

# COVER SHEET

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S.E.C. Registration Number

M E T R O G L O B A L H O L D I N G S

C O R P O R A T I O N

(Company's Full Name)

M E Z Z A N I N E F L O O R R E N A I S S A N C E

T O W E R M E R A L C O A V E N U E

P A S I G C I T Y

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

RAMON G. JIMENEZ

Contact Person

(02) 633 - 6205

Company Telephone Number

1 2 3 1

Month Day

2015

calendar year

SEC FORM 17Q (3rd QUARTER 2015)

FORM TYPE

0 9 3 0

Month Day

Registered/Listed

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/ Section

Total Amount of Borrowings

Domestic

Foreign

\*\*\*\*\*

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2015
2. Commission identification number 9142 3. BIR Tax Identification No 000-194-408-000
4. Exact name of issuer as specified in its charter **METRO GLOBAL HOLDINGS CORPORATION**

Philippines

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

6. Industry Classification Code:  (SEC Use Only)

Mezzanine Floor Renaissance Tower,  
Meralco Avenue, Pasig City

7. Address of registrant's principal office

1604

Postal Code

8. (02)633-6248

Issuer's telephone number, including area code

9. Not applicable

Former name, former address and former fiscal year, if changed since last report

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

Title of each Class

Number of shares of common  
stock outstanding and amount  
of debt outstanding

Common stock - P 1 par value

2,000,000,000 shares

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

Yes ☒ No ☐

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange

Common shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and SRA Rule 11(1a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 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 90 days.

Yes ☒ No ☐

**METRO GLOBAL HOLDINGS CORPORATION**  
**BALANCE SHEETS**  
**AS OF SEPTEMBER 2015**  
**(With Comparative Figures as of Calendar Year Ended December 31, 2014)**

<b>ASSETS</b>			
	<b>September 30,</b>		<b>December 31,</b>
	<b>2015</b>		<b>2014</b>
<b>Current Asset</b>			
Cash on hand and in banks	₱	112,703	₱ 94,870
Receivables		2,550,581	2,550,581
		<b>2,663,284</b>	<b>2,645,451</b>
<b>Noncurrent Assets</b>			
Investment in associates		8,149,823	8,149,823
Available-for-sale financial assets		1,535,454,537	1,538,101,871
		<b>1,543,604,360</b>	<b>1,546,251,694</b>
	₱	<b>1,546,267,643</b>	₱ <b>1,548,897,145</b>
<b>LIABILITIES AND CAPITAL DEFICIENCY</b>			
<b>Current Liabilities</b>			
Income Tax Payable	₱	3	₱ 3
Accrued expenses and other current liabilities		425,416,018	402,101,485
		<b>425,416,021</b>	<b>402,101,488</b>
<b>Noncurrent Liabilities</b>			
Due to a stockholder		833,367,682	847,258,377
Due to other related parties		333,468,624	333,468,624
		<b>1,166,836,306</b>	<b>1,180,727,001</b>
<b>Capital Deficiency</b>			
Capital Stock		1,998,553,181	1,998,553,181
Additional paid-in capital		589,120,803	589,120,803
Cumulative Market Adjustment		2,161,955	4,809,289
Deficit		(2,635,820,623)	(2,626,414,618)
Net Capital Deficiency		<b>(45,984,683)</b>	<b>(33,931,344)</b>
	₱	<b>1,546,267,643</b>	₱ <b>1,548,897,145</b>

**METRO GLOBAL HOLDINGS CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**

	For the Nine Months Ended September	
	2015	2014
Interest Income	₱ 4,352	₱ 232
Realized Forex Gain/Loss	1,603	385
General & Administrative Expense	(9,411,960)	(15,347,831)
<b>INCOME BEFORE TAX</b>	<b>(9,406,005)</b>	<b>(15,347,214)</b>
<b>Net Loss for the year</b>	<b>(9,406,005)</b>	<b>(15,347,214)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Change in fair value of Available-for-sale Financial Assets	(2,647,334)	(681,468)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>₱ (12,053,339)</b>	<b>₱ (16,028,682)</b>
	<b>(0.00471)</b>	<b>(0.00768)</b>

