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**Re: Metro Alliance Holdings & Equities Corp\_SEC Form 17Q 3rd Qtr 2023\_09November2023**

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From: ICTD Submission (ictdsubmission+canned.response@sec.gov.ph)

To: metro.alliance@yahoo.com

Date: Thursday, November 9, 2023 at 12:12 PM GMT+8

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Your submission is subject for Verification and Review of the Quality of the Attached Document only for Secondary Reports. The Official Copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order through the SEC Express at <https://secexpress.ph/>. For further clarifications, please call (02) 8737-8888.

----- NOTICE TO  
COMPANIES -----

Please be informed of the reports that shall be filed only through [ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph).

Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at [ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph) such as the following SECONDARY REPORTS:

1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15. BP-FCLC 20. S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through <https://efast.sec.gov.ph/user/login>.

1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors (Appointment)
6. MRPT

Please be informed that the submission of the abovementioned eleven (11) reports through the [ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph) shall no longer be accepted. For further information, please access this link Notice for guidance on the filing of reports:

Likewise, the following reports shall be filed through the Electronic Filing and Submission Tool (eFAST) at <https://efast.sec.gov.ph/user/login> :

1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC\_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS – Consolidated

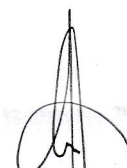
For the submission and processing of compliance in the filing of Memorandum Circular No. 28 Series of 2020, please visit this link – <https://apps010.sec.gov.ph/>

# Certification

I, Annabelle T. Abunda, Finance Officer of Metro Alliance Holdings & Equities Corporation, with SEC registration number 296 with principal office at 35<sup>th</sup> Flr. One Corporate Center, Doña Julia Vargas, cor. Meralco Ave., Ortigas Center, Pasig City, on oath state:

- 1) That on behalf of Metro Alliance Holdings & Equities Corporation, I have caused this Third (3rd) Quarterly Report SEC Form 17-Q 2023 to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That the company, Metro Alliance Holdings & Equities Corporation, will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereto set my hands this NOV 09 2023 day of \_\_\_\_\_, 2023.



Affiant

TIN: 205-231-659

SUBSCRIBED AND SWORN to before me this NOV 09 2023 day of \_\_\_\_\_, 2023.

**FERDINAND D. AYALAO**  
**NOTARY PUBLIC**

For Pasig City, Marikina and San Juan City  
Appointment No. 106 (2022-2023) valid until 12/31/2023  
MCLE Exemption No. VII-REPN03719 valid until 06/14/23  
Roll No. 46377; IBP LRN 02459; OR 535886; 06/21/2021  
TIN 123-011-785; PTR 0161665; 01/06/23; Pasig City  
Unit 5, West Tower PSE, Exchange Road  
Ortigas Center, Pasig City TEL: +632-86314920

DOC. NO. 5  
PAGE NO. 2  
BOOK NO. 210  
SERIES OF 2023

**PASIG CITY**

# COVER SHEET

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SEC Registration No.

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(Company's Full Name)

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

<b>Atty. Nestor S. Romulo</b>
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Contact Person

<b>(632) 706-7888</b>
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Contact Telephone No.

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Fiscal Year

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FORM TYPE

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Month      Day

Annual Meeting

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Secondary License Type, If Applicable

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Amended Articles Number/Section

<b>788</b>
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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

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<b>3<sup>rd</sup> Quarter Report: MAH</b>
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SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 11  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the quarterly period ended ...September 30,2023
2. Commission identification number...296
3. BIR Tax Identification No.....000-130-411-000.
4. Metro Alliance Holdings & Equities Corp.  
Exact name of issuer as specified in its charter
5. Metro, Manila Philippines  
Province, country or other jurisdiction of incorporation or organization
6. (SEC use Only)  
Industry Classification Code:
7. **35/F One Corporate Centre, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig  
City Postal Code: 1605**  
Address of issuer's principal office
8. (632) 8706-7888  
Issuer's telephone number, including area code
9. Not applicable  
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA:

<u>Title of Each Class</u>	<u>No. of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Class A	183,673,470
Common Class B	122,448,979
Outstanding Debt	₱ 740,247,444

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

Yes [  ] No [  ]

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

Philippines Stock Exchange

Common Class A and Class B

12. Indicate by check mark whether the registrant:

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

Yes [  ] No [  ]

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

Yes [  ] No [  ]

13. Aggregate market value of the voting stock held by non-affiliates: **Php39,548,569**

14. Not applicable

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

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

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

#### Unaudited Income Statement

<i>Income Statement</i>	<b>Amounts in Php</b>			
	<b>Jul-Sept 2023</b>	Jul-Sept 2022	<b>Jan-Sept 2023</b>	Jan-Sept 2022
Sales and services	<b>₱59,738,478</b>	₱84,771,643	<b>₱189,058,183</b>	₱238,748,253
Cost of sales and services	<b>49,101,368</b>	68,097,602	<b>157,434,370</b>	189,316,375
Gross profit	<b>10,637,110</b>	16,674,041	<b>31,623,813</b>	49,431,878
Expenses	<b>(9,825,448)</b>	(9,507,922)	<b>(32,640,089)</b>	(28,416,180)
Other income	<b>6,134</b>	6,140	<b>100,804</b>	187,580
Net Income (Loss) Before Tax	<b>817,796</b>	7,172,259	<b>(915,472)</b>	21,203,278
Income tax expense	<b>-</b>	-	<b>-</b>	-
Net income	<b>817,796</b>	7,172,259	<b>(915,472)</b>	21,203,278
Attributable to:				
Equity Holders of the Parent Company	<b>9,622</b>	3,448,956	<b>(2,491,106)</b>	10,005,390
Non-controlling interest	<b>808,174</b>	3,723,303	<b>1,575,634</b>	11,197,888
	<b>817,796</b>	7,172,259	<b>(915,472)</b>	21,203,278
Earnings Per Share – Equity Holders Of the Parent Company	<b>₱0.0000</b>	₱0.0113	<b>(₱0.0081)</b>	₱0.0327

#### Unaudited Balance Sheet

<i>Balance Sheet</i>	<b>Amounts in Php</b>		
	<b>Sept 30, 2023</b>	Sept 30, 2022	Dec 31, 2022
Current assets	<b>₱252,337,246</b>	₱257,762,831	₱252,367,903
Noncurrent assets	<b>488,254,981</b>	509,563,784	496,496,886
Total Assets	<b>740,592,227</b>	767,326,615	748,864,789
Current liabilities	<b>298,425,316</b>	323,425,546	306,087,518
Noncurrent liabilities	<b>441,822,128</b>	433,685,974	441,517,016
Total Liabilities	<b>740,247,444</b>	757,111,520	747,604,534
Stockholder's Equity	<b>344,783</b>	10,215,095	1,260,255
Total Liabilities and Stockholder's Equity	<b>₱740,592,227</b>	₱767,326,615	₱748,864,789

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

The Group is exploring business opportunities. As of report date, biggest contributor to the Group's revenue is its logistic arm, MCLSI, which has shown steady growth. 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 will focus on traditionally stable industries or sunrise sectors in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

### a) Key Performance Indicators

The Metro Alliance (MAH) and its majority-owned subsidiaries key performance indicators as follow:

#### Metro Alliance

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

Metro Alliance (Parent Company) financial statements registered unaudited net loss of ₱807,540 for the 3rd quarter of 2023 as compared to the same quarter of 2022 with net loss amounting to ₱427,349 or an increase in net loss by ₱380,191 or 88.96% due to increase in general and administrative expenses such as professional fee and representation and entertainment expense.

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

Performance indicator	September 30	
	2023	2022
Net Income / (Loss)	<b>(₱807,540)</b>	(₱427,349)
Income / (Loss) per share	<b>(0.003)</b>	(0.001)
Income / (Loss) on average equity	<b>(0.024)</b>	(0.010)
Debt to total assets	<b>0.923</b>	0.906
Debt to equity	<b>12.103</b>	9.596

#### MCLSI

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

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

Comparative analysis of MCLSI's key performance indicators on September 30 are as follows:

Performance indicator	2023	2022
<u>Profitability</u>		
a. Gross profit margin	<b>0.167</b>	0.207
b. Net profit margin	<b>0.017</b>	0.096
c. Return on assets	<b>0.012</b>	0.075
d. Return on equity	<b>0.024</b>	0.171
<u>Liquidity</u>		
a. Current ratio	<b>1.918</b>	2.087
b. Receivables turnover	<b>1.84</b>	1.285
c. Days' sales in receivables	<b>198.37</b>	283.94

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

Currently, CPDSI, FEZ-EAC, ZDI and AHI have no performance indicators because these are non-operating companies. Management is considering a rationalization plan to address the future of these non-operating subsidiaries.

## **b) Changes in Operating Results**

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

The Group registered a consolidated net loss of ₱0.8 million for the 3rd quarter of 2023 as against net income of ₱7.2 million for the 3rd quarter of 2022 or a decrease by ₱6.4 million or 88.89% due to lower sales of services incurred for the 3rd quarter 2023 and due to some discontinued contracts. Income (Loss) per share attributable to equity holders of Parent Company are nil and ₱0.011 for the 3rd quarter of 2023 and 2022, respectively. 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 ₱59.7 million and ₱84.8 million for the quarters ended September 30, 2023 and 2022. Revenue decrease by ₱25.1 million or 29.60% due to some contracts that were ended and not renewed as client looked for other warehousing and logistics services with lower cost.

### Cost of Sales and Services

Total cost of sales and services for the quarters ended September 30, 2023 and 2022 amounted to ₱49.1 million and ₱68.1 million, respectively. The decrease in cost of sales by ₱19 million or 27.90% against last quarter was mainly due to the following net effect of expenses; decrease in personal cost by ₱7.5 million, decrease in rent and utilities by ₱2.5 million, decrease in transportation expense by ₱7.4 million, increase in outside services by ₱0.8 million and decrease in other costs by ₱1.6 million.

### Operating Expenses

Total operating expenses of the Group for the 3rd quarter of 2023 amounted to ₱9.8 million as compared to ₱9.5 million for the 3rd quarter of 2022 or an increase by ₱0.3 million or 3.16%. The increase was mainly attributable on the net effect of the following accounts: decrease in personnel cost by ₱0.3 million, decrease in entertainment by ₱1 million, increase in depreciation by ₱0.1 million, increase in professional fee by ₱0.6 million, decrease in communication and supplies by ₱0.3 million, decrease in transportation by ₱0.1, increase in insurance by ₱0.005 million, decrease in rent and utilities by ₱0.1, increase in miscellaneous by ₱0.9 million, and decrease in other expenses by ₱0.1 million.

### Other income

Other income for the quarters ended September 30, 2023 and 2022 amounted to ₱6,134 and ₱6,140, respectively. The account pertains to interest income and other income not arising from ordinary course of business.

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

### Assets

*Cash and cash equivalents* as of September 30, 2023 and 2022 amounted to ₱46.5 million and ₱71.1 million, respectively. Net cash flows from operating activities is ₱9.6 million, net cash flows from investing activities is ₱2.8 million and net cash flows from financing activities is ₱13,684.

*Receivables* amounted to ₱181.4 million as of September 30, 2023 and ₱160.5 million as of September 30, 2022 (net of allowance for doubtful accounts). Movement in the accounts is mainly attributable to the increase in trade receivable by ₱19 million and increase in other receivables by ₱2.3 million.

*Other current assets* amounted to ₱24.4 million and ₱26.2 million as of September 30, 2023 and 2022, respectively (net of allowance for probable losses of ₱14.6 million and ₱14.3 million, respectively). The decrease by ₱1.8 million was net effect of the following: increase in input VAT by ₱0.9 million and increase in prepayments and others by ₱0.9 million.

*Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)* amounted to ₱19.2 million and ₱19.2 million in September 30, 2023 and 2022, respectively. This account includes shares of stocks owned in publicly listed company and unquoted equity investment carried at cost. During the latter part of



2017, the Parent Company made an investment to a non-listed entity, whose primary activity is to engage in real estate development.

*Property and equipment* amounted to ₱52.4 million and ₱71.7 million in September 30, 2023 and 2022, respectively. The Group has no outstanding contractual commitments to acquire certain property and equipment as of September 30, 2023 and 2022 and 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.

*Deferred tax assets* in the 3rd quarter of 2023 increase by ₱0.7 million as compared to 3rd quarter of 2022.

