

**COVER SHEET**

0 0 0 0 0 0 0 2 9 6

SEC Registration No.

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

(Company's Full Name)

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

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

Atty. Nestor S. Romulo

Contact Person

(632) 706-7888

Contact Telephone No.

1 2 3 1

Fiscal Year

1 7 - A A M E N D E D

FORM TYPE

Any day in May

Month Day Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

823

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign -

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

LCU

Document I.D.

Document I.D.

Cashier

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM 17-A**  
**ANNUAL REPORT PURSUANT TO SECTION 17**  
**OF THE SECURITIES REGULATION CODE AND SECTION 141**  
**OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **DECEMBER 31, 2015**
2. SEC Identification Number **296**      3. BIR Tax Identification No. **000-130-411**
4. Exact name of issuer as specified in its charter  
**METRO ALLIANCE HOLDINGS & EQUITIES CORP.**
5. **PHILIPPINES**      6.  (SEC Use Only)  
Province, Country or other jurisdiction of      Industry Classification Code:  
incorporation or organization
7. **35<sup>th</sup> Flr. One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center,**  
**Pasig City**      **1605**  
Address of principal office      Postal Code
8. **(632)-706-7888**  
Issuer's telephone number, including area code
9. **N/A**  
Former name, **former address**, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA
- | Title of Each Class     | Number of Shares of Common Stock Outstanding<br>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>Debt outstanding</b> | <b>475,289,033</b>   |
11. Are any or all of these securities listed on a Stock Exchange.  
Yes [  ]      No [  ]
- If yes, state the name of such stock exchange and the classes of securities listed therein:  
**Philippine Stock Exchange**      **Common – Class A**  
**Common – Class B**
12. Check whether the issuer:
- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 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 that 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 - BUSINESS AND GENERAL INFORMATION**

### **Item 1. Business**

#### **A. Description of Business**

##### **(1) Business Development**

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

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

The registered office address of the Company is at 22<sup>nd</sup> Citibank Tower, 8741 Paseo De Roxas, Makati City. They transferred to 35<sup>th</sup> Flr. One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City last November 2010. Amendment of articles of incorporation due to change of business address is still pending before the Securities and Exchange Commission.

##### **Status of Operation**

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

The remaining 20% of Polymax's interest which is valued at ₱450 million, which is estimated recoverable amount from the sale of investment. The realization of the Company's advances to Polymax (an unconsolidated special purpose entity in 2007) and the settlement Polymax's past due liabilities for which the Company is jointly and severally liable, depends on whether sufficient cash flows can be generated from Polymax's 20% interest in NPCA, which is for sale, and from a letter of comfort issued by the Wellex Group of Companies in favor of the Company. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

##### **Acquisition Transactions**

On December 4, 2003, the 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. Under the agreement, NPCI shall, among others, pay Polymax the remaining balance of the purchase price of the 60% NPCA shares net of deductions agreed by the parties. Simultaneous with the execution agreement, Polymax shall also sell to NPCI an additional 20% of Polymax's interest in NPCA from the remaining 40% equity holding in NPCA at US\$8 million or its equivalent in Philippine peso. In September 2013 and August 2014, the remaining balance due to Polymax was paid by NPCI and the 20% interest of Polymax in NPCA was sold to NPCI, respectively, in accordance with the agreement.

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

#### Business Development of the Subsidiaries:

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

MCLSI is 51% owned by MAHEC, by virtue of a joint venture agreement with Gulf Agency Company (GAC) which owns the other 49%. MCLSI was registered with the Securities and Exchange Commission on September 30, 1998. MCLSI is primarily engaged in carrying on all or part of the business of contract logistics and supply chain management services, including

third party warehousing and distribution, consultancy and project management and value added services to customers throughout the Philippines. MCLSI's business is steadily growing with the entry of new principals and additional businesses from its existing principals.

#### Mabuhay Vinyl Corporation (MVC)

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

#### **Non-operating Subsidiaries**

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

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

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

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

#### Bankruptcy, receivership and similar proceedings

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

#### Material reclassification, merger consolidation or purchase

Aside from the sale of the company's 37.69% and 5% interest in 2007 and 2012, respectively, in Mabuhay Vinyl Corporation (MVC), there is no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

### **(2) Business of Metro Alliance**

#### **(a) Description of Registrant**

##### **(i) Principal products and services**

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

Principal products or services of its subsidiaries MCLSI:

**MCLSI**

MCLSI provides contract Logistics and Supply Chain Management Services to meet the business needs of major companies in the Philippines. Contract logistics and supply chain management services include third party warehousing and distribution, consultancy and project management services to multinational and local companies which include Rustans Supermarkets, Inc. (RSI), Johnson & Johnson (Phil.), Inc. (J & J), Fresenius Medical, Interphil Laboratories, Inc. (ILI), and Zuellig Pharma Corporation (ZPC), ZPC – Repacking (ZPC-R), El Laboratories, Alaska and Lixil Phils. (American Standard). Revenue contribution of each principal for the year 2015 is as follows:

<b>Principal</b>	<b>Service Income (millions)</b>	<b>% to Total</b>
RSI	34,690,172	24%
ZPC	25,109,457	18%
J&J	17,911,626	12%
Fresenius Medical	13,684,162	10%
ILI	11,880,949	8%
ZPC-R	10,137,991	7%
El Laboratories	7,107,960	5%
Alaska	5,387,551	4%
Lixil Phils. (American Standard)	2,189,480	2%
Others	15,244,978	11%
<b>Total</b>	<b>₱ 143,344,326</b>	<b>100%</b>

**(ii) Export sales**

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

**(iii) Distribution Methods of the Products**

**MCLSI**

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

**(iv) Publicly-announced new product or service.**

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

**(v) Competition**

**MCLSI**

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

**(vi) Sources and availability of raw materials and principal supplier**

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

**(vii) Dependence on one or few major customers**

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

**(viii) Transactions with and/or dependence on related parties**

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

**(ix) Patent, trademark, copyright, franchise, concession or royalty agreement**

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

**(x) Government approval of principal products or services**

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

**(xi) Effect of existing or probable governmental regulations on the business**

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

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

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

**(xiii) Costs and effects of compliance with environmental laws**

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

**(xiv) Total Number of Full Time-Employees (as of December 31, 2015):**

Metro Alliance

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

MCLS

	<i>Rank and File</i>	<i>Supervisors</i>	<i>Managers and up</i>	<i>Total</i>
Operations	187	12	5	204
Administrative	5	5	2	12
Total	192	17	7	216

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

**(xv) Major Risks**

Metro Alliance

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

Metro Alliance's financial instruments consist of cash, advances to or from affiliates, loans and long-term debt. The carrying amounts of these financial instruments, which are currently due

and demandable, approximate their respective fair values as of balance sheet date. The main risk arising from Metro Alliance's financial instruments are interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and approves policies for managing each of the risks.

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

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

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

#### MCLSI

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

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

#### **(b) Additional Requirements as to Certain Issues or Issuers**

Not Applicable

#### **Item 2. Properties**

##### **Description of Property**

##### Metro Alliance

Metro Alliance leases a 40 square meter office space located at the 35th Floor, One Corporate Centre, Dona Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City where it transferred last 2010 from its registered principal office address at 22<sup>nd</sup> Floor Citibank Tower, 8741 Paseo de Roxas, Makati City. Amendment of the articles of incorporation for the change of official business address was approved by the Securities and Exchange Commission on March 14, 2016. Monthly net rental fee is ₱22,050. Lease contract is for two years starting April 2014 and renewable every two years.

There are no plans to acquire properties in the next 12 months.

##### MCLSI

MCLSI leases 9,154 square meters of warehouse space located in Paranaque City for its principal, Johnson & Johnson. Lease rental is approximately ₱400,000.00 per month (inclusive

of 12% VAT) for three (3) years starting January 1, 2015 up to January 1, 2018. Lease term is co-terminus with the company's service contract with the principal.

For its services to Rustans and Shopwise, the company maintains a lease arrangement with JM Processing & Freezing Services Inc. for the use of its cold storage facilities located in Faraday Makati City for a monthly rental of ₱156,119.04 (inclusive of 12% VAT) for three (3) years starting January 1, 2015 up to January 1, 2018. Lease rate is on a per cubic meter of space occupied. The other warehouses for its other principals are either owned or leased by the respective principals.

Starting in January 2012, MCLSI sub-leases 88 square meters of office space at Unit 2002 Antel Corporate Center Valero St. Makati City at a lease rental of ₱70,560.00 per month (inclusive of 12% VAT). Lease term of the lease is for two (2) years starting February 1, 2014 up to January 31, 2016.

To expedite its services to Rustans and Shopwise, the company also leases an 18.7 square meters of office space with Polar Bear Freezing and Storage Corporation located at Bagumbayan Taguig City. The term of the lease is for three (3) years starting January 1, 2015. Rental is ₱11,519.20 per month (inclusive of 12% VAT).

MCLSI also leases two (2) warehouse units in Carmona, Cavite with Chattelane Holding Co., Inc. to cater to its principal in Calabarzon. The first lease contract is for a period of three (3) years starting October 12, 2015 up to October 11, 2018 for a monthly rental of ₱366,525.13 (inclusive of 12% VAT). The second lease contract is also for a period of three (3) years starting November 3, 2015 up to November 2, 2018 for a monthly rental of ₱346,143.85 (inclusive of 12% VAT).

MCLSI leases one (1) warehouse unit in Muntinlupa City to Filipinas Benson Industrial & Devt. Corp. for its principal for a total rental of ₱261,895.20 per month (inclusive of 12% VAT). The lease is for a period of three (3) years starting April 15, 2015 up to April 14, 2018.

MCLSI also leases nine (9) battery and electrical forklifts for its warehouses in Parañaque, Muntinlupa and Cavite. Lease term is for two (2) years, renewable at the option of both parties. Details of the lease are as follows:

<b>Warehouse Equipment</b>	<b>Location</b>	<b>Monthly Lease inclusive of 12% VAT (in Php)</b>	<b>Lease Term</b>
Shinko Forklift Battery Operated (2 units)	Parañaque City	78,000	January 1, 2015 to January 1, 2017
Shinko Forklift Battery Operated (1 unit)	Parañaque City	28,000	January 1, 2015 to January 1, 2017
Shinko Forklift Battery Operated (1 unit)	Parañaque City	10,000	January 1, 2015 to January 1, 2017
Shinko Forklift Battery Operated with electric counter balance (1 unit)	Muntinlupa City	39,200	January 12, 2015 to January 11, 2017
Shinko Forklift Battery Operated (1 unit)	Muntinlupa City	33,600	January 12, 2015 to January 11, 2017
Forklift Crown complete with battery & charger	Muntinlupa City	50,000	January 12, 2015 to January 11, 2017
Shinko Forklift TCM Diesel (1 unit)	Carmona, Cavite	33,000	November 15, 2015 to November 14, 2017
Forklift – Komatsu Electric (1 unit)	Carmona, Cavite	38,000	November 20, 2015 to November 19, 2017

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

### Item 3. Legal Proceedings

#### Metro Alliance

Case Title : **Metro Alliance vs Commissioner of Internal Revenue**  
Factual basis : Assessment for deficiency withholding taxes for the year 1989, 1990 and 1991  
Status : On July 5, 2002, the Parent Company received a decision from the Court of Tax Appeals (CTA) denying the Parent Company's Petition for Review and ordering the payment of ₱83.8 million for withholding tax assessments for the taxable years 1989 to 1991. The Parent Company filed a Motion for Reconsideration on July 31, 2002 but this was subsequently denied by the CTA. A Petition for Review was filed with the CTA on November 8, 2002, which was also denied by the CTA. The Parent Company then appealed the decision of the CTA to the Court of Appeals (CA), which likewise denied the appeal and upheld the assessment against the Parent Company. The Parent Company, through its legal counsel, filed a Motion for Reconsideration with the CA in December 2003.

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

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

Relief Sought : As of December 31, 2015, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable. Management believes, however, that the ultimate outcome of the case will not have a material effect on the consolidated financial statements.

Case Title : **Metro Alliance and Philippine Estate Corporation vs Philippine Trust Company, et al., Civil Case SCA#TG-05-2519**  
Factual basis : Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales plus Damages  
Name of Court : Regional Trial Court, Fourth Judicial Region, Branch 18, Tagaytay City  
Status : On September 14, 2005, Metro Alliance Holdings & Equities Corp. (MAHEC) and Philippine Estate Corporation (PEC) filed a Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, and Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sale, plus Damages with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction.

The case stemmed from the imminent extra-judicial foreclosure of four (4) mortgaged Tagaytay lots covered by Transfer Certificate of Title (CTC) Nos. T-35522, T-35523, T-35524 and T-35525 subject to the Real Estate Mortgage executed by MAHEC and PEC securing ₱280M loan obtained by MAHEC and PEC last December 2003.

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

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

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

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

Relief Sought:

As of December 31, 2015, the case is pending resolution with the Regional Court of Tagaytay, Branch 18 SCA# TG-05-2519. The Parent Company was able to get the formal trial started and on-going. The Parent Company's most important move was the presentation of a very competent real estate appraiser, realtor, Cesar Santos, who was able to successfully defend in court his ₱811.6M valuation of the foreclosed Tagaytay properties.

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

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

Factual basis : Civil Action with Damages to Nullify the Foreclosure of Property

Name of Court : Regional Trial Court Makati City Branch 145

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

The above case was consolidated with other case of affiliated company with the same RTC. In 2013, Company's legal counsel brought Zen Sen Realty Devt. Corp. as defendant also, and prayed that the PVB sale to it be nullified. In October 2014, Company's legal counsel dropped Zen Sen Realty as an

unnecessary defendant, after which DECISION was rendered vs. PVB on January 9, 2015, declaring the ₱550M loan (total loan of MAHEC, Polymax, Wellex and other affiliated companies) as fully paid, and even over-paid; discharging all the mortgages, and voiding the 2012 sale made to Zen Sen. PVB was ordered to refund to plaintiffs the ₱3.25M overpayment. PVB filed a motion for reconsideration which was denied. PVB filed Notice of Appeal to Court of Appeal on May 8, 2015, which the Company's legal counsel questioned as defective, but the RTC ruled against the Company in its May 12, 2015 Order. The consolidated case is now on appeal in the Court of Appeals as CA-GR CV#105323.

Case Title	:	<b>Metro Alliance vs The Philippine Stock Exchange (“PSE”)</b>
Factual basis	:	<p>On July 20, 2015, the Company filed a comprehensive corporate disclosure in connection with the Company's petition for lifting its trading suspension which was imposed to the Company on May 21, 2007. Suspension was due to non-filing of structured reports (quarterly and annual reports) from 2007 until 2013. Inability of the Company to file such reports was due to the legal issues involving the acquisition of the petrochemical plant and the surrounding circumstances.</p> <p>The Company, having resolved its disputes with foreign parties involved in the Bataan petrochemical project, was able to file its 2007 to 2013 quarterly and annual reports starting November 2014 to June 2015. Corresponding penalties amounting to ₱3.4 million was already paid.</p> <p>The Company and PSE representatives met last November 5, 2015 to discuss the status of the petition and other matters to update the Exchange on the Company's operations and informed that the settlement of the issues involving Polymax Worldwide Limited will be reflected in the Company's 2015 Audited Financial Statements.</p>
Relief Sought	:	<p>PSE, on their letter dated January 19, 2016, advised the Company that it will proceed with the completion of its evaluation of the Company's petition upon the Company's submission of the disclosure of the results of its operations and the filing of its 2015 Audited Financial Statements.</p>

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

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

## **PART II – OPERATIONAL AND FINANCIAL INFORMATION**

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

##### **(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	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-
2014	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-
2013	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-

As observed, there are no high and sales prices for the last three years since the Philippine Stock Exchange suspended the trading of the Company for non-compliance with the submission of structured reports such as annual and quarterly report since 2007. (Please refer to 'Summary of Material Trends, Events and Uncertainties').

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

## (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 December 31, 2015, there are 629 holders of Class "A" shares and 403 holders of Class "B" shares.

Metro Alliance's Top 20 Stockholders as of December 31, 2015 are as follows:

	Stockholder's Name	Number of Shares		Percentage to Total
		Class A	Class B	
1	Creston Global Limited		56,378,388	18.417
2	PCD Nominee Corporation (Filipino)	16,229,110	26,530,113	13.968
3	Chesa Holdings, Inc.	40,500,000		13.230
4	Pacific Wide Realty & Development Corp.	31,498,000		10.289
5	Forum Holdings Corporation	16,376,856	13,432,644	9.738
6	Misons Industrial and Development Corp.	22,000,000		7.187
7	Pacific Concorde Corporation	6,329,500	9,503,908	5.172
8	Rexlon Realty Group, Inc.	12,200,000	2,673,112	4.859
9	Chartered Commodities Corp.	11,296,000		3.690
10	Mizpah Holdings, Inc.	10,128,700		3.309
11	William T. Gatchalian	2,091,000	1,481,500	1.167
12	Pacific Rehouse Corp.	1,258,000	1,670,000	0.956
13	Kenstar Industrial Corp.	2,312,331		0.755
14	PCD Nominee Corporation (Non-Filipino)		2,238,452	0.731
15	Nancy Saw		1,846,500	0.603
16	Tin Fu Or Trajano		820,000	0.268
17	Severin Haselmann		730,000	0.238
18	CTBC TA#5-C184; Zuellig Corp.	684,829		0.224
19	UBP Capital Corporation	645,000		0.211
20	Rexlon T. Gatchalian	600,000		0.196
	Others	9,524,144	5,127,511	4.154
	Total	183,673,470	122,448,979	100.00

### **(3) Dividends**

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

### **(4) Recent sales of unregistered or exempt securities**

There are no recent sales of unregistered or exempt securities.

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

### **(1) Plan of Operation**

The Group, having resolved its disputes with the foreign parties involved in the Bataan petrochemical project, will explore business opportunities for the next twelve months. The Group will reorganize its operations; evaluate its remaining assets; review all pending legal cases; and settle and resolve its outstanding issues with other regulatory government bodies. The Group assures the public that it will focus on traditionally stable industries or sunrise sectors in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

The Group still holds 20% interest in the petrochemical plant as of December 31, 2015. The Board will discuss on their succeeding meetings on how best to proceed on this remaining investment. Recently, the management is undergoing due diligence in evaluating investment proposal from foreign investor for the plan of reacquiring the majority control of the petrochemical plant. The Board will also outline business target projects including possible investment in mining industry. MAHEC's remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional businesses from its existing principals.

#### Projected Plan for the next 12 months:

#### Investment and sources of capital

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

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

Furthermore, the majority shareholders, which are 75% of the traded shares, have signified their intention to conduct a tender offer in the vicinity of Php 0.50 per share, within thirty (30) days after the lifting of Company's trading suspension, in order to gain back investor confidence in the Company.

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

The company has a pending application with the SEC to increase its capital stock to P5 billion to be split – 60% Class A shares and 40% Class B shares at par value of Php1.00 to meet its projected investments after the tender offer. Of this amount, P3 billion worth of shares are earmarked to be issued as follows:

1. Majority interest in an operating mining company which is actively producing nickel and has a capital base of P1 billion. This company is presently held by the majority shareholders in joint venture with a Chinese company.
2. A second part of the capital increase amounting to P2 billion will be underwritten by a Chinese Bank to provide momentarily cash infusion to the company for the reacquisition of 80% NPCA shares which were sold to NPC International, an Iranian interest. This will redound to the company regaining 100% ownership of NPC Alliance. The planned acquisition will allow the entry of a Chinese Petrochemical company to buy in the company up to 70% of the company's restructured equity by way of supplying feedstocks for the NPCA ethylene plant. NPC Alliance operation has always been hampered by the lack of feedstocks not being able to put a cracker plant from the very beginning. While this new development is under discussion, we believe that disclosing this at this stage will not hamper the planned acquisition.

The Company is expected to satisfy its cash requirements to finance its projected plans and investments in new venture until the 4th quarter of 2016. The Company will announce the plan for tender offer on the annual stockholders' meeting.

#### *Realization of Outstanding Receivables from Polymax Worldwide in the Amount of Php 415,410,450.00 as of December 31, 2015*

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

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

#### Manpower requirements

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

#### Capital Asset Aquisition

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

## **(2) Management's Discussion and Analysis**

### **a) Key Performance Indicators**

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

#### Metro Alliance

Metro Alliance's key performance indicators include the following:

1. Net income
2. Earnings per share – net income attributable to each share of common stock (net income / weighted number of shares outstanding)

3. Return on average equity – ability to generate returns on investment of stockholders.  
(net income / average equity)
4. Debt to total asset ratio – the proportion to total assets financed by creditors.  
(total debt / total assets)
5. Debt to Equity ratio – an indicator of which group has the greater representation in the assets of the company  
(total debt / equity)

Metro Alliance parent company registered a net loss of ₱3.2 million in 2015 as against ₱13.8 million net loss in 2014. The decrease in net loss in 2015 by ₱10.6 million or 76.81% is due to net effect of: recognition of other income arising from the condoned liability from settlement of loan to a related party (WPI) amounting to ₱16.3 million; provision for impairment loss for 2015 for long outstanding receivables from non-operating subsidiaries amounting to ₱4.9 million and decrease of ₱1 million or 14.93% in general and administrative expenses for 2015 as compared to 2014. Decrease in general and administrative expenses is attributable to: increase in personnel cost by ₱0.2 million, decrease in representation expense by ₱3.8 million and payment of penalties to PSE in 2015 of ₱3.1 million. Penalties paid to PSE refer to monetary penalties for non-submission of structured reports (Annual and Quarterly Reports) in prior years. The Company was unable to file such reports due to circumstances surrounding the acquisitions of Petrochemical Plant in prior years.

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

Performance indicator	December 31		
	2015	2014	2013
Earnings (loss) per share (in Php)	(0.011)	(0.045)	(0.019)
Return (loss) on average equity	(0.011)	(0.045)	(0.019)
Debt to total assets ratio	0.495	0.725	0.757
Debt to equity ratio	0.978	2.634	3.123

#### MCLSI

MCLSI's key performance indicators include the following:

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

The decrease in MCLSI's gross profit and net profit margins resulted mainly from additional logistics service provided with lower gross profit rates lower than the existing principals.

With the decrease in operating income brought about by the additional business with lower gross profit rates, return on assets and return on equity decreased.

Current ratio increased due to the increase in prepayments related to the additional business.

Comparative analysis of MCLSI's key performance indicators follows:

Performance indicator	December 31		
	2015	2014	2013
<b>Profitability</b>			
a. Gross profit margin	0.162	0.200	0.163
b. Net profit margin	0.024	0.051	(0.032)
c. Return on assets	0.036	0.079	(0.074)
d. Return in equity	0.117	0.331	(0.004)
<b>Liquidity</b>			
a. Current ratio	1.494	1.390	1.095
b. Receivables turnover	3.195	3.553	1.654
c. Days' sales in receivables	114	103	221

#### CPDSI, FEZ-EAC, ZDI and AHI

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

#### **Financial Highlights**

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

The table below shows the consolidated financial highlights of Metro Alliance for the years ended December 31, 2015, 2014 and 2013:

<b>Balance Sheet</b>	<b>As of December 31 (In Php'000)</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Current assets	550,062	911,894	1,071,686
Noncurrent assets	13,362	17,135	12,613
<b>Total Assets</b>	<b>563,424</b>	<b>929,029</b>	<b>1,084,299</b>
Current liabilities	466,291	835,634	978,757
Noncurrent liabilities	8,998	5,571	5,571
<b>Total Liabilities</b>	<b>475,289</b>	<b>841,205</b>	<b>984,329</b>
Stockholder's Equity	88,135	87,824	99,970
<b>Total Liabilities and Stockholder's Equity</b>	<b>563,424</b>	<b>929,029</b>	<b>1,084,299</b>

<b>Income Statement</b>	<b>As of December 31 (In Php'000)</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Sales and services	143,344	127,690	123,507
Cost of sales and services	(120,195)	(102,106)	( 103,411)
Gross profit	23,149	25,584	20,097
Expenses – net	(19,667)	( 32,788)	( 23,270)
Net Income (Loss) Before Tax	3,482	( 7,204)	( 3,173)
Income Tax – Current	(4,359)	( 2,962)	( 2,985)
Deferred	662	164	2,186
Net Income (Loss) After Tax	(215)	(10,002)	( 3,972)
Net Income (Loss) attributable to:			
Equity Holders of the Parent Company	(1,895)	(13,204)	(4,893)
Non-controlling interest	1,680	3,202	921
	(215)	(10,002)	(3,972)
Earnings (Loss) Per Share Attributable to holders of Parent Company	(₱0.006)	(₱ 0.04)	(₱ 0.02)

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

## **CHANGES IN OPERATING RESULTS**

### ***2015 COMPARED TO 2014***

#### **Net Income and Earnings (Loss) Per Share**

The Group registered a consolidated net loss of ₱0.2 million in 2015 as against net loss of ₱10 million in 2014 or a decrease in net loss by ₱9.8 million or 98%. Earnings (loss) per share for 2015 and 2014 for equity holders of the Parent Company are (₱0.006) and (₱0.04), respectively. The decrease in net loss was net effect of (a) increase in service income by ₱15.6 or 12% million due to entry of new clients and principals of MCLSI; (b) increase in other income by ₱15.9 million or 3898% arose from condoned liability of the Parent Company; and (c) increase in operating expenses by ₱2.9 million or 11% due to impairment loss on long outstanding receivables. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

#### **Sales and Services**

The Group registered gross service revenue of ₱143.3 million and ₱127.7 million for the years ended December 31, 2015 and 2014. The increase in revenue of ₱15.6 million or 12% in 2015 is due to additional businesses from MCLSI's existing principal resulting to new service contracts on its logistics and warehousing operations.