**METRO GLOBAL HOLDINGS CORPORATION**  
**STATEMENTS OF INCOME & DEFICIT**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

(With Comparative Figures for the Nine Months Ended September 30 and July to September 2015 & 2014)

	January to September		July to September	
	2015	2014	2015	2014
Interest Income	4,352	232	51	232
<b>EXPENSES</b>				
General & Administrative expenses	(9,411,960)	(15,347,831)	(6,146,282)	(3,677,089)
Realized Forex Gain/Loss	1,603	385	1,886	672
<b>NET LOSS</b>	<b>(9,406,005)</b>	<b>(15,347,214)</b>	<b>(6,144,344)</b>	<b>(3,676,185)</b>
DEFICIT AT BEGINNING OF THE QUARTER	(2,626,414,618)	(2,433,400,181)	(2,629,676,279)	(2,445,071,210)
<b>DEFICIT AT END OF THE MONTH</b>	<b>(2,635,820,623)</b>	<b>(2,448,747,395)</b>	<b>(2,635,820,623)</b>	<b>(2,448,747,395)</b>

**\*\*Note: LOSS PER SHARE**

The computation of loss per share is as follows:

	January to September		July to September	
	2015	2014	2015	2014
(a) Net Income/loss	(9,406,005)	(15,347,214)	(6,144,344)	(3,676,185)
(b) Weighted average number of shares outstanding	1,998,553,181	1,798,403,181	1,998,553,181	1,798,403,181
	<b>(0.00471)</b>	<b>(0.00853)</b>	<b>(0.00307)</b>	<b>(0.00204)</b>

**METRO GLOBAL HOLDINGS CORPORATION**

**STATEMENTS OF INCOME & DEFICIT**

**FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

**(With Comparative Figures for Nine Months Ended September 30, July to September CY2015 and 2014)**

	January to September	
	2015	2014
Interest Income	4,352	232
<b>EXPENSES</b>		
General & Administrative expenses	₱ (9,411,960)	₱ (15,347,831)
Realized Forex Gain (Loss)	1,603	385
<b>NET LOSS</b>	<b>(9,406,005)</b>	<b>(15,347,214)</b>
DEFICIT AT BEGINNING OF THE QUARTER	(2,626,414,618)	(2,433,400,181)
<b>DEFICIT AT END OF THE MONTH</b>	<b>₱ (2,635,820,623) ₱</b>	<b>(2,448,747,395)</b>

**\*\*Note: LOSS PER SHARE**

The computation of Income (Loss) per share is as follows:

	Nine Months ended September 30	
	2015	2014
(a) Net Income/loss	(9,406,005)	(15,347,214)
(b) Weighted average number of shares outstanding	1,998,553,181	1,798,403,181
	<b>(0.00471)</b>	<b>(0.00853)</b>

**METRO GLOBAL HOLDINGS CORPORATION**  
**TRAILING 12MONTHS**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

Year to Date September 2015 Net Loss	(9,406,005)
Year to Date December 2014 Net Income	✓(193,014,437)
Year to Date September 2014 Net Loss	<u>(15,347,214)</u>
Trailing 12 mos Net Income	<u>(187,073,228)</u>
Weighted Average Number of Shares Outstanding	1,998,553,181
Trailing 12mos Earnings/(Loss) per Share (Basic)	<u><u>(0.0936)</u></u>

METRO GLOBAL HOLDINGS CORPORATION  
AGING OF RECEIVABLES  
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

<u>RECEIVABLES FROM</u>	Less than 1 Year	1-3 years	3-5 years	more than 5 years	Total
MRTH II	1,649,110	-	-	-	1,649,110
MONUMENTO RAIL	901,471	-	-	-	901,471
<b>TOTAL</b>	<b>2,550,581</b>	-	-	-	<b>2,550,581</b>