*Other non-current assets* as of September 30, 2023 and 2022 amounted to ₱11.4 million and ₱11.3 million, respectively or an increase by ₱0.1 million due to increase in refundable deposits. This account consists of intangible asset pertaining to non-exclusive software license cost for use in MCSI's warehouse management system and the non-current portion of refundable deposits.

*Advances to related parties* amounted to ₱343.1 million and ₱345.9 million (net of probable expected credit losses of ₱226.6 million and ₱224.5 million, respectively) as of September 30, 2023 and 2022, respectively, which represents advances to Polymax, the Group's unconsolidated special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA).

#### Liabilities

*The Accounts payable and accrued expenses – current portion* as of September 30, 2023 and 2022 amounted to ₱281.2 million and ₱291.2 million, respectively. The decrease was due to payment of trade payables amounting to ₱11.3 million, decrease in accrued expenses by ₱4.3 million and increase in other current liabilities by ₱5.6 million. 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. *Accrued expenses – noncurrent portion* amounted to ₱123,438,803 which composed of management fee and reserve for contingency BIR.

*Lease Liability* is the liability recognized in relation to the adoption of PFRS 16. Current lease liability amounted to ₱16.5 million and ₱31.5 million as of September 30, 2023 and 2022, respectively. Noncurrent portion of Lease liability amounted to ₱24.5 million and ₱24.5 million as of September 30, 2023 and 2022, respectively.

The *Due to related parties - current* as of September 30, 2023 and 2022 amounted to ₱0.7 million and ₱0.7 million, respectively. *Due to related parties - noncurrent* as of September 30, 2023 and 2022 amounted to ₱280.7 million and ₱274.8 million, respectively. In 2020, The Group issued a 5-year promissory note to its affiliate, Philippine Estate Corporation, with a principal amount of ₱263,000,345, including a 2% legal interest for the year 2020 and a 2% interest per annum until the maturity date of March 15, 2026. The other amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Group to finance its working capital requirements, capital expenditures, petrochemical project support and for other investments and have no definite repayment terms.

*Accrued retirement benefit cost* amounted to ₱12.9 million and ₱10.7 million as of September 30, 2023 and 2022, respectively. MAHEC and MCSI 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 September 30, 2023 and 2022, respectively, 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. In 2020, the Board of Directors approved to write-off the remaining retirement benefit payable of the Parent Company since it has no longer have employees.

*Deferred tax liabilities* in the 3rd quarter of 2023 and 2022 is ₱0.3 million.

### **Summary of Material Trends, Events and Uncertainties**

The accompanying consolidated financial statements have been prepared assuming that Group Company will continue as a going concern.

As of September 30, 2023 and 2022, the Group has significant advances to Polymax Worldwide Limited (Polymax), an unconsolidated special purpose entity incorporated in British Virgin Islands, amounting to ₱569.7 million and ₱570.4 million (gross of probable expected credit losses of ₱226.6 million and ₱224.5 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, 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. 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. Management's plan is to infuse additional capital to address the going concern uncertainty.

### **Legal Cases**

Below is the list of legal matters of the Group as of September 30, 2023, which are fully disclosed in Note 32:

- a) Metro Alliance vs. Commissioner of Internal Revenue - Assessment for deficiency withholding taxes for the year 1989, 1990 and 1991
- b) Metro Alliance and Philippine Estate Corporation vs. Philippine Trust Company, et al., Civil Case SCA#TG-05-2519, RTC Tagaytay City Branch 18 - 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
- c) MAHEC, POLYMAX & WELLEX vs. Phil. Veterans Bank., et al., Civil Case #08-555, RTC Makati Branch 145 now SC GR 2405495 and 240513 - Civil Action with Damages to Nullify the Foreclosure of Property
- d) MAHEC, POLYMAX, Renato B. Magadia (Metro Group/plaintiffs) vs NPC International Limited, et al. (NPC Group/defendants) Civil Case No. R-PSG 19-02106, RTC Pasig City Branch 159 and related cases - Corporate Mismanagement and Damages with Application for Temporary Restraining Order and Injunction
- e) There are also other pending minor 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.

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

No events that will trigger contingent or direct financial obligation.

### **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.

### **Commitment for Capital Expenditures**

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

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

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

The Group registered a consolidated net income of ₱0.8 million for the 3rd quarter of 2023 as against net income of ₱7.2 million for the 3rd quarter of 2022 or a decrease by ₱6.4 million or 88.89% due to lower sales of services incurred for the 3rd quarter 2023 due to few discontinued contracts. Income (Loss) per share attributable to equity holders of Parent Company are nil and ₱0.011 for the 3rd quarter of 2023 and 2022, respectively. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group.

The Group registered gross service revenue of ₱59.7 million and ₱84.8 million for the quarters ended September 30, 2023 and 2022. Revenue decrease by ₱25.1 million or 29.60%.

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

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

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

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

The Group adopted PFRS 16 on the year 2019 which reported a Right-of-Use Asset and Lease Liability (Note 16 and 19) and PFRS 9 on the year 2021 for the recognition of Probable of Estimated Credit Losses.

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

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

## PART II – OTHER INFORMATION

### (1) Market Information

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
2023	First Quarter	0.84	0.65	0.84	0.65
	Second Quarter	0.68	0.51	0.66	0.66
	Third Quarter	0.52	0.52	0.50	0.50
2022	First Quarter	1.19	0.95	1.19	0.95
	Second Quarter	1.00	0.90	1.00	0.90
	Third Quarter	0.81	0.73	0.81	0.73
	Fourth Quarter	0.66	0.64	0.66	0.64
2021	First Quarter	4.08	1.84	4.08	1.84
	Second Quarter	2.64	1.93	2.64	1.93
	Third Quarter	2.36	1.40	2.36	1.40
	Fourth Quarter	1.75	1.02	1.75	1.02
2020	First Quarter	3.30	0.89	3.30	0.89
	Second Quarter	3.19	1.36	3.19	1.36
	Third Quarter	2.37	1.40	2.37	1.40
	Fourth Quarter	2.37	1.62	2.37	1.62

As of November 7, 2023, the high, low and close market prices are ₱0.50, ₱0.50 and ₱0.50 for MAH “A” shares, respectively. While for MAH “B” shares’ high, low and close market prices are ₱0.50 as well.

### (2) Holders

There are 306,122,449 shares outstanding: 183,673,470 shares are Class “A” and 122,448,979 shares are Class “B”. As of September 30, 2023, there are 606 holders of Class “A” shares and 389 holders of Class “B” shares.

#### List of Top 20 Stockholders As of September 30, 2023

	Stockholder's Name	Number of Shares		Percentage
		Class A	Class B	Total
1	PCD NOMINEE CORPORATION (FILIPINO)	43,379,501	32,203,744	24.193
2	CRESTON GLOBAL LIMITED		56,378,388	18.417
3	CHESA HOLDINGS INC.	40,500,000		13.230
4	PACIFIC WIDE REALTY & DEVELOPMENT CORP.	31,498,000		10.289
5	FORUM HOLDINGS CORPORATION	14,442,356	13,432,644	9.106
6	PACIFIC CONCORDE CORPORATION	6,329,500	9,503,908	5.172
7	REXLON REALTY GROUP, INC.	12,200,000	2,673,112	4.859
8	CHARTERED COMMODITIES CORP.	11,296,000		3.690
9	MIZPAH HOLDINGS, INC.	10,128,700		3.309
10	WILLIAM GATCHALIAN	2,091,000	1,481,500	1.167
11	PACIFIC REHOUSE CORP.	1,258,000	1,670,000	0.956
12	FORUM HOLDINGS CORPORATION	1,934,500		0.632
13	PCD NOMINEE CORPORATION (NON-FILIPINO)		1,521,786	0.497
14	TIN FU OR TRAJANO		820,000	0.268
15	CTBC TA# 5-C184: ZUELLIG CORP.	684,829		0.224
16	VICTOR GAN SY	400,000	200,000	0.196
17	W. DUMERMUTH	472,600		0.154
18	VICTOR G. SY	178,000	290,000	0.153
19	AB CAPITAL & INVESTMENT CORPORATION	162,000	268,000	0.140
20	MARY ANGUS BROWN	309,910		0.101

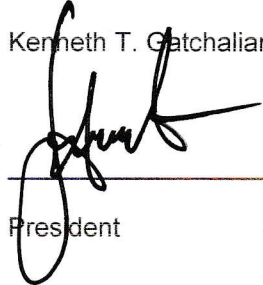
**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **METRO ALLIANCE HOLDINGS & EQUITIES CORP.**

Issuer: Kenneth T. Gatchalian

Signature



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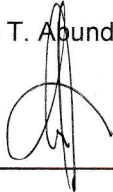
Title

President

Date

Finance Officer: Annabelle T. Abunda

Signature



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Date

NOV 09 2023

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

“Annex A.1”

		30-Sept-23 Unaudited	30-Sept-22 Unaudited	31-Dec-22 Audited
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	11	P46,491,077	P71,057,031	P53,452,684
Trade and other receivables	12	181,429,072	160,464,878	178,465,901
Other current assets	13	24,417,097	26,240,922	20,449,318
<b>Total Current Assets</b>		<b>252,337,246</b>	<b>257,762,831</b>	<b>252,367,903</b>
<b>Noncurrent Assets</b>				
Advances to Related Parties	14	343,061,023	345,896,880	347,720,003
Financial Assets at fair value through other comprehensive income	15	19,197,485	19,197,485	19,197,485
Property and equipment – net	16	52,357,732	71,659,778	56,057,673
Deferred tax assets		62,216,485	61,514,282	62,216,486
Other noncurrent assets	17	11,422,256	11,295,359	11,305,239
<b>Total Noncurrent Assets</b>		<b>488,254,981</b>	<b>509,563,784</b>	<b>496,496,886</b>
<b>TOTAL ASSETS</b>		<b>740,592,227</b>	<b>767,326,615</b>	<b>748,864,789</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	18	281,242,072	291,188,500	288,917,958
Lease Liability	19	16,459,778	31,527,865	16,459,778
Due to related parties	20	723,466	709,181	709,782
<b>Total Current Liabilities</b>		<b>298,425,316</b>	<b>323,425,546</b>	<b>306,087,518</b>
<b>Noncurrent Liabilities</b>				
Accrued expenses, non-current portion	18	123,438,803	123,438,803	123,438,803
Lease liability, non-current portion	19	24,488,841	24,488,841	24,488,841
Due to related parties, non-current portion	20	280,673,968	274,782,761	280,673,968
Accrued retirement benefit costs	28	12,915,404	10,670,457	12,915,404
Deferred tax liability		305,112	305,112	-
<b>Total Noncurrent Liabilities</b>		<b>441,822,128</b>	<b>433,685,974</b>	<b>441,517,016</b>
<b>Total Liabilities</b>		<b>740,247,444</b>	<b>757,111,520</b>	<b>747,604,534</b>
<b>Stockholders' Equity</b>				
Equity attributable to equity holders of the Parent Company				
Capital stock		306,122,449	306,122,449	306,122,449
Additional paid-in capital		3,571,923	3,571,923	3,571,923
Deficit		(378,633,620)	(369,745,901)	(376,142,514)
Remeasurement gain on retirement plan		4,204,237	4,206,273	4,204,237
Fair value reserve		2,926,523	2,926,523	2,926,522
		(61,808,488)	(52,918,734)	(59,317,383)
Non-controlling interests		62,153,271	63,133,829	60,577,638
<b>Total Stockholders' Equity</b>		<b>344,783</b>	<b>10,215,095</b>	<b>1,260,255</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>P740,592,227</b>	<b>P767,326,615</b>	<b>P748,864,789</b>
<i>(The accompanying notes are integral part of these financial statements)</i>				

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

“Annex A.2”