#### **Cost of Sales and Services And Operating Expenses**

Total cost and operating expenses for the years 2015 and 2014 amounted to ₱149.1 million and ₱128.1 million, respectively. The increase of ₱21 million or 16% is attributable to net effect of (a) increase in delivery cost of products and services in 2015 (₱18.1 million or 18%) which is in proportion to the increase in sales of services; (b) decreased in general and administrative expenses of operating and non-operating subsidiaries by ₱4.3 million (decrease in representation expense by ₱3.7 million, professional fees by ₱0.5 million and taxes and licenses by ₱0.1 million); and (c) impairment loss on long outstanding receivables amounting to ₱4.9 million and actuarial loss recognition on MCLSI retirement fund amounting to ₱2.2 million.

#### **Other Income (Expenses) - Net**

Other income (charges) is composed of interest income, dividend income, interest expense and other income not normally earned from the ordinary course of business. Other income (charges) for the years 2015 and 2014 amounted to ₱9.2 million and (₱6.8 million), respectively or an increase of ₱16 million or 235%. The increase pertains to other income which came from condoned liability of the Parent Company. Finance cost charged by affiliated companies on the long outstanding payable of the parent company amounting to ₱7.1 million for both years. Loan related to this finance cost was fully settled at the end of the year 2015.

### ***2014 COMPARED TO 2013***

#### **Net Income and Earnings (Loss) Per Share**

The Group registered a consolidated net loss of ₱10 million in 2014 as against net loss of ₱3.9 million in 2013 or an increase of ₱6.1 million or 156%. Earnings (loss) per share for 2014 and 2013 for equity holders of the Parent Company are (₱0.04) and (₱0.02), respectively. The increase in net loss was net effect of (a) finance cost charged by affiliated company on the long outstanding loan of the parent company for the current year (₱7.2 million); (b) decrease in delivery cost of products and services (₱1.3 million); (c) additional logistics service provided during the current year (₱4.2 million) and increase in general and administrative expenses

(₱2.6 million). Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

#### Sales and Services

The Group registered gross service revenue of ₱127.7 million and ₱123.5 million for the years ended December 31, 2014 and 2013. The increase in revenue of ₱4.2 million or 3% in 2014 is due to additional businesses from MCLSI's existing principal resulting to new service contracts on its logistics and warehousing operations.

#### Cost of Sales and Services And Operating Expenses

Total cost and operating expenses for the years 2014 and 2013 amounted to ₱128.1 million and ₱126.9 million, respectively. The increase of ₱1.2 million or 1% is proportion to the increase in sales and net effect of (a) decrease in delivery cost of products and services in 2014 (₱1.3 million); (b) increased in general and administrative expenses of operating and non-operating subsidiaries such as increase in personnel cost (₱1 million), increase in business taxes and licenses (₱0.5 million) and increase in other operating expenses (₱1 million).

#### Other Income (Expenses)

Other income (charges) for the years 2014 and 2013 amounted to (₱6.8 million) and ₱0.2 million, respectively or a decrease of ₱7 million or 3500%. The decrease pertains to finance cost charged by affiliated companies on the long outstanding payable of the parent company amounting to ₱7.2 million and a decrease on the dividend income received for the year.

### **CHANGES IN FINANCIAL CONDITION**

#### ***2015 COMPARED TO 2014***

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

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

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

The remaining 20% of Polymax's interest which is valued at ₱450 million, which is estimated recoverable amount from the sale of investment. The realization of the Company's advances to Polymax (an unconsolidated special purpose entity in 2007) and the settlement Polymax's past due liabilities for which the Company is jointly and severally liable, depends on whether sufficient cash flows can be generated from Polymax's 20% interest in NPCA, which is for sale, and from a letter of comfort issued by the Wellex Group of Companies in favor of the Parent Company. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. As explained in the notes to financial statements, management's plan is to infuse additional capital to address the going concern uncertainty.

## Assets

**Cash and cash equivalents** for the years 2015 and 2014 amounted to ₱15.7 million and ₱22.1 million, respectively. Decrease by ₱6.4 million or 28.96% in 2015 is net effect of net cash received from operating activities due to increase in revenue from MCLSI operations amounting ₱9.99 million, net cash generated from investing activities of ₱374.4 million (amount attributable to collection of advances to Polymax by the Parent Company and proceeds from disposal of property and equipment) and net cash used in financing activities of (₱390.8 million) (amount attributable to payment of loan to affiliates including finance charges).

**Receivables** amounted to ₱92.9 million in 2015 and ₱80.3 million in 2014 (net of allowance for doubtful accounts of ₱152.7 million and ₱149.5 million as of December 31, 2015 and 2014, respectively). Trade and other receivables went up by ₱3.9 million or 9% due to the net effect of increase in credit sales from MCLSI operations (₱15.6 million or 12%), decrease in other receivables (₱0.7 million or 2%), decrease in due from related parties (₱5.6 million or 5%) and additional provision for doubtful accounts of ₱3.2 million in 2015. 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.

**Other current assets** amounted to ₱25.9 million in 2015 and ₱20.8 million in 2014 (net of allowance for probable losses of ₱12.2 million and ₱14.1 million for both years 2015 and 2014, respectively). In 2015, the increase by ₱5.1 million is net effect of increase in creditable withholding taxes (₱1.25 million), decrease in input taxes (₱1.4 million), increase in refundable deposits (₱2.4 million), increase in other prepayments (₱1 million) and decrease in allowance for probable losses (₱1.9 million) due to utilization of input taxes to offset against output VAT resulted from other income. The Group reviews the carrying amount at each balance sheet to reduce the balance to their estimated recoverable amounts.

**Asset held for sale** amounting to ₱415.4 million and ₱788.7 million as of December 31, 2015 and 2014 (which constitute 74% and 85%, respectively of the Group's total assets as of December 31, 2015 and 2014, respectively) represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA). A decrease of ₱373.2 million in 2015 pertains to collections from Polymax which is directly applied or paid to the outstanding obligations of the Parent Company to affiliated company.

On March 18, 2006 and September 20, 2006, 40% and 20%, respectively, of Polymax's interest in NPCA was sold. Thereafter management decided to discontinue operations and cease operating as a going concern and exclude the accounts of Polymax in the Group's consolidated financial statements. 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, 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, 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 Company on September 30, 2014.

During 2014, 20% and 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 ₱4.8 million in 2015 and ₱6.6 million in 2014. This account includes shares of stocks owned in publicly listed companies. The ₱1.8 million decreased in 2015 pertains to decline in the value of shares of stock in the market. The fair value of these shares has been determined directly by reference to published prices in the

active market. Accumulated AFS reserve amounted to ₱1.2 million and ₱2.8 million as of December 31, 2015 and 2014, respectively.

**Property, plant and equipment-net** amounted to ₱3.8 million in 2015 and ₱5.1 million in 2014. Net decrease in property, plant and equipment in 2015 by ₱1.3 million pertains to net effect to depreciation charge for the year amounting to ₱0.1 million and disposal of transportation and office equipment of MCLSI amounting to ₱1.2 million.

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

**Other non-current assets** for the years 2015 and 2014 amounted to ₱4.6 million and ₱5.5, respectively. This account consists of intangible asset pertaining to non-exclusive software license cost for use in MCLSI's warehouse management system and deferred tax assets.

## Liabilities

### *Current Liabilities*

**Accounts payable and accrued expenses** for the years 2015 and 2014 amounted to ₱409.9 million and ₱418.9 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered.

The net decrease for year 2015 by ₱9 million or 2% is attributable to (a) payment by Parent Company of the accrued finance charges (₱14.3 million) related to the settled loan from affiliated company; (b) payment of accrued professional fees in prior years (₱1.4 million); (c) write off of long outstanding payables (₱0.7 million) of the Parent Company; (d) accrual of legal and professional fees, personnel cost, trucking charges, pallet rental charges, utilities and other employee-related incentives fixed expenses of the Parent Company and MCLSI (₱13.7 million).

**Due to related parties** for the years 2015 and 2014 amounted to ₱56.3 million and ₱416.7 million, respectively. The Group, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Group did not provide nor received any guarantee on its transaction with related parties. The decrease by ₱360.4 million in 2015 is mainly due to settlement of loan to Waterfront Philippines, Inc. by the Parent Company.

**Accrued retirement benefit cost** amounted to ₱8.9 million and ₱5.6 million as of December 31, 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. There is no provision for retirement benefit for 2015 as the management determined that current accrual is sufficient enough to cover retirement benefits of remaining employees. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation.

## **2014 COMPARED TO 2013**

### Assets

**Cash and cash equivalents** for the years 2014 and 2013 amounted to ₱22.1 million and ₱14.4 million, respectively. The increase by ₱7.7 million or 53% in 2014 is net effect of net cash received from operating activities due to increase in revenue from MCLSI operations amounting ₱6.6 million, net cash generated from investing activities of ₱166.6 million and net cash used in financing activities of (₱165.6 million).

**Receivables** amounted to ₱80.3 million in 2014 and ₱75.9 million in 2014 (net of allowance for doubtful accounts of ₱10.8 million and ₱10.3 million as of December 31, 2014 and 2013). Trade and other receivables went up by ₱4.4 million or 6% due to the net effect of increase in credit sales from MCLSI operations (₱9.8 million or 30%), decrease in other receivables (₱4.8 million or 11%), decrease in due from related parties (₱0.2 million or 2%) and additional provision for doubtful accounts of ₱0.4 million in 2014. 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 ₱20.8 million in 2014 and ₱21.1 million in 2013 (net of allowance for probable losses of ₱14 million for both years 2014 and 2013). In 2014, the decrease by ₱0.3 million is net effect of decrease in creditable withholding taxes (₱0.9 million), increase in input taxes (₱0.3 million), increase in refundable deposits (₱0.7 million) and decrease in other prepayments (₱0.3 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 ₱960.3 million as of December 31, 2014 and 2013 (which constitute 85% and 89%, respectively of the Group's total assets as of December 31, 2014 and 2013, respectively) represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA). The decrease of ₱171.6 million in 2014 pertains to collections from Polymax which is directly applied or paid to the outstanding obligations of the Parent Company to third party creditors.

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 and exclude the accounts of Polymax in the Group's consolidated financial statements. The remaining 40% interest which is for sale is valued at ₱900 million, which is the estimated recoverable amount from the sale of investment.

The realization of the Company's advances to Polymax and the settlement of Polymax's past due liabilities for which the Company is jointly and severally liable, 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, 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 Company on September 30, 2014.

During 2014, 20% and 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 ₱6.6 million in 2014 and ₱6.1 million in 2013. This account includes shares of stocks owned in publicly listed companies. The ₱0.5 million increased in 2014 pertains to increase 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. Accumulated AFS reserve amounted to ₱2.8 million and ₱2.4 million as of December 31, 2014 and 2013.

**Property, plant and equipment-net** amounted to ₱5.1 million in 2014 and ₱1.9 million in 2013. Net increase in property, plant and equipment in 2014 by ₱3.2 million pertains net effect to depreciation charge for the year amounting to ₱1.2 million and additional acquisitions of transportation and office equipment of MCLSI amounting to ₱4.4 million. Transportation equipment included under office furniture, fixtures and equipment with a carrying value of nil and ₱79,310 as of December 31, 2014 and 2013, respectively, is mortgaged as collateral for long-term debt.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of December 31, 2014 and 2013. In 2014 and 2013, the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

**Other non-current assets** for the years 2014 and 2013 amounted to nil and ₱750,000, respectively. This intangible asset pertains to non-exclusive software license cost for use in MCLSI's warehouse management system.

## Liabilities

### *Current Liabilities*

**Accounts payable and accrued expenses** for the years 2014 and 2013 amounted to ₱418.9 million and ₱403.6 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 increase for year 2014 by ₱15.3 million or 4% 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** for the years 2014 and 2013 amounted to ₱416.7 million and ₱574.9 million, respectively. The Group, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Group did not provide nor received any guarantee on its transaction with related parties. The decrease of ₱158.2 million in 2014 pertains to Metro Alliance settlement of advances to third party creditors, fund of which come from collections from Polymax. Polymax has sold another 20% interest in 2014 for total proceeds of ₱347.7 million. Significant portion of these advances were used to by Polymax to finance its planned acquisition of petrochemical plant in prior years.

**Loans payable (current and long term)** amounted to nil in 2014 and ₱179,415 in 2013. Long-term debt represents loans obtained by MCLSI which is fully settled in 2014.

The account pertains to MCLSI's two loan agreements entered last July 21, 2009 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).

Total interest expense on the loans amounted to ₱32,640 in 2014 and ₱48,960 in 2013.

**Accrued retirement benefit cost** amounted to ₱5.6 million as of December 31, 2014 and 2013. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service

rendered and compensation of covered employees as of valuation date. There is no provision for retirement benefit for 2014 as the management determined that current accrual is sufficient enough to cover retirement benefits of remaining employees. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation.

#### **(i) Summary of Material Trends, Events and Uncertainties**

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 cases

This has been discussed in detail in Item 3, Legal Proceedings, of this report.

#### **(ii) Events that will Trigger Direct Contingent or Financial Obligation**

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

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

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

#### **(iv) Commitment For Capital Expenditures**

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

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

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

#### **(vi) Significant Element of Income or Loss That Did Not Arise From Continuing Operations.**

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

#### **(vii) Material Changes on Line Items in the Financial Statements**

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

#### **(viii) Effect of Seasonal Changes in the Financial Condition or Results of Operations of the Corporation**

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

## Item 7. Financial Statements

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

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

### Information on Independent Accountant and other Related Matters

#### (1) External Audit Fees and Services

- (a) Audit and related fees for Metro Alliance is ₱360,000 for the year 2015 and 2014 and ₱300,000 for the year 2013 for expressing an opinion on the financial statements and assistance in preparing the annual income tax return. In addition, to bring to the attention of management, any deficiencies in internal control and detected misstatements and fraudulent or illegal acts.
- (b) Tax fees - there were no tax fees paid for the years 2015, 2014 and 2013.
- (c) Other fees – there were no other fees paid for the years 2015, 2014 and 2013.
- (d) Audit committee's approval policies and procedures for the above services – the committee will evaluate the proposals from known external audit firms. The review will focus on quality of service, commitment to deadline and fees as a whole, and no one factor should necessarily be determinable.

#### (2) Changes and disagreements with Accountants on Accounting and Financial Disclosure

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

### **PART III– CONTROL AND COMPENSATION INFORMATION**

## Item 9. Directors and Executive Officers of the Issuer

### (1) Directors, including Independent Directors, and Executive Officers

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

The current Directors and Executive Officers are as follows:

<b>Name</b>	<b>Age</b>	<b>Citizenship</b>	<b>Position and Office</b>
Renato B. Magadia	78	Filipino	Chairman of the Board and President
Lamberto B. Mercado, Jr.	51	Filipino	Director
Reno I. Magadia	46	Filipino	Director
Ricardo M. Dela Torre	74	Filipino	Director
Nestor S. Romulo	71	Filipino	Director/Corporate Secretary
Aristeo R. Cruz	49	Filipino	Independent Director
Miguel B. Varela	74	Filipino	Independent Director
James B. Palit-Ang	52	Filipino	Treasurer

Business experience during the past five years and other directorships

Name	Corporation	Position
<p><b>Renato B. Magadia</b>                      Chairman of the Board &amp; President                      Filipino                      78 years old                      Bachelor of Science in Business Administration                      University of the Philippines                      Certified Public Accountant                      -1960</p>	<p><b>Present:</b>                      MAHEC                      MAHEC                      MAHEC                      Philippine Estate Corp.                      Waterfront Phils., Inc.                       CPDSI                      FEZ and ZDI                      Asia Healthcare, Inc.                       Acesite (Phils.) Hotel Corp.                      ZetaMark, Inc.   <b>Previous:</b>                      The Zuellig Corporation                      Mabuhay Vinyl Corporation</p>	<p>Chairman of the Board since 1999                      President since 2001                      Director since 1998                      Director                      Chairman of the Board/Director since 1999                      Chairman of the Board since 1999                      Chairman and President since 2004                      Chairman of the Board, 2001-2003                      Chairman and President, since 2004                      Vice Chairman                      Chairman                       President &amp; CEO, 1980-99                      Chairman &amp; CEO, 2001-2007</p>

<p><b>James B. Palit-Ang</b>                      Director/Treasurer                      Filipino                      52 years old                      B.S.B.A., Accounting                      Philippine School of Business Administration</p>	<p><b>Present:</b>                      MAHEC                      Noble Arch Realty &amp; Construction Corp.                      Crisanta Realty and Development Corp.                      Philippine Estates Corporation                      East Asia Oil and Mining Companies   <b>Previous:</b>                      DMI Construction</p>	<p>Director and Treasurer                      Chairman and President since 2010                       Chairman and President since 2008                       Director since 2010                      Chairman &amp; CEO since 2005                       Chief Operations Officer 2003-2004</p>
--	---	--

<p><b>Lamberto B. Mercado, Jr.</b>                      Director                      Filipino                      51 years old                      Bachelor of Laws (L.L.B.)                      Ateneo de Manila University School of Law                      Lawyer – 1991</p>	<p><b>Present:</b>                      MAHEC                      AHI, FEZ and ZDI                      Waterfront Phils., Inc.                      Forum Pacific, Inc.                      The Wellex Group, Inc.   <b>Previous:</b>                      Subic Bay Metropolitan Authority</p>	<p>Director since 2003                      Director, 2004                      Director since 1999                      Director since 1998                      Vice President for Legal since 1998                       Deputy Administrator for Administration, 1997-98</p>
---	--	--

<p><b>Aristeo R. Cruz</b> Independent Director Filipino 49 years old Bachelor of Laws (LLB) New Era University – 2005</p> <p>Certified Public Accountant De La Salle University – 1986</p>	<p><b>Present:</b> MAHEC  Meycauayan College, Inc.</p> <p>Cruz Altares &amp; Associates Law Office (formerly Cruz Castro &amp; Altares Law Office) Liberty Bank (A Rural Bank), Inc.</p>	<p>Independent Director since September 11, 2015 Vice Chairman/Director from December 2011 – present Dean, College Department from November 2007 – Present Founding and Managing Partner from July 2007 – present</p> <p>Assistant General Manager from February 2008 – present</p>
--	--	---

<p><b>Ricardo M. Dela Torre</b> Director Filipino 74 years old Advanced Management Program – 1994 (Asian Institute of Management, Indonesia) Masters in Business Management – 1970 (Asian Institute of Management, Philippines) Bachelor of Science in Accounting – 1963 (Ateneo de Naga, Philippines) Certified Public Accountant – 1964</p>	<p><b>Present</b> Metro Alliance Holdings &amp; Equities Corp. Metro Combined Logistics Solutions, Inc.</p> <p><b>Previous</b> Banco de Oro</p> <p>BPI – Family Bank BPI – Family Bank BPI Card Corporation BPI/MS Insurance FGU Insurance Corporation Santiago Land Ford Credit Philippines Ford Credit Philippines Filiol Corporation</p>	<p>Director since 2005</p> <p>Director</p> <p>Consultant, Consumer Financing (July 2003-July 2005) Senior Vice President (1984-2002) Director Director Director Director Director General Manager Sales and Distribution Manager Corporate Planning Manager</p>
---	---	---

<p><b>Reno I. Magadia</b> Director Filipino 46 years old BA, TV and Radio Broadcasting California State University, Los Angeles Master's Degree – Business Administration Pepperdine University, Los Angeles, California</p>	<p><b>Present:</b> MAHEC Metro Combined Logistics Solutions, Inc. ( formerly GAC Logistics, Inc.). Misons Industrial &amp; Development Corp.</p> <p><b>Previous:</b> Mercator Filter Manufacturing Corp. Papa Securities Corp.</p>	<p>Director since 2006 Managing Director since Nov. 2011</p> <p>Managing Director</p> <p>Vice President, 1996-2003 Head Portfolio Manager, 1993- 1996</p>
--	--	---

<p><b>Nestor S. Romulo</b>  Corporate Secretary/Director  Filipino  71 years old  Bachelor of Laws (LLB)  University of the Phils., 1970  Lawyer - 1971</p>	<p><b>Present:</b>  Metro Alliance Holdings &amp; Equities Corp.   Winbank (Savings Bank)  Westmont Investment Corp  Wincorp Securities  Romulo, Serrano and Camello Law Offices  Reyno, Tiu, Domingo and Santos Law Offices  JP Consultancy Resources and Management, Inc.  JMP Development Corp.  Margarita Properties, Inc.  Zuellig Distributors Inc.  Asia Healthcare, Inc.  FEZ-EAC Holdings, Inc.</p> <p><b>Previous:</b>  EPCIB  PCIB</p>	<p>Corporate Secretary since February 2004  Director since 2005  Chairman of the Board  Chairman of the Board  Director   Partner   Consultant   Corporate Secretary  Corporate Secretary  Corporate Secretary  Corporate Secretary  Corporate Secretary  Corporate Secretary</p> <p>Consultant, 1999-2000  VP and Head, Legal Services Group, 1995-1999</p>
---	---	--

Name	Corporation	Position
<p><b>Atty. Miguel B. Varela</b>  Independent Director  Filipino   74 years old  Liberal Arts  San Beda College   Bachelor of Law  Ateneo De Manila University</p>	<p><b>Present:</b>  Metro Alliance Holdings &amp; Equities Corp.  Wellex Industries, Inc.  Megaworld Corporation   Global Estates Resorts, Inc.   Emperador, Inc.  Philippine Estates Corporation</p>	<p>Independent Director since December 19, 2014  Independent Director since 2008  Independent Director/Vice Chair 2006 – present  Independent Director since 2012  Independent Director since 2012  Independent Director</p>

**(2) Significant Employees**

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

**(3) Family Relationships**

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

**(4) Involvement in Certain Legal Proceedings**

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

## Item 10. Executive Compensation

### (1) Summary Compensation Table – Annual Compensation

The following table lists the names of the Corporation's Directors and Executive Officers Annual Compensation for the two most recent years including the estimated compensation for year 2015. As observed, there was no compensation, in any form, to all Directors and key officers for the previous years due to the Company's tight cash position resulting from the trading suspension from PSE and subsidiaries that have ceased operations.

#### (a) Summary Compensation Table – Annual Compensation

	Name and Principal Position	Year	Salary	Bonus	Other compensation
1	Renato B. Magadia Chairman of the Board and President	2015	-	-	-
		2014	-	-	-
		2013	-	-	-
2	James B. Palit-Ang Treasurer	2015	-	-	-
		2014	-	-	20,000
		2013	-	-	-
3	Nestor S. Romulo Corporate Secretary and Legal Counsel	2015	-	-	600,000
		2014	-	-	600,000
		2013	-	-	600,000
4	Other directors	2015	-	-	20,000
		2014	-	-	40,000
		2013	-	-	-
5	All directors and Officers as a Group unnamed	2015	-	-	640,000
		2014	-	-	660,000
		2013	-	-	600,000

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

### (2) Compensation of Directors

Except for a nominal amount of per diem amounting to P10,000 during attendance in special meetings, there is no standard arrangement with regard to election, any bonus, profit sharing, pension/retirement plan, granting of any option, warrant or right to purchase any securities. There are no other arrangements or consulting contracts or other form of services with directors.

### (3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

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

### (4) Warrants and Options Outstanding: Repricing

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

**Item 11. Security Ownership of Certain Beneficial Owners and Management**

**(1) Security Ownership of Certain Record and Beneficial Owners**

As of December 31, 2015, Metro Alliance knows of no one who beneficially owns in excess of 5% of the its common stock except as set forth in the table below.