**METRO GLOBAL HOLDINGS CORPORATION**  
**STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY**

	For the nine months ended September 30	
	2015	2014
<b>CAPITAL STOCK P 1 par value</b>	<b>1,998,553,181</b>	<b>1,998,553,181</b>
<b>ADDITIONAL PAID IN CAPITAL</b>	<b>589,120,804</b>	<b>589,120,804</b>
<b>CUMULATIVE CHANGES IN FAIR VALUE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>		
Balance at beginning of the year	4,809,289	6,268,406
Other Comprehensive Income	(2,647,334)	(681,468)
Balance at end of the year	2,161,955	5,586,938
<b>DEFICIT</b>		
Balance beginning of the Year	(2,626,414,618)	(2,433,400,181)
Net Loss	(9,406,005)	(15,347,215)
Balance at end of year	(2,635,820,623)	(2,448,747,396)
	(45,984,683)	144,513,527

**METRO GLOBAL HOLDINGS CORPORATION**  
**STATEMENT OF CASH FLOWS**

	Nine Months Ended September 30	
	2015	2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Loss before income tax	₱ (9,406,005)	₱ (15,347,215)
Adjustment for:		
Increase (decrease) in Accrued expenses and other current liabilities	23,314,533	(98,700.00)
Increase (decrease) in Subscription Payable		
<b>Net cash used for operating activities</b>	<b>13,908,528</b>	<b>(15,445,910)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Increase) Decrease in Capital Stock		200,150,000
<b>Net cash used in investing activities</b>	<b>0</b>	<b>200,150,000</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase(Decrease) in Due to stockholder	(13,890,695)	(184,731,010)
<b>Net cash used in financing activities</b>	<b>(13,890,695)</b>	<b>(184,731,010)</b>
<b>Net Increase/Decrease in Cash</b>	<b>17,833</b>	<b>(26,931)</b>
<b>CASH BEGINNING OF THE YEAR</b>	<b>94,870</b>	<b>92,391</b>
<b>End of Period</b>	<b>₱ 112,703</b>	<b>₱ 65,460</b>

## **METRO GLOBAL HOLDINGS CORPORATION**

### **NOTES TO FINANCIAL STATEMENTS**

#### **1. Summary of Significant Accounting and Financial Reporting Policies**

##### **Basis of Preparation**

The financial statements have been prepared on a historical cost basis, except for the quoted equity securities included under available-for-sale (AFS) financial assets, which are carried at fair value. The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded off to nearest Peso, except when otherwise indicated.

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

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

##### **Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new amendments and improvements to PFRS, PAS and Philippine Interpretations from the International Financial Reporting Interpretations Committee (IFRIC) which the Company adopted during the year:

- Investment Entities (Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities, and PAS 27, Separate Financial Statements)
- PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)
- PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)
- PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)
- Philippine Interpretation IFRIC 21, *Leases*
- Annual improvements to PFRSs 2010 - 2012 Cycle (PFRS 13, *Fair Value Measurement*)
- Annual improvements to PFRSs 2011 - 2013 Cycle (PFRS 1, *First-time Adoption of PFRS*)

The adoption of the new amendments and improvements to standards and interpretations did not have significant impact on the financial statements of the Company.

##### **Future Changes in Accounting Policies**

The Company did not early adopt the following new standards, amendments and improvements to PFRS and Philippine Interpretations that have been approved but are not yet effective. The Company does not expect these changes when adopted to have a significant impact on its financial statements unless otherwise indicated:

##### **Standards issued but not yet effective**

- PFRS 9, *Financial Instruments - Classification and Measurement (2010 version)* - PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset, if its fair value option (FVO) is not invoked, may be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change with respect to the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All

other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

PFRS 9 (2010 version) was effective for annual periods beginning on or after January 1, 2015. The mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, was still for approval by the Board of Accountancy (BOA).

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, this interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

#### Effective January 1, 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*, PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015.