	Note	Jul–Sept 2023	Jul–Sept 2022	Jan–Sept 2023	Jan–Sept 2022
<b>SALES OF SERVICES</b>	24	<b>₱59,738,478</b>	₱84,771,643	<b>₱189,058,183</b>	₱238,748,253
<b>COST OF SERVICES</b>	25	<b>49,101,368</b>	68,097,602	<b>157,434,370</b>	189,316,375
<b>GROSS PROFIT</b>		<b>10,637,110</b>	16,674,041	<b>31,623,813</b>	49,431,878
<b>OTHER INCOME</b>	26	<b>6,134</b>	6,140	<b>100,804</b>	187,580
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES</b>	27	<b>(9,825,448)</b>	(9,507,922)	<b>(32,640,089)</b>	(28,416,180)
<b>INCOME BEFORE TAX</b>		<b>817,796</b>	7,172,259	<b>(915,472)</b>	21,203,278
<b>INCOME TAX (EXPENSE) / BENEFIT</b>		-	-	-	-
<b>NET INCOME</b>		<b>817,796</b>	7,172,259	<b>(915,472)</b>	21,203,278
<b>Net income (loss) attributable to:</b>					
Equity holders of the Parent Company		<b>9,622</b>	3,448,956	<b>(2,491,106)</b>	10,005,390
Non-controlling interest		<b>808,174</b>	3,723,303	<b>1,575,634</b>	11,197,888
		<b>817,796</b>	7,172,259	<b>(915,472)</b>	21,203,278
<b>Basic income (loss) per share</b>					
Income for the year attributable to equity Holders of the Parent Company		<b>₱0.00</b>	₱0.011	<b>(₱0.008)</b>	₱0.033

*\*Based on the weighted average number of shares of 306,122,449  
(The accompanying notes are integral part of these financial statements)*

**METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

“Annex A.3”

	September 30	
	2023	2022
<b>ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>		
<b>Capital Stock - ₱1 par value</b>	<b>₱306,122,449</b>	₱306,122,449
Common shares		
Class “A”		
Authorized - 720,000,000 shares		
Issued and outstanding - 183,673,470 shares		
Class “B”		
Authorized - 480,000,000 shares		
Issued and outstanding - 122,449,979		
<b>Additional Paid-in Capital</b>	<b>3,571,923</b>	3,571,923
<b>Deficit</b>		
Balance at beginning of the year	(376,142,514)	(379,751,292)
Net income	(2,491,106)	10,005,391
Balance at end of the period	(378,633,620)	(369,745,901)
<b>Other Reserves:</b>		
Revaluation reserve on available-for-sale financial assets	2,926,522	2,926,522
Remeasurement Gain (Loss) on Retirement Plan	4,204,237	4,206,273
	<b>7,130,759</b>	7,132,795
<b>EQUITY ATTRIBUTABLE TO HOLDERS OF PARENT COMPANY</b>	<b>(61,808,488)</b>	(52,918,734)
<b>MINORITY INTERESTS</b>	<b>62,153,271</b>	63,133,829
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>₱344,783</b>	₱10,215,095

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



**METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

“Annex A.4”

	Unaudited Jan. - Sept. 2023	Unaudited Jan. - Sept. 2022
<b>CASH FROM OPERATING ACTIVITIES</b>		
Income before income tax	(P915,472)	P21,203,278
Adjustments for:		
Amortization of intangible assets	228,768	214,890
Depreciation	5,683,330	4,946,223
Interest income	(100,804)	(17,937)
Operating income before working capital changes	4,895,822	26,346,453
Changes in assets and liabilities:		
Trade and other receivables, net	(2,963,171)	16,976,188
Other current assets	(4,196,547)	(13,268,124)
Other non-current assets	(117,017)	(257,133)
Deferred tax liability	305,112	-
Accounts payable and accrued expenses	(7,675,886)	3,151,683
Net Cash from Operating Activities	(9,751,686)	32,949,068
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received from:		
Bank deposits	100,804	17,937
Proceeds from:		
Collection of advances to a related party	4,658,980	1,823,120
Acquisition of:		
Property and equipment	(1,983,389)	(4,187,408)
Net Cash from Investing Activities	2,776,395	(2,346,351)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances of related parties	13,684	13,684
Net Cash from Financing Activities	13,684	13,684
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(6,961,607)</b>	<b>30,616,401</b>
<b>CASH, Beginning</b>	<b>53,452,684</b>	<b>40,440,630</b>
<b>CASH, End</b>	<b>P46,491,077</b>	<b>P71,057,031</b>

\*See Notes to Consolidated Financial Statements

## **1. CORPORATE INFORMATION**

Metro Alliance Holdings and 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 have ceased operations.

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

## **2. STATUS OF OPERATION**

### **Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Group Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

As of September 30, 2023 and 2022, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱343.1 million and ₱345.9 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 for both years, 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 15, 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)

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

The Parent Company still holds 20% interest in NPC Alliance Corporation (NPCAC) as of September 30, 2023. While this investment is still realizable at substantially higher value than the stated in the books, sufficient provision for possible loss have already been recorded. Over the past years, it has been determined that the present global petrochemical market conditions have had a dampening effect on the viability of the polyethylene business, especially when coupled with the difficulty in sourcing ethylene feedstock. This, coupled with the perceived inability of our Iranian partners to manage the business properly, has resulted in the closure of the Bataan polyethylene plant. In order to protect the Parent Company’s interests, the Parent Company filed legal suits against its partners in NPCAC in order to establish full accountability. Under the oversight of the Regional Trial Court, the Parent Company opted to discuss some settlement options with the Iranians via the mediation and judicial arbitration processes, and the Parent Company is still hopeful that the parties can arrive at a quick and acceptable solution to the matter at the soonest time. The proposals of MAHEC/Polymax is still under consideration by Persian Gulf Petrochemical Industries Corporation (PGPIC), the majority shareholder of NPCA.

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

#### *Actions of the Company*

The Parent Company reiterate several actions that were mentioned to conserve the Parent Company's resources and build confidence for its business direction and is working out the timing of the formal filings for these actions with the SEC:

- a) Commitment by the majority shareholders of the Parent Company to guaranty the recoverable value of the remaining "assets for sale" in its books in order that the Parent Company's equity be preserved;
- b) Pressing the majority shareholders of NPCA to write down the obligation of NPCAC to its principal shareholders to pave the way for restructured financial statements;
- c) Increasing the number of Board Directors from 7 to 9 in order to pave the way for a broader representation of stakeholders;
- d) Removing the "A" and "B" classification of the Parent Company shares to integrate common shares into just one class;
- e) Working out a stock rights offer for take advantage of unissued shares from our authorized capital stock.

Simultaneous with the conduct of stock right offering, the Parent Company will pursue its pending application with the SEC to increase its authorized capital stock to ₱5 billion, in order to meet its projected investment plan. In sum, the Group is expected to satisfy its cash requirements to finance its projected plans and investments in new ventures throughout the calendar year 2023, and might extended up to year 2024.

#### Realization of Outstanding Receivables from Polymax Worldwide in the Amount of ₱343,061,023 as of September 30, 2023

If ever the negotiations with the Iranians will stall, there are other alternatives to address the issue. In order that this outstanding receivable will be fully recovered, a payment via dacion of the remaining 20% NPCA shares held by Polymax in NPC Alliance may be assigned to Metro Alliance, thus, making the company the direct shareholders of NPCA.

In 2023, provision for expected credit losses amounting to ₱226.6 million was recognized in compliance with the requirements of PFRS 9.

#### Manpower Requirements

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

#### Capital Asset Acquisition

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

#### COVID-19 Impact

The impact of COVID-19 has greatly lessened in 2023 and 2022. The Group's management has determined that COVID-19 no longer presents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern.

Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

#### 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 ₱866.7million, consisting of the outstanding principal balance of ₱378.3million and finance charges of ₱488.4million. In 2007, these past due liabilities were unilaterally transferred to and applied against the advances made to Polymax.

Pursuant to the Parent Company's plan of acquiring full control of BPC, instead of exercising creditor rights, the Parent Company, on April 16, 2004, entered into a Share Purchase Agreement (SPA) with BPC, Tybalt Investment Limited (TIL), BP Holdings International B.V. (BPHI) and Petronas Philippines, Inc. (PPI), with TIL as the purchaser of the 83% interest of the foreign shareholders of BPC. As agreed by the parties, the SPA is to take effect as of March 31, 2004, subject to closing conditions, as defined in the SPA, which the parties have to comply with within a period of 60 days or later if the conditions are not met. On July 7, 2005, Polymax and BPC executed a Deed of Conveyance, transferring to Polymax under an asset for share swap, the petrochemical plant of BPC in exchange for 85million common shares of Polymax with par value of US\$1 per share, or a total par value of US\$85million.

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 4.8million shares of common stock of NPCA with a total par value of ₱4.8billion, 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\$85million, 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 ₱1.91billion.

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 ₱954.5million.

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\$8million 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.

### **3. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS**

#### **Statement of Compliance**

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

#### **Basis of Preparation**

The consolidated financial statements of the Group have been prepared using the measurement bases specified by Philippine Financial Reporting Standards (PFRS) for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

#### **Going Concern Assumption**

The preparation of the accompanying condensed consolidated financial statements of the Group is based on the premise that the Group operates on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business. The management does not intend to liquidate.

### **Functional and presentation currency**

The consolidated financial statements are prepared in Philippine Peso (₱), which is the Group's functional and presentation currency.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

All values are presented in absolute amounts and are rounded off to the nearest peso except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements of the Group comprise the financial statements of the Parent Company, Metro Alliance Holdings and Equities Corp., and the following subsidiaries, after the elimination of intercompany transactions, as at September 30:

	Percentage of Ownership	
	2023	2022
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%

The financial statements of the subsidiary are prepared for the same reporting year as the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and losses, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

### **Investment in subsidiary**

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).

When the Parent Company has less than majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more elements of control. Consolidation of a subsidiary begins when control is obtained over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

### **Non-controlling interests**

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. These are presented in the consolidated statement of financial position within equity, apart from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statement of comprehensive income. Non-controlling interests consist of the amount of those interests at the date of original business combination and the non-controlling interests' share on changes in equity since the date of the business combination.

### **Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, is measured at fair value with changes in fair value recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

### **Transactions with non-controlling interests**

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests results in gains and losses for the Group that are also recognized in equity.

### **Loss of control and disposal of subsidiaries**

When the Group ceases to have control over a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over the subsidiary, it:

- derecognizes the assets, including goodwill, and liabilities of the subsidiary
- derecognizes the carrying amount of any non-controlling interest
- derecognizes the cumulative transaction differences recorded in equity
- recognizes the fair value of the consideration received
- recognizes the fair value of the any investment retained
- recognizes any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognized in OCI to profit or loss retained earnings, as appropriate.

### **Use of judgments and estimates**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the Group's consolidated financial statements and accompanying notes.

Judgments are made by management in the development, selection and disclosure of the Group significant accounting policies and estimates and the application of these policies and estimates.

The estimates and assumptions are reviewed on an on-going basis. These are based on management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

Revision 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.

The areas where significant judgments and estimates have been made in preparing the consolidated financial statements and their effects are disclosed in Note 5.

### **Adoption of new and revised accounting standards**

The Group's accounting policies are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements:

#### **New and Amended Accounting Standards Effective in 2022**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted:

#### **Effective beginning on or after April 1, 2021**

*Amendments to PFRS 16, COVID-19-related Rent Concessions beyond 30 June 2021* – The pronouncement amended IFRS 16 Leases to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021.

Since lessors continue to grant COVID-19-related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the IASB decided to extend the time period over which the practical expedient is available for use.

The Changes in Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) amend IFRS 16 to:

1. permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021);
2. require a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021;
3. require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
4. specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021 (earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued).



## Effective beginning on or after January 1, 2022

*Amendments to PAS 16, Property, Plant and Equipment - Proceeds before Intended Use* - the purpose of the amendments is to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

PAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.

*Amendments to PAS 37, Onerous Contracts - Cost of Fulfilling a Contract* – the amendment is regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

PAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).

*Amendments to PFRS 3, Reference to the Conceptual Framework with amendments to PFRS 3 'Business Combinations* – the amendments update an outdated reference in PFRS 3 without significantly changing its requirements. The changes are: update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and add to PFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

PFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.

*PAS 1 "Presentation of Financial Statements"* sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.

*PAS 41 "Agriculture"* sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.

*PFRS 1 "First-time Adoption of International Financial Reporting Standards"* sets out the procedures that an entity must follow when it adopts PFRS for the first time as the basis for preparing its general purpose financial statements. The PFRS grants limited exemptions from the general requirement to comply with each PFRS effective at the end of its first PFRS reporting period.

## **Annual Improvements to Accounting Standards**

### *2018-2020 Cycle*

The Annual Improvements to PFRSs (2018-2020 Cycle) are effective for annual periods beginning on or after January 1, 2022, with retrospective application. The amendments to the following standards:

- PFRS 1, Subsidiary as a first-time adopter - The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1: D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1: D16 (a).
- PFRS 9, Fees in the '10 per cent' test for derecognition of financial liabilities - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the financial statements.
- PFRS 16, Lease Incentives - The amendment removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- PAS 41, Taxation in fair value measurements - The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

The amendments do not have material impact on the consolidated financial statements.