<b>Title of Class</b>	<b>Name, address of Record owner and Relationship with issuer</b>	<b>Name of Beneficial Owner* and relationship with record owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Percent</b>
Common Shares – Class B	Creston Global Limited C/o #9 Cardinal St., St. Dominic Subd., Bahay Toro, Congressional Ave, Quezon City (1 <sup>st</sup> major stockholder)	John Torres – Authorized signatory  (Designated representative)	British	56,378,388	18.417%
Common Shares – Class A 16,229,110  Class B 26,530,113	PCD Nominee Corp. 37F Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo De Roxas, Makati City (2 <sup>nd</sup> major stockholder)	PCD Participants and their clients (see Schedule A)	Filipino	42,759,223	13.968%
Common Shares – Class A	Chesa Holdings, Inc. Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City (3 <sup>rd</sup> major stockholder)	Perlie Alpuerto – Corporate Treasurer (Designated representative)	Filipino	40,500,000	13.230%
Common Shares – Class A	Pacific Wide Realty & Development Corp. Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City (4 <sup>th</sup> major stockholder)	Chona Chua – Corporate Treasurer  (Designated representative)	Filipino	31,498,000	10.289%
Common Shares – Class A 16,376,856  Class B 13,432,644	Forum Holdings Corp. Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City (5 <sup>th</sup> major stockholder)	Ellen T. Balunsat Corporate Treasurer  (Designated representative)	Filipino	29,809,500	9.738%
Common Shares – Class A	Misons Industrial and Development Corp. Unit 2002 20 <sup>th</sup> F, Antel 2000 Corporate Center 121 Valero St., Salcedo Village, Makati City (6 <sup>th</sup> major stockholder)	Renato B. Magadia	Filipino	22,000,000	7.187%
Common Shares – Class A 6,329,500  Class B 9,503,908	Pacific Concorde Corp. Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City (7 <sup>th</sup> major stockholder)	Irene F. San Roque Corporate Treasurer  (Designated representative)	Filipino	15,833,408	5.172%

\* Person designated to exercise investment power over the equity

## (2) Security Ownership of Management

As of December 31, 2015, the security ownership of individual directors, executive officers and nominees of Metro Alliance is as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	%
Common—Class A	Renato B. Magadia	125,010 / Direct	Filipino	0.041
Common—Class A	Reno I. Magadia	100 / Direct	Filipino	0.000
Common—Class A	Nestor S. Romulo	1 / Direct	Filipino	0.000
Common—Class A	James B. Palit-Ang	1 / Direct	Filipino	0.000
Common—Class A	Lamberto B. Mercado, Jr.	1 / Direct	Filipino	0.000
Common—Class A	Aristeo R. Cruz	100 / Direct	Filipino	0.000
Common—Class A	Ricardo M. Dela Torre	1 / Direct	Filipino	0.000
<b>Total</b>		<b>125,214</b>		

## (3) Voting Trust Holders of 5% Or More

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

## (4) Changes in Control

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

## Item 12. Certain Relationships and Related Transactions

The Group, in the normal course of business, has transactions with related parties. The following table summarizes the transactions with related parties for the year ended December 31, 2015 and 2014. Please refer to Note 14 of the Audited Consolidated Financial Statements attached to this report for the broad discussions.

a. Due from/to related parties

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

The amounts due to related parties pertain to advances provided to the Parent Company to finance its working capital requirements, capital expenditures, Petrochemical Project support and for other investments and have no definite repayment terms. These are unsecured and noninterest bearing, except the liability to WPI, which is interest bearing but the related finance charges are being charged to Polymax, since the corresponding liability were obtained in relation to the Petrochemical Project.

b. Payables for shared operating expenses

On November 30, 2011, Gulf Agency Company Holdings (BV) and the Parent Company executed a Deed of Assignment in which the former offered to assign, transfer, cede and convey to the latter all its rights, title and interests in and to its shares, and the latter has accepted the offer. Accordingly, the former's shares were cancelled on May 7, 2013.

In accordance with the Deed of Assignment, it is agreed that the outstanding liabilities of MCLSI with Gulf Agency Company Holdings (BV) referred to in the Memorandum of Agreement dated November 30, 2012 will be honored and paid, should the latter's shares be sold to other persons.

The outstanding payables recognized in the books amounted to ₱22,968,469 and ₱22,670,814 as of December 31, 2015 and 2014, respectively.

c. Compensation of key management personnel follows:

Particulars	<u>2015</u>		<u>2014</u>	
Short-term employee benefits	P	8,655,149	P	8,161,952
Retirement benefits		—		—
Total	P	<u>8,655,149</u>	P	<u>8,161,952</u>

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

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

	<u>Amount of Transactions</u>		<u>Outstanding</u>	
	<u>Increase (Decrease)</u>		<u>Receivable/Payable</u>	
	<u>2015</u>	<u>2014</u>	<u>2014</u>	<u>2014</u>
<b><u>Asset Held For Sale</u></b>				
Advances to Polymax (special purpose entity)	(P373,251,811)	(P171,627,717)	P415,410,450	P788,662,261
<b><u>Due from Related Parties</u></b>				
<i>Operating subsidiary</i>				
MCLSI	(P 250,000)	P —	P 250,000	P 500,000
<i>Entity under common control</i>				
The Wellex Group, Inc.	—	( 5,384,826)	5,416,174	5,416,174
Others	( 243,190)	—	50,297	293,487
	(P 493,190)	(P 5,384,826)	P 5,716,471	P 6,209,661
<b><u>Due to Related Parties</u></b>				
<i>Under Common Control</i>				
Waterfront Philippines, Inc.(WPI)	(P365,933,148)	(P3,042,977)	P —	P365,933,148
Acesite (Phils.) Hotel Corporation	( 612,531)	—	5,627,202	6,239,733
Wellex Mining Corp.	225,000	( 225,000)	225,000	—
Gulf Agency Company Holdings (BV)	( 782,481)	—	23,273,962	22,670,814
The Wellex Group, Inc.	4,684,695	22,491,481	27,176,176	22,491,481
<i>Stockholders</i>	—	(181,753,940)	—	—
<i>Others</i>	4,277,971	( 4,195,534)	(4,883,463)	(605,492)
	(P360,427,344)	(P166,725,970)	P56,302,340	P416,729,684
<b><u>Accrued Finance Charges</u></b>				
WPI	(P 14,209,630)	P7,175,160	P —	P14,209,630

## (2) Transactions with promoters

Metro Alliance and its subsidiaries have no transaction with promoters.

## Part IV – CORPORATE GOVERNANCE

Please refer to attached separate “Annual Corporate Governance Report (ACGR)”

## **PART V – EXHIBITS AND SCHEDULES**

### **Item 14. Exhibits and Reports on SEC Form 17-C**

#### **(a) Exhibits**

##### **Financial Statements**

- Statement of Management’s Responsibility for Financial Statements
- Report of Independent Public Accountant
- Balance Sheets as of December 31, 2015 and 2014
- Statements of Income for each of the three years ended December 31, 2015, 2014, and 2013
- Statements of Changes in Equity for each of the three years ended December 31, 2015, 2014 and 2013
- Statements of Cash Flows for each the three years ended December 31, 2015, 2014 and 2013
- Notes to Financial Statements

##### **Supplementary Schedules**

Report of Independent Public Accountants on Supplementary Schedules:

- Financial Soundness
- Map of Conglomerate or Group of Companies Within Which the Company Belongs (Not Applicable)
- Standards and Interpretations Effective For Annual Periods Beginning January 1, 2014
- Financial Assets
- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
- Amounts Receivable From Related Parties Which Are Eliminated During the Consolidation of Financial Statements
- Indebtedness of Unconsolidated Subsidiaries and Affiliates
- Intangible Assets - Other Assets
- Long-term Debt
- Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)
- Guarantees of Securities of Other Issuers
- Capital Stock

#### **(b) Reports on SEC Form 17- C filed during the year of 2015:**

##### **Report Date: April 10, 2015**

The Corporation submitted its Revised Code of Corporate Governance (the “Code”) under SEC Memorandum Circular No. 6 series of 2009, as amended by the SEC Memorandum Circular No. 9 series of 2014.

##### **Report Date: May 8, 2015**

Postponement of 2015 Annual Stockholders’ Meeting (ASM) from May 29, 2015 to August 28, 2015 at 2:00 in the afternoon at One Café, 6<sup>th</sup> Floor One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City. All stockholders of record as of July 31, 2015 are entitled to participate in said Annual Stockholders’ Meeting.

The postponement of the annual stockholders' meeting is due to lack of material time to prepare and finish all the necessary materials, such as but not limited to Definitive Statement, which should be submitted before the Annual Stockholders' Meeting.

**Report Date: July 27, 2015**

The Corporation has clarified to Philippine Stock Exchange a news report published in the July 27, 2015 issue of the Manila Bulletin: "Tosoh renews bid for control of Mabuhay Vinyl Corporation (MVC)".

The Corporation has clarified that it has no more claims over the 234.57 million MVC shares which Tosoh offered to buy from BDO. It stated that it was true that in 2009 the Corporation filed a case vs. BDO & Tosoh with the 234.57 million MVC shares as the subject of the case but in 2012 the parties entered into a compromise agreement and had the case dismissed then. The Corporation affirmed that it has no more claim or interest whatsoever in the said 234.57 million MVC shares that Tosoh seeks to buy from BDO.

**Report Date: September 1, 2015**

The Corporation reports the result of the Annual Stockholders' Meeting and the Organizational Meeting of the Board of Directors held on August 22, 2015 at One Café, 6<sup>th</sup> Flr. One Corporate Center, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City agenda of which are:

1. Approval of the Minutes of the Annual Meeting of Stockholders held on December 19, 2014.
2. Approval of 2014 Audited Financial Statements
3. Approval and ratification of the actions and proceedings taken by the Board of Directors and Corporate Officers regarding the BPC project since December 20, 2014.
4. Approval and ratification of the actions and proceedings taken by the Board of Directors and Corporate Officers since December 20, 2014.
5. Election of Members of the Board of Directors for ensuing year 2015-2016
6. Appointment of External Auditors
7. Election among directors composition of the Corporation's Committee

**Report Date: September 11, 2015**

The Board of Directors, on its special meeting held on September 11, 2015, has accepted and approved the resignation of Mr. Rogelio D. Garcia as director of the Corporation effective immediately. As a result of the vacancy and after the pre-screening the qualifications of nominee by the Nominee Committee, Atty. Aristeo R. Cruz was elected as Independent Director, effective immediately.

**Report Date: September 24, 2015**

The Corporation, as a result of resignation of Mr. Rogelio D. Garcia, disclosed that Mr. Garcia also resigned as Chairman of Nomination Committee and member of Compensation Committee effective September 11, 2015. As a result of vacancy, Atty. Aristeo R. Cruz who replaced him was elected as the new Chairman of Nomination Committee and Member of Compensation Committee.

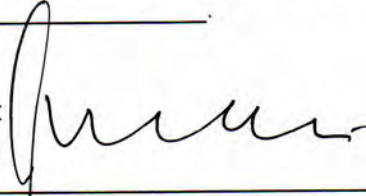
**Report Date: November 13, 2015**

The Corporation submitted copies of certificates of directors and key officers on the attended Good Corporate Governance Seminar held last November 12, 2015 at Manila Pavillion, Ermita, Manila conducted by SEC accredited training institution, Risk, Opportunities, Assessment and Management (ROAM), Inc.

**SIGNATURES**

After reasonable inquiry and to the best of my knowledge and belief, we certify that the information set forth in this report is true, complete and correct. This report is signed in Pasig City on MAY 11 2018


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

By: 

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



NESTOR S. ROMULO  
Corporate Secretary



JAMES B. PALIT-ANG  
Corporate Treasurer


**MAY 11 2018**

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

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

**MANDALUYONG CITY**

**TAX IDENTIFICATION NOS.**  
100-942-390  
107-200-723  
151-671-333

  
**ATTY. JAMES K. ABUGAN**  
**NOTARY PUBLIC**  
Until Dec. 31, 2018  
**IBP No. 021498/ 1-5-2018**  
Rizal Chapter  
Roll No. 26890  
**MCLE No. V-0004484-10/31/2014**  
**PTR # 3369955 - 01/05/2018**  
Mandaluyong City  
TIN # 116-239-956  
Tel. 631-40-90

Doc. No. 497  
Page No. 86  
Book No. 65  
Series of 2018




**METRO ALLIANCE**  
HOLDINGS & EQUITIES CORP.

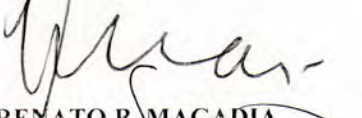
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**


The management of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended **December 31, 2015 and 2014**, including the additional components attached therein, in accordance with the financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Valdes Abad & Associates, the independent auditors, appointed by the stockholders has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the members or, has expressed its opinion on the fairness of presentation upon completion of such examination.

  
**RENATO B. MAGADIA**  
Chairman of the Board

  
**RENATO B. MAGADIA**  
President

  
**JAMES B. PALIT-ANG**  
Corporate Treasurer



# Valdes Abad & Associates

certified public accountants

CJV Building  
108 Aguirre Street  
Legaspi Village, Makati City  
Philippines  
Branches: Cebu and Davao  
PRC BOA Reg. No. 0314  
SEC Reg. No. 0282- F

Telephone: (632) 892-5931-35  
(632) 750-7563  
Facsimile: (632) 819-1468  
Email:  
www.valdesabad.com  
valdes.abad.associates@gmail.com

Associate firm of  
**gmn**  
international

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

The Stockholders and the Board of Directors

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES**

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

We have examined the financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** for the year ended December 31, 2015, on which we have rendered the attached report dated April 13, 2016.

In compliance with SRC Rule 68, we are stating that the Company has seven hundred eighty-one (781) stockholders owning one hundred (100) or more shares each as of December 31, 2015.

**VALDES ABAD & ASSOCIATES**

For the firm:

*Felicidad A. Abad*  
**FELICIDAD A. ABAD**

Partner

CPA Certificate No. 0025184

TIN 123-048-248-000

PTR No. 5330740 - 01/08/2016

PRC – BOA Reg. No. 0314

SEC Accreditation No. 1356-A

Issued on September 19, 2013

Valid until September 18, 2016

BIR Accreditation No. 08-002126-0-2014

Issued on October 29, 2014

Valid until October 29, 2017

Makati City, Philippines

April 13, 2016

# Valdes Abad & Associates

certified public accountants

CJV Building  
108 Aguirre Street  
Legaspi Village, Makati City  
Philippines  
Branches: Cebu and Davao  
PRC BOA Reg. No. 0314  
SEC Reg. No. 0282-F

Telephone: (632) 892-5931-35  
(632) 750-7563  
Facsimile: (632) 819-1468  
Email:  
www.valdesabad.com  
valdes.abad.associates@gmail.com

Associate firm of  
  
gmm  
international

**SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR**  
**Statement Required under Rule 68, Part I, Section 4, Securities regulation Code (SRC)**  
**As amended on October 20, 2011**

To the Board of Directors

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES**

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

We have examined the financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** as of December 31, 2015 on which we have rendered the attached report dated April 13, 2016.

The supplementary information shown as Annex 68-C, the tabular schedule of all effective standards and interpretations under Philippine Financial Reporting Standards as of December 31, 2015 as additional components required by Part I, Section 4 of Rule 68 of the Securities Regulation Code, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the basic financial statements. Such supplementary information and tabular schedule are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information and tabular schedule have been prepared in accordance with Rule 68 of the Securities Regulation Code.

**VALDES ABAD & ASSOCIATES**

For the firm:

  
FELICIDAD A. ABAD

Partner

CPA Certificate No. 0025184

TIN 123-048-248-000

PTR No. 5330740 - 01/08/2016

PRC – BOA Reg. No. 0314

Issue on November 2, 2015

Valid until December 31, 2018

SEC Accreditation No. 1356-A

Issued on September 19, 2013

Valid until September 18, 2016

BIR Accreditation No. 08-002126-0-2014

Issued on October 29, 2014

Valid until October 29, 2017

Makati City, Philippines

April 13, 2016

# Valdes Abad & Associates

certified public accountants

CJV Building  
108 Aguirre Street  
Legaspi Village, Makati City  
Philippines  
Branches: Cebu and Davao  
PRC BOA Reg. No. 0314  
SEC Reg. No. 0282-F

Telephone: (632) 892-5931-35  
(632) 519-2105  
Facsimile: (632) 819-1468  
Email:  
www.valdesabadcpas.com  
valdes.abad.associates@gmail.com

Associate firm of  
  
gmn  
international

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors

### **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES**

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

We have audited the accompanying consolidated financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES**, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the consolidated statement of comprehensive income, statements of changes in equity, and the statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Consolidated Financial Statements**

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

#### **Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES** as of December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

## Emphasis of a Matter

Without qualifying our opinion, we draw attention to Notes 2 and 8 to the consolidated financial statements, which indicate that the Parent Company has advances to Polymax Worldwide Limited (Polymax) of P415.4 million and P788.6 million as of December 31, 2015 and 2014, respectively, and on the other hand, Polymax has past due liabilities of P994.7 million as of December 31, 2015 and 2014, respectively, for which the Parent is jointly and severally liable. These factors may cast significant doubt about the Parent Company's ability to continue as a going concern. The realization of the Parent Company's advances to Polymax and the settlement of Polymax's past due liabilities, for which the Parent Company is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPC Alliance Corporation and from the letter of comfort issued by the Parent Company's major stockholders in favor of the parent Company. These factors may cast significant doubt about the Parent Company's ability to continue as a going concern. The consolidated financial statements have been prepared assuming that the Parent Company will continue as a going concern and do not include any adjustments that might result for the outcome of these uncertainties. Management's plan is to infuse additional capital to address these going concern uncertainties.

## VALDES ABAD & ASSOCIATES

For the firm:

  
FELICIDAD A. ABAD

Partner

CPA Certificate No. 0025184

TIN 123-048-248-000

PTR No. 5330740 - 01/08/2016

PRC – BOA Reg. No. 0314

Issued on November 2, 2015

Valid until December 31, 2018

SEC Accreditation No. 1356-A

Issued on September 19, 2013

Valid until September 18, 2016

BIR Accreditation No. 08-002126-0-2014

Issued on October 29, 2014

Valid until October 29, 2017

Makati City, Philippines

April 13, 2016

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*(In Philippine Peso)*

<b>ASSETS</b>	Notes	<b>December 31,</b>	
		<b>2015</b>	<b>2014</b>
<b>CURRENT ASSETS</b>			
Cash	9	<b>15,719,137</b>	22,144,944
Receivables, net	10	<b>92,949,511</b>	80,303,539
Other current assets, net	11	<b>24,063,976</b>	20,783,745
Total Current Assets		<b>132,732,624</b>	123,232,228
<b>NON-CURRENT ASSETS</b>			
Assets held for sale	12	<b>415,410,450</b>	788,662,261
Available for sale investment	13	<b>4,973,085</b>	6,558,768
Property and equipment, net	14	<b>3,752,847</b>	5,052,315
Deferred tax asset	18	<b>4,080,211</b>	4,773,825
Other non-current assets, net	15	<b>2,475,256</b>	750,000
Total Non-Current Assets		<b>430,691,849</b>	805,797,169
<b>TOTAL ASSETS</b>		<b>563,424,473</b>	929,029,397
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	16	<b>433,314,590</b>	441,574,899
Due to related parties	17	<b>33,028,378</b>	394,058,870
Total Current Liabilities		<b>466,342,968</b>	835,633,769
<b>NON-CURRENT LIABILITIES</b>			
Accrued retirement benefit costs	26	<b>8,946,065</b>	5,571,489
Deferred tax liability	18	<b>-</b>	347
Total Non-Current Liabilities		<b>8,946,065</b>	5,571,836
<b>EQUITY</b>			
Equity Attributable to Equity Holders of Parent Company			
Capital stock	19	<b>306,122,449</b>	306,122,449
Additional paid-in capital	19	<b>3,571,923</b>	3,571,923
Cumulative Deficit	20	<b>(235,129,970)</b>	(236,473,668)
Remeasurement gain on retirement plan	26	<b>1,220,777</b>	2,347,003
Available-for-sale reserve	13	<b>1,202,122</b>	2,787,805
Non-controlling interest		<b>76,987,301</b>	78,355,512
Total Equity		<b>11,148,139</b>	9,468,280
Total Equity		<b>88,135,440</b>	87,823,792

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES**

**COSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

*(In Philippine Peso)*

<b>For the Years Ended December 31,</b>	Notes	<b>2015</b>	2014	2013
<b>SALE OF SERVICES</b>	21	<b>143,344,326</b>	127,689,577	123,643,136
<b>COST OF SERVICES</b>	22	<b>120,194,820</b>	102,105,535	103,411,399
<b>GROSS PROFIT</b>		<b>23,149,506</b>	25,584,042	20,231,737
<b>OTHER INCOME</b>	23	<b>16,366,780</b>	444,129	86,243
<b>EXPENSES</b>	24	<b>(26,030,091)</b>	(26,024,027)	(23,442,443)
<b>FINANCE COST</b>	25	<b>(7,132,891)</b>	(7,207,800)	(48,960)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>		<b>6,353,304</b>	(7,203,656)	(3,173,423)
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>	18			
Current		<b>(3,003,941)</b>	(2,962,218)	(2,985,313)
Deferred		<b>(1,355,754)</b>	163,664	2,186,439
<b>NET LOSS</b>		<b>1,993,609</b>	(10,002,210)	(3,972,297)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Unrealized gain(loss) on available-for-sale investments	13	<b>(1,585,683)</b>	425,755	(1,046,261)
Remeasurement gain (loss) on retirement plan, net of deferred income tax	26	<b>(2,208,287)</b>	-	3,972,325
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(1,800,361)</b>	(9,576,455)	(1,046,233)
<b>Net income (loss) attributable to:</b>				
Equity holders of the Parent Company		<b>(768,311)</b>	(13,204,391)	(4,892,689)
Non-controlling interest		<b>2,761,920</b>	3,202,181	920,392
		<b>1,993,609</b>	(10,002,210)	(3,972,297)
<b>Other comprehensive income (loss) attributable to:</b>				
Equity holders of the Parent Company		<b>(2,711,909)</b>	-	979,625
Non-controlling interest		<b>(1,082,061)</b>	425,755	1,946,439
		<b>(3,793,970)</b>	425,755	2,926,064
<b>Basic loss per share</b>				
Loss for the year attributable to equity holders of the Parent Company	31	<b>(0.003)</b>	(0.04)	(0.02)

*See Notes to Consolidated Financial Statements*

METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In Philippine Peso)

	Attributable to Equity Holders of the Parent Company							Total Equity
	Capital Stock (Note 19)	Additional Paid- in Capital (Note 19)	Cumulative Deficit (Note 20)	Remeasurement Gain (Loss) on Retirement Plan (Note 26)	AFS Reserve (Note 13)	Subtotal	Minority Interests	
<b>Balances at January 1, 2013, as previously restated</b>	<b>306,122,449</b>	<b>3,571,923</b>	<b>(215,518,674)</b>	-	<b>3,408,311</b>	<b>97,584,009</b>	<b>3,367,790</b>	<b>100,951,799</b>
Effect of adoption of PFRS 19	-	-	(288,355)	321,117	-	32,762	31,478	64,240
Balances at January 1, 2013, as restated	<b>306,122,449</b>	<b>3,571,923</b>	<b>(215,807,029)</b>	<b>321,117</b>	<b>3,408,311</b>	<b>97,616,771</b>	<b>3,399,268</b>	<b>101,016,039</b>
Net income (loss)	-	-	(4,892,689)	-	-	(4,892,689)	920,392	(3,972,297)
Other comprehensive income (loss)	-	-	-	2,025,886	(1,046,261)	979,625	1,946,439	2,926,064
<b>BALANCES AS OF DECEMBER 31, 2013</b>	<b>306,122,449</b>	<b>3,571,923</b>	<b>(220,699,718)</b>	<b>2,347,003</b>	<b>2,362,050</b>	<b>93,703,707</b>	<b>6,266,099</b>	<b>99,969,806</b>
Net income (loss)	-	-	(13,204,392)	-	-	(13,204,392)	3,202,181	(10,002,211)
Other comprehensive income	-	-	-	-	425,755	425,755	-	425,755
Other adjustments to retained earnings	-	-	(2,569,558)	-	-	(2,569,558)	-	(2,569,558)
<b>BALANCES AS OF DECEMBER 31, 2014</b>	<b>306,122,449</b>	<b>3,571,923</b>	<b>(236,473,668)</b>	<b>2,347,003</b>	<b>2,787,805</b>	<b>78,355,512</b>	<b>9,468,280</b>	<b>87,823,792</b>
Prior period adjustment (Note 30)	-	-	2,112,009	-	-	2,112,009	-	2,112,009
Net income (loss)	-	-	(768,311)	-	-	(768,311)	2,761,920	1,993,609
Other comprehensive loss	-	-	-	(1,126,226)	(1,585,683)	(2,711,909)	(1,082,061)	(3,793,970)
<b>BALANCES AS OF DECEMBER 31, 2015</b>	<b>306,122,449</b>	<b>3,571,923</b>	<b>(235,129,970)</b>	<b>1,220,777</b>	<b>1,202,122</b>	<b>76,987,301</b>	<b>11,148,139</b>	<b>88,135,440</b>

See Notes to Consolidated Financial Statements

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(In Philippine Peso)*

<b>For the Years Ended December 31,</b>	Notes	<b>2015</b>	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax		<b>6,353,304</b>	(7,203,656)	(3,173,423)
Adjustments for:				
Unrecognized prior years excess tax credits	30	<b>2,112,009</b>	-	-
Write-off of receivables	10	<b>(7,508,625)</b>	-	-
Reversal of provision for probable losses	11	<b>1,873,136</b>	-	-
Impairment loss	10	<b>208,204</b>	-	-
Provision for doubtful account expense	10	<b>4,998,463</b>	443,358	1,739,762
Amortization of intangible assets	15	<b>319,444</b>	150,000	1,412,513
Depreciation and amortization	14	<b>2,905,060</b>	1,192,994	1,088,965
Provision for retirement benefit costs	26	<b>1,506,001</b>	-	5,122,375
Interest expense	25	<b>7,132,891</b>	7,207,800	48,960
Interest income	23	<b>(61,712)</b>	(34,799)	(86,243)
Dividends income	23	<b>(500)</b>	(500)	-
Deferred tax assets	18	<b>693,267</b>	(163,664)	1,363,891
Change in minority interest		<b>(1,679,859)</b>	(3,202,181)	(2,898,309)
Other non-cash adjustments		<b>-</b>	(2,569,558)	(1,164,940)
Operating income before working capital changes		<b>18,851,083</b>	(4,180,206)	3,453,551
Changes in assets and liabilities:				
Receivables, net		<b>(10,135,810)</b>	(4,860,482)	(4,057,827)
Other current assets		<b>(9,274,960)</b>	681,271	(2,184,256)
Other non-current assets, net		<b>(2,044,700)</b>	(900,000)	(273,874)
Accounts payable and accrued expenses		<b>(5,996,227)</b>	15,390,653	15,268,425
Benefits paid		<b>(339,712)</b>	-	-
Income tax paid		<b>(1,030,529)</b>	-	-
Net Cash from Operating Activities		<b>(9,970,855)</b>	6,131,236	12,206,019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	23	<b>61,712</b>	34,799	86,243
Collection (Addition) from asset held for sale	12	<b>373,251,811</b>	171,627,717	(5,646,912)
Acquisition of property and equipment	13	<b>(1,605,592)</b>	(4,375,620)	(911,649)
Net Cash from Investing Activities		<b>371,707,931</b>	167,286,896	(6,472,318)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends received	23	<b>500</b>	500	-
Interest paid	25	<b>(7,132,891)</b>	(7,207,800)	(48,960)
Change in due to related parties	22	<b>(361,030,492)</b>	(158,334,902)	885,148
Payment of long-term debt		<b>-</b>	(179,415)	(188,189)
Net Cash from Financing Activities		<b>(368,162,883)</b>	(165,721,617)	647,999
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>(6,425,807)</b>	7,696,515	6,381,700
<b>CASH, Beginning</b>	9	<b>22,144,944</b>	14,448,429	8,066,729
<b>CASH, End</b>	9	<b>15,719,137</b>	22,144,944	14,448,429

*See Notes to Consolidated Financial Statements*

## METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES

### CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

#### NOTE 1 – CORPORATE INFORMATION

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

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

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

The accompanying consolidated financial statements as of December 31, 2015 were approved and authorized for issue by the Board of Directors (BOD) on April 13, 2016.