#### ▪ Annual Improvements to PFRSs (2010 - 2012 cycle)

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*, this improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - a. A performance condition must contain a service condition.
  - b. A performance target must be met while the counterparty is rendering service.
  - c. A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
  - d. A performance condition may be a market or non-market condition.
  - e. If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, the amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, (or PFRS 9, if early adopted).
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, the amendments are applied retrospectively and clarify that:
  - a. An entity must disclose judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar".
  - b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*, the amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by

reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*, the amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.
- Annual Improvements to PFRSs (2011 - 2013 cycle)
  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, the amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
    - a. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
    - b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
  - PFRS 13, *Fair Value Measurement - Portfolio Exception*, the amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).
  - PAS 40, *Investment Property*, the amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*, the amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted.
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants (Amendments)*, the amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*, the amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.
- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, these amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between

an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments)*, the amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.
  - PFRS 14, *Regulatory Deferral Accounts*, PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016.
- Annual Improvements to PFRSs (2012 - 2014 cycle)
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, the amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*, PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is de-recognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
  - PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*, this amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
  - PAS 19, *Employee Benefits - Regional market issue regarding discount rate*, this amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
  - PAS 34, *Interim Financial Reporting- Disclosure of information 'elsewhere in the interim financial report'*, the amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by

cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

- Effective January 1, 2018
  - PFRS 9, *Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*, PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.
    - PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.
    - PFRS 9, *Financial Instruments (2014 or final version)*, in July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.
    - IFRS 15, *Revenue from Contracts with Customers*, IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.
- The significant accounting policies adopted in the preparation of the financial statements are set out below:

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

***Date of Recognition.*** The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

***Initial Recognition.*** Financial assets and financial liabilities are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial assets and financial liabilities measured at FVPL. The subsequent measurement of financial assets and financial liabilities depends on their classification.

***Determination of Fair Value and Fair Value Hierarchy.*** 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:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

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

The Company 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 statements 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 (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial assets and financial liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company 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 as explained above.

Fair value hierarchy and measurement disclosures are presented in Note 12.

**Offsetting.** Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to either 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 at gross amount in the statement of financial position.

**"Day 1" Difference.** When 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 Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or, when the instrument is de-recognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

#### **Financial Assets**

Financial assets are classified as financial assets at FVPL, loans and receivables, held-to-maturity investments (HTM), AFS financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

The Company has no financial assets designated at FVPL, HTM investments and derivatives designated as hedging instruments as of September 30, 2015 and December 31, 2014.

**Loans and Receivables.** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. After initial measurement, loans and receivables are subsequently measured at amortized cost less any allowance on impairment. Amortization is determined using the EIR method. Amortized cost is calculated taking into account any discount or premium on acquisition and include fees that are integral part of the EIR and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired as well as through the amortization process. Loans and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

Classified under this category are the Company's cash in banks as of September 30, 2015 and December 31, 2014.

**AFS Financial Assets.** AFS financial assets are non-derivative financial assets that are designated as such or do not qualify to be classified in any of the other preceding categories. AFS financial assets include equity and debt securities. Equity investments classified as AFS are those, either designated in this category or not classified in any of the other categories. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized as separate component of other comprehensive income in the cumulative change in fair value of AFS financial assets until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is recognized in profit or loss in finance costs and removed from the cumulative change in fair value of AFS financial assets.

The Company evaluated its AFS financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to HTM is permitted only when the entity has the ability and intent to hold until the financial asset matures accordingly.

For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

As of September 30, 2015 and December 31, 2014, AFS financial assets consist of the Company's investments in quoted equity securities currently traded in the PSE and unquoted equity securities like investments in shares of stock of MRTHI and MRTHII.

#### **Financial Liabilities**

Financial liabilities are classified as financial liabilities at FVPL, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification at initial recognition and re-evaluates this designation at every reporting date.

The Company has not designated any financial liabilities at FVPL and derivatives designated as hedging instruments as of September 30, 2015 and December 31, 2014.

Other financial liabilities pertain to financial liabilities that are not held for trading or not designated at FVPL upon the inception of the liability.

This category includes accrued expenses and other current liabilities (excluding deposits received in consideration from the Cooperation Agreement) and due to a stockholder (excluding settlement in equity shares) as of September 30, 2015 and December 31, 2014.