### **New and Amended Standards Effective Subsequent to 2022**

The Group intends to adopt the following pronouncements when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new pronouncements to have a significant impact on the consolidated financial statements.

#### Effective beginning on or after January 1, 2023

*Amendments to PAS 1, Classification of Liabilities as Current or Non-current* – the amendments provide a more general approach to the classification of liabilities under PAS 1 based on the contractual arrangements in place at the reporting date. The amendments affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items to:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The Group is still assessing the impact of the preceding amendments to the consolidated financial statements.

*Amendments to PFRS 17, Insurance Contracts* – the amendments' purpose is to address concerns and implementation challenges that were identified after PFRS 17 'Insurance Contracts' was published in 2017. The main changes are: deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023; additional scope exclusion for credit card contracts and similar

contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk; recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business combination; extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives; amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held; simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts; and several small amendments regarding minor application issues.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The amendments are not expected to have a significant impact on the preparation of consolidated financial statements.

*Disclosure of Accounting Policies (Amendments to PAS 1, Presentation of Financial Statements, and IFRS Practice Statement 2, Making Materiality Judgements)*, continues the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include:

- requiring companies to disclose their material accounting policies instead of their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material.

The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures.

The Group is still assessing the impact of the preceding amendments to the consolidated financial statements.

*Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors)*, clarifies how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively.

The amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

PAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

The Group is still assessing the impact of the preceding amendments to the consolidated financial statements.

*Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, Income Taxes)*, clarifies how companies account for deferred taxes on transactions such as leases and decommissioning obligations, with a focus on reducing diversity in practice.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

PAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.

The Group is still assessing the impact of the preceding amendments to the consolidated financial statements.

Effective beginning on or after January 1, 2024

*PFRS 16, "Leases"* specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from PAS 17 and the distinction between operating and finance leases is retained.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **Financial assets and financial liabilities**

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial 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 and Measurement.* 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 initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction price in a non-active market is different from the fair value of 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" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss 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" difference.

*Classification.* The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

As of September 30, 2023 and 2022, the Group does not have financial assets and liabilities measured at FVPL.

*Financial Assets at Amortized Cost.* Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As of September 30, 2023 and 2022, the Group's cash, trade and other receivables, advances to related parties, refundable deposits and investment in debt securities are included under this category.

*Financial Assets at FVPL.* Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in the consolidated statements of comprehensive income. As at September 30, 2023 and 2022, the Group has no financial assets at FVPL.

*Financial Assets at FVOCI.* For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Group may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the consolidated statements of financial position.

These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As of September 30, 2023 and 2022, the Group's equity investments at FVOCI are included under this category.

***Financial Liabilities at Amortized Cost.*** Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As of September 30, 2023 and 2022, the Group's accounts payable and accrued expenses, lease liability and due to related parties are included under this category.

### **Reclassification**

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

### **Impairment of financial assets at amortized cost and FVOCI**

The Group records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For loan receivables, the Group has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

At each reporting date, the Group assesses whether financial assets at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

#### **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 right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the financial 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 right to receive cash flows from the financial 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 right to receive cash flows from a financial asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group’s continuing involvement in the financial asset. continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has 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 the consolidated statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

#### **Offsetting financial instrument**

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statements of financial position if, and only if, there is 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 statements of financial position.

**Classification of financial instrument between liability and equity**

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- 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.

**Current versus non-current classification**

The Group presents assets and liabilities in the statement of financial position based on current/noncurrent classification.

An asset is current when:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the reporting period, or
- Cash on hand and in banks unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as noncurrent.

**Foreign currency transactions and translation**

Transactions in foreign currencies are initially recorded by the Group at the respective functional currency rates prevailing at the date of the transaction.

Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the statements of comprehensive income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognized in OCI until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits applicable to exchange differences on these monetary items are also recorded in the OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the par value is determined.

**Fair value measurement**

The Group measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most



advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statement are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

#### **Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Executive Committee (ExeCom), its chief operating decision-maker. The ExeCom is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's main service lines as disclosed in Note 6, which represent the main services provided by the Group.

Each of these operating segments is managed separately as each of these service lines require different resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, Operating Segments, are the same as those used in its consolidated financial statements.

There have been no significant changes from prior periods in the measurement methods used to determine reported segment profit or loss.

#### **Cash**

Cash includes cash funds, undeposited cash collections and customers' checks. Cash funds are set aside for current purposes such as petty cash fund. Cash in banks include demand deposits which are unrestricted as to withdrawal.

Cash is valued at face value. Cash in foreign currency is valued at the current exchange rate.

The Group recognized cash as current asset when it is not restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

#### **Trade and other receivables, net**

Trade and other receivables are amounts due from clients for services performed in the ordinary course of business, if collection is expected in one year or less (or in the normal operating cycle of the business longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Receivables are measured at the transaction price determined under PFRS 15 (*refer to the accounting policies for Revenue from contract with customers*). Accounts and other receivables are recognized initially

at fair value and subsequently measured at amortized cost using the effective interest rate (EIR) method, less provision for impairment.

**Other current assets, net**

Other assets are recognized when the Group expects to receive future economic benefit from the other party, and the amount can be measured reliably. Other assets are classified in the consolidated statements of financial position as current assets when the cost of goods or services related to the assets are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, other assets are classified as noncurrent assets.

**Property and equipment, net**

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 5
Office furniture, fixtures and equipment	3 to 5
Right-of-use assets	2 to 5

Depreciation is computed on the straight-line basis over the estimated useful lives of the depreciable assets. Further, amortization of right-of-use assets is calculated using the straight-line method to allocate their cost, net of residual values, over their estimated useful lives being the lesser of the remaining lease term and the life of the asset.

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**

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 statements 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.

### **Accounts payable and accrued expenses**

Accounts payable and accrued expenses are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced, or formally agreed with supplier including amounts due to employees. It is necessary to estimate the amount of accruals; however, the uncertainty is generally much less than for provision.

### **Equity**

#### *Share capital*

Share capital is determined using the nominal value of shares that have been issued.

#### *Additional paid-in capital*

Additional paid-in capital includes any premiums received on the initial issuance of share capital. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net

#### *Retained earnings (deficit)*

Retained earnings represent the cumulative balance of periodic net income or loss, dividend distribution, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When retained earnings account has debit balance, it is called "deficit", and presented as a deduction from equity of tax, from the proceeds.

### **Revenue recognition**

#### *Revenue from contract with customers*

Revenue from contract with customers is recognized at a point in time when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods or services. The Group applies this standard with its revenue arrangements on the holding business interests in companies engaged in the manufacture of chemicals, petrochemical and contract logistics.

To determine whether to recognize revenue, the Group follows a five-step process:

1. identifying the contract with a customer;
2. identifying the performance obligation;

3. determining the transaction price;
4. allocating the transaction price to the performance obligations; and,
5. recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following gating criteria must be present:

- the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- each party's rights regarding the goods or services to be transferred or performed can be identified;
- the payment terms for the goods or services to be transferred or performed can be identified;
- the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract; and,
- collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Company performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Group's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to the performance obligations satisfied at a point in time is recognized as revenue when control of goods or services transfers to the customer. As a matter of accounting policy when applicable, if the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contract with customers are disclosed in Note 5.

Revenue includes only the gross inflow of the economic benefits received and receivable by the Group on its own account. Amounts collected on behalf of third parties, such as reimbursable transactions are not economic benefits to the Group and do not result in increase in equity; therefore, they are excluded from revenue.

- Logistics and other services is recognized when the related services are rendered.
- 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.
- Other income is recognized when earned.

#### *Contract balances*

##### *Receivable from Customers*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

##### *Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

#### *Cost to obtain contract*

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them.

#### *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognized as revenue when the Group performs under the contract.

#### **Cost and expenses**

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Costs and expenses are recognized in profit or loss in the separate statements of comprehensive income:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- immediately when expenditures produce no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

*Cost of services* - include direct material costs, personnel expenses, depreciation, utilities and other service-related costs. These are recognized when the services are used or the expenses are incurred.

*General and administrative expenses* - Expenses incurred in the direction and general administration of day-to-day operation of the Group are generally recognized when the services are used or the expenses incurred.

#### **Leases**

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether the contract meets three key evaluations which are whether:

- a. the contract contains an *identified asset*, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group,
- b. the Group has the *right to obtain substantially all of the economic benefits* from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract,
- c. the Group has the *right to direct the use* of the identified asset throughout the period of use.

The Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

#### **As a lessor**

Lease payment received is recognized as income in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

#### **As a lessee**

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use asset

At the initial application date, the Group recognizes a right-of-use asset on the consolidated statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

(b) Lease liability

At the initial application date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

**Retirement benefits cost**

Employee benefits are all forms of considerations given by the Group in exchange for service rendered by the employees. It includes short-term employee benefits and post-employment benefits.

*Short-term benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

*Termination Benefits*

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Group's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefit, short-term employee benefits, or other long-term employee benefits.

*Retirement benefits*

The Group does not have a defined contribution plan or any formal retirement plan that covers the retirement benefits of its employees. However, under the existing regulatory framework, Republic Act No. 7641, otherwise known as the Philippine Retirement Pay Law, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining agreement and other agreements shall not be less than those provided under law. The law does not require minimum funding of the plan.

Republic Act No. 7641 relates to a defined benefit plan. A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group.

The Group 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.

### **Income tax**

#### ***Current income tax***

Current income tax assets and liabilities for the current period is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### ***Deferred tax***

Deferred tax is provided using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, when timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carry over (NOLCO), and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits from MCIT and NOLCO and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination; and at the time of the transaction, affects neither the accounting profit nor taxable profit (or loss).
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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 asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle the liabilities simultaneously.

### **Value Added Taxes (VAT)**

Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

For acquisition of capital goods over ₱1,000,000, the VAT is deferred and amortized over the useful life of the related capital goods or 60 months, whichever is shorter, commencing on the date of the acquisition.

For sale of real estates including house and lots and other residential dwellings with a selling price of not more than ₱3,199,200, a tax exemption applies.

Output tax pertains to the 12% VAT received or receivable on the local sale of goods or services by the Company. Input tax pertains to the 12% VAT paid or payable by the Company in the course of its trade or business on purchase of goods or services. At the end of each taxable period, if output tax exceeds input tax, the outstanding balance is paid to the taxation authority. If input tax exceeds output tax, the excess shall be carried over to the succeeding months.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of 'prepayments and other current assets' or 'accounts and other payables' in the statements of financial position.

### **Related party transactions and relationship**

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel of the Group and close members of the family of any individuals owning directly or indirectly a significant voting power of the Group that gives them significant influence in the financial and operating policy decisions of the Group are also considered to be related parties.

An entity is related to the Group if any of the following conditions apply:

- The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others)
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member)
- Both entities are joint ventures of the same third party
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group
- The entity is controlled or jointly controlled by a person identified above
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Group and include that person's children and spouse or domestic partner, and dependents of that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. An entity is related to the Group when it directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with the Group. Transactions between related parties are based on terms similar to those offered to non-related entities in an economically comparable market, except for non-interest-bearing advances with no definite repayment terms.

### **Earnings per share (EPS) attributable to equity holders**

Basic EPS is calculated by dividing the profit attributable to the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares.



Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding and assume conversion of all dilutive potential ordinary shares.

If the number of ordinary or potential shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted EPS for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorized for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares.

The Group has no dilutive potential common shares outstanding.

#### **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 Group asset but only when the receipt of the reimbursement is virtually certain.

#### **Contingencies**

Contingent liabilities are not recognized in the Group 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 Group consolidated 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 Group's position at balance sheet date (adjusting events) are reflected in the Group's consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the Group consolidated financial statements when material.

### **5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the consolidated financial statements in conformity with PFRS requires the Group's management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes.

The estimates and associated assumptions are based on historical experiences and other various factors that are believed to be reasonable under the circumstances including expectations of related future events, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates, assumptions and judgments are reviewed and evaluated 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.