#### NOTE 2– STATUS OF OPERATIONS

##### 2.1 Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Parent Company will continue as a going concern. As of December 31, 2015 and 2014, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱415.4 million and ₱788.7 million, respectively, relating to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in the next section below. On the other hand, Polymax (jointly and severally with the Parent Company) has past due liabilities, including interest and penalties, amounting to ₱994.7 million as of December 31, 2015 and 2014, respectively, which were obtained to partially finance the acquisition of the petrochemical plant, resulting from the transfer of past due loans as discussed in the next paragraph.

In 2007, the Parent Company unilaterally transferred to Polymax two significant past due liabilities totaling ₱866.7 million as of December 31, 2006 that were obtained (jointly and severally with Polymax) to partially finance the acquisition of the petrochemical plant, and applied these against the Parent Company’s advances to Polymax, in order to reflect the economic substance of the acquisition and related loan transactions as discussed in Note 12.

As explained in Note 12, the remaining 20% of Polymax’s interest in the petrochemical plant is for sale. The realization of the Parent Company’s advances to Polymax (an unconsolidated special purpose entity starting in 2007) and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, depend on whether sufficient cash flows can be generated from the sale of Polymax’s remaining 20% interest in NPC Alliance Corporation (NPCA) and from the letter of comfort issued by the Parent Company’s major stockholders in favor of the Parent Company. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. As explained in Note 19b, management’s plan is to infuse additional capital to address the going concern uncertainty.

## 2.2 Management Plan to Address Going Concern Uncertainties

The Group having resolved its disputes with the foreign parties involved in the Bataan petrochemical project will explore business opportunities for the next twelve months. The Group will reorganize its operations; evaluate its remaining assets; review all pending legal cases; and settle and resolve its outstanding issues with other regulatory government bodies. The Group assures the public that it will focus on traditionally stable industries or sunrise sectors in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

The Group still holds 20% interest in the petrochemical plant as of December 31, 2015. The Board will discuss on their succeeding meetings on how best to proceed on this remaining investment. Recently, the management is undergoing due diligence in evaluating investment proposal from foreign investor for the plan of reacquiring the majority control of the petrochemical plant. The Board will also outline business target projects including possible investment in mining industry. MAHEC's remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional business from its existing principals.

### Projected Plan for next 12 months:

#### Investment and sources of capital

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

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

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

The company has a pending application with the SEC to increase its capital stock to 5 billion to be split – 60% Class A shares and 40% Class B shares at par value ₱1.00 to meet its projected investments after tender offer. Of this amount, ₱3 billion worth of shares earmarked to be issued as follows:

1. Majority interest in an operating mining company which is actively producing nickel and has a capital base of ₱1 billion. This company is presently held by the majority shareholders in joint venture with a Chinese company.
2. A second part capital increase amounting to ₱2 billion will be underwritten by a Chinese Bank to provide momentarily cash infusion to the company for the reacquisition of 80% NPCA shares which are sold to NPC International, an Iranian interest. This will redound to the company regaining 100% ownership of NPC Alliance. The planned acquisition will allow the entry of a Chinese Petrochemical company to buy in the company up to 70% of the company's restructured equity by way of supplying feed stocks for the NPCA ethylene plant.

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

Realization of Outstanding Receivables from Polymax Worldwide in the Amount of Php415,410,540.00 as of December 31, 2015

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

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

2.3 Acquisition Transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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%	51%
Non-operating subsidiaries:		
Consumer Products Distribution Services, Inc. (CPDSI)	100%	100%
FEZ-EAC Holdings, Inc. (FEZ-EAC)	100%	100%
Zuellig Distributors, Inc. (ZDI)	100%	100%
Asia Healthcare, Inc. (AHI)	60%	60%

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

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

#### Non-controlling Interests

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

#### 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 December 31, 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 December 31, 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 December 31, 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:

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

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

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

### Intangible Assets

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

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

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

### Impairment of Non-Financial Asset with Definite Useful Life

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

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

### Equity

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

### Revenue

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

#### *Logistics and Other Services*

Revenue is recognized when the related services are rendered.

#### *Interest*

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

#### *Dividend Income*

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

### Expenses

Expenses are recognized as incurred.

### Leases

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

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

### Borrowing Costs

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

### Retirement Benefits Costs

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

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

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

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

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

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

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

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

### Foreign Currency Transactions and Translations

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

### Income Tax

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

### *Current Tax*

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

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

### *Deferred Tax*

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

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

### Related Parties

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

### Earnings Per Share

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

### Segments

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

### Provisions

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

### Contingencies

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

#### Events after the End of Reporting Period

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

### **NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

#### Judgments

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

#### *Consolidation of SPE*

An entity is considered a SPE and included in consolidation even in cases when the Parent Company owns less than one-half or none of the SPE's equity, when the substance of the relationship between the Parent Company and the SPE indicates that the SPE is controlled by the Parent Company. While the Parent Company has no ownership interest in Polymax, this SPE was included in the 2006 consolidated financial statements and prior years. However, starting in 2007, the SPE was no longer consolidated because it had ceased operating as a going concern (see Note 12).

#### *Operating Lease Commitments – Group as Lessee*

The Group has various operating lease agreements for their respective offices and warehouses. The Group has determined that the risks and rewards of ownership of the underlying properties have been retained by their respective lessors. Accordingly, these leases are accounted for as operating leases (see Note 28).

#### *Contingencies*

The Group is currently involved in various legal proceedings, which are normal to its business as discussed in Note 32. The Group's estimate of the probable costs for these proceedings and resolution of these claims have been developed in consultation with outside counsel handling the prosecution and defense of these cases and is based upon an analysis of potential results. The Group does not believe that these legal proceedings will have a material adverse effect on its consolidated financial statements. It is possible, however, that changes in estimates relating to these proceedings may materially affect results of operations.

#### Estimates and Assumptions

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

#### *Estimating Allowance for Probable Losses*

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

Receivables (net of allowance for doubtful accounts of ₱ 147.0 million and ₱149.5 million as of December 31, 2015 and 2014, respectively) amounted to ₱92.9 million and ₱80.3 million as of December 31, 2015 and 2014, respectively (see Note 10).

The carrying amount of other current assets amounted to ₱ 24.1 million and ₱20.8 million as of December 31, 2015 and 2014, respectively, as discussed in Note 11. Allowance on probable losses, mainly pertaining to creditable withholding and input taxes, amounted to ₱12.3 and ₱14.1 million as of December 31, 2015 and 2014 as shown also in Note 11.

Advances to Polymax (under asset held for sale) amounting to ₱ 415.4 million and ₱788.7 million as of December 31, 2015 and 2014, respectively, constitute 74% and 85% of the Group's total assets at the end of 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 Parent Company is jointly and severally liable, is dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPCA and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company, as discussed in Note 12.

#### *Estimating Useful Lives and Residual Values of Property and Equipment and Intangible Assets*

The Group estimates the useful lives and residual values of its property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives and residual values based on factors that include asset utilization, internal technical evaluation, technological changes, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment and intangible assets would increase depreciation and amortization expenses, while an increase in the estimated useful lives would decrease depreciation and amortization expenses.

There has been no change in the Group's estimate of the useful lives and residual values of its property and equipment and intangible assets in 2015 and 2014.

#### *Evaluation of Impairment of Noncurrent Non-Financial Assets*

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

Management believes that there was no indication of impairment on property and equipment as of December 31, 2015 and 2014. As of December 31, 2015 and 2014, property and equipment, net of accumulated depreciation and amortization, amounted to ₱3.8 million and ₱5.1 million, respectively, as shown in Note 14 and total depreciation and amortization charged to operations amounted to ₱2,9905,060 in 2015 and ₱1,192,994 in 2014 (see Note 14). Depreciation expense for the year ended December 31, 2014 amounted to ₱1,088,965 (see Note 14)

#### *Fair Value of Financial Assets and Liabilities*

The Group carries certain financial assets and financial liabilities at fair value, which requires use of accounting estimates and judgment. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., quoted market prices and interest rates). In the case of those financial assets and financial liabilities that have no active markets, fair values are determined using an appropriate valuation technique. Any change in fair value of these financial assets and liabilities would affect profit or loss and equity. The fair value of financial assets and liabilities are enumerated in Note 8.

#### *Impairment of AFS Investments*

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

industry and sector performances, legal and regulatory framework, technology, and other factors that affect the recoverability of the investments.

#### *Deferred Tax Assets*

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

The recognized net deferred tax assets amounted to ₱4.1 million, ₱4.8 million and ₱4.6 million as of December 31, 2015, 2014 and 2013, respectively (see Note 18).

The Group did not recognize deferred tax assets of the Parent Company and its non-operating subsidiaries amounting to ₱52.5 million, ₱51.5 million and ₱48.6 million as of December 31, 2015, 2014 and 2013, respectively, as management believes that the Parent Company and its non-operating subsidiaries may not have sufficient future taxable profits available to allow utilization of these deferred tax assets as discussed in Note 18.

#### *Retirement Benefits*

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

Accrued retirement benefits costs amounted to ₱8.9 million, ₱5.6 million and ₱5.6 million as of December 31, 2015, 2014 and 2013, respectively (see Note 26).

### **NOTE 5 – SEGMENT INFORMATION**

The Group's business activities are conducted in the Philippines and it is primarily in the contract logistics and supply chain management segment in 2015, 2014 and 2013.

#### Segment Assets and Liabilities

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

The financial information with regard to the Group's significant business segments as of December 31, 2015, 2014 and 2013 for the years then ended is presented below.

	<b>2015</b>		
	Distribution and Contract Logistics	Other Businesses	Total
External Sales	₱ 143,344,326	₱ -	₱ 143,344,326
Results:			
Segment result	₱ 3,475,269	₱ (14,151,231)	₱ (10,675,962)
Other income (expense)	(2,153,449)	14,726,259	12,572,810
Provision for income tax	(1,734,187)	(1,816,952)	(3,551,139)
Net income (loss)	₱ (412,367)	₱ (1,241,924)	₱ (1,654,291)
Other Information:			
Segment assets	₱ 97,238,895	₱ 466,185,578	₱ 563,424,473
Segment liabilities	67,460,801	407,603,233	475,064,034
Capital expenditures	-	-	-
Depreciation and amortization	444,314	2,195	446,509
Noncash items other than depreciation and amortization	52,352	7,132,891	7,185,243
	<b>2014</b>		
	Distribution and Contract Logistics	Other Businesses	Total
External Sales	₱ 127,689,577	₱ -	₱ 127,689,577
Results:			
Segment result	₱ 8,935,216	₱ (16,551,518)	₱ (7,616,302)
Other income (expense)	408,434	4,211	412,645
Provision for income tax	(2,798,555)	-	(2,798,555)
Net income (loss)	₱ 6,545,095	₱ (16,547,307)	₱ (10,002,212)
Other Information:			
Segment assets	₱ 83,046,376	₱ 845,983,021	₱ 929,029,397
Segment liabilities	56,743,551	784,462,054	841,205,605
Capital expenditures	4,371,230	4,390	4,375,620
Depreciation and amortization	1,186,580	6,414	1,192,994
Noncash items other than depreciation and amortization	443,358	7,175,160	7,618,518
	<b>2013</b>		
	Distribution and Contract Logistics	Other Businesses	Total
External Sales	₱ 123,643,136	₱ -	₱ 123,643,136
Results:			
Segment result	₱ 4,147,695	₱ (5,853,677)	₱ (1,705,982)
Other income (expense)	(1,471,228)	3,787	(1,467,441)
Provision for income tax	(798,117)	(757)	(798,874)
Net income (loss)	₱ 1,878,350	₱ (5,850,647)	₱ (3,972,297)
Other Information:			
Segment assets	₱ 67,684,247	₱ 1,016,614,481	₱ 1,084,298,728
Segment liabilities	47,926,521	936,402,401	984,328,922
Capital expenditures	911,649	-	911,649
Depreciation and amortization	1,082,681	6,284	1,088,965
Noncash items other than depreciation and amortization	9,835,854	79,065	9,914,919

## NOTE 6 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

### *Interest Rate Risk*

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt. As of December 31, 2015 and 2014, the Group has minimal exposure to interest rate risk since the interest rates are fixed up to the date of maturity.

### *Credit Risk*

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

- a. Financial information on the Company's maximum exposure to credit risk as of December 31, 2015 and 2014, without considering the effects of collaterals and other risk mitigation techniques are presented below.

<u>Particulars</u>	<u>2015</u>	<u>2014</u>
Cash	₱ 15,719,137	₱ 22,144,944
Receivables	92,949,511	80,303,539
Refundable deposits	<u>3,792,938</u>	<u>1,400,410</u>
Total	₱ <u>112,461,586</u>	₱ <u>103,848,893</u>

- b. Credit quality per class of financial assets

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

### *Financial assets -AFS investments*

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

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

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

### *Loans and receivables*

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

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

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

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

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

	<b>2015</b>			
	Neither past due nor impaired		Past due but not impaired	<b>Total</b>
	<b>High Grade</b>	<b>Standard Grade</b>		
Loans and receivables:				
*Cash	₱ 15,578,137	₱ -	₱ -	₱ 15,578,137
Trade receivables	-	53,179,627	-	53,179,627
Other receivables	-	-	39,769,884	39,769,884
Total loans and receivables	<u>15,578,137</u>	<u>53,179,627</u>	<u>39,769,884</u>	<u>108,527,648</u>
Available for sale investment	4,973,085	-	-	4,973,085
Refundable deposit	<u>3,792,398</u>	-	-	<u>3,792,398</u>
<b>Total</b>	<b>₱ 24,343,620</b>	<b>₱ 53,179,627</b>	<b>₱ 39,769,884</b>	<b>₱ 117,293,131</b>

*\*Excludes cash on hand*

	<b>2014</b>			
	Neither past due nor impaired		Past due but not impaired	<b>Total</b>
	<b>High Grade</b>	<b>Standard Grade</b>		
Loans and receivables:				
*Cash	₱ 22,003,944	₱ -	₱ -	₱ 22,003,944
Trade receivables	-	42,259,980	-	42,259,980
Other receivables	-	-	38,043,559	38,043,559
Total loans and receivables	<u>22,003,944</u>	<u>42,259,980</u>	<u>38,043,559</u>	<u>102,307,483</u>
Available for sale investment	6,558,768	-	-	6,558,768
Refundable deposit	<u>1,400,410</u>	-	-	<u>1,400,410</u>
<b>Total</b>	<b>₱ 29,963,122</b>	<b>₱ 42,259,980</b>	<b>₱ 38,043,559</b>	<b>₱ 110,266,661</b>

*\*Excludes cash on hand*

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

#### *Liquidity Risk*

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

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

Particulars	2015			
	On Demand	Within 1 Year	More than 1 Year	Total
<b>Financial Assets</b>				
*Cash	₱ 15,578,137	₱ -	₱ -	₱ 15,578,137
Trade and other receivables	-	92,949,511	-	92,949,511
Refundable deposits	-	1,873,238	1,919,700	3,792,938
Subtotal	15,578,137	94,822,749	1,919,700	112,320,586
AFS investment	-	-	4,973,085	4,973,085
Total	15,578,137	94,822,749	6,892,785	117,293,671
<b>Financial Liabilities</b>				
Due to related parties	₱ -	₱ 33,028,378	₱ -	₱ 33,028,378
Accounts payable and accrued expenses	-	433,314,590	-	433,314,590
Total	-	466,342,968	-	466,342,968
<b>Net Position</b>	₱ 15,578,137	₱ (371,520,219)	₱ 6,892,785	₱ (349,049,297)
<i>*Excludes cash on hand</i>				
Particulars	2014			
	On Demand	Within 1 Year	More than 1 Year	Total
<b>Financial Assets</b>				
*Cash	₱ 22,003,944	₱ -	₱ -	₱ 22,003,944
Trade and other receivables	-	80,303,539	-	80,303,539
Refundable deposits	-	1,400,410	-	1,400,410
Subtotal	22,003,944	81,703,949	-	103,707,893
AFS investment	-	-	6,558,768	6,558,768
Total	22,003,944	81,703,949	6,558,768	110,266,661
<b>Financial Liabilities</b>				
Due to related parties	₱ -	₱ 394,058,870	₱ -	₱ 394,058,870
Accounts payable and accrued expenses	-	441,574,899	-	441,574,899
Total	-	835,633,769	-	835,633,769
<b>Net Position</b>	₱ 22,003,944	₱ (753,929,820)	₱ 6,558,768	₱ (725,367,108)
<i>*Excludes cash on hand</i>				

## NOTE 7 – CAPITAL MANAGEMENT

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

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

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

Particulars	2015	2014
Capital stock	₱ 306,122,449	₱ 306,122,449
Additional paid-in-capital	3,571,923	3,571,923
Deficit	<u>(235,129,970)</u>	<u>(236,473,668)</u>
Total	<u>₱ 74,564,402</u>	<u>₱ 73,220,704</u>

#### NOTE 8 – FINANCIAL ASSETS AND LIABILITIES

The following table summarizes the carrying and fair values of the Group's financial assets and liabilities as of December 31, 2015 and 2014:

Particulars	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Cash	₱ 15,719,137	₱ 15,719,137	₱ 22,144,944	₱ 22,144,944
Receivables	92,949,511	92,949,511	80,303,539	80,303,539
AFS investments	4,973,085	4,973,085	6,558,768	6,558,768
Refundable deposits	<u>3,792,938</u>	<u>3,792,938</u>	<u>1,400,410</u>	<u>1,400,410</u>
Total	<u>₱ 117,434,671</u>	<u>₱ 117,434,671</u>	<u>₱ 110,407,661</u>	<u>₱ 110,407,661</u>
Financial Liabilities:				
Accounts payable and accrued expenses	₱ 433,314,590	₱ 433,314,590	₱ 441,574,899	₱ 441,574,899
Due to related parties	<u>33,028,378</u>	<u>33,028,378</u>	<u>394,058,870</u>	<u>394,058,870</u>
Total	<u>₱ 466,342,968</u>	<u>₱ 466,342,968</u>	<u>₱ 835,633,769</u>	<u>₱ 835,633,769</u>

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

##### *Current Financial Assets and Liabilities*

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

##### *AFS Investments*

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

##### *Long-term Debt*

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

### Fair Value Hierarchy

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

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

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

Particulars	2015		2014	
	Level 1	Level 3	Level 1	Level 3
<b>Assets measured at fair value</b>				
Cash	₱ 15,719,137	₱ -	₱ 22,144,944	₱ -
Receivables	-	₱ 92,949,511	-	₱ 80,303,539
AFS investments	₱ 4,973,085	-	₱ 6,558,768	-
Refundable deposits	-	₱ 3,792,938	-	₱ 1,400,410
Total	₱ <u>20,692,222</u>	₱ <u>96,742,449</u>	₱ <u>28,703,712</u>	₱ <u>81,703,949</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	₱ -	₱ 433,314,590	₱ -	₱ 441,574,899
Due to related parties	-	₱ 33,028,378	-	₱ 394,058,870
Total	₱ <u>-</u>	₱ <u>466,342,968</u>	₱ <u>-</u>	₱ <u>835,633,769</u>

As of December 31, 2015 and 2014, the company does not have financial assets valued using Level 2 inputs. Also, there were no transfers made between each level.

### **NOTE 9 – CASH**

Details of cash are as follows:

Particulars	2015	2014
Cash on hand	₱ 141,000	₱ 141,000
Cash in banks	₱ <u>15,578,137</u>	₱ <u>22,003,944</u>
Total	₱ <u>15,719,137</u>	₱ <u>22,144,944</u>

Cash in banks earn interest at the respective bank deposit rates. Interest income from banks amounted to ₱61,712 and ₱34,799 in 2015 and 2014, respectively.

**NOTE 10 – RECEIVABLES, NET**

Details of receivables are as follows:

Particulars	2015	2014
Trade receivables	₱ 53,179,627	₱ 42,259,980
Due from related parties (Note 27)	5,716,471	10,975,236
Other receivables	37,226,033	37,905,420
Notes receivables	<u>143,865,021</u>	<u>138,710,706</u>
Subtotal	239,987,152	229,851,342
Less: Allowance for probable losses	<u>(147,037,641)</u>	<u>(149,547,803)</u>
Total	<u>₱ 92,949,511</u>	<u>₱ 80,303,539</u>

The notes receivable bear interest at 3.5% per annum and are payable in 365 days on demand, subject to renewal upon mutual consent. Notes receivable are considered impaired and covered with allowance for probable losses; accordingly, no interest income was recognized in 2015 and 2014.

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

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

Other receivables pertain to advances subject for liquidation.

The movements in the allowance for probable losses follow:

Particulars	2015	2014
Balance at beginning of year	₱ 149,547,803	₱ 149,104,445
Provision for the year (Note 24)	4,998,463	443,358
Write-off during the year	<u>(7,508,625)</u>	<u>-</u>
Balance at end of year	<u>₱ 147,037,641</u>	<u>₱ 149,547,803</u>

**NOTE 11 – OTHER CURRENT ASSETS, NET**

Details are as follows:

Particulars	2015	2014
Creditable withholding taxes	₱ 22,881,471	₱ 21,629,997
Input taxes	7,810,326	9,204,952
Refundable deposits	1,873,238	1,400,410
Prepayments and others	<u>3,753,286</u>	<u>2,675,867</u>
Subtotal	36,318,321	34,911,226
Less: Allowance for probable losses	<u>(12,254,345)</u>	<u>(14,127,481)</u>
Total	<u>₱ 24,063,976</u>	<u>₱ 20,783,745</u>

During the year, the Group reversed the allowance for probable losses provided for in prior periods amounting to ₱1,873,136. Assessment made by the Group disclosed over sufficiency of the allowance for probable losses, which resulted to the write down made during the period.

The Group also recognized additional prepaid income tax during the year amounting to ₱2,112,008 arising from the prior period which was unrecognized in the books of the Parent Company.

<b>NOTE 12 – ASSET HELD FOR SALE</b>
--------------------------------------

Asset held for sale amounting to ₱415,410,450 and ₱788,662,261 as of December 31, 2015 and 2014, respectively, which constitutes 94% and 96% of the Parent Company's total assets as of December 31, 2015 and 2014, respectively, represents advances to Polymax, the Parent Company's special purpose entity incorporated in British Virgin Islands solely for the purpose of acquiring the petrochemical plant of NPCA as discussed in Note 2.

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

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

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

Condensed unaudited financial information of Polymax as of December 31, 2015 and 2014 prepared on the liquidation basis of accounting is shown in the table below.

