preliminary Injunction (first injunction). As of June 30, 2015, the case is still pending with the same court. Trial on the merits of the case has not been started as the Company, through its counsel, filed an Amended Compliant 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 Company and its legal counsel are positive that the court will sustain their position.

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

**METRO ALLIANCE HOLDINGS & EQUITIES CORP.  
AND SUBSIDIARIES  
APPENDIX A – FINANCIAL SOUNDNESS  
JUNE 30, 2015**

	<b>June 30 2015</b>	June 30 2014	December 31 2014
<b>Profitability ratios:</b>			
Return on assets	<b>(0.07%)</b>	(0.07%)	(1.08%)
Return on equity	<b>(0.73%)</b>	(0.73%)	(11.39%)
Net profit margin	<b>(2.69%)</b>	(2.69%)	(7.83%)
<b>Solvency and liquidity ratios:</b>			
Current ratio	<b>108.71%</b>	109.39%	109.13%
Debt to equity ratio	<b>979.79%</b>	1001.09%	957.83%
Quick ratio	<b>105.04%</b>	106.76%	106.64%
Cash-flow liquidity ratio	<b>9.27%</b>	9.47%	<del>8.43%</del>
<b>Financial leverage ratio:</b>			
Asset to equity ratio	<b>1079.79%</b>	1101.09%	1057.83%
Debt to asset ratio	<b>90.74%</b>	90.92%	90.55%
Interest rate coverage ratio	<b>( 0.27%)</b>	( 0.97%)	(0.100%)

**METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES****TRADE RECEIVABLES AGING SUMMARY**

As of June 30, 2015

in Php '000s

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Principal/Customer	Credit Terms	Total	Amount in Php '000				
			Current	1-30	31-60	61-90	Over 90
<b><i>MCLSI Logistics</i></b>							
Rustans Supermarkets	30 days	11,776	3,950	3,913	3,913		–
Johnson & Johnson	30	10,017	4,048	5,969	–	–	–
Zuellig Pharma Corp.	60	6,792	2,510	2,804	1,478	–	–
ZPC Repacking	60	6,025	2,013	1,975	31	–	–
Interphil Laboratories Inc.	30	5,829	2,270	1,970	1,589	–	–
Bayer Animal Health (Phils)	30	509	509	–	–	–	–
Others	60	2,894	–	–	1,370	1,040	484
		43,842	15,300	16,631	8,381	1,040	484

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