#### **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.

#### **Going concern**

As of September 30, 2023 and 2022, the Group's management has made an assessment on the Group's ability to continue as a going concern in the current evolving environment especially on the impact of COVID-19 pandemic and is satisfied that the Group has the resources to continue their business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast

significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

#### *Determination of functional currency*

The consolidated financial statements are presented in the Philippine Peso, which is also the Group's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### *Fair value measurements*

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

#### *Classifying financial instruments*

The Group manages its financial assets based on business models that maintain adequate liquidity level and preserve capital requirements, while maintaining a strategic portfolio of financial assets for accrual and trading activities consistent with its risk appetite.

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

#### *Assessing significant influence and control over investee.*

The Group determines that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following are also considered:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Group's voting rights and potential voting rights

#### *Consolidation of SPE*

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

#### *Revenue recognition from contracts with customers*

Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the (a) identification of the contract for sale of services that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; and (c) determining the timing of satisfaction of the performance obligation.

#### *Identification of the contract*

The Group's primary document for a contract with a customer is a signed contract. It has determined however, that in cases wherein contracts to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, quotation sheets and other documents, would contain all the criteria to qualify as contract with customer under PFRS 15.

In addition, part of the assessment of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for its services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Group considers the significance if the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as payment history of customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

#### *Determining performance obligation*

With respect to its business, the Group concluded that the transfer of services in each contract constitute a performance obligation. In particular, the promised services in contracts for holding interests in companies engaged in the manufacture of chemicals, petrochemical and contract logistics mainly include holding stock or membership interests in other companies. Generally, the Group is responsible for all of these services and the overall management of the project. Although these services are capable of being distinct in the context contract.

The Group uses those services as inputs and provides a significant service of integrating them into a combined output.

#### *Determining the timing of satisfaction of the performance obligation*

The Group concluded that revenue from contracts with customers is to be recognized at a point in time since it does not fall within any of the following conditions to be met for a recognition over a period of time:

- (a) The customer receives and consumes the benefits of the goods or services as they are provided by the Group;
- (b) the Group's performance does not create an asset with an alternative use and;
- (c) the goods or services create or enhances an asset that the customer controls as that asset is created and enhanced.

The promised services are specifically identified in the contract. In addition, the customer is contractually obliged to make payments to the seller upon performance of services.

#### *Determination whether an agreement contains a lease*

The determination of whether a contract is, or contains a lease, is based on the substance of the arrangement at the inception of the lease. The arrangement is assessed for if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *Accounting for lease commitments*

##### Group as a lessor

Lease payment received is recognized as income in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

The rent income recognized for the quarters ended September 30, 2023 and 2022 amounted to ₱23,619,783 and ₱36,965,278 respectively (Note 31).

##### Group as a lessee

The Group entered into several lease agreements covering its office premises and warehouses. Terms of the lease agreements range from 1 year to 5 years under renewable options. Other leases entered into include clauses to enable upward revision of the rental charged on an annual basis - based on prevailing market rates. The Group entered into various lease agreements, all are under renewable options.

Following the adoption of PFRS 16, the Group recognized right-of-use asset and lease liability over the life of the lease. The asset is calculated as the initial amount of the lease liability, plus any lease payments

made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received.

Leases are further disclosed in Notes 19 and 31.

*Repairs and maintenance*

Costs of repairs and maintenance that do not result in an increase in the future economic benefit of an item of property and equipment is charged to operations in the period it is incurred. Otherwise, it is capitalized as part of the asset.

**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.

*Fair value of financial instruments*

PFRS requires that financial assets and financial liabilities be carried or disclosed at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, and volatility rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any change in the fair values of financial assets and financial liabilities directly affects profit or loss, equity, and the required disclosures.

Where the fair values of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, their fair values are determined using valuation techniques that are generally-accepted market valuations including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values.

The fair values of financial assets and financial liabilities by category and their fair value hierarchy are set out in Note 11 to the financial statements.

*Impairment of equity investments*

The Group treats equity 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 equity 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.

*Assessing ECL on financial assets*

The Group applies the general approach in measuring the ECL. For cash in banks the Group assessed that cash is deposited with reputable banks that possess good credit ratings. For loan receivable, accrued interest receivable, advances to contractors and related parties, the Group considers the financial capacity of the counterparty. No ECL was recognized in 3rd quarter of 2023 and 2022. The carrying amounts of the Group’s financial assets are as follows:

	<b>2023</b>	2022
Cash and cash equivalents	<b>₱46,491,077</b>	₱71,057,031
Receivables	<b>181,429,072</b>	160,464,878
Advances to related parties	<b>343,061,023</b>	345,896,880
Refundable deposits	<b>11,197,762</b>	10,913,875
	<b>₱582,178,934</b>	₱588,332,664

*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 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 ₱149,343,619 and ₱149,004,704 as of September 30, 2023 and 2022) amounted to ₱181,429,072 and ₱160,464,878 as of September 30, 2023 and 2022, respectively (see Note 12).

The carrying amount of other current assets amounted to ₱24,417,097 and ₱26,240,922 as of September 30, 2023 and 2022, respectively as discussed in Note 13.

In September 30, 2023 and 2022, impairment loss, mainly pertaining to creditable withholding and input taxes, amounted to ₱14,565,161 and ₱14,336,880, respectively, as shown also in Note 13.

*Estimating allowance for credit losses of advances*

Advances to Polymax amounting to ₱343,061,023 and ₱345,896,880 as of September 30, 2023 and 2022, respectively, constitute 46.32% and 45.08% of the Group's total assets as of September 30, 2023 and 2022, 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 14.

Provision for estimated credit losses on advances to related party was recognized in compliance with the requirements of PFRS 9.

Allowance for estimated credit losses on advances to subsidiaries amounted to ₱177,954,487 both for the 3rd quarter 2023 and 2022., respectively. No write-off and recoveries were recognized by the Company as of September 30, 2023 and 2022.

*Estimating useful lives and residual values of property and equipment and intangible assets*

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

There has been no change in the Group's estimate of the useful lives and residual values of its property and equipment in the 3rd quarter of 2023 and 2022.

*Estimating useful lives and residual values of property and equipment and intangible assets*

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

There has been no change in the Group's estimate of the useful lives and residual values of its property and equipment in the 3rd quarter of 2023 and 2022.

*Evaluation of impairment of noncurrent non-financial assets*

The Group assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher

of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash generating unit to which the asset belongs.

Management believes that there was no indication of impairment on property and equipment as of September 30, 2023 and 2022. As of September 30, 2023 and 2022, property and equipment, net of accumulated depreciation, amounted to ₱52,357,732 and ₱71,659,778, respectively, (Note 16).

#### *Incremental borrowing rate of lease liability*

Incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The incremental borrowing rate is determined by the Group on the commencement date of the lease. As a result, it incorporates the impact of significant economic events and other changes in circumstances arising between lease inception and commencement.

This incremental rate is used to measure the lease liability at the present value of lease payments that are not paid at the end of lease term. In the 3rd quarter of 2023 and 2022, the Group's determined incremental rates used to compute the carrying value of lease liability amounting to a total of ₱40,948,619 and ₱56,016,706 is ranging from 3% to 5% (Note 19).

#### *Assessing realizability of deferred tax assets*

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces the amount 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 in the future. The amount of deferred tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future tax planning strategies to which the deferred tax assets can be utilized.

#### *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 28 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 ₱12,915,404 and ₱10,670,457 as of September 30, 2023 and 2022, respectively.

#### **Provision and contingencies**

Judgment is exercised by management to distinguish between provisions and contingencies. The policy on the recognition and disclosure of provisions is discussed in Note 4.

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.

## **6. BUSINESS COMBINATION**

The Parent Company, Metro Alliance Holdings and Equities Corp., acquired the subsidiaries and are accounted using the acquisition method. The following subsidiaries are as follows:

### *Operating subsidiaries*

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

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

### *Non-operating subsidiaries*

#### Consumer Products Distribution Services, Inc. (CPDSI)

CPDSI is a wholly owned subsidiary of the Parent Company. It was first incorporated on November 11, 1993 as Metro Drug Distribution, Inc. (MDDI). On 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.

FEZ-EAC Holdings, Inc. became a wholly owned subsidiary of the Parent Company on November 11, 2002. It was incorporated on 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.

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

#### Asia Healthcare, Inc.

Asia Healthcare, Inc. is 60% owned by the Parent Company. AHI was first incorporated on July 2, 1918. In August 2000, the Parent Company 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.

Management is considering a rationalization plan to address the future of these non-operating subsidiaries.

## **7. SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS**

In determining whether an NCI is material to the Parent Company, management employs both quantitative and qualitative factors to evaluate the nature of, and risks associated with, the Parent Company's interests in these entities, and the effects of those interests on the Parent Company's financial position. Factors considered include, but not limited to, carrying value of the subsidiary's NCI relative to the NCI recognized in the Parent Company's consolidated financial statements, the subsidiary's contribution to the Parent Company's consolidated revenues and net income, and other relevant qualitative risks associated with the subsidiary's nature, purpose and size of activities.

Based on management's assessment, the Group has concluded that MCLSI is considered a subsidiary with NCI that is material to the Parent Company.

The ability of the subsidiary to pay dividends or make other distributions or payments to their shareholders (including the Parent Company) is subject to applicable law and other restrictions contained in financing

agreements, shareholder agreements and other agreements that prohibit or limit the payment of dividends or other transfers of funds.

## **8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments are composed of cash and cash equivalents, receivable and payables. The main purpose of these financial instruments is to raise finances for the Group's operations. The risks arising from the use of financial instruments are managed through a process of on-going identification, measurement, and monitoring. This process of risk management is critical to the Group's continuing profitability.

The BOD is ultimately responsible for overall risk management approach, monitoring risk exposures, and approving risk mitigation strategies and policies.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk.

### **Objectives and policies**

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest rate risk
- Liquidity risk
- Credit risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group is cash. This financial instrument is used mainly for working capital management purposes. Trade-related financial assets and financial liabilities of the Group such as trade and other receivables and trade and other payables, excluding statutory liabilities, arise directly from and are used to facilitate its daily operations.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### **Interest Rate Risk**

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group follows prudent policies in managing its exposures to interest rate fluctuation, and constantly monitors its exposure to fluctuation in interest rates to estimate the impact of interest rate movements on its interest expense.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt. As of September 30, 2023 and 2022, the Group has no significant interest rate risk exposures since the interest rates are fixed up to the date of maturity.

### **Liquidity Risk**

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall due under normal and stress circumstances.



The Group's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below shows the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management as of September 30:

	2023			Total
	On Demand	Within 1 Year	More than 1 Year	
<b>Financial Assets at amortized cost:</b>				
Cash (excluding cash on hand)	₱46,334,077	₱-	₱-	₱46,334,077
Trade and other receivables	-	181,429,072	-	181,429,072
Advances to related parties	-	-	343,061,023	343,061,023
Refundable deposits	-	124,898	11,072,864	11,197,762
	46,334,077	181,553,970	354,133,887	582,021,934
Financial Assets at FVOCI	-	-	19,197,485	19,197,485
<b>Total</b>	<b>46,334,077</b>	<b>181,553,970</b>	<b>373,331,372</b>	<b>601,219,419</b>
<b>Financial Liabilities:</b>				
Account payables and accrued expenses*	-	258,900,089	123,438,803	382,338,892
Lease liability	-	16,459,778	24,488,841	40,948,619
Due to related parties	-	281,397,434	-	281,397,434
<b>Total</b>	<b>-</b>	<b>556,757,301</b>	<b>147,927,644</b>	<b>704,684,945</b>
<b>Net Position</b>	<b>₱46,334,077</b>	<b>(₱375,203,331)</b>	<b>₱225,403,728</b>	<b>(₱103,465,526)</b>

\*excluding government liabilities

	2022			Total
	On Demand	Within 1 Year	More than 1 Year	
<b>Financial Assets at amortized cost:</b>				
Cash (excluding cash on hand)	₱70,870,031	₱-	₱-	₱70,870,031
Trade and other receivables	-	160,464,878	-	160,464,878
Advances to related parties	-	-	345,896,880	345,896,880
Refundable deposits	-	124,898	10,788,977	10,913,875
	70,870,031	160,589,776	356,685,857	588,145,664
Financial Assets at FVOCI	-	-	19,197,485	19,197,485
<b>Total</b>	<b>70,870,031</b>	<b>160,589,776</b>	<b>375,883,342</b>	<b>607,343,149</b>
<b>Financial Liabilities:</b>				
Account payables and accrued expenses*	-	291,188,500	123,438,803	414,627,303
Lease liability	-	31,527,865	24,488,841	56,016,705
Due to related parties	-	275,491,942	-	275,491,942
<b>Total</b>	<b>-</b>	<b>598,208,307</b>	<b>147,927,644</b>	<b>746,135,951</b>
<b>Net Position</b>	<b>₱70,870,031</b>	<b>(₱437,618,531)</b>	<b>₱227,955,698</b>	<b>(₱138,792,802)</b>

\*excluding government liabilities

### **Credit Risk**

Credit risk is the risk of financial loss to the Group when a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from receivables. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements).