Particulars	2015	2014
<b>Assets</b>		
Cash and cash equivalents	₱ 130,966,060	₱ 130,966,060
Assets held for sale	347,720,000	347,720,000
Due from related parties	157,433,310	530,685,120
Total assets	636,119,370	1,009,371,180
<b>Liabilities</b>		
Liabilities related to asset held for sale	994,668,446	994,668,446
Due to Metro Alliance Holdings and Equities Corporation	415,410,450	788,662,260
Other payable	49,030,000	49,030,000
Total liabilities	1,459,108,896	1,832,360,706
Capital deficiency	₱ 822,989,526	₱ 822,989,526

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

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

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

The change in Polymax's net equity by NIL in 2015 and ₱204.7 million in 2014 pertains to:

Particulars	(In Million)	
	2015	2014
Loss on disposal of asset held for sale	₱ -	₱ 102,280,000
Provision for impairment loss- asset held for sale	-	102,280,000
Interest and penalties	-	-
Professional fee	-	126,222
Net loss	₱ -	₱ 204,686,222

Polymax's share in the net loss of NPCA amounted to ₱208.2 million in 2015 and ₱120.3 million in 2014; however, this was not recognized in both years so that the carrying value of Polymax's investment in NPCA will not fall below its estimated recoverable value from sale of ₱450 million.

#### NOTE 13 – AVAILABLE-FOR-SALE-INVESTMENT

As of December 31, the account consists of:

Particulars	2015	2014
At acquisition cost	₱ 3,770,963	₱ 3,770,963
Cumulative fair value gain– in equity	<u>1,202,122</u>	<u>2,787,805</u>
Total	₱ <u>4,973,085</u>	₱ <u>6,558,768</u>

The investment in securities consists of investment in shares of stock of a publicly-listed company whose fair value is based on published prices on Philippine Stock Exchange.

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

Particulars	2015	2014
Beginning balance	₱ 6,558,768	₱ 6,133,013
Additions	-	-
Fair value gain (loss)	<u>(1,585,683)</u>	<u>425,755</u>
Total	₱ <u>4,973,085</u>	₱ <u>6,558,768</u>

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

Particulars	2015	2014
Beginning balance	₱ 2,787,805	₱ 2,362,050
Fair value gain (loss)	<u>(1,585,683)</u>	<u>425,755</u>
Total	₱ <u>1,202,122</u>	₱ <u>2,787,805</u>

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

<b>NOTE 14 – PROPERTY AND EQUIPMENT, NET</b>
--

As of December 31, 2015, this account consists of the following:

Particulars	Beginning Balances	Additions/ Provisions	Disposals/ Adjustments	Ending Balances
Cost:				
Leasehold improvements	₱ 1,276,476	272,640	-	₱ 1,549,116
Machinery and equipment	20,867,970	981,434	-	21,849,404
Office furniture, fixtures and equipment	13,222,799	351,518	-	13,574,317
Total	<u>35,367,245</u>	<u>1,605,592</u>	<u>-</u>	<u>36,972,837</u>
Accumulated depreciation:				
Leasehold improvements	1,110,817	85,946	-	1,196,763
Machinery and equipment	17,148,735	1,695,012	-	18,843,747
Office furniture, fixtures and equipment	12,055,378	1,124,102	-	13,179,480
Total	₱ <u>30,314,930</u>	<u>2,905,060</u>	<u>-</u>	₱ <u>33,219,990</u>
Net Book Value	₱ <u>5,052,315</u>			₱ <u>3,752,847</u>

As of December 31, 2014, this account consists of the following:

Particulars	Beginning Balances	Additions/ Provisions	Disposals/ Adjustments	Ending Balances
Cost:				
Leasehold improvements	₱ 1,078,126	198,350	-	₱ 1,276,476
Machinery and equipment	17,110,317	3,757,653	-	20,867,970
Office furniture, fixtures and equipment	12,803,182	419,617	-	13,222,799
Total	<u>30,991,625</u>	<u>4,375,620</u>	<u>-</u>	<u>35,367,245</u>
Accumulated depreciation:				
Leasehold improvements	1,078,126	32,691	-	1,110,817
Machinery and equipment	16,548,324	600,411	-	17,148,735
Office furniture, fixtures and equipment	11,495,486	559,892	-	12,055,378
Total	₱ <u>29,121,936</u>	<u>1,192,994</u>	<u>-</u>	₱ <u>30,314,930</u>
Net Book Value	₱ <u>1,869,689</u>			₱ <u>5,052,315</u>

Depreciation expense charged to operations for the year then ended December 31, 2013 amounted to ₱1,088,965 (see Note 22 and 24).

<b>NOTE 15 – OTHER NON-CURRENT ASSETS, NET</b>
--

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

	<u>2015</u>	<u>2014</u>
Refundable deposits – non-current portion	₱ 1,919,700	₱ -
Intangible assets	<u>555,556</u>	<u>750,000</u>
<b>Total</b>	<b>₱ <u>2,475,256</u></b>	<b>₱ <u>750,000</u></b>

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

The carrying amount of intangible assets as of December 31, 2015 is as follows:

<u>Particulars</u>	<u>Beginning Balances</u>	<u>Additions/ Amortization</u>	<u>Disposals/ Adjustments</u>	<u>Ending Balances</u>
Cost:				
Short messaging	₱ 135,135	-	-	₱ 135,135
Warehouse management system	1,309,910	-	-	1,309,910
Caerus accounting system	<u>900,000</u>	<u>125,000</u>	-	<u>1,025,000</u>
<b>Total</b>	<u>2,345,045</u>	<u>125,000</u>	<u>-</u>	<u>2,470,045</u>
Accumulated depreciation:				
Short messaging	135,135	-	-	135,135
Warehouse management system	1,309,910	-	-	1,309,910
Caerus accounting system	<u>150,000</u>	<u>319,444</u>	-	<u>469,444</u>
<b>Total</b>	₱ <u>1,595,045</u>	<u>319,444</u>	<u>-</u>	₱ <u>1,914,489</u>
<b>Net Book Value</b>	₱ <u>750,000</u>			₱ <u>555,556</u>

The carrying amount of intangible assets as of December 31, 2014 is as follows:

<u>Particulars</u>	<u>Beginning Balances</u>	<u>Additions/ Amortization</u>	<u>Disposals/ Adjustments</u>	<u>Ending Balances</u>
Cost:				
Short messaging	₱ 135,135	-	-	₱ 135,135
Warehouse management system	1,309,910	-	-	1,309,910
Caerus accounting system	<u>-</u>	<u>900,000</u>	-	<u>900,000</u>
<b>Total</b>	<u>1,445,045</u>	<u>900,000</u>	<u>-</u>	<u>2,345,045</u>
Accumulated depreciation:				
Short messaging	135,135	-	-	135,135
Warehouse management system	1,309,910	-	-	1,309,910
Caerus accounting system	<u>-</u>	<u>150,000</u>	-	<u>150,000</u>
<b>Total</b>	₱ <u>1,445,045</u>	<u>150,000</u>	<u>-</u>	₱ <u>1,595,045</u>
<b>Net Book Value</b>	₱ <u>-</u>			₱ <u>750,000</u>

**NOTE 16 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Details of this account are as follows:

Particulars	2015	2014
Trade payables	₱ 54,402,417	₱ 54,875,009
Accrued expenses	344,595,697	358,151,981
Accrued finance charges – related parties	-	14,209,630
Other liabilities	<u>34,316,476</u>	<u>14,338,279</u>
<b>Total</b>	<b>₱ <u>433,314,590</u></b>	<b>₱ <u>441,574,899</u></b>

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.

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

Other liabilities mainly pertain to payable to government agencies.

**NOTE 17 – DUE TO RELATED PARTIES**

As of December 31, 2015, this account consists of:

Particulars	Beginning Balance	Additions	Payments/ Adjustments	Ending Balance
<i>Due to affiliate</i>				
Acesite	₱ 6,239,732	₱ -	₱ 612,530	₱ 5,627,202
The Wellex Group, Inc. (TWGI)	22,491,483	8,981,018	-	31,472,501
Wellex Mining Corporation	225,000	-	-	225,000
PHES	28,000	-	-	28,000
Waterfront Philippines, Inc. (WPI)	369,206,119	-	369,206,119	-
Others	(4,631,464)	-	(57,139)	(4,574,325)
Subtotal	₱ <u>393,558,870</u>	₱ <u>8,981,018</u>	₱ <u>369,761,510</u>	₱ <u>32,778,378</u>
<i>Due to stockholders</i>				
Individuals	₱ 500,000	₱ -	₱ 250,000	₱ 250,000
<b>Total (Note 27)</b>	<b>₱ <u>394,058,870</u></b>	<b>₱ <u>8,981,018</u></b>	<b>₱ <u>370,011,510</u></b>	<b>₱ <u>33,028,378</u></b>

As of December 31, 2014, this account consists of:

Particulars	Beginning Balance	Additions	Payments/ Adjustments	Ending Balance
<i>Due to affiliate</i>				
Acesite	₱ 6,239,732	₱ -	₱ -	₱ 6,239,732
The Wellex Group, Inc. (TWGI)	-	22,491,483	-	22,491,483
Wellex Mining Corporation	225,000	-	-	225,000
PHES	-	28,000	-	28,000
Waterfront Philippines, Inc. (WPI)	368,976,125	229,994	-	369,206,119
Others	(4,801,025)	169,561	-	(4,631,464)
Subtotal	₱ <u>370,639,832</u>	₱ <u>22,919,038</u>	₱ <u>-</u>	₱ <u>393,558,870</u>
<i>Due to stockholders</i>				
Individuals	₱ <u>181,753,940</u>	₱ <u>500,000</u>	₱ <u>181,753,940</u>	₱ <u>500,000</u>
Total (Note 27)	₱ <u>552,393,772</u>	₱ <u>23,419,038</u>	₱ <u>181,753,940</u>	₱ <u>394,058,870</u>

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

Due to WPI pertains to interest bearing advances to the Parent Company to support its working capital requirements and Petrochemical Project. These advances bear 2% interest per annum.

#### NOTE 18 – INCOME TAXES

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

Particulars	2015	2014	2013
NCIT	₱ <b>3,003,941</b>	₱ 2,962,218	₱ 2,984,556
Final tax	-	-	757
Current tax expense	<b>3,003,941</b>	2,962,218	2,985,313
Deferred tax expense (benefit)	<b>1,355,754</b>	(163,664)	(2,186,439)
Aggregate tax expense	₱ <u><b>4,359,695</b></u>	₱ <u>2,798,554</u>	₱ <u>798,874</u>

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

Particulars	2015	2014	2013
Provision for (benefit from) income tax loss at statutory tax rate	₱ <b>3,020,103</b>	₱ 2,803,094	₱ (952,027)
Tax effects of:			
Expiration of NOLCO	-	-	1,172,624
Noneductible interest and other expenses	-	4,786	867,825
Change in unrecognized deferred tax assets	<b>1,355,754</b>	-	(264,811)
Interest and dividends	<u>(16,162)</u>	<u>(9,326)</u>	<u>(24,737)</u>
	₱ <u><b>4,359,695</b></u>	₱ <u>2,798,554</u>	₱ <u>798,874</u>

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

Particulars	2015	2014	2013
Deferred tax assets:			
Allowance for probable losses	₱ 570,857	₱ 2,870,201	₱ 2,737,193
Accrued retirement benefits costs	2,392,914	1,380,540	1,380,540
Unrealized foreign exchange loss	912,809	523,084	492,081
NOLCO	<u>203,631</u>	<u>-</u>	<u>-</u>
	<b>4,080,211</b>	<b>4,773,825</b>	<b>4,609,814</b>
Deferred tax liability	<u>-</u>	<u>(347)</u>	<u>-</u>
Net deferred tax assets	<b>₱ 4,080,211</b>	<b>₱ 4,773,478</b>	<b>₱ 4,609,814</b>

d. Deferred tax assets of the Parent Company and its non-operating subsidiaries amounting to ₱52,575,279, ₱51,540,715 and ₱48,564,052 as of December 31, 2015, 2014 and 2013, respectively, pertaining to the items shown below, have not been recognized as management believes that the Parent Company and its non-operating subsidiaries may not have sufficient taxable profits or tax liabilities against which these deferred tax assets may be utilized.

Particulars	2015	2014	2013
Allowance for probable losses	₱ 154,493,914	₱ 149,547,803	₱ 152,462,352
NOLCO	19,787,331	21,284,895	8,448,136
Accrued retirement benefits costs	<u>969,685</u>	<u>969,685</u>	<u>969,685</u>
Total	<b>₱ 175,250,930</b>	<b>₱ 171,802,383</b>	<b>₱ 161,880,173</b>

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

Year incurred	Amount	Applied	Expired	Balance	Expiry date
2015	₱ 293,045	₱ -	₱ -	₱ 293,045	2018
2014	16,547,307	-	-	16,547,307	2017
2013	2,946,979	-	-	2,946,979	2016
2012	1,790,609	-	1,790,609	-	2015
2011	<u>3,710,548</u>	<u>-</u>	<u>3,710,548</u>	<u>-</u>	2014
Total	<b>₱ 25,288,488</b>	<b>₱ -</b>	<b>₱ 5,501,157</b>	<b>₱ 19,787,331</b>	

**NOTE 19 – CAPITAL STOCK**

a. The Group's capital stock as of December 31, 2015 and 2014 consists of the following common shares:

Particulars	2015	2014
Class "A" – ₱1 par value		
Authorized – 720,000,000 shares with par value of ₱1	₱ <b>720,000,000</b>	₱ 720,000,000
Issued and outstanding – 183,673,470 shares with par value of ₱1	₱ <b>183,673,470</b>	₱ 183,673,470
Number of equity holders	<b>632</b>	632
Class "B" – ₱1 par value		
Authorized – 480,000,000 shares with par value of ₱1	₱ <b>480,000,000</b>	₱ 480,000,000
Issued and outstanding – 122,448,979 shares with par value of ₱1	₱ <b>122,448,979</b>	₱ 122,448,979
Number of equity holders	<b>403</b>	403
Additional Paid-in Capital	₱ <b>3,571,921</b>	₱ 3,571,921

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

b. On July 25, 2003, the Parent Company's stockholders approved the increase in authorized capital stock from ₱1.2 billion consisting of 1.2 billion shares to ₱5 billion consisting of 5 billion shares, both with par value of ₱1 per share. The increase did not push through because of dispute in the acquisition of the Petrochemical Project, which was finally settled in 2013 as discussed in Note 2. After final settlement of the dispute, the Parent Company's management has decided to pursue the said increase in authorized capital stock of the Parent Company.

**NOTE 20 – CUMULATIVE DEFICIT**

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

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

Particulars	2015	2014	2013
Cumulative deficit, beginning	₱ (236,473,668)	₱ (220,699,718)	₱ (215,518,674)
Prior period adjustment (Note 30)	2,112,009	-	-
Effect of adoption of PFRS 19	-	-	(288,355)
Other adjustments	-	(2,569,558)	-
Cumulative deficit, as adjusted	<b>(234,361,659)</b>	<b>(223,269,276)</b>	<b>(215,807,029)</b>
Net loss based on the face of AFS	<b>(1,800,361)</b>	(9,576,456)	(1,046,233)
Add: Non-actual gain/unrealized loss			
Unrealized loss (gain) on re-measurement of AFS	1,585,683	(425,755)	1,046,261
Remeasurement loss (gain) on retirement plan	2,208,287	-	(3,972,325)
Less: Non-controlling interest in net income	<b>(2,761,920)</b>	<b>(3,202,181)</b>	<b>(920,392)</b>
Net income (loss) actual/realized	<b>(768,311)</b>	<b>(13,204,392)</b>	<b>(4,892,689)</b>
Cumulative deficit, end	₱ <b>(235,129,970)</b>	₱ <b>(236,473,668)</b>	₱ <b>(220,699,718)</b>

**NOTE 21 – SALE OF SERVICES**

For the year ended December 31, 2015, 2014 and 2013, the account comprises of sale of services amounting to ₱143,344,326, ₱127,689,577 and ₱123,643,136, respectively.

**NOTE 22 – COST OF SERVICES**

Details of this account are shown below.

<u>Particulars</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Personnel costs	₱ 43,497,407	₱ 35,659,774	₱ 47,541,272
Transportation and travel	37,139,315	26,966,919	18,598,302
Rent and utilities (Note 28)	16,182,835	12,073,142	17,743,639
Outside services	11,343,859	9,143,490	6,111,552
Security services	1,785,538	1,383,389	705,030
Depreciation and amortization (Note 14)	2,777,995	681,400	530,749
Communication and office supplies	1,715,268	1,529,346	1,987,168
Repairs and maintenance	326,178	188,287	82,111
Others	5,426,425	14,479,788	10,111,576
Total	₱ <u>120,194,820</u>	₱ <u>102,105,535</u>	₱ <u>103,411,399</u>

Other expenses include amortization of auxiliary materials, insurance, marketing expenses and dues and subscriptions.

**NOTE 23 – OTHER INCOME**

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

<u>Particulars</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Interest income	₱ 61,712	₱ 34,799	₱ 86,243
Dividend income	500	500	-
Other income	16,304,568	408,830	-
Total	₱ <u>16,366,780</u>	₱ <u>444,129</u>	₱ <u>86,243</u>

Other income of ₱16,304,568 in 2015 pertains to income arising from condoned liability.

**NOTE 24 – EXPENSES**

Details of this account are shown below.

Particulars	2015	2014	2013
Personnel costs	₱ 8,783,940	₱ 8,778,872	₱ 7,846,973
Provision for probable losses (Notes 10)	4,998,463	443,358	1,739,762
Professional fees	1,808,260	2,319,430	2,531,495
Entertainment	1,211,293	4,911,075	3,467,271
Rent and utilities	1,194,341	1,035,060	1,199,467
Taxes and licenses	1,047,827	1,251,432	789,464
Communication and supplies	848,860	726,029	745,487
Transportation and travel	713,561	659,475	662,406
Amortization of intangible assets (Note 15)	319,444	150,000	1,412,513
Impairment loss (Note 10)	208,204	-	-
Depreciation (Note 14)	127,065	511,594	558,216
Insurance	14,823	-	-
Others	4,754,010	5,237,702	2,489,389
Total	₱ 26,030,091	₱ 26,024,027	₱ 23,442,443

Expenses classified as others pertains to various expenses such as fine and penalties, postage and delivery expenses, marketing expenses, and dues and subscription.

**NOTE 25 – FINANCE COST**

For the years ended December 31, 2015, 2014 and 2013, the account comprises of interest expense amounting to ₱7,132,891, ₱7,207,800 and ₱48,960, respectively.

**NOTE 26 – ACCRUED RETIREMENT BENEFITS COSTS**

The Parent Company has an unfunded, non-contributory defined benefit retirement plan providing retirement benefits to its regular employee. MCLSI has a funded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of MCLSI's fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date.

The following tables summarize the components of net retirement expense recognized in the consolidated statement of comprehensive income and the funding status and amounts recognized in the consolidated balance sheet.

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

Particulars	2015	2014	2013
Current service cost	₱ 1,240,016	₱ -	₱ 4,762,327
Interest cost	265,985	-	360,048
Total retirement expense	₱ 1,506,001	₱ -	₱ 5,122,375

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

Particulars	2015	2014	2013
Present value of benefit obligation	₱ 9,030,323	₱ 5,652,947	₱ 5,652,947
Fair value of plan assets	<u>(84,258)</u>	<u>(81,458)</u>	<u>(81,458)</u>
Liability recognized in the balance sheet	₱ <u>8,946,065</u>	₱ <u>5,571,489</u>	₱ <u>5,571,489</u>

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

Particulars	2015	2014	2013
Present value of obligation at beginning of year	₱ 5,652,947	₱ 5,652,947	₱ 6,202,300
Current service cost	1,240,016	-	4,762,327
Interest cost on benefit obligation	270,693	-	365,444
Actuarial gain	2,338,879	-	-
Benefits paid	<u>(472,212)</u>	<u>-</u>	<u>(5,677,124)</u>
Present value of obligation at end of year	₱ <u>9,030,323</u>	₱ <u>5,652,947</u>	₱ <u>5,652,947</u>

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

Particulars	2015	2014	2013
Fair value of plan assets at beginning of year	₱ 81,458	₱ 81,458	₱ 78,436
Expected return on plan assets	4,708	-	5,396
Actuarial gain (loss) on plan assets	130,592	-	(2,374)
Benefits paid	<u>(132,500)</u>	<u>-</u>	<u>-</u>
Fair value of plan assets at end of year	₱ <u>84,258</u>	₱ <u>81,458</u>	₱ <u>81,458</u>

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

Particulars	2015	2014	2013
Liability recognized at beginning of the year	₱ 5,571,489	₱ 5,571,489	₱ 6,123,864
Retirement expense	1,506,001	-	5,122,375
Other comprehensive income (loss)	2,208,287	-	(5,674,750)
Benefits paid	<u>(339,712)</u>	<u>-</u>	<u>-</u>
Liability recognized at end of the year	₱ <u>8,946,065</u>	₱ <u>5,571,489</u>	₱ <u>5,571,489</u>

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

Particulars	2015	2014	2013
Retirement benefits costs – OCI, beginning	₱ 4,601,966	₱ 6,574,237	₱ 6,574,237
Actuarial gain recognized	(2,208,287)	-	-
Deferred tax	<u>-</u>	<u>(1,972,271)</u>	<u>(1,972,271)</u>
Retirement benefits costs – OCI, ending	₱ 2,393,679	₱ 4,601,966	₱ 4,601,966
Percentage of ownership	<u>51%</u>	<u>51%</u>	<u>51%</u>
Equity holders of parent	₱ <u>1,220,777</u>	₱ <u>2,347,003</u>	₱ <u>2,347,003</u>

The major categories of plan assets are as follows:

Particulars	2015	2014	2013
Cash and cash equivalents	₱ 1,543	₱ 2,076	₱ 2,076
Investment in Unit Investment Trust Funds	<u>82,715</u>	<u>79,382</u>	<u>79,382</u>
Total	<u>₱ 84,258</u>	<u>₱ 81,458</u>	<u>₱ 81,458</u>

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

Particulars	2015	2014	2013
Discount rate	5.08%	-	5.78%
Salary increase rate	5.00%	-	5.00%

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

A quantitative sensitivity analysis for significant assumption as at December 31, 2015 is as shown below:

	Sensitivity Level			
	1% Increase		1% Decrease	
	In %	Amount	In %	Amount
Impact on Net Defined Benefit Obligation				
Discount rate	6.08%	6,948,093	4.08%	9,427,050
Future salary increases	6.00%	9,464,911	4.00%	6,898,280

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The discount rate and the future salary increase rate assumed was 5.08% and 5.00%, respectively.

The average duration of the defined plan obligation at the end of the reporting period is 24.91 years for 2015 and 21.12 years for 2014 and 2013.

#### NOTE 27 - RELATED PARTY TRANSACTIONS

a. Due from/to related parties

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

The amounts due to related parties pertain to advances provided to the Parent Company to finance its working capital requirements, capital expenditures, Petrochemical Project support and for other investments and have no definite repayment terms. These are unsecured and noninterest bearing, except the liability to WPI, which is interest bearing but the related finance charges are being charged to Polymax, since the corresponding liability were obtained in relation to the Petrochemical Project.

b. Payables for shared operating expenses

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

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

c. Compensation of key management personnel follows:

Particulars	2015	2014
Short-term employee benefits	₱ <b>8,655,149</b>	₱ <b>8,161,952</b>

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

d. The related amounts applicable to the Group's transactions with related parties as of December 31, 2015 are as follows:

Particulars	Relationship	Beginning Balance	Additions	Collections/ Payments	Ending Balance	Nature, Terms and Conditions	Nature of consideration to be provided in settlement
<b>Due from related parties:</b>							
The Wellex Group, Inc.	Affiliate	₱ 5,416,174	₱ -	₱ -	₱ 5,416,174	Non-interest bearing and unsecured borrowing	Cash collection
Others	Affiliate	5,559,062	-	5,258,765	300,297	Non-interest bearing and unsecured borrowing	Offsetting of accounts
Total (Note 10)		₱ <u>10,975,236</u>	₱ <u>-</u>	₱ <u>5,258,765</u>	₱ <u>5,716,471</u>		
<b>Advances (Asset held for Sale):</b>							
Polymax (Note 12)	Special purpose entity	₱ 788,662,261	₱ -	₱ 373,251,811	₱ 415,410,450	Represents 20% investment share in NPCA	Cash collection
<b>Due to related parties:</b>							
Acesite (Phils.) Hotel Corporation	Affiliate	₱ 6,239,732	₱ -	₱ 612,530	₱ 5,627,202	Non-interest bearing and unsecured borrowing	Cash settlement
Wellex Mining Corp.	Affiliate	225,000	-	-	225,000	Non-interest bearing and unsecured borrowing	Cash settlement
The Wellex Group, Inc.	Affiliate	22,491,483	8,981,018	-	31,472,501	Funding for working capital requirements	Cash settlement
Philippine Estate Corp.	Affiliate	28,000	-	-	28,000	Non-interest bearing and unsecured borrowing	Cash settlement
Waterfront Philippines, Inc. (WPI)	Affiliate	369,206,119	-	369,206,119	-	Non-interest bearing and unsecured borrowing	Cash settlement
Individuals	Stockholders	500,000	-	250,000	250,000	Non-interest bearing and unsecured borrowing	Cash settlement
Others	Affiliate	(4,631,464)	57,139	-	(4,574,325)	Non-interest bearing and unsecured borrowing	Offsetting of accounts
Total (Note 17)		₱ <u>394,058,870</u>	₱ <u>9,038,157</u>	₱ <u>370,068,649</u>	₱ <u>33,028,378</u>		

The related amounts applicable to the Group's transactions with related parties as of December 31, 2014 are as follows:

Particulars	Relationship	Beginning Balance	Additions	Collections/ Payments	Ending Balance	Nature, Terms and Conditions	Nature of consideration to be provided in settlement
<b>Due from related parties:</b>							
The Wellex Group, Inc.	Affiliate	₱ 10,801,000	₱ -	₱ 5,384,826	₱ 5,416,174	Non-interest bearing and unsecured borrowing	Cash collection
Others	Affiliate	293,487	5,265,575	-	5,559,062	Non-interest bearing and unsecured borrowing	Offsetting of accounts
Total (Note 10)		₱ 11,094,487	₱ 5,265,575	₱ 5,384,826	₱ 10,975,236		
<b>Advances (Asset held for Sale):</b>							
Polymax (Note 12)	Special purpose entity	₱ 960,289,978	₱ -	₱ 171,627,717	₱ 788,662,261	Represents 20% investment share in NPCA	Cash collection
<b>Due to related parties:</b>							
Acesite (Phils.) Hotel Corporation	Affiliate	₱ 6,239,732	₱ -	₱ -	₱ 6,239,732	Non-interest bearing and unsecured borrowing	Cash settlement
Wellex Mining Corp.	Affiliate	225,000	-	-	225,000	Non-interest bearing and unsecured borrowing	Cash settlement
The Wellex Group, Inc.	Affiliate	-	22,491,483	-	22,491,483	Funding for working capital requirements	Cash settlement
Philippine Estate Corp.	Affiliate	-	28,000	-	28,000	Non-interest bearing and unsecured borrowing	Cash settlement
Waterfront Philippines, Inc. (WPI)	Affiliate	368,976,125	229,994	-	369,206,119	Non-interest bearing and unsecured borrowing	Cash settlement
Individuals	Stockholders	181,753,940	500,000	181,753,940	500,000	Non-interest bearing and unsecured borrowing	Cash settlement
Others	Affiliate	(4,801,025)	169,561	-	(4,631,464)	Non-interest bearing and unsecured borrowing	Offsetting of accounts
Total (Note 17)		₱ 552,393,772	₱ 23,419,038	₱ 181,753,940	₱ 394,058,870		

Due to WPI pertains to interest bearing advances to the Parent Company to support its working capital requirements and Petrochemical Project. These advances bear 2% interest per annum.

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

**NOTE 28 – LEASE AGREEMENT**

As of December 31, 2015, 2014 and 2013, the Parent Company and MCLSI, operating subsidiary, has several agreements with various entities for lease of commercial space and offices. The future lease liabilities on these agreements are presented as follows:

Particulars	2015	2014	2013
Within one year	₱ <b>9,644,726</b>	₱ 3,841,020	₱ 5,808,000
After one year but not more than five years	<u>15,047,381</u>	<u>1,586,340</u>	<u>630,000</u>
Total	<u>₱ <b>24,692,107</b></u>	<u>₱ 5,427,360</u>	<u>₱ 6,438,000</u>

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

Particulars	2015	2014	2013
Cost of services	₱ <b>16,182,835</b>	₱ 12,073,142	₱ 17,469,092
Operating expense	<u>1,008,000</u>	<u>1,033,661</u>	<u>1,013,929</u>
Total	<u>₱ <b>17,190,835</b></u>	<u>₱ 13,106,803</u>	<u>₱ 18,483,021</u>

*28.1 Office space*

- a) The Parent Company entered into an operating lease agreement with The Wellex Group, Inc. for a business space in the 35<sup>th</sup> floor of One Corporate Centre, Dona Julia Vargas cor. Meralco Ave., Ortigas Center Pasig City. The term of the lease is from May 1, 2012 until April 30, 2014 and shall be renewable for another period of two (2) years with adjustments in the rental rates as agreed by the parties. Monthly rental for the leased premises amounts to ₱21,000, exclusive of VAT.

In May 2014, the Parent Company renewed its lease contract for another two (2) years with no changes in the terms of the agreement.

- b) During the year, MCLSI renewed the lease contract for its office space. The term of the contract is (1) year commencing of February 1, 2016 and ending on January 31, 2017, renewable subject to the terms and conditions as may be mutually agreed upon. Monthly rental payments amounted to ₱70,781. The contract also provided for prepaid rent and rental security deposits equivalent to two months' rental of ₱141,561 representing one-month deposit and one-month advance rental. The advance rental shall be applied on the first month of lease term. Deposit shall be non-interest bearing and shall apply to whatever valid claims in case of the pre-termination of the lease term.

*28.2 Warehouses*

- a) MCLSI entered in lease contract for a warehouse and office building located at warehouse #6 along E. Rodriguez St., Tunasan, Muntinlupa City. The lease term is for a period of two (2) years commencing on April 14, 2014 until April 14, 2016 with monthly rental payments of ₱233,835. Rental deposits amounted to ₱701,505 equivalent to three (3) months rental to answer for any of its obligations and to be refunded upon the expiration of lease term after the termination of the contact.
- b) MCLSI entered into a new lease contract for a warehouse, and parking and open space located at 21st St Golden Mile Business Park, Brgy, Maduya Carmona, Cavite. The lease term is for a period of three (3) years commencing on November 3, 2015 until November 2, 2018 with monthly rental payments of ₱330,691.20. Rental deposits amounted to ₱932,400 equivalent to three (3) months rental to answer for any of its obligation and to be refunded upon the expiration of the contract.
- c) MCLSI entered into another lease contract for warehouse, and parking and open space located at 21st Golden Mile Business Park, Brgy. Maduya Carmona, Cavite. The lease term is also for three (3) years commencing on October 12, 2015 until October 11, 2018 with monthly rental payments of ₱350,162.40. Rental deposits amounted to ₱987,300 equivalent to three (3) months rental to answer for any of its obligation and also to be refunded upon the termination of the lease contract.

**NOTE 29 – LOGISTICS AGREEMENT**

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

**NOTE 30 – PRIOR PERIOD ADJUSTMENT**

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

<u>Accounts</u>	<u>Beginning Balance as of January 1, 2015</u>	<u>Adjustments/ Corrections</u>	<u>Adjusted Beginning Balance</u>
Prepaid income tax	-	2,112,009	2,112,009
Cumulative deficit	(86,281,892)	2,112,009	(84,169,883)

**NOTE 31 – BASIC LOSS PER SHARE**

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

<u>Particulars</u>	<u>2015</u>	<u>2014</u>
Net loss attributable to equity holders of the Parent Company	₱ <b>768,311</b>	₱ 13,204,392
Weighted average number of common shares	<u><b>306,122,449</b></u>	<u>306,122,449</u>
Basic Loss Per Share	₱ <u><b>0.003</b></u>	₱ <u>0.04</u>

**NOTE 32 – OTHER MATTERS**

As of December 31, 2015, the Company has the following legal cases:

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

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

On April 26, 2006, the Parent Company filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Motion for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue. As of December 31, 2015, the Parent Company has not received any order of Execution relative to this case.

Accordingly, the related obligation is not currently determinable. Management believes, however, that the ultimate outcome of the case will not have a material effect on the consolidated financial statements.

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

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

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

- c. There is a consolidated injunction suit with damages filed on July 23, 2008 to nullify a foreclosure of a lot. In successive certiorari cases that plaintiffs filed, both CA & SC upheld the counterparty. The counterparty filed a Notice of Appeal to CA on May 8, 2015 which was questioned defective but still approved and ruled against the Parent Company. In its May 12, 2015 Order, both cases are now on appeal in the CA.
- d. There are also other pending legal cases against the Parent Company and certain subsidiaries. Based on the facts of these cases, management of the Parent Company and certain subsidiaries believes that their positions have legal merits and the resolution thereof will not materially affect the Company's financial position and result of operations.

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

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

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARES**

**I. SUPPLEMENTAL SCHEDULES REQUIRED BY ANNEX 68-E AS AT DECEMBER 31, 2015**

**SCHEDULE A. Financial Assets**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and rates	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
<b>Cash</b>	-	₱ 15,719,137	₱ 15,719,137	₱ 61,712
<b>AFS Financial Assets</b>				
Waterfront Philippines, Inc	-	6,471,473	6,471,473	-
Others	-	(1,498,388)	(1,498,388)	-
<b>Total</b>		₱ <b>4,973,085</b>	₱ <b>4,973,085</b>	₱ <b>-</b>

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

Name and designation of debtor	Balance at beginning of period	Amounts (collected) /transferred	Amounts written-off	Current	Non-current	Balance at end of period
Polymax Worldwide Limited (special purpose entity)	₱ 788,662,261	₱ (373,251,811)	-	₱ 415,410,450	₱ -	₱ 415,410,450
The Wellex Group, Inc	5,416,174	-	-	5,416,174	-	5,416,174
Others	50,297	-	-	-	50,297	50,297
<b>Total</b>	₱ <b>794,128,732</b>	₱ <b>(373,251,811)</b>	<b>-</b>	₱ <b>420,826,624</b>	₱ <b>50,297</b>	₱ <b>420,876,921</b>

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

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

**SCHEDULE D. Intangible Assets – Other Assets**

Description	Balance at beginning of period	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Balance at end of period
Caerus accounting system	₱ 750,000	₱ 125,000	₱ 319,444	-	-	₱ 555,556

**SCHEDULE E. Long-term Debt**

Title of issue	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt"	Amount shown under caption "Long term debt" in related balance sheet
----------------	--------------------------------	--	--

**Not Applicable**

**SCHEDULE F. Indebtedness to Related Parties (Long Term Loans from Related Parties)**

Name of related party	Balance at beginning of period	Amount shown under caption "Current portion of long term debt"
-----------------------	--------------------------------	--

**Not Applicable**

**SCHEDULE G. Guarantees of Securities of Other Issuers**

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
--	---	---	---	---------------------

**Not Applicable**

**SCHEDULE H. Capital Stock**

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

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARES**

**II. SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS AS AT DECEMBER 31, 2015**

The following table summarizes the effective standards and interpretations as at December 31, 2015:

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b>				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>		✓		
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations	✓		
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
<b>PFRS 8</b>	Operating Segments			✓
<b>PFRS 9</b>	Financial Instruments		✓	

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2014		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
<b>PFRS 10</b>	Consolidated Financial Statements		✓	
<b>PFRS 11</b>	Joint Arrangements		✓	
<b>PFRS 12</b>	Disclosure of Interests in Other Entities		✓	
<b>PFRS 13</b>	Fair Value Measurement		✓	
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Balance Sheet Date	✓		
<b>PAS 11</b>	Construction Contracts	✓		
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
<b>PAS 16</b>	Property, Plant and Equipment	✓		
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19</b>	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
<b>PAS 19 (Amended)</b>	Employee Benefits		✓	
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs	✓		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans	✓		
<b>PAS 27 (Amended)</b>	Separate Financial Statements		✓	
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures	✓		
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 31</b>	Interests in Joint Ventures			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2014		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 32</b>	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
<b>PAS 33</b>	Earnings per Share			✓
<b>PAS 34</b>	Interim Financial Reporting			✓
<b>PAS 36</b>	Impairment of Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets			✓
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
<b>PAS 40</b>	Investment Property	✓		
<b>PAS 41</b>	Agriculture			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
<b>IFRIC 7</b>	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
<b>IFRIC 8</b>	<i>Scope of PFRS 2</i>			
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	<i>Interim Financial Reporting and Impairment</i>			✓
<b>IFRIC 11</b>	PFRS 2- Group and Treasury Share Transactions			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2014		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases - Incentives	✓		
<b>SIC-21</b>	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARES**

**III. RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND  
DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2015**

---

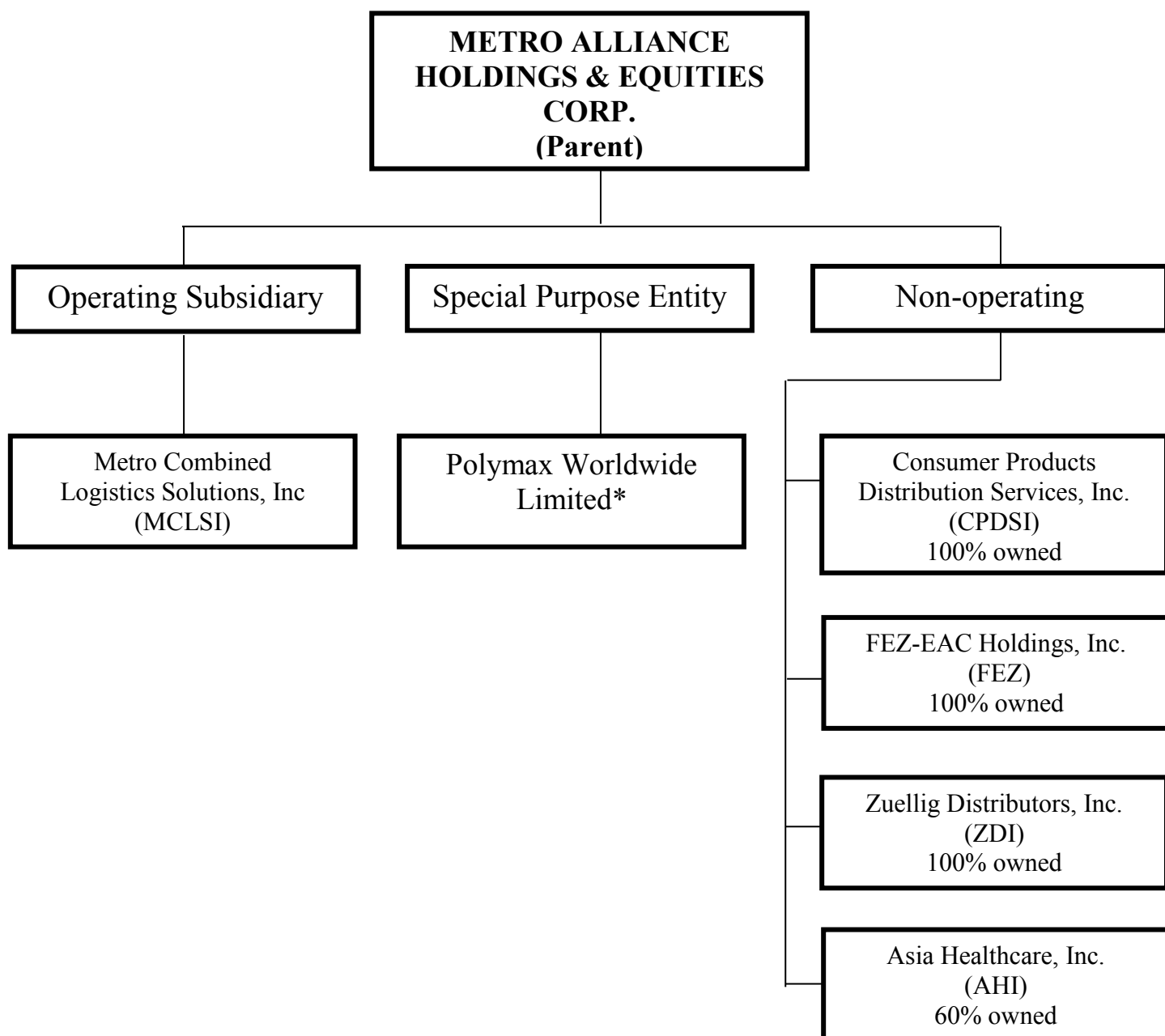
**Not applicable\***

---

\*The Parent Company's Retained Earnings as of December 31, 2015 did not exceed its 100% of paid-in capital stock since it is in deficit position

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARIES**

**IV. MAP OF THE RELATIONSHIP OF THE COMPANY WITHIN THE GROUP FOR THE YEAR ENDED DECEMBER 31, 2015**



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

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION AND SUBSIDIARES**

**V. SCHEDULE OF FINANCIAL RATIOS FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Financial Ratios</u>	<u>Description</u>	<u>2015</u>	<u>2014</u>
Current / liquidity ratio	Current assets over current liabilities	<b>1.18</b>	1.09
Asset to equity ratio	Total asset over total equity	<b>6.39</b>	10.58
Net debt to equity ratio	Interest - bearing loans and borrowings less cash over total equity	-	(0.25)
Debt-to-equity ratio	Short term loans over total equity	-	-
Solvency ratio	After tax net profit plus depreciation over total liabilities	-	(0.01)
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	<b>1.89</b>	0.001
Gross profit margin	Gross profit over net revenues	<b>16%</b>	20%
Net income margin	Net income over net revenues	<b>-1%</b>	-8%



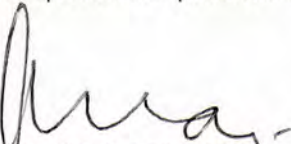
**METRO ALLIANCE**  
HOLDINGS & EQUITIES CORP.

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

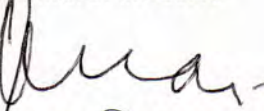
The management of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** is responsible for the preparation and fair presentation of the financial statements for the years ended **December 31, 2015 and 2014**, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Valdes, Abad & Associates, the independent auditors, appointed by the stockholders has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the members or, has expressed its opinion on the fairness of presentation upon completion of such examination.



**RENATO B. MAGADIA**  
Chairman of the Board



**RENATO B. MAGADIA**  
President



**JAMES B. PALIT-ANG**  
Corporate Treasurer

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	0	0	0	2	9	6
---	---	---	---	---	---	---	---	---	---	---	---

**COMPANY NAME**

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

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

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

Form Type

A	C	F	S	-	1	6
---	---	---	---	---	---	---

Department requiring the report

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

Secondary License Type, If Applicable

N	A
---	---

**COMPANY INFORMATION**

Company's Email Address

<a href="mailto:lita.e@metroalliance.com">lita.e@metroalliance.com</a>
--

Mobile Number

706-7888
----------

--

No. of Stockholders

818
-----

Annual Meeting  
Month/Day

Any day in May
----------------

Fiscal Year  
Month/Day

December 31
-------------

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

ATTY. NESTOR ROMULO
---------------------

Email Address

<a href="mailto:nestor_romulo@yahoo.com">nestor_romulo@yahoo.com</a>
--

Telephone Number/s

(632) 706-7888
----------------

Mobile Number

--

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

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

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

# Valdes Abad & Associates

certified public accountants

CJV Building  
108 Aguirre Street  
Legaspi Village, Makati City  
Philippines  
Branches: Cebu and Davao  
PRC BOA Reg. No. 0314  
SEC Reg. No. 0282- F

Telephone: (632) 892-5931-35  
(632) 750-7563  
Facsimile: (632) 819-1468  
Email:  
www.valdesabad.com  
valdes.abad.associates@gmail.com

Associate firm of  
**gmn**  
international

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

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

We have examined the financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** for the year ended December 31, 2015, on which we have rendered the attached report dated April 13, 2016.

In compliance with SRC Rule 68, we are stating that the Company has seven hundred eighty-one (781) stockholders owning one hundred (100) or more shares each as of December 31, 2015.

**VALDES ABAD & ASSOCIATES**

For the firm:

*Felicidad A. Abad*  
**FELICIDAD A. ABAD**

Partner  
CPA Certificate No. 0025184  
TIN 123-048-248-000  
PTR No. 5330740 - 01/08/2016  
PRC – BOA Reg. No. 0314  
Issued on November 2, 2015  
Valid until December 31, 2018  
SEC Accreditation No. 1356-A  
Issued on September 19, 2013  
Valid until September 18, 2016  
BIR Accreditation No. 08-002126-0-2014  
Issued on October 29, 2014  
Valid until October 29, 2017

Makati City, Philippines  
April 13, 2016

# Valdes Abad & Associates

certified public accountants

CJV Building  
108 Aguirre Street  
Legaspi Village, Makati City  
Philippines  
Branches: Cebu and Davao  
PRC BOA Reg. No. 0314  
SEC Reg. No. 0282- F

Telephone: (632) 892-5931-35

(632) 750-7563

Facsimile: (632) 819-1468

Email:

www.valdesabad.com

valdes.abad.associates@gmail.com

Associate firm of



**SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR**  
**Statement Required under Rule 68, Part I, Section 4, Securities regulation Code (SRC)**  
**As amended on October 20, 2011**

To the Board of Directors

**METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION**

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

We have examined the financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION** as of December 31, 2015 on which we have rendered the attached report dated April 13, 2016.

The supplementary information shown as Annex 68-C, the tabular schedule of all effective standards and interpretations under Philippine Financial Reporting Standards as of December 31, 2015 as additional components required by Part I, Section 4 of Rule 68 of the Securities Regulation Code, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the basic financial statements. Such supplementary information and tabular schedule are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information and tabular schedule have been prepared in accordance with Rule 68 of the Securities Regulation Code.

**VALDES ABAD & ASSOCIATES**

For the firm:

  
**FELICIDAD A. ABAD**

Partner

CPA Certificate No. 0025184

TIN 123-048-248-000

PTR No. 5330740 - 01/08/2016

PRC – BOA Reg. No. 0314

Issue on November 2, 2015

Valid until December 31, 2018

SEC Accreditation No. 1356-A

Issued on September 19, 2013

Valid until September 18, 2016

BIR Accreditation No. 08-002126-0-2014

Issued on October 29, 2014

Valid until October 29, 2017

Makati City, Philippines

April 13, 2016

# Valdes Abad & Associates

certified public accountants

CJV Building  
108 Aguirre Street  
Legaspi Village, Makati City  
Philippines  
Branches: Cebu and Davao  
PRC BOA Reg. No. 0314  
SEC Reg. No. 0282-F

Telephone: (632) 892-5931-35  
(632) 519-2105  
Facsimile: (632) 819-1468  
Email:  
www.valdesabadcpas.com  
valdes.abad.associates@gmail.com

Associate firm of  
gmn  
international

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors

### **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION**

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

#### **Report on the Parent Company Financial Statements**

We have audited the accompanying Parent Company financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION**, which comprise the statements of financial position as of December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in equity, and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Management's Responsibility for the Parent Company Financial Statements**

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

#### **Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** as of December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

## Emphasis of a Matter

Without qualifying our opinion, we draw attention to Notes 2 and 8 to the Parent Company financial statements, which indicate that the Parent Company has advances to Polymax Worldwide Limited (Polymax) of ₱415.4 million and ₱788.6 million as of December 31, 2015 and 2014, respectively, and on the other hand, Polymax has past due liabilities of ₱994.7 million as of December 31, 2015 and 2014, respectively, for which the Parent is jointly and severally liable. These factors may cast significant doubt about the Parent Company's ability to continue as a going concern. The realization of the Parent Company's advances to Polymax and the settlement of Polymax's past due liabilities, for which the Parent Company is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPC Alliance Corporation and from the letter of comfort issued by the Parent Company's major stockholders in favor of the parent Company. The Parent Company financial statements have been prepared assuming that the Parent Company will continue as a going concern and do not include any adjustments that might result from the outcome of these uncertainties. Management's plan is to infuse additional capital to address these going concern uncertainties.