As at September 30, 2023 and 2022, the Group has no financial assets for which credit risk has increased significantly since initial recognition and that are credit-impaired.

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

	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	<b>₱46,491,077</b>	₱71,057,031
Receivables	<b>181,429,072</b>	160,464,878
Advances to related parties	<b>343,061,023</b>	345,896,880
Refundable deposits	<b>11,197,762</b>	10,913,875
	<b>₱582,178,934</b>	₱588,332,664

The Group does not hold any collateral as security or other credit enhancements attached to its financial assets.

The credit risk for is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties. The Group does not execute any credit guarantee in favor of any counterparty.

- b. Credit quality per class of financial assets

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

*Financial assets at FVOCI*

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 Group. These counterparties have sound fundamentals.

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

*Financial assets at amortized cost*

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 following table show a comparison of the credit quality of the Group's financial assets by class as at the reporting date as of September 30:

2023				
	Neither past due nor impaired		Past Due but not impaired	Total
	High Grade	Standard Grade		
<b>Financial Assets at amortized cost</b>				
Cash excluding cash on hand	P46,334,077	P-	P-	P46,334,077
Trade Receivables (gross)	-	137,401,475	-	137,401,475
Other Receivables (gross)	-	-	44,197,389	44,197,389
Advances to related parties	-	343,061,023	-	343,061,023
Refundable Deposit	11,197,762	-	-	11,197,762
<b>Subtotal</b>	<b>57,531,839</b>	<b>480,462,498</b>	<b>44,197,389</b>	<b>582,191,726</b>
<b>Financial Assets at FVOCI</b>	<b>19,197,485</b>	<b>-</b>	<b>-</b>	<b>19,197,485</b>
<b>Total</b>	<b>P76,729,324</b>	<b>P480,462,498</b>	<b>P44,197,389</b>	<b>P601,389,211</b>
2022				
	Neither past due not impaired		Past Due but not impaired	Total
	High Grade	Standard Grade		
<b>Financial Assets at amortized cost</b>				
Cash excluding cash on hand	P70,870,031	P-	P-	P70,870,031
Trade Receivables (gross)	-	118,407,604	-	118,407,604
Other Receivables (gross)	-	-	41,888,261	41,888,261
Advances to related parties	-	345,896,880	-	345,896,880
Refundable Deposit	10,913,875	-	-	10,913,875
<b>Subtotal</b>	<b>81,783,906</b>	<b>464,304,484</b>	<b>41,888,261</b>	<b>587,976,651</b>
<b>Financial Assets at FVOCI</b>	<b>19,197,485</b>	<b>-</b>	<b>-</b>	<b>19,197,485</b>
<b>Total</b>	<b>P100,981,391</b>	<b>P464,304,484</b>	<b>P41,888,261</b>	<b>P607,174,136</b>

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.

## **9. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

The Group's capital management objectives are:

- To ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.
- To invest the capital in investments that meet the expected return with the commensurate level of risk exposure.

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

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

The Group considers its equity as capital.

The Group monitors its financial leverage using the debt-to-equity which is computed as total liabilities divided by total equity as shown in the table below as of September 30:

	2023	2022
Total liabilities	P740,247,444	P757,111,520
Total equity	344,783	10,215,095
Debt-to-equity ratio	2,147	74.12

The Group has remained steadfast to regain its equity funding. Several actions were taken to conserve and manage the capital structure (Note 2).

## 10. FAIR VALUE MEASUREMENT

### Carrying amounts and fair values by category

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments for the quarters ended September 30:

	2023		2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets at amortized cost				
Cash (excluding cash on hand)	P46,334,077	P46,334,077	P70,870,031	P70,870,031
Trade and other receivables	181,429,072	181,429,072	160,464,878	160,464,878
Advances to related party	343,061,023	343,061,023	345,896,880	345,896,880
Refundable deposits	11,197,762	11,197,762	10,913,875	10,913,875
Subtotal	582,021,934	582,021,934	588,145,664	588,145,664
Financial Assets at FVOCI	19,197,485	19,197,485	19,197,485	19,197,485
Total	601,219,419	601,219,419	607,343,149	607,343,149
Financial Liabilities				
Accounts payable and Accrued expense*	382,338,892	382,338,892	414,627,303	414,627,303
Lease Liability	40,948,619	40,948,619	56,016,705	56,016,705
Due to related parties	281,397,434	281,397,434	275,491,942	275,491,942
Total	P704,684,945	P704,684,945	P746,135,951	P746,135,942

\*excluding government liabilities

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

#### *Current financial assets and 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.

#### *Financial assets at FVOCI*

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

#### *Financial assets at amortized cost*

The carrying value of debt investment 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.

*Due from/to related parties.* The carrying amounts of these related party transactions approximate their fair values.

### Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy Group's financial assets

and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The fair value hierarchy has the following levels:

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

The following table summarizes the fair value hierarchy of the Group's financial assets and liabilities, which are measured at fair value or requires disclosure as prescribed by other PFRS, as at September 30:

	2023		2022	
	Level 1	Level 3	Level 1	Level 3
Financial assets at amortized cost				
Cash	<b>₱46,491,077</b>	<b>₱-</b>	₱71,057,031	<b>₱-</b>
Trade and other receivables, net	-	<b>181,429,072</b>	-	160,464,878
Refundable deposits	-	<b>11,197,762</b>	-	10,913,875
Subtotal	<b>46,491,077</b>	<b>192,626,834</b>	71,057,031	171,378,753
Financial assets at FVOCI	<b>19,197,485</b>	-	19,197,485	-
Total	<b>65,688,562</b>	<b>192,626,834</b>	90,254,516	171,378,753
Financial liabilities				
Accounts payable and accrued expenses	-	<b>404,680,875</b>	-	414,627,303
Lease liability	-	<b>40,948,619</b>	-	56,016,705
Due to related parties	-	<b>281,397,434</b>	-	275,491,942
Total	<b>₱-</b>	<b>₱727,026,928</b>	<b>₱-</b>	<b>₱746,135,951</b>

As at September 30, 2023 and 2022, there are no financial assets or financial liabilities measured at fair value. There were no transfers between Level 1, Level 2, and Level 3 fair value measurements in 3rd quarter 2023 and 2022.

#### Financial instruments not measured at fair value for which fair value is disclosed

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability base of the instrument where the significant inputs required to determine fair value of such instruments are not based on observable market data.

## 11. **CASH**

Details of cash are as follows as of September 30:

	2023	2022
Cash on hand	<b>₱157,000</b>	₱187,000
Cash in banks	<b>46,334,077</b>	70,870,031
	<b>₱46,491,077</b>	₱71,057,031

Cash in banks earn interest at the respective bank deposit rates. Interest income from banks amounted to ₱100,804 and ₱17,937 as of September 30, 2023 and 2022, respectively.

## 12. TRADE AND OTHER RECEIVABLES

Details of receivables are as follows as of September 30:

	2023	2022
Notes receivables	<b>₱143,865,021</b>	₱143,865,021
Trade receivables	<b>137,401,475</b>	118,407,605
Due from affiliates	<b>5,308,806</b>	5,308,707
Others receivables	<b>44,197,389</b>	41,888,261
	<b>330,772,691</b>	309,469,593
Less allowance for probable loss	<b>(149,343,619)</b>	(149,004,715)
	<b>₱181,429,072</b>	₱160,464,878

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

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.

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:

	2023	2022
Balance at beginning of year	<b>₱149,343,619</b>	₱150,522,844
Reversal of allowance	-	(1,518,140)
Provision for the year	-	-
Write-off during the year	-	-
Balance at end of year	<b>₱149,343,619</b>	₱149,004,704

## 13. OTHER CURRENT ASSETS, NET

Details are as follows as of September 30:

	2023	2022
Creditable withholding taxes	<b>₱9,300,295</b>	₱9,301,015
Input taxes	<b>9,540,913</b>	8,626,649
Refundable deposits	<b>124,898</b>	124,898
Prepayments and others	<b>20,016,152</b>	22,525,239
	<b>38,982,258</b>	40,577,801
Less: allowance for probable losses	<b>14,565,161</b>	14,336,879
	<b>₱24,417,097</b>	₱26,240,922

Input tax is the 12% value added tax (VAT) on purchase of goods or services in the course of its trade or business. At the end of each taxable period, input tax can be applied against output tax.

Prior year's excess credits represent excess tax payments and credits over tax liabilities of the immediately preceding taxable period which may be refunded, converted to tax credit certificates, or carried over to the next taxable year.

Security deposits represent noninterest-bearing deposits made on lease and are usually refundable after the end of contract or services less any charges. Construction bonds represent noninterest-bearing bonds that are used to secure against damages during construction and will be refundable after the end of construction, net of any charges.

#### 14. ADVANCES TO RELATED PARTIES

Advances amounting to ₱343,061,023 and ₱345,896,880, which constitutes 46.32% and 45.08% of the Group's total assets as of September 30, 2023 and 2022, 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. Another 20% of the remaining interest of Polymax in NPCA was sold in late 2014, bringing down Polymax's interest in NPCA to 20% as of December 31, 2014.

The remaining 20% interest of Polymax in NPCA 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. To reiterate assurance of the collectability of the Parent Company's advances to Polymax, comfort letters dated March 9, 2022 and March 21, 2021 were issued by the major stockholders of the Parent Company.

During September 30, 2023 and 2022, the Company made additional collections of the advances from Polymax amounting to ₱4,658,980 and ₱1,823,120, respectively.

Provision for estimated credit losses on Advances to Polymax was recognized in compliance with the requirements of PFRS 9. Provision for estimated credit losses for the advances amounted to ₱226,612,595 and ₱224,507,563, respectively, as of September 30, 2023 and 2022.

##### *Reclassification of Advances to Polymax*

In 2021, the account was reclassified from Asset Held for Sale due to its nature of account. The reclassification has no effect in the consolidated retained earnings or cumulative deficit.

#### 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of September 30, the account consists of:

	2023	2022
At acquisition cost	₱16,270,963	₱16,270,963
Cumulative fair value gain (loss) – in equity	2,926,522	2,926,522
<b>Total</b>	<b>₱19,197,485</b>	<b>₱19,197,485</b>

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

#### 16. PROPERTY AND EQUIPMENT, NET

As of September 30, this account consists of the following:

September 30, 2023	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	IT Infrastructures	Right-Of-Use Asset	Total
<b>Cost</b>						
Balances at beginning of year	₱7,791,392	₱41,917,424	₱22,300,998	₱296,139	₱119,077,214	₱191,383,167
Additions/(Disposals)	52,859	1,754,911	175,620	-	-	1,983,389
<b>Balances at end of year</b>	<b>7,844,251</b>	<b>43,672,335</b>	<b>22,476,618</b>	<b>296,139</b>	<b>119,077,214</b>	<b>193,366,556</b>
<b>Accumulated Depreciation</b>						
Balances at beginning of year	4,855,993	30,641,989	19,305,319	296,139	80,226,054	135,325,495
Depreciation	1,266,990	3,227,605	1,188,735	-	-	5,683,330
Additions/(Disposals)	-	-	-	-	-	-
<b>Balances at end</b>	<b>6,122,983</b>	<b>33,869,594</b>	<b>20,494,054</b>	<b>296,139</b>	<b>80,226,054</b>	<b>141,008,825</b>
<b>Net book value</b>	<b>₱1,721,268</b>	<b>₱9,802,741</b>	<b>₱1,982,564</b>	<b>₱-</b>	<b>₱38,851,159</b>	<b>₱52,357,732</b>

September 30, 2022	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	IT Infrastructures	Right-Of-Use Asset	Total
<b>Cost</b>						
Balances at beginning of year	₱5,797,583	₱35,411,347	₱20,302,903	₱296,139	₱148,996,122	₱210,804,096
Additions/(Disposals)	2,142,644	5,122,149	1,868,835	-	-	9,133,629
Balances at end of year	7,940,230	40,533,495	22,171,738	296,139	148,996,122	219,937,725
<b>Accumulated Depreciation</b>						
Balances at beginning of year	3,380,375	27,007,205	17,655,826	260,874	95,027,444	143,331,724
Depreciation	1,041,525	2,654,523	1,214,909	35,266	-	4,946,223
Additions/(Disposals)	-	-	-	-	-	-
Balances at end	4,421,901	29,661,728	18,870,735	296,139	95,027,444	148,277,947
Net book value	₱3,518,329	₱10,871,768	₱3,301,003	₱-	₱53,968,679	₱71,659,778

The Group elected to use the cost model in accounting for property and equipment. They also believed that the carrying amount of its property and equipment during the year are not impaired.

None of the properties were pledged or mortgaged as collateral to secure any of the Company's loans.

Depreciation expense is recognized under cost of services and general and administrative expense. To wit:

	2023	2022
Cost of services	₱-	₱-
General and administrative expenses	5,683,330	4,946,223
	<b>₱5,683,330</b>	<b>₱4,946,223</b>

## 17. OTHER NONCURRENT ASSETS

As of September 30, this account composed of the following:

	2023	2022
Refundable deposits – non-current portion	₱11,197,762	₱10,788,977
Intangible assets	224,494	506,382
Total	<b>₱11,422,256</b>	<b>₱11,295,359</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 September 30, 2023 is as follows:

<u>Particulars</u>	<u>Beginning Balances</u>	<u>Additions/ Amortizations</u>	<u>Ending Balances</u>
<b>Cost:</b>			
Short messaging	₱ 135,135	₱-	₱135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	2,801,558	37,000	2,838,558
Total	5,271,603	37,000	5,308,603
<b>Accumulated Amortization:</b>			
Short messaging	135,135	-	135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	2,385,297	228,767	2,614,064
Total	4,855,342	228,767	5,084,109
Carrying amount	₱ 416,261		₱224,494



The carrying amount of intangible assets as of September 30, 2022 is as follows:

<u>Particulars</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Cost:			
Short messaging	₱ 135,135	₱-	₱ 135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	2,665,039	225,377	2,890,416
<b>Total</b>	<b>5,135,084</b>	<b>225,377</b>	<b>5,360,461</b>
Accumulated Amortization:			
Short messaging	135,135	-	135,135
Warehouse management system	1,309,910	-	1,309,910
Caerus accounting system	1,025,000	-	1,025,000
SAP Business one	2,169,145	214,890	2,384,035
<b>Total</b>	<b>4,639,190</b>	<b>214,890</b>	<b>4,854,080</b>
<b>Carrying amount</b>	<b>₱ 495,894</b>	<b>₱10,487</b>	<b>₱ 506,382</b>

Intangible assets which have been fully amortized were due to MCLSI's management assessment that these will no longer provide a future economic benefit to the Group.

The Group has no intangible assets pledged as security for any liability and has no outstanding contractual commitments to acquire certain intangible assets.

## **18. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Details of this account are shown below as of September 30:

	<u>2023</u>	<u>2022</u>
Current Portion		
Trade Payables	<b>₱47,638,243</b>	₱58,938,474
Accrued Expenses	<b>173,962,114</b>	178,242,030
Other current liabilities	<b>59,641,715</b>	54,007,995
<b>Total</b>	<b>281,242,072</b>	291,188,500
Non-Current Portion		
Accrued Expenses	<b>123,438,803</b>	123,438,803
<b>Total</b>	<b>₱404,680,875</b>	₱414,627,303

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

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

Provisions relate to pending claims jointly and severally against the Group and Polymax and pending claims and tax assessment solely against the Group. 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.

The Parent Company reclassified to non-current portion the accruals made which pertains to management fee and reserve for contingency BIR amounting to ₱39,685,406 and ₱83,753,397, respectively. These are not expected to be settled within one year or the Group's operating cycle, whichever is longer.

Other liabilities mainly pertain to payable to government agencies.

These liabilities are unsecured and noninterest-bearing.

## 19. LEASE LIABILITY

Lease liability relates to liability recognized in relation to the adoption of PFRS 16. As of September 30, the Group's determined incremental rate used is between 3% and 5%.

	2023	2022
Lease liability		
Current	<b>₱16,459,778</b>	₱31,527,864
Noncurrent	<b>24,488,841</b>	24,488,841
Total	<b>₱40,948,619</b>	₱56,016,705

## 20. DUE TO RELATED PARTIES

Details of this account are as follows as of September 30:

	2023	2022
Philippine Estate Corporation	<b>₱280,673,968</b>	₱274,782,761
Others	<b>723,466</b>	709,181
Total	<b>₱281,397,434</b>	₱275,491,942

The Group issued a 5-year promissory note to its affiliate, Philippine Estates Corporation (PHES), with a principal amount of P263,000,345 including a 2% legal interest for the year 2020 and a 2% interest per annum until the maturity date of March 15, 2026.

The aforesaid amount pertains to advances made by the affiliate in favor of the Parent Company. In 2023 and 2022, interest incurred amounted to ₱5,260,007 and ₱5,260,007, respectively.

The other amounts due to related parties pertain to unsecured and noninterest bearing advances provided to the Group to finance its working capital requirements, capital expenditures, petrochemical project support and for other investments and have no definite repayment terms (Note 29).

## 21. INCOME TAXES

On March 26, 2021, the Republic Act (RA) 11534, known as "The Corporate Recovery or Tax incentives for Enterprises Act" (Create Act), was passed into law. The salient provisions of the Create Act applicable to the Company are as follow:

1. Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
2. Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 30, 2023;
3. Percentage tax reduced from 3% to 1% effective July 1, 2020, to June 30, 2023; and
4. The imposition of improperly accumulated earnings is repealed.

## 22. SHARE CAPITAL

The Group's capital stock as of September 30 consists of the following common shares:

	2023	2022
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>606</b>	606
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>389</b>	389
Additional Paid-in Capital	<b>₱3,571,923</b>	₱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.

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. 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 Group’s management has decided to pursue the said increase in authorized capital stock of the Group.

### **23. CUMULATIVE DEFICIT**

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

As of September 30, the account consists of the following:

Particulars	2023	2022
Cumulative deficit, beginning	(₱376,142,514)	(₱379,751,292)
Recognition of expired and closing of unutilized NOLCO	-	-
Cumulative deficit, as adjusted	(376,142,514)	(379,751,292)
Net income (loss) based on the face of equity investments	(915,472)	21,203,278
Add: Non-actual gain/unrealized loss		
Unrealized loss (gain) on re-measurement of equity investments	-	-
Remeasurement loss (gain) on retirement plan	-	-
Non-controlling interest in net income	1,575,634	(11,197,887)
Net income (loss) actual/realized	(2,491,106)	10,005,391
Cumulative deficit, end	(₱378,633,620)	(₱369,745,901)

### **24. SALES OF SERVICES**

For the quarters ended September 30, 2023, 2022 and 2021, the account comprises of sale of services amounting to ₱59,738,478, ₱84,771,643 and ₱75,516,312, respectively.

### **25. COST OF SERVICES**

Details of this account are shown below for the 3rd quarter ending September 30:

	2023	2022
Personnel costs	₱21,270,134	₱28,760,285
Rent and utilities	14,501,388	17,154,554
Transportation and Travel	5,930,983	13,253,366
Outside services	5,164,911	4,426,536
Security services	1,288,460	3,612,594
Communication and office supplies	62,341	153,749
Repairs and maintenance	671,057	410,883
Others	212,094	325,637
	₱49,101,368	₱68,097,602

## **26. FINANCE AND OTHER INCOME (EXPENSES), NET**

Details of this account are shown below for the 3rd quarter ending September 30:

	<b>2023</b>	<b>2022</b>
Interest income	<b>₱100,804</b>	₱ 17,937
Miscellaneous	-	169,643
	<b>₱100,804</b>	₱187,580

## **27. GENERAL AND ADMINISTRATIVE EXPENSE**

Details of this account are shown below for the 3rd quarter ending September 30:

	<b>2023</b>	<b>2022</b>
Personnel cost	<b>₱2,963,564</b>	₱3,264,511
Depreciation	<b>1,900,295</b>	1,836,674
Professional fee	<b>1,557,310</b>	883,108
Communication and supplies	<b>694,124</b>	1,032,731
Rent and utilities	<b>388,739</b>	472,713
Taxes and Licenses	<b>344,637</b>	302,833
Transportation and travel	<b>248,556</b>	341,467
Amortization	<b>75,131</b>	71,338
Insurance	<b>65,360</b>	28,175
Entertainment	<b>10,924</b>	1,078,424
Miscellaneous	<b>955,216</b>	110,267
Others	<b>621,592</b>	85,680
	<b>₱9,825,448</b>	₱9,507,922

## **28. RETIREMENT BENEFIT 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.

## **29. RELATED PARTY TRANSACTIONS**

### **a. Due from/to related parties**

In 2020, the Parent Company acknowledged its obligation to PHES, an affiliate who granted an interest-bearing, due, and demandable loan in favor of the Parent Company.

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

### **b. Compensation of key management personnel follows:**

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

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

- c. The related relationships and amounts applicable to the Group's transactions with related parties as of third quarter 2023 and 2022 are as follows:

Name of the related party	Relationship	Nature of transaction	Country of incorporation
The Wellex Group, Inc.	Affiliate	Holding company	Philippines
Metro Combined Logistics Solutions, Inc.	Subsidiary	Third party logistics and warehousing	Philippines
Polymax Worldwide Limited	Affiliate	Series of acquisition transaction	British Virgin Island
Acesite (Phils.) Hotel Corporation	Affiliate	Hotel business and other accommodations	Philippines
Philippine Estate Corporation	Affiliate	Holding and developing real estate	Philippines

Terms & Conditions	Transactions		Outstanding Balance		
	2023	2022	2023	2022	
<b>Due from Related Parties</b>					
The Wellex Group, Inc	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	₱-	₱-	₱5,258,410	₱5,258,410
Others	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	99		50,396	50,297
Total		99	-	5,308,806	5,308,707
<b>Advances</b>					
Polymax	Represents 20% share investment in NPCA	(4,658,980)	(1,823,120)	343,061,023	345,896,880
<b>Due to related parties</b>					
Acesite (Phils) Hotel Corp	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	-	-
Philippine Estate Corporation	Secured, no impairment, no guarantee, interest bearing	-	-	280,673,968	274,782,761
Wellex Mining Corp	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	-	-
The Wellex Group, Inc	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	-	-	-	-
Others	Non-Interest bearing and unsecured borrowing; Expected to be settled in cash	13,684	13,684	723,466	709,181
Total		₱13,684	₱13,684	₱281,397,434	₱275,491,942

The Parent Company issued a 5-year promissory note to its affiliate, Philippine Estates Corporation (PHES), with a principal amount of P263,000,345 including a 2% legal interest for the year 2020 and a 2% interest per annum until the maturity date of March 15, 2026.

### 30. BASIC INCOME (LOSS) PER SHARE

Details of this account are shown below for the 3rd quarter ending September 30:

Particulars	Jul-Sept 2023	Jul-Sept 2022	Jan-Sept 2023	Jan-Sept 2022
Net income/(loss) attributable to equity Holders of the Parent Company	<b>₱9,622</b>	₱3,448,956	<b>(₱2,491,106)</b>	₱10,005,390
Weighted average number of common shares	<b>306,122,449</b>	306,122,449	<b>306,122,449</b>	₱306,122,449
Basic income per share	<b>₱0.00</b>	₱0.0113	<b>(₱0.008)</b>	₱0.0327

### 31. SIGNIFICANT COMMITMENTS

#### Lease Agreements

##### *As a lessor*

MCLSI, the operating subsidiary of the Parent Company recognized rent income, for the quarter ended September 30, 2023 and 2022 ₱23,619,783 and ₱36,965,278, respectively.

##### *As a lessee*

The Group entered into several lease agreements covering its office premises and warehouses. Terms of the lease agreements range from 1 year to 5 years under renewable options. Other leases entered into include clauses to enable upward revision of the rental charged on an annual basis - based on prevailing market rates.

As permitted by PFRS 16, the Group applied the modified retrospective approach to existing operating leases which are capitalized under the new standard (i.e. retrospectively, with the cumulative effect recognized at the date of initial application as an adjustment to the opening balance of retained earnings with no restatement of comparative information in the financial statements).