## Report on the Supplementary Information Required under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basis of financial statements taken as a whole. The supplementary information for the year ended December 31, 2015 required under Revenue Regulations No. 15-2010 as disclosed in Note 22 to the Parent Company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such information is the responsibility of the management Metro Alliance Holdings & Equities Corp. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## VALDES ABAD & ASSOCIATES

For the firm:

*Felicidad A. Abad*  
FELICIDAD A. ABAD

Partner

CPA Certificate No. 0025184

TIN 123-048-248-000

PTR No. 5330740 - 01/08/2016

PRC – BOA Reg. No. 0314

Issued on November 2, 2015

Valid until December 31, 2018

SEC Accreditation No. 1356-A

Issued on September 19, 2013

Valid until September 18, 2016

BIR Accreditation No. 08-002126-0-2014

Issued on October 29, 2014

Valid until October 29, 2017

Makati City, Philippines

April 13, 2016



APR 15 2016



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

ASSETS	Notes	December 31,	
		2015	2014
<b>CURRENT ASSETS</b>			
Cash	5	1,379,343	1,835,595
Trade and other receivables	6	299,382	5,280,613
Other current assets	7	1,649,660	1,034,164
Total Current Assets		3,328,385	8,150,372
<b>NON-CURRENT ASSETS</b>			
Assets held for sale	2,8	415,410,450	788,662,261
Available for sale investment	9	4,885,800	6,471,483
Investment in subsidiary	10	18,640,500	18,640,500
Property and equipment, Net	11	-	2,195
Total Non-Current Assets		438,936,750	813,776,439
<b>TOTAL ASSETS</b>		<b>442,265,135</b>	<b>821,926,811</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	186,087,620	202,041,087
<b>NON CURRENT LIABILITIES</b>			
Due to affiliates and stockholders	13	31,876,167	392,713,798
Retirement benefit payable	17	969,685	969,685
Total non-current liabilities		32,845,852	393,683,483
<b>EQUITY</b>			
Capital stock	14	306,122,449	306,122,449
Additional paid-in capital	14	3,571,921	3,571,921
Reserve for fluctuations in available-for-sale investments	9	1,204,077	2,789,760
Cummulative deficit		(87,566,784)	(86,281,889)
Total Equity		223,331,663	226,202,241
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>442,265,135</b>	<b>821,926,811</b>

See Notes to Parent Company Financial Statements



APR 15 2016

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

<b>For the Years Ended December 31,</b>	Notes	<b>2015</b>	2014	2013
<b>REVENUES</b>		-	-	-
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	21	<u><b>10,612,933</b></u>	<u>6,662,168</u>	<u>5,711,736</u>
<b>OPERATING LOSS</b>		<u><b>(10,612,933)</b></u>	<u>(6,662,168)</u>	<u>(5,711,736)</u>
<b>OTHER INCOME (EXPENSES)</b>				
Other income		<b>16,304,568</b>	-	-
Interest income		<b>6,874</b>	3,711	3,030
Dividend income		<b>500</b>	500	-
Finance cost		<u><b>(7,132,891)</b></u>	<u>(7,175,160)</u>	<u>-</u>
Net		<u><b>9,179,051</b></u>	<u>(7,170,949)</u>	<u>3,030</u>
<b>NET LOSS BEFORE TAX</b>		<u><b>(1,433,882)</b></u>	<u>(13,833,117)</u>	<u>(5,708,706)</u>
<b>INCOME TAX EXPENSE</b>	17	<u><b>1,963,021</b></u>	<u>-</u>	<u>-</u>
<b>NET LOSS</b>		<u><b>(3,396,903)</b></u>	<u>(13,833,117)</u>	<u>(5,708,706)</u>
<b>OTHER COMPREHENSIVE LOSS</b>				
Unrealized gain (loss) on available-for-sale investments	12	<u><b>(1,585,683)</b></u>	425,755	(794,786)
<b>TOTAL COMPREHENSIVE LOSS</b>		<u><u><b>(4,982,586)</b></u></u>	<u><u>(13,407,362)</u></u>	<u><u>(6,503,492)</u></u>

*See Notes to Parent Company Financial Statements*

**METRO ALLIANCE HOLDINGS AND EQUITIES CORPORATION**

**PARENT COMPANY STATEMENT OF CHANGES IN EQUITY**

*(In Philippine Peso)*

<b>For the Years Ended December 31,</b>	Notes	2015	2014	2013
<b>CAPITAL STOCK</b>				
Class "A"	19	<b>183,673,470</b>	183,673,470	183,673,470
Class "B"	19	<b>122,448,979</b>	122,448,979	122,448,979
		<b>306,122,449</b>	306,122,449	306,122,449
<b>ADDITIONAL PAID-IN-CAPITAL</b>				
	19	<b>3,571,923</b>	3,571,923	3,571,923
<b>RESERVE FLUCTUATIONS IN AVAILABLE FOR-SALE INVESTMENTS</b>				
Balance at beginning of year	12	<b>2,789,760</b>	2,364,005	3,158,791
Other comprehensive gain (loss)	12	<b>(1,585,683)</b>	425,755	(794,786)
Balance at end of year		<b>1,204,077</b>	2,789,760	2,364,005
<b>DEFICIT</b>				
Balance at beginning of year	20	<b>(86,281,892)</b>	(72,448,775)	(66,740,069)
Prior period adjustment	24	<b>2,112,009</b>	-	-
Net loss	20	<b>(3,396,903)</b>	(13,833,117)	(5,708,706)
Balance at end of year		<b>(87,566,786)</b>	(86,281,892)	(72,448,775)
<b>TOTAL EQUITY</b>		<b>223,331,663</b>	226,202,240	239,609,602

*See Notes to Parent Company Financial Statements*

**METRO ALLIANCE HOLDINGS AND EQUITIES CORPORATION**

**PARENT COMPANY STATEMENTS OF CASH FLOWS**

*(In Philippine Peso)*

<b>For the Years Ended December 31,</b>	Notes	<b>2015</b>	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss		<b>(1,433,882)</b>	(13,833,117)	(5,708,706)
Adjustments for:				
Provision for retirement benefits		-	-	79,065
Depreciation	14	<b>2,195</b>	6,414	6,284
Prior period adjustment	24	<b>2,112,009</b>	-	-
Reversal of provision for probable losses		<b>1,873,136</b>	-	-
Provision for doubtful accounts	9	<b>4,946,111</b>	-	-
Impairment loss	21	<b>208,204</b>	-	-
Dividend income		<b>(500)</b>	-	-
Interest income		<b>(6,874)</b>	(3,711)	(3,030)
Operating income (loss) before working capital changes		<b>7,700,399</b>	(13,830,414)	(5,626,387)
Changes in assets and liabilities:				
Trade and other receivables, net	9	<b>(101,082)</b>	(2,809)	-
Other current assets, net	10	<b>(4,451,653)</b>	(262,593)	(172,214)
Accrued expenses and other current liabilities	15	<b>(15,953,468)</b>	6,374,478	7,755,630
Net Cash from Operating Activities		<b>(12,805,804)</b>	(7,721,338)	1,957,029
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of equipment	14	-	(4,390)	-
(Increase) Decrease in asset held for sale	11	<b>373,251,811</b>	171,627,717	(5,646,912)
Dividends received		<b>500</b>	-	-
Interest received		<b>6,874</b>	3,711	3,030
Net Cash from Investing Activities		<b>373,259,185</b>	171,627,038	(5,643,882)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
(Increase) Decrease in due from related parties	22	<b>(72,002)</b>	(4,750,564)	5,241,182
Decrease in due to related parties	22	<b>(360,837,631)</b>	(159,004,463)	(1,264,396)
Net Cash from Financing Activities		<b>(360,909,633)</b>	(163,755,027)	3,976,786
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>(456,252)</b>	150,673	289,933
<b>CASH, Beginning</b>	8	<b>1,835,595</b>	1,684,922	1,394,989
<b>CASH, End</b>	8	<b>1,379,343</b>	1,835,595	1,684,922

*See Notes to Parent Company Financial Statements*

## METRO ALLIANCE HOLDINGS & EQUITIES CORPORATION

### NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

#### NOTE 1 – REPORTING ENTITY

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

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

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

The accompanying Parent Company financial statements as of December 31, 2015 were authorized for issue by the Board of Directors (BOD) on April 8, 2016.

#### NOTE 2 – STATUS OF OPERATIONS

##### 2.1 Going Concern

The accompanying Parent Company financial statements have been prepared assuming that the Parent Company will continue as a going concern. As of December 31, 2015 and 2014, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱415.4 million and ₱788.7 million, respectively, relating to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in the next section below. On the other hand, Polymax (jointly and severally with the Parent Company) has past due liabilities, including accrued interest and penalties, amounting to ₱994.7 million as of December 31, 2015 and 2014, which were obtained to partially finance the acquisition of the petrochemical plant, resulting from the transfer of past due loans as discussed in the next paragraph.

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

As explained in Note 11, the remaining 20% of Polymax's interest in the petrochemical plant is for sale. The realization of the Parent Company's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, depend on whether sufficient cash flows can be generated from the sale Polymax's remaining 20% interest in NPC Alliance Corporation (NPCA) and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company. The Parent Company financial statements do not include any adjustments that might result from the outcome of these uncertainties.

##### 2.2 Management Plan to Address Going Concern Uncertainties

The Group having resolved its disputes with the foreign parties involved in the Bataan petrochemical project will explore business opportunities for the next twelve months. The Group will reorganize its operations; evaluate its remaining assets; review all pending legal cases; and settle and resolve its outstanding issues with other regulatory government bodies. The Group assures the public that it will focus on traditionally stable

industries or sunrise sectors in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

The Group still holds 20% interest in the petrochemical plant as of December 31, 2015. The Board will discuss on their succeeding meetings on how best to proceed on this remaining investment. Recently, the management is undergoing due diligence in evaluating investment proposal from foreign investor for the plan of reacquiring the majority control of the petrochemical plant. The Board will also outline business target projects including possible investment in mining industry. MAHEC's remaining operating subsidiary, Metro Combined Logistics Solutions, Inc. (MCLSI), is steadily growing with additional business from its existing principals.

#### Projected Plan for next 12 months:

##### Investment and sources of capital

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

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

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

The company has a pending application with the SEC to increase its capital stock to 5 billion to be split – 60% Class A shares and 40% Class B shares at par value ₱1.00 to meet its projected investments after tender offer. Of this amount, ₱3 billion worth of shares earmarked to be issued as follows:

1. Majority interest in an operating mining company which is actively producing nickel and has a capital base of ₱1 billion. This company is presently held by the majority shareholders in joint venture with a Chinese company.
2. A second part capital increase amounting to ₱2 billion will be underwritten by a Chinese Bank to provide momentarily cash infusion to the company for the reacquisition of 80% NPCA shares which are sold to NPC International, an Iranian interest. This will redound to the company regaining 100% ownership of NPC Alliance. The planned acquisition will allow the entry of a Chinese Petrochemical company to buy in the company up to 70% of the company's restructured equity by way of supplying feedstocks for the NPCA ethylene plant.

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

##### Realization of Outstanding Receivables from Polymax Worldwide in the Amount of Php415,410,540.00 as of December 31, 2015

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

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

## 2.2 Acquisition Transactions

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

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

To partially finance the Parent Company's advances relating to the Petrochemical Project, the Parent Company obtained short-term loans from local banks. With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Parent Company was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled ₱866.7 million, consisting of the outstanding principal balance of ₱378.3 million and finance charges of ₱488.4 million. In 2007, these past due liabilities were unilaterally transferred to and applied against the advances made to Polymax as discussed in Note 11.

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

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

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

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

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

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

On the same date, the Parent Company, NPCI and PIIC entered into a Guaranteed and Indemnity agreement whereby the Parent Company irrevocably and unconditionally guaranteed the prompt performance and

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

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

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

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

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

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

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

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

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

### **NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Statement of Compliance**

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

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

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

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

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

### **3.2 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 2012*

Starting January 1, 2012, the Parent Company considered the new and amended PAS and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC) in the preparation of the 2012 Parent Company financial statements. None of the new amended PAS and Philippine Interpretations significantly affects the Parent Company financial statements of the Parent Company.

#### *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, 2013, and have not been applied in preparing these Parent Company financial statements. None of these is expected to have a significant effect on the Parent Company's financial statements, except the following set out below.

#### **New standards, amendments to published standards and interpretation to existing standards adopted by the company.**

❖ PAS 1, *Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)*

The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments only affect presentation and have no impact on the company's financial position or performance. The amendments will be applied retrospectively and will result in the modification of the presentation of items in OCI.

❖ PFRS 7, *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose separately for financial assets and financial liabilities recognized at the end of the reporting period, in a tabular format unless another format is more appropriate, the following are minimum quantitative information.

This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c) The net amounts presented in the statement of financial position;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
  - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
  - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments only affect disclosures and have no impact on the company's financial position or performance.

❖ PFRS 11, *Joint Arrangements*

This new standard is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

❖ PFRS 12, *Disclosure of Interests with Other Entities*

PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all of the disclosures that were previously included in PAS 31 and PAS 28, *Investment in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The adoption of PFRS 12 will affect disclosures only and have no impact on the company's financial position or performance.

❖ PFRS 13, *Fair Value Measurement*

PFRS 13 establishes a single source of guidance under PFRS 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 when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13.

❖ PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the company's financial position or performance.

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

*Effective 2015*

❖ *PFRS 9, Financial Instruments: Classification and Measurement*

PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

❖ *PAS 19(Amendments), Employee Benefits - Defined Benefit Plans: Employee Contributions*

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. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

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

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Company.

#### *Annual Improvements to PFRSs (2010-2012 Cycle)*

*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. The amendments are effective for annual period beginning on or after July 1, 2014 and are applied retrospectively.

#### Cash

Cash includes cash on hand and in banks.

#### Financial Assets and Liabilities

*Date of Recognition.* The Parent Company recognizes a financial asset or a financial liability in the Parent Company balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

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

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

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

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

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

### Financial Assets

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

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

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

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

The Parent Company has no financial assets at FVPL as of December 31, 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.

Cash and due from related parties are included in this category.

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

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

The Parent Company has no HTM investments as of December 31, 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 carried at fair value in the Parent Company balance sheet. Changes in the fair value of such assets are reported in the equity section of the Parent Company balance sheet until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the Parent Company statement of comprehensive income. Interest earned on holding AFS investments are recognized in the Parent Company statement of comprehensive income using effective interest rate.

The Parent Company's investments in equity securities recognized under the available-for-sale investments account are classified under this category.

### Financial Liabilities

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

The Parent Company has no derivative liabilities as of December 31, 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 due to related parties and accrued expenses and other current liabilities.

### Derecognition of Financial Assets and Liabilities

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

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

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

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

### Impairment of Financial Assets

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

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

The Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually

assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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

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

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

#### Classification of Financial Instruments between Debt and Equity

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

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

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

#### Offsetting Financial Instruments

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

#### Asset Held for Sale

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

#### Investment in Subsidiary

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

## Computer Equipment

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

The initial cost of computer equipment comprises its purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as an additional cost of computer equipment.

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

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

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

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

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

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

## Impairment of Non-financial Assets

The carrying values of investment in subsidiary and computer equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in the Parent Company's statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

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

## Revenue

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

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

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

## Operating Leases

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

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

## Retirement Benefits Cost

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

## Foreign Currency Transactions and Translations

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

## Income Tax

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

### *Current Tax*

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

### *Deferred Tax*

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

## Related Parties

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

## Provisions

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

## Contingencies

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

## Events After the Reporting Date

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

## **NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

### **4.1 Use of Estimates and Judgment**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Estimated Allowance for Doubtful Accounts and Probable Losses*

The Parent Company reviews the carrying amounts of due from related parties, creditable withholding taxes and input taxes (classified as other current assets) as well as advances to Polymax (under asset held for sale) at each balance sheet date and reduces the balance of these assets to their estimated recoverable amounts.

Creditable withholding taxes and input taxes totaling ₱12,059,591 and ₱13,446,218 as of December 31, 2015 and 2014, respectively, were provided with ₱10,558,918 and ₱12,432,054 allowances for probable losses as of December 31, 2015 and 2014 (see Note 10).

Advances to Polymax (under asset held for sale) amounting to ₱415.4 million and ₱788.7 million as of December 31, 2015 and 2014, respectively, constitute 94% and 96% of the Parent Company's total assets at the end of 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 Parent Company is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 20% interest in NPCA and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company (see Note 11).

#### *Estimated Useful Life and Residual Value of Computer Equipment*

The Parent Company estimates the useful life and residual value of its computer equipment based on the period over which the assets are expected to be available for use. The Parent Company reviews annually the estimated useful life and residual value of computer equipment based on factors that include asset utilization, internal technical evaluation, technological changes, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful life of equipment would increase depreciation expense, while an increase in the estimated useful lives would decrease depreciation expense. As of December 31, 2015 and 2014, equipment, net of accumulated depreciation, amounted to NIL and ₱2,195, respectively and total depreciation expense charged to operations amounted to ₱2,195 in 2015 and ₱6,414 in 2014 (see Note 14). In 2013, depreciation expense recognized in the current operations amounted to ₱6,284 (see Note 14).

#### *Asset Impairment*

The Parent Company assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Parent Company has determined that its investment in subsidiary amounting to ₱647,976,305 is impaired resulting to allowance of ₱629,335,805 as of December 31, 2015 and 2014 (see Note 13).

Computer equipment maintained by the Parent Company is at NIL and ₱2,195 as of December 31, 2015 and 2014, respectively. No impairment is recognized for this asset (see Note 14).

#### *Fair Value of Financial Asset and Financial Liabilities*

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

The recoverable amount of AFS investments with available market prices was determined based on quoted bid prices. AFS investments amounted to ₱4,885,800 and ₱6,471,483 as of December 31, 2015 and 2014, respectively (see Note 12).

#### *Realizability of Deferred Tax Assets*

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

The Parent Company did not recognize deferred income tax assets on deductible temporary difference (accrued retirement benefits cost and unused NOLCO) totaling ₱5.3 million, ₱6.3 million and ₱3.2 million as of December 31, 2015, 2014 and 2013 respectively, because management believes that the Parent Company may not have sufficient future taxable profits available to allow utilization of these deferred income tax assets (see Note 17).

#### *Classification of Financial Instruments*

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

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

### *Contingencies*

The Parent Company is currently involved in various legal proceedings, which are normal to its business as discussed in Note 25. The Parent Company's estimate of the probable costs for these proceedings and resolution of these claims have been developed in consultation with outside counsel handling the prosecution and defense of these cases and is based upon an analysis of potential results. The Parent Company and its legal counsel believe that these legal proceeding will not have a material adverse effect on the financial statements. It is possible, however, that changes in estimates relating to these proceedings may materially affect results of operations.

## **NOTE 5 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

### *Credit Risk*

It is the Parent Company's policy to require all concerned related parties to comply and undergo a credit verification process with emphasis on their capacity, character and willingness to pay. In addition, receivables are closely monitored so that exposure to bad debts is minimized.

Maximum exposure to credit risk

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

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

### *Financial assets -AFS investments*

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

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

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

### *Loans and receivables*

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

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

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

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

Particulars	2015			2014		
	Neither Past Due nor Impaired			Neither Past Due nor Impaired		
	High Grade	Standard Grade	Total	High Grade	Standard Grade	Total
Loans and receivables:						
*Cash	₱ 1,354,343	₱ -	₱ 1,354,343	₱ 1,810,595	₱ -	₱ 1,810,595
Due from related parties	250,000	-	250,000	5,268,113	-	5,268,113
Total loans and receivables	1,604,343	-	1,604,343	7,078,708	-	7,078,708
AFS investment	4,885,800	-	4,885,800	6,471,483	-	6,471,483
Total	₱ 6,490,143	₱ -	₱ 6,490,143	₱ 13,550,191	₱ -	₱ 13,550,191

\*Excludes cash on hand

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

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

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

#### Liquidity Risk

The Parent Company's objective is to maintain a balance between flexibility and continuity of funding. However, because of past due liabilities for which the Parent Company is jointly and severally liable, the Parent Company's access to funds has been limited to those of its related parties in the form of advances. Current working capital requirements will continue to be sourced from short-term loans and advances from related parties.

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

Particulars	2015			
	On Demand	Within 1 Year	More than 1 Year	Total
Financial Assets				
*Cash	₱ 1,354,343	₱ -	₱ -	₱ 1,354,343
Trade and other receivables	-	250,000	-	250,000
Subtotal	1,354,343	250,000	-	1,604,343
AFS investment	-	-	4,885,800	4,885,800
Total	1,354,343	250,000	4,885,800	6,490,143
Financial Liabilities				
Due to related parties	₱ -	₱ -	₱ 31,876,167	₱ 31,876,167
Accounts payable and accrued expenses	-	185,782,126	-	185,782,126
Total	-	185,782,126	31,876,167	217,658,293
Net Position	₱ 1,354,343	₱ (185,532,126)	₱ (26,990,367)	₱ (211,168,150)

\*Excludes cash on hand

Particulars	2014			
	On Demand	Within 1 Year	More than 1 Year	Total
<b>Financial Assets</b>				
*Cash	₱ 1,810,595	₱ -	₱ -	₱ 1,810,595
Trade and other receivables	-	5,268,113	-	5,268,113
Subtotal	<u>1,810,595</u>	<u>5,268,113</u>		<u>7,078,708</u>
AFS investment	-	-	6,471,483	6,471,483
Total	<u>1,810,595</u>	<u>5,268,113</u>	<u>6,471,483</u>	<u>13,550,191</u>
<b>Financial Liabilities</b>				
Due to related parties	₱ -	₱ -	₱ 392,713,798	₱ 392,713,798
Accounts payable and accrued expenses	-	201,735,594	-	201,735,594
Total	<u>-</u>	<u>201,735,594</u>	<u>392,713,798</u>	<u>594,449,392</u>
Net Position	₱ <u>1,810,595</u>	₱ <u>(196,467,481)</u>	₱ <u>(386,242,315)</u>	₱ <u>(580,899,201)</u>

*\*Excludes cash on hand*

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

#### **NOTE 6 – CAPITAL MANAGEMENT**

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

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

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

The Parent Company monitors capital as follows:

Particulars	2015	2014
Capital stock	₱ <b>306,122,449</b>	₱ 306,122,449
Additional paid-in capital	<b>3,571,923</b>	3,571,923
Deficit	<u><b>(87,566,786)</b></u>	<u>(86,281,892)</u>
Total	₱ <u><b>222,127,586</b></u>	₱ <u>223,412,480</u>

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

**NOTE 7 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The following table summarizes the carrying and fair values of the Parent Company's financial assets and financial liabilities as of December 31, 2015 and 2014:

Particulars	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash	₱ 1,379,343	₱ 1,379,343	₱ 1,835,595	₱ 1,835,595
Due from related parties	250,000	250,000	5,268,113	5,268,113
AFS investments	4,885,800	4,885,800	6,471,483	6,471,483
	₱ <u>6,515,143</u>	₱ <u>6,515,143</u>	₱ <u>13,575,191</u>	₱ <u>13,575,191</u>
Financial Liabilities				
Due to related parties	₱ 31,876,167	₱ 31,876,167	₱ 392,713,798	₱ 392,713,798
Accrued expenses and other current liabilities	185,782,126	185,782,126	201,735,594	201,735,594
Total	₱ <u>217,658,293</u>	₱ <u>217,658,293</u>	₱ <u>594,449,392</u>	₱ <u>594,449,392</u>

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

*Current Financial Assets and Financial Liabilities*

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

*AFS Investments*

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

**NOTE 8 – CASH**

As of December 31, the account consists of the following

Particulars	2015	2014
Petty cash	₱ 25,000	₱ 25,000
Cash in bank	<u>1,354,343</u>	<u>1,810,595</u>
Total	₱ <u>1,379,343</u>	₱ <u>1,835,595</u>

**NOTE 9 – TRADE AND OTHER RECEIVABLES, NET**

As of December 31, the account consists of the following

Particulars	2015	2014
Advances to officers and employees	₱ 49,382	₱ 12,500
Advances to affiliates	-	19,332
Advances to subsidiaries	<u>147,913,743</u>	<u>147,966,413</u>
Total	147,963,125	147,998,245
Less: Allowance for impairment	<u>(147,663,743)</u>	<u>(142,717,632)</u>
Total	₱ <u>299,382</u>	₱ <u>5,280,613</u>

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

Particulars	2015	2014
Balance at the beginning of the year	₱ 142,717,632	₱ 142,717,632
Provision for impairment of receivables (Note 21)	<u>4,946,111</u>	<u>-</u>
Balance at the end of the year	<u>₱ 147,663,743</u>	<u>₱ 142,717,632</u>

<b>NOTE 10 – OTHER CURRENT ASSETS, NET</b>
--

This account consists of:

Particulars	2015	2014
Creditable withholding taxes	₱ 7,721,700	₱ 7,721,700
Input taxes	4,337,891	5,744,518
Prepaid income tax	<u>148,987</u>	<u>-</u>
Total	<b>12,208,578</b>	13,466,218
Less: Allowance for probable losses	<u>(10,558,918)</u>	<u>(12,432,054)</u>
Net realizable value	<u>₱ 1,649,660</u>	<u>₱ 1,034,164</u>

During the year, the Parent Company reversed the allowance for probable losses provided for in prior periods amounting to ₱1,873,136. Assessment made by the Group disclosed over sufficiency of the allowance for probable losses, which resulted to the write down made during the period.

The Parent Company also recognized additional prepaid income tax during the year amounting to ₱2,112,008 arising from the prior period which was unrecognized in the books of the Parent Company.

**NOTE 11 – ASSET HELD FOR SALE**

Asset held for sale amounting to ₱415,410,450 and ₱788,662,261 as of December 31, 2015 and 2014, respectively, which constitutes 94% and 96% of the Parent Company's total assets as of December 31, 2015 and 2014, respectively, represents advances to Polymax, the Parent Company's special purpose entity incorporated in British Virgin Islands solely for the purpose of acquiring the petrochemical plant of NPCA as discussed in Note 2.

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

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

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

Condensed unaudited financial information of Polymax as of December 31, 2015 and 2014 prepared on the liquidation basis of accounting is shown in the table below.

Particulars	2015	2014
Assets		
Cash and cash equivalents	₱ 130,966,060	₱ 130,966,060
Assets held for sale	347,720,000	347,720,000
Due from related parties	157,433,309	530,685,120
Total assets	<u>636,119,369</u>	<u>1,009,371,180</u>
Liabilities		
Liabilities related to asset held for sale	994,668,446	994,668,446
Due to Metro Alliance Holdings and Equities Corp.	415,410,499	788,662,260
Other payable	49,030,000	49,030,000
Total liabilities	<u>1,459,108,945</u>	<u>1,832,360,706</u>
Capital deficiency	₱ <u>822,989,526</u>	₱ <u>822,989,526</u>

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

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

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

The change in Polymax's net equity by NIL in 2015 and ₱204.7 million in 2014 pertains to:

Particulars	(In Million)	
	2015	2014
Loss on disposal of asset held for sale	₱ -	₱ 102,280,000
Provision for impairment loss- asset held for sale	-	102,280,000
Professional fee	-	126,222
Net loss	₱ -	₱ 204,686,222

Polymax's share in the net loss of NPCA amounted to ₱208.2 million in 2015 and ₱120.3 million in 2014; however, this was not recognized in both years so that the carrying value of Polymax's investment in NPCA will not fall below its estimated recoverable value from sale of ₱450 million.