The Group entered into various lease agreements with terms, all are under renewable options.

Following the adoption of PFRS 16, the Group recognized right-of-use asset and lease liability over the life of the lease. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received.

As of September 30, 2023, the Group's right-of-use asset, net of accumulated depreciation, and lease liability amounted to ₱38,851,159 (Note 16) and ₱40,948,619 (Note 19), respectively.

#### Logistics Agreements

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

#### COVID-19 Impact

In early 2020, the world was adversely affected by the COVID-19, which was declared a pandemic by the World Health Organization. In a move to contain the COVID-19 outbreak, the Philippine government initiated directives to impose stringent social distancing measures and guidelines under different levels of community quarantine depending on the assessment of the situation in the numerous parts of the country. These measures have caused disruptions to businesses and economic activities.

However, the overall impact of COVID-19 in 2022 has been muted due to the resiliency of the Philippine Economy. The group is continuing its daily operations and is gearing towards normalcy.

### 32. OTHER MATTERS

- (a) Metro Alliance vs. Commissioner of Internal Revenue - Assessment for deficiency withholding taxes for the year 1989, 1990 and 1991

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

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

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

As of September 30, 2023, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable.

- (b) Metro Alliance and Philippine Estate Corporation vs. Philippine Trust Company, et al., Civil Case SCA#TG-05-2519, RTC Tagaytay City Branch 18 - 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

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

On October 6, 2005, the Regional Trial Court (RTC) of Tagaytay City issued and granted the Writ of Preliminary Injunction (first injunction). The preliminary injunction issued by the RTC stopping the foreclosure was nullified by both Court of Appeals and Supreme Court, after which Philtrust proceeded to foreclose, and acquired those properties for only ₱165.8 million. When MAHEC and PHES failed to redeem, Philtrust consolidated title and Tagaytay registry issued new TCTs cancelling PHES' 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 PHES already presented witnesses. Next trial hearing was set on April 12, 2016 for presentation of plaintiff's last witness for explanation of why the checks issued in 2004 in favor of Philtrust Bank intended to settle the loan were all dishonored and were returned unpaid.

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

many damaging admissions against the Bank. Plaintiff's counsels' cross-examination resumed at trial hearing last April 25, 2017.

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

On February 21, 2019, the defense presented its second witness, Mr. Godofredo Gonzales, an appraiser of Philippine Trust Company. However, the cross-examination of the witness was reset to June 27, 2019.

On October 17, 2019, Philtrust submitted a Formal Offer of Evidence in RTC.

In 2020, the Parent Company acknowledged the obligation to PHES, which was due and demandable on June 30, 2020. The Parent Company, however, failed to pay the amount on that date, for which, legal interest has been accrued at the end of the year.

As at September 30, 2023, this is awaiting decision of the court.

(c) MAHEC, POLYMAX & WELLEX vs. Phil. Veterans Bank., et al., Civil Case #08-555, RTC Makati Branch 145 now SC GR 2405495 and 240513 - Civil Action with Damages to Nullify the Foreclosure of Property

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

Upon appeal thereof by both parties, the Court of Appeals rendered its Decision dated June 29, 2017, partly granting PVB's appeal, and declared that: (a) the legal interest of 12% per annum be applied to the principal amounts; and (b) that MAHEC, et al. remain liable to pay PVB the amount of ₱69.7 million as of November 2006. MAHEC, et al. filed their "Motion for Reconsideration" dated July 31, 2017. The Court of Appeals rendered its Amended Decision dated February 28, 2018, stating that the outstanding obligation of MAHEC, at al., if any, shall earn interest at 6% per annum from July 1, 2013 onwards, pursuant to Central Bank Circular No. 799. The Court of Appeals denied PVB's Motion for Reconsideration thereof in its Resolution dated July 2, 2018.

On August 24, 2018, MAHEC, et.al filed with the Supreme Court its "Petition for Review on Certiorari" dated August 22, 2018. This was consolidated with PVB's "Petition for Review" dated August 24, 2018, which was previously raffled to the Supreme Court's Third Division.

In G.R. No. 240495, Parent Company received a copy of PVB's 'Comment/Opposition' dated October 30, 2019. On December 4, 2019, MAHEC, et al. filed "Motion to Admit Reply" with attached Reply, both dated November 28, 2019.

In G.R. No. 240513, MAHEC, et al. already "Comment (On the Petition for Review dated August 24, 2018)" dated August 30, 2019.

On February 23, 2021, the case was set for the presentation of plaintiffs' evidence. However, the case was rescheduled on June 22, 2021 due to lack of return card of the notice of the hearing sent to defendant's counsel.



On April 18, 2022, MAHEC et al received the Supreme Court's Notice of Judgment dated April 4, 2022 with attached Decision dated September 15, 2021, rendered in the case which they filed to restrain PVB from foreclosing on the Pasig property. Thereafter, PVB filed its undated Motion for Reconsideration on May 5, 2022.

In its Resolution dated August 15, 2022, the Supreme Court denied PVB's Motion for Reconsideration, and issued the Entry of Judgment dated August 15, 2022 on October 13, 2022, stating that the Decision became final and executory on August 15, 2022. Thus MAHEC, et al filed their Motion for Issuance of a Writ of Partial Execution dated October 24, 2022, praying that the trial court issue a writ of partial execution.

In response, PVB filed its Opposition dated November 2, 2022, praying that MAHEC, et al.'s Motion should be denied. In its order dated November 7, 2022, the trial court partially granted MAHEC et al.'s Motion and issued a Writ of Execution and thereafter, the parties filed their respective Motions for Partial Reconsideration.

During the hearing at the trial court on January 18, 2023. MAHEC, et al. advised the court of the Register of Deeds' failure to cancel the title issued to Zen Sen Realty Development Corporation due to nullification of the foreclosure. The court suggested that MAHEC, et. al. file a motion for clarification with the Supreme Court. Due to MAHEC, et. al. loss of faith that the trial court would be able to duly execute the Supreme Court's Decision, it filed its Omnibus Motion for (A) Inhibition of the Honorable Presiding Judge; and (B) Reconsideration of the order on February 1, 2023. The trial court granted the prayer of MAHEC, et. al. and its presiding judge voluntarily inhibited from the case.

Thereafter, PVB filed its "Motion for the Issuance of a Writ of Execution" dated March 10, 2023, praying that the trial court issue a writ of execution ordering MAHEC, et. al. to pay to PVB their outstanding principal obligation of Php66.2M plus interest until full payment, and/or garnish upon MAHEC, et. al.'s properties not exempt from execution, in the event they refuse to pay said amounts.

In response, MAHEC et al filed its Opposition dated March 28, 2023 opposing the same for being grossly premature and for utter lack of merit considering that the legal compensation may take place as regards the respective judgment awards in favor of Wellex and PVB, for reasonable rent and the amount of the outstanding loan obligation plus interest, respectively.

The cases were re-raffled to RTC-Makati, Branch 56. Before said trial court could exercise jurisdiction over these cases, in compliance with Canon 20 of the Code of Professional Responsibility, MAHEC, et al filed its "Manifestation and Motion" dated July 21, 2023 praying that RTC-Makati Branch 56's presiding judge inhibit himself from proceeding to hear these cases, considering that said judge was formerly part of Wellex's corporate counsel.

In its order dated August 10, 2023, the presiding judge of RTC-Makati, Branch 56 voluntarily inhibited himself from presiding in this case. Thus, these cases were re-raffled to RTC-Makati, Branch 142, on August 22, 2023.

As of September 30, 2023, the following judgment awards from the Supreme Court's Decision have not yet been executed: (a) the amount of reasonable rent owed by PVB to Wellex over the Pasig Property, for which MAHEC, et al submitted the "Appraisal Report CPAC File No. 22-C347-B" Retrospective as of December 2021 and November 2022 on the Pasig Property (the "Appraisal Report"), to aid the trial court's computation; and (b) MAHEC, et al's outstanding principal obligation to PVB in the amount of Php66.2M plus interest.

At the status conference on October 12, 2023, the court set the presentation of evidence to ascertain reasonable rent on November 16, 2023 and December 11, 2023 in compliance with the Supreme Court's Decision dated September 15, 2021, which, among others, directed PVB to pay reasonable rent to Wellex for its use of the Pasig Property.

- (d) MAHEC, POLYMAX, Renato B. Magadia (Metro Group/plaintiffs) vs NPC International Limited, et al. (NPC Group/defendants) Civil Case No. R-PSG 19-02106, RTC Pasig City Branch 159 and related cases - Corporate Mismanagement and Damages with Application for Temporary Restraining Order and Injunction

On August 1, 2019, MAHEC together with co-plaintiffs, Polymax Worldwide Limited (Polymax) and Renato B. Magadia instituted a civil case in the Regional Trial Court (RTC) of Pasig City – Branch 159 against NPC International Limited (NPCI), NPC Alliance Corporation (NCPA), et. al. docketed as Civil Case No. R-PSG 19-02106CV for mismanagement and damages, restitution of 80% equity in NPCA, deletion from the accounting books and financial statements of NPCA the accounts due to Parent Company and trade payables due to NPCI and PGPCI as reflected in the audited financial statements of NPCA, reimbursement of total accumulated losses as reflected in 2018 audited financial statements of NPCA as well as reimbursement of opportunity losses in the amount of Php100 million.

After failure of settlement in both Mediation and Judicial Dispute Resolution proceedings, the case is now set for pre-trial. Parties are awaiting the Honorable Court to set the hearing dates.

Subsequently, NPCI filed a countersuit with the Permanent Court of Arbitration at the Hague. This counter suit prays for payment by the MAHEC and Polymax of costs and damages that the NPCI has incurred for the preservation of the Bataan polyethylene plant from 2018 to the date of the award. MAHEC and Polymax questioned the jurisdiction of the Permanent Court of Arbitration. Nonetheless, the arbitral court refused to bifurcate the issue on jurisdiction but proceeded with the arbitration proceedings. As a matter of courtesy, but without prejudice to its position that they are not subject to the jurisdiction of the Honorable Tribunal, MAHEC and Polymax submitted all its Replies on the arguments presented by NPCI. This case is now awaiting resolution by the Honorable Tribunal.

Corollary to this case, a pending Petition for Review on Certiorari under Rule 45 of the Revised Rules of Court has been filed by MAHEC et. al. with the Supreme Court to nullify and set aside the Resolution dated July 28, 2021 and Resolution dated June 3, 2022 of the Court of Appeals (CA) former Twelfth Division in the case of CA-GR SP. No. 166958. The parties are currently awaiting Court's Resolution.

As of September 30, 2023, the proceeding before Pasig RTC Branch 159 has been suspended for two (2) months effective August 1, 2023 in order to facilitate the ongoing settlement talks between the parties. The court has not yet set a date for the next hearing.

- e) There are also other pending minor 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.

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**METRO ALLIANCE HOLDINGS & EQUITIES CORP.  
AND SUBSIDIARIES  
APPENDIX A – FINANCIAL SOUNDNESS**

	Jan. - Sept. 30 2023	Jan. - Sept. 30 2022
<b>Profitability ratios:</b>		
Return on assets	(0.12%)	2.76%
Return on equity	(265.52%)	207.57%
Net profit margin	(0.49%)	8.88%
<b>Solvency and liquidity ratios:</b>		
Current ratio	84.55%	79.70%
Debt to equity ratio	214699.52%	7411.69%
Quick Ratio	61.62%	58.58%
<b>Financial leverage ratio:</b>		
Asset to equity ratio	214799.52%	7511.69%
Debt to asset ratio	99.95%	98.67%
Interest rate coverage ratio	NIL	NIL

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

As of September 30, 2023

	Current	0 - 30	31 - 60	61 - 90	91 - 120	121+	Total
Notes receivable	P-	P-	P-	P-	P-	P-	P143,865,021
Trade receivable	21,568,286	23,458,479	23,657,656	10,691,060	6,381,868	51,644,126	137,401,475
Due from affiliates						5,308,806	5,308,806
Others						44,197,389	44,197,389
Subtotal	21,568,286	23,458,479	23,657,656	10,691,060	6,381,868	245,015,342	330,772,691
Allowance for doubtful accounts						(149,343,619)	(149,343,619)
	<b>P21,568,286</b>	<b>P23,458,479</b>	<b>P23,657,656</b>	<b>P10,691,060</b>	<b>P6,381,868</b>	<b>P95,671,723</b>	<b>P181,429,072</b>