#### NOTE 12 – AVAILABLE-FOR-SALE INVESTMENTS

As of December 31, the account consists of:

Particulars	2015	2014
At acquisition cost	₱ 3,681,723	₱ 3,681,723
Cumulative fair value gain – in equity	<u>1,204,077</u>	<u>2,789,760</u>
Total	₱ <u>4,885,800</u>	₱ <u>6,471,483</u>

The investment in securities consists of investment in shares of stock of a publicly-listed company whose fair value is based on published prices on Philippine Stock Exchange.

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

Particulars	2015	2014
Beginning balance	₱ 6,471,483	₱ 6,045,728
Additions	-	-
Disposal	-	-
Fair value gain (loss)	<u>(1,585,683)</u>	<u>425,755</u>
Total	₱ <u>4,885,800</u>	₱ <u>6,471,483</u>

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

Particulars	2015	2014
Beginning balance	₱ 2,789,760	₱ 2,364,005
Fair value gain (loss)	<u>(1,585,683)</u>	<u>425,755</u>
Total	₱ <u>1,204,077</u>	₱ <u>2,789,760</u>

<b>NOTE 13 – INVESTMENT IN SUBSIDIARY, NET</b>
--

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

Particulars	2015	2014
Unlisted shares, carried at cost		
Asia HealthCare Inc. (AHI)	₱ 9,000,000	₱ 9,000,000
Consumer Products Distribution Services, Inc. (CPDSI)	540,335,805	540,335,805
Fez-Eac Holdings Inc. (FEZ)	30,000,000	30,000,000
Metro Combined Logistics Solutions, Inc (MCLSI)	18,640,500	18,640,500
Zuellig Distributors Inc.(ZDI)	50,000,000	50,000,000
<b>Total</b>	<b>647,976,305</b>	<b>647,976,305</b>
Less: Allowance for impairment	<b>(629,335,805)</b>	<b>(629,335,805)</b>
<b>Net realizable value</b>	<b>₱ 18,640,500</b>	<b>₱ 18,640,500</b>

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

Subsidiaries	Principal Activity	Description of Percentage of Ownership Shares held	Interest	
			2015	2014
AHI	Trading and pharmacy management	60%	<b>60%</b>	60%
CPDSI	Importation/Distributor of Polypropylene	100%	<b>100%</b>	100%
FEZ	Trading and distribution	100%	<b>100%</b>	100%
MCLSI	Outside logistic provider	51%	<b>51%</b>	51%
ZDI	Trading and distribution	100 %	<b>100%</b>	100%

<b>NOTE 14 – PROPERTY AND EQUIPMENT, NET</b>
--

As of December 31, 2015, the account consists of the following:

Particulars	Beginning Balance	Additions	Disposals	Ending Balance
Cost:				
Computer equipment	₱ 84,545	₱ -	₱ -	₱ 84,545
Accumulated Depreciation:				
Computer equipment	₱ 82,350	₱ 2,195	₱ -	₱ 84,545
<b>Net Book Value</b>	<b>₱ 2,195</b>			<b>₱ -</b>

As of December 31, 2014, the account consists of the following:

<u>Particulars</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Cost:				
Computer equipment	₱ 80,155	₱ 4,390	₱ -	₱ 84,545
Accumulated Depreciation:				
Computer equipment	₱ 75,936	₱ 6,414	₱ -	₱ 82,350
Net Book Value	₱ <u>4,219</u>			₱ <u>2,195</u>

Depreciation expense charged to operations for periods ending December 31, 2015, 2014 and 2013 amounted to ₱2,195, ₱6,414 and ₱6,284, respectively (see Note 21).

<b>NOTE 15 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES</b>
---

This account consists of:

<u>Particulars</u>	<u>2015</u>	<u>2014</u>
Accounts payable	₱ -	₱ 18,271
Accrued expenses	<b>185,769,843</b>	187,455,589
Accrued finance charges – WPI	-	14,209,630
Other liabilities	<u>317,777</u>	<u>357,598</u>
Total	₱ <u><b>186,087,620</b></u>	₱ <u>202,041,088</u>

Other liabilities pertain to payable to government agencies.

The Parent Company has liabilities arising in the ordinary conduct of business, which are either pending decision by the government authorities or are being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, adequate provisions, which are recorded as part of accrued expenses, have been provided in the financial statements to cover liabilities that may arise as a result of an adverse decision that may be rendered.

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

<b>NOTE 16 – DUE TO SUBSIDIARIES, AFFILIATES AND STOCKHOLDERS, NET</b>
--

As of December 31, 2015, this account consists of:

Particulars	Beginning Balance	Additions	Payments/ Adjustments	Ending Balance
<i>Due to Affiliate</i>				
Acesite	₱ 6,239,732	₱ -	₱ 612,530	₱ 5,627,202
The Wellex Group, Inc. (TWGI)	22,491,483	8,981,018	-	31,472,501
Wellex Mining Corporation	225,000	-	-	225,000
PHES	28,000	-	-	28,000
Waterfront Philippines, Inc. (WPI)	369,206,119	-	369,206,119	-
Others	(5,476,536)	-	-	(5,476,536)
Subtotal	₱ 392,713,798	₱ 8,981,018	₱ 369,818,649	₱ 31,876,167
<i>Due to Subsidiaries</i>				
Consumer Products Distribution Services	₱ 233,342,805	₱ -	₱ -	₱ 233,342,805
FEZ-EAC Holding Inc.	30,078,688	-	-	30,078,688
Zuellig Distributors Inc.	27,446,253	-	-	27,446,253
Valuation allowance for impairment	(290,867,746)	-	-	(290,867,746)
Subtotal	₱ -	₱ -	₱ -	₱ -
Total (Note 22)	₱ 392,713,798	₱ 8,981,018	₱ 369,818,649	₱ 31,876,167

As of December 31, 2014, this account consists of:

Particulars	Beginning Balance	Additions	Payments/ Adjustments	Ending Balance
<i>Due to Affiliate</i>				
Acesite	₱ 6,239,732	₱ -	₱ -	₱ 6,239,732
The Wellex Group, Inc. (TWGI)	-	22,491,483	-	22,491,483
Wellex Mining Corporation	225,000	-	-	225,000
PHES	-	28,000	-	28,000
Waterfront Philippines, Inc. (WPI)	368,976,125	229,994	-	369,206,119
Others	(5,476,536)	-	-	(5,476,536)
Subtotal	₱ 369,964,321	₱ 22,749,477	₱ -	₱ 392,713,798
<i>Due to Subsidiaries</i>				
Consumer Products Distribution Services	₱ 233,342,805	₱ -	₱ -	₱ 233,342,805
FEZ-EAC Holding Inc.	30,078,688	-	-	30,078,688
Zuellig Distributors Inc.	27,446,253	-	-	27,446,253
Valuation allowance for impairment	(290,867,746)	-	-	(290,867,746)
Subtotal	₱ -	₱ -	₱ -	₱ -
<i>Due to stockholders</i>				
Stockholders	181,753,940	-	181,753,940	-
Total (Note 22)	₱ 551,718,261	₱ 22,749,477	₱ 181,753,940	₱ 392,713,798

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

Due to WPI pertains to interest bearing advances to the Parent Company to support its working capital requirements and Petrochemical Project. These advances bear 2% interest per annum.

<b>NOTE 17 – INCOME TAXES</b>
-------------------------------

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

Particulars	2015	2014	2013
Net loss	₱ <u>(1,433,882)</u>	₱ <u>(13,833,117)</u>	₱ <u>(5,708,706)</u>
Permanent differences:			
Non-deductible expenses and losses	3,035,714	-	2,885,871
Impairment loss of receivables	4,946,111	-	-
Interest income subjected to final tax	(6,874)	(3,711)	(3,030)
Interest expense subject to ceiling	2,835	1,531	-
Non-deductible dividend income	(500)	-	-
Taxable income	6,543,404	(13,835,297)	(2,825,865)
Applicable tax rate	30%	30%	30%
Current tax expense	1,963,021	-	-
Prior year's excess tax credits	1,963,021	-	-
Income tax due	₱ <u>-</u>	₱ <u>-</u>	₱ <u>-</u>

Deferred income tax assets of ₱5,289,254, ₱6,272,135 and ₱3,151,668 as of December 31, 2015, 2014 and 2013, respectively, have not been recognized on deductible temporary difference and carry forward benefits of unused NOLCO as shown below, as management believes that the Parent Company may not have sufficient taxable profits or tax liabilities against which these temporary differences and NOLCO may be utilized.

Particulars	2015	2014	2013
NOLCO	₱ 16,661,162	₱ 19,937,430	₱ 9,535,875
Accrued retirement benefits cost	969,685	969,685	969,685
Total	₱ <u>17,630,847</u>	₱ <u>20,907,115</u>	₱ <u>10,505,560</u>

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

Year incurred	Amount	Applied	Expired	Balance	Expiry date
2014	₱ 13,835,297	₱ -	₱ -	₱ 13,835,297	2017
2013	2,825,865	-	-	2,825,865	2016
2012	3,276,268	-	3,276,268	-	2015
2011	3,433,742	-	3,433,742	-	2014
Total	₱ 23,371,172	₱ -	₱ 6,710,010	₱ 16,661,162	

**NOTE 18 – RETIREMENT BENEFIT PAYABLE**

The Parent Company's retirement benefit obligation under RA No. 7641 amounted to ₱969, 685 as of December 31, 2015 and 2014, respectively. The accrued retirement benefit cost is determined based on the number of years of service rendered and compensation of a covered employee.

Movement of accrued retirement benefits cost is shown below.

Particulars	2015	2014
Present value of benefit obligation	₱ 969,685	₱ 969,685
Current service cost	-	-
Liability recognized in the balance sheet	₱ 969,685	₱ 969,685

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

**NOTE 19 – CAPITAL STOCK**

a. The Group's capital stock as of December 31, 2015 and 2014 consists of the following common shares:

Particulars	2015	2014
<b>Authorized</b>		
720,000,000 shares are considered as Class A at ₱1 par value per share	₱ 720,000,000	₱ 720,000,000
480,000,000 shares are considered as Class A at ₱1 par value per share	480,000,000	480,000,000
	₱ 1,200,000,000	₱ 1,200,000,000
<b>Issued and Outstanding</b>		
183, 673,470 Class A shares at ₱1 par value per share	₱ 183,673,470	₱ 183,673,470
122,448,979 Class B shares at ₱1 par value per share	122,448,979	122,448,979
	₱ 306,122,449	₱ 306,122,449
<b>Additional Paid-in Capital</b>	₱ 3,571,923	₱ 3,571,923

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

b. On July 25, 2003, the Group's stockholders approved the increase in authorized capital stock from ₱1.2 billion consisting of 1.2 billion shares to ₱5 billion consisting of 5 billion shares, both with par value of ₱1 per share. However, the increase was held in abeyance because of the dispute in the acquisition of the Petrochemical Project, which was settled in 2013 as discussed in Note 2.

**NOTE 20 – CUMULATIVE DEFICIT**

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

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

Particulars	2015	2014	2013
Cumulative deficit, beginning	₱ (86,281,892)	₱ (72,448,775)	₱ (66,740,069)
Prior period adjustment (Note 24)	<u>2,112,009</u>	<u>-</u>	<u>-</u>
Cumulative deficit, as adjusted	<u>(84,169,883)</u>	<u>(72,448,775)</u>	<u>(66,740,069)</u>
Net loss based on the face of AFS	(4,982,586)	(13,407,362)	(6,503,492)
Add: Non-actual gain/unrealized loss			
Unrealized gain or loss on re-measurement of AFS	<u>1,585,683</u>	<u>(425,755)</u>	<u>794,786</u>
Net Loss Actual/Realized	<u>(3,396,903)</u>	<u>(13,833,117)</u>	<u>(5,708,706)</u>
Cumulative deficit, end	₱ <u>(87,566,786)</u>	₱ <u>(86,281,892)</u>	₱ <u>(72,448,775)</u>

**NOTE 21 – GENERAL AND ADMINISTRATIVE EXPENSES**

The details of general and administrative expenses are shown below.

Particulars	2015	2014	2013
Bad debts expense (Note 9)	₱ 4,946,111	₱ -	₱ -
Personnel costs	841,869	680,792	725,492
Professional fees	813,429	861,428	1,226,429
Entertainment, amusement and recreation	289,976	4,111,595	2,806,805
Rent and utilities (Note 23)	252,000	252,000	252,000
Impairment loss	208,204	-	-
Communication and supplies	97,911	113,059	426,722
Taxes and licenses	23,311	272,601	268,004
Depreciation (Note 14)	2,195	6,414	6,284
Others	<u>3,137,927</u>	<u>364,279</u>	<u>-</u>
Total	₱ <u>10,612,933</u>	₱ <u>6,662,168</u>	₱ <u>5,711,736</u>

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

<b>NOTE 22 – RELATED PARTY TRANSACTIONS</b>
---

The following transactions have been entered into with related parties as of December 31, 2015:

Particulars	Relationship	Beginning Balance	Additions	Collections/ Payments	Ending Balance	Nature, Terms and Conditions	Nature of consideration to be provided in settlement
Due from related parties:							
BPC	Affiliate	₱ 19,332	₱ -	₱ 19,332	₱ -	Non-interest bearing and unsecured borrowing	Cash collection
MCLSI	Subsidiary	500,000	-	250,000	250,000	Non-interest bearing and unsecured borrowing	Cash collection
CPDSI	Subsidiary	147,420,554	243,189	-	147,663,743	Non-interest bearing and unsecured borrowing	Offsetting of accounts
AHI	Subsidiary	19,180	-	19,180	-	Non-interest bearing and unsecured borrowing	Cash collection
FEZ	Subsidiary	<u>26,679</u>	<u>-</u>	<u>26,679</u>	<u>-</u>	Non-interest bearing and unsecured borrowing	Cash collection
Total (Note 9)		<u>₱ 147,985,745</u>	<u>₱ 243,189</u>	<u>₱ 315,191</u>	<u>₱ 147,913,743</u>		
Advances (Asset held for Sale):							
Polymax (Note 11)	Special purpose entity	<u>₱ 788,662,261</u>	<u>₱ -</u>	<u>₱ 373,251,811</u>	<u>₱ 415,410,450</u>	Represents 20% investment share in NPCA	Cash collection
Due to related parties:							
Acesite (Phils.) Hotel Corporation	Affiliate	₱ 6,239,732	₱ -	₱ 612,530	₱ 5,627,202	Non-interest bearing and unsecured borrowing	Cash settlement
Wellex Mining Corp.	Affiliate	225,000	-	-	225,000	Non-interest bearing and unsecured borrowing	Cash settlement
The Wellex Group, Inc.	Affiliate	22,491,483	8,981,018	-	31,472,501	Funding for working capital requirements	Cash settlement
Philippine Estate Corp.	Affiliate	28,000	-	-	28,000	Non-interest bearing and unsecured borrowing	Cash settlement
Waterfront Philippines, Inc. (WPI)	Affiliate	369,206,119	-	369,206,119	-	Non-interest bearing and unsecured borrowing	Cash settlement
CPDSI	Subsidiary	233,342,805	-	-	233,342,805	Non-interest bearing and unsecured borrowing	Offsetting of accounts
FEZ	Subsidiary	30,078,688	-	-	30,078,688	Non-interest bearing and unsecured borrowing	Cash settlement

Particulars	Relationship	Beginning Balance	Additions	Collections/ Payments	Ending Balance	Nature, Terms and Conditions	Nature of consideration to be provided in settlement
ZDI	Subsidiary	27,446,253	-	-	27,446,253	Non-interest bearing and unsecured borrowing	Cash settlement
Others	Affiliate	<u>(5,476,536)</u>	-	-	<u>(5,476,536)</u>	Non-interest bearing and unsecured borrowing	Offsetting of accounts
Total (Note 16)		<u>₱ 683,581,544</u>	<u>₱ 8,981,018</u>	<u>₱ 369,818,649</u>	<u>₱ 322,743,913</u>		

The following transactions have been entered into with related parties as of December 31, 2014:

Particulars	Relationship	Beginning Balance	Additions	Collections/ Payments	Ending Balance	Nature, Terms and Conditions	Nature of consideration to be provided in settlement
Due from related parties:							
BPC	Affiliate	₱ 6,411	₱ 12,921	₱ -	₱ 19,332	Non-interest bearing and unsecured borrowing	Cash collection
MCLSI	Subsidiary	500,000	-	-	500,000	Non-interest bearing and unsecured borrowing	Cash collection
CPDSI	Subsidiary	142,717,632	4,702,922	-	147,420,554	Non-interest bearing and unsecured borrowing	Offsetting of accounts
AHI	Subsidiary	5,790	13,390	-	19,180	Non-interest bearing and unsecured borrowing	Cash collection
FEZ	Subsidiary	<u>5,348</u>	<u>21,331</u>	<u>-</u>	<u>26,679</u>	Non-interest bearing and unsecured borrowing	Cash collection
Total (Note 9)		<u>₱ 143,235,181</u>	<u>₱ 4,750,564</u>	<u>₱ -</u>	<u>₱ 147,985,745</u>		
Advances (Asset held for Sale):							
Polymax (Note 11)	Special purpose entity	<u>₱ 960,289,978</u>	<u>₱ -</u>	<u>₱ 171,627,717</u>	<u>₱ 788,662,261</u>	Represents 20% investment share in NPCA	Cash collection
Due to related parties:							
Acesite (Phils.) Hotel Corporation	Affiliate	₱ 6,239,732	₱ -	₱ -	₱ 6,239,732	Non-interest bearing and unsecured borrowing	Cash settlement
Wellex Mining Corp.	Affiliate	225,000	-	-	225,000	Non-interest bearing and unsecured borrowing	Cash settlement
The Wellex Group, Inc.	Affiliate	-	22,491,483	-	22,491,483	Funding for working capital requirements	Cash settlement
Philippine Estate Corp.	Affiliate	-	28,000	-	28,000	Non-interest bearing and unsecured borrowing	Cash settlement

Particulars	Relationship	Beginning Balance	Additions	Collections/ Payments	Ending Balance	Nature, Terms and Conditions	Nature of consideration to be provided in settlement
Waterfront Philippines, Inc. (WPI)	Affiliate	368,976,125	229,994	-	369,206,119	Non-interest bearing and unsecured borrowing	Cash settlement
CPDSI	Subsidiary	233,342,805	-	-	233,342,805	Non-interest bearing and unsecured borrowing	Offsetting of accounts
FEZ-EAC Holdings, Inc.	Subsidiary	30,078,688	-	-	30,078,688	Non-interest bearing and unsecured borrowing	Cash settlement
Zuellig Distributors, Inc.	Subsidiary	27,446,253	-	-	27,446,253	Non-interest bearing and unsecured borrowing	Cash settlement
Individuals	Stockholders	181,753,940	-	181,753,940	-	Non-interest bearing and unsecured borrowing	Cash settlement
Others	Affiliate	<u>(5,476,536)</u>	<u>-</u>	<u>-</u>	<u>(5,476,536)</u>	Non-interest bearing and unsecured borrowing	Offsetting of accounts
Total (Note 16)		<u>₱ 842,586,007</u>	<u>₱ 22,749,477</u>	<u>₱ 181,753,940</u>	<u>₱ 683,581,544</u>		

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

In 2014, collections made by the Company for the advances from Polymax amounted to ₱171,627,717.

The Parent Company has no compensation to key management personnel in 2016 and 2015.

#### **NOTE 23 – LEASE AGREEMENT**

The Parent Company entered into an operating lease agreement with The Wellex Group, Inc. for a business space in the 35<sup>th</sup> floor of One Corporate Centre, Dona Julia Vargas cor. Meralco Ave., Ortigas Center Pasig City. The term of the lease is from May 1, 2012 until April 30, 2014 and shall be renewable for another period of two (2) years with adjustments in the rental rates as agreed by the parties. Monthly rental for the leased premises amounts to ₱21,000, exclusive of VAT.

In May 2014, the Parent Company renewed its lease contract for another two (2) years with no changes in the terms of the agreement.

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

Particulars	2015	2014	2013
Not later than one year	₱ 252,000	₱ 252,000	₱ 252,000
Later than one year and not later than five years	<u>588,000</u>	<u>588,000</u>	<u>588,000</u>
Total	<u>₱ 840,000</u>	<u>₱ 840,000</u>	<u>₱ 840,000</u>

Total rent expense related to the lease agreement which is charged to operations amounts to ₱252,000 for December 31, 2015, 2014 and 2013.

**NOTE 24 – PRIOR PERIOD ADJUSTMENT**

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

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

**NOTE 25 – OTHER MATTERS**

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

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

On April 26, 2006, the Parent Company filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Motion for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue. As of December 31, 2015, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable. Management believes, however, that the ultimate outcome of the case will not have a material effect on the Parent Company financial statements.

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

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction (first injunction). As of December 31, 2015, the case is still pending with the same court. Trial on the merits of the case was already started in 2015 after the Parent Company, through its counsel, filed an Amended Complaint with an Urgent Application for the Issuance of Writ of Preliminary Injunction after the first injunction was nullified by the Court of Appeals and affirmed by the SC. The case is currently back to the same court for trial hearings with the Parent Company's legal counsel already presented witnesses. Series of trial hearings are set for the month of April and May 2016 for evidence presentation. The Parent Company and its legal counsel are positive that the court will sustain their position.

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

**NOTE 26 – SUPPLEMENTARY TAX INFORMATION UNDER RR – 15- 2010**

Presented below is the supplementary information which is required by the Bureau of Internal Revenue to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and license fees paid or accrued during the year ended December 31, 2015 required under RR No. 15-2010, which became effective on December 31, 2010, are as follows:

**26.1 Output VAT**

The Parent Company has no sales transactions that are subject to output VAT in 2015.

**26.2 Input VAT**

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

<u>Particulars</u>	<u>Amount</u>
Balance at beginning of year	₱ 5,744,518
Current year's domestic purchases/payments during the year	549,922
Input tax claimed	-
Adjustment	<u>(1,957,136)</u>
Balance at end of year	₱ <u>4,337,304</u>

**26.3 Other Taxes and Licenses**

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

<u>Particulars</u>	<u>Amount</u>
Annual listing fee	₱ 5,050
Business permit	17,761
Others	<u>500</u>
Total	₱ <u>23,311</u>

**26.4 Withholding Taxes**

Withholding taxes paid/accrued and/or withheld for the year ended December 31, 2015 consist of:

<u>Particulars</u>	<u>Paid</u>	<u>Accrued</u>	<u>Total</u>
Tax on compensation and benefits	₱ 9,231	₱ 10,070	₱ 839
Expanded withholding tax	<u>68,464</u>	<u>70,318</u>	<u>1,854</u>
Total	₱ <u>77,695</u>	₱ <u>80,388</u>	₱ <u>2,693</u>

**26.5 Tax Contingencies**

The Parent Company's deficiency tax cases are discussed in Note 25a.

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

The following table summarizes the effective standards and interpretations as at December 31, 2015:

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2014		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b>				
	Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
<b>PFRSs Practice Statement Management Commentary</b>		✓		
<b>Philippine Financial Reporting Standards</b>		✓		
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations	✓		
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
<b>PFRS 8</b>	Operating Segments			✓
<b>PFRS 9</b>	Financial Instruments		✓	

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2014		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
<b>PFRS 10</b>	Consolidated Financial Statements		✓	
<b>PFRS 11</b>	Joint Arrangements		✓	
<b>PFRS 12</b>	Disclosure of Interests in Other Entities		✓	
<b>PFRS 13</b>	Fair Value Measurement		✓	
<b>Philippine Accounting Standards</b>				
<b>PAS 1</b>	Presentation of Financial Statements	✓		
<b>(Revised)</b>	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Balance Sheet Date	✓		
<b>PAS 11</b>	Construction Contracts	✓		
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
<b>PAS 16</b>	Property, Plant and Equipment	✓		
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19</b>	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
<b>PAS 19</b>	Employee Benefits		✓	
<b>(Amended)</b>				
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
<b>PAS 23</b>	Borrowing Costs	✓		
<b>(Revised)</b>				
<b>PAS 24</b>	Related Party Disclosures	✓		
<b>(Revised)</b>				
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans	✓		
<b>PAS 27</b>	Separate Financial Statements		✓	
<b>(Amended)</b>				
<b>PAS 28</b>	Investments in Associates and Joint Ventures	✓		
<b>(Amended)</b>				
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 31</b>	Interests in Joint Ventures			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2014		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 32</b>	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
<b>PAS 33</b>	Earnings per Share			✓
<b>PAS 34</b>	Interim Financial Reporting			✓
<b>PAS 36</b>	Impairment of Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets			✓
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
<b>PAS 40</b>	Investment Property	✓		
<b>PAS 41</b>	Agriculture			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
<b>IFRIC 7</b>	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
<b>IFRIC 8</b>	<i>Scope of PFRS 2</i>			
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	<i>Interim Financial Reporting and Impairment</i>			✓
<b>IFRIC 11</b>	PFRS 2- Group and Treasury Share Transactions			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2014		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases - Incentives	✓		
<b>SIC-21</b>	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