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

#### **Impairment of Financial Assets**

The Company assesses at each financial reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

**Financial Assets Carried at Cost.** If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

**AFS Financial Assets.** In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss) is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized as other comprehensive income.

#### **De-recognition of Financial Assets and Financial 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 de-recognized when:

- The Company's rights to receive cash flows from the asset have expired; or

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**Financial Liabilities.** A financial liability is de-recognized when the obligation under the liability is discharged or 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

#### Investment in an Associate

The Company carries its investment in Monumento Rail, where the Company has the ability to exercise significant influence since the date of acquisition, under the equity method of accounting. Under the equity method, the investment is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share in net assets of the associate, less any impairment in value. The statement of comprehensive income reflects the Company's share of the financial performance of the associate. Where there has been a change recognized directly in equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in capital deficiency.

The share of profit of associates is shown in the statement of comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal are recognized in profit or loss.

#### Impairment of Investment in an Associate

In assessing impairment of investment in an associate, the Company determines, after application of the equity method, whether it is necessary to recognize an additional impairment loss. The Company determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognizes the amount in profit or loss. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss 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 had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of

comprehensive income.

#### **Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and 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 discounted using a current pretax rate that reflects, 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 an interest expense.

#### **Equity**

Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital. Subscriptions receivable becomes due and demandable upon approval of the capital call by the Company's BOD.

Deficit represents the accumulated losses incurred by the Company.

#### **Revenue**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is recognized as the interest accrues, taking into account the effective interest on the asset using the EIR method.

#### **Costs and Expenses**

Costs 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 decrease in equity, other than those relating to distributions to stockholders. Costs and expenses are recognized in the statement of comprehensive income in the year these are incurred.

#### **Borrowing Costs**

Borrowing costs are generally expensed as incurred.

#### **Foreign Currency-denominated Transactions and Translations**

Transactions denominated in foreign currency are recorded in Philippine Peso by applying to the foreign currency amount the exchange rate between the Philippine Peso and the foreign currency at the date of transaction. Monetary assets and monetary liabilities denominated in foreign currencies are restated using the closing exchange rate at the reporting date. All differences are recognized in the statement of comprehensive income.

#### **Income Taxes**

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

**Deferred Tax.** Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and net operating loss carryover (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences NOLCO can be utilized. Deferred tax, however, is not recognized when it 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.

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 income will be available to allow all or part of the deferred tax assets 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 income will allow the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **Loss Per Share**

Loss per share is computed by dividing the net loss for the year by the weighted average number of shares outstanding during the year, with retroactive adjustments for stock dividends declared, if any.

#### **Business Segments**

The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products.

***Segment Assets and Liabilities.*** Segment assets include all operating assets used by a segment and consist principally of operating cash. Segment liabilities include all operating liabilities and consist principally of accrued expenses and other current liabilities. Segment assets and liabilities do not include AFS financial assets and borrowings, respectively.

***Inter-segment Transactions.*** Segment revenue, segment expenses and segment performance include transfers among business segments. The transfers, if any, are accounted for at competitive market prices charged to unaffiliated customers for similar products.

#### **Contingencies**

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

#### **Events after the Reporting Period**

Post year-end events that provide additional information about the Company's financial position at the reporting period, if any, (adjusting events) are reflected in the financial statements. However, post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

## **2. Significant Accounting Judgment and Estimate**

The Company's financial statements prepared under PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Future events may occur which will cause the judgment and assumptions used in arriving at the estimates to change. The effects of any change in judgment and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **Judgments**

In the process of applying the Company's accounting policies, management has made the

following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

**Determination of Functional Currency.** Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine Peso. The functional currency is the currency of the primary economic environment in which the Company operates.

**Determination of Fair Value of Financial Assets and Financial Liabilities.** Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility.

The fair value of financial assets amounted to ₱1,535.4 million as of September 30, 2015 and ₱1,538.1 million December 31, 2014. The fair value of financial liabilities amounted ₱75.4 million as of September 30, 2015 and ₱52.1 million December 31, 2014.

**Determination of Fair Value of Financial Assets not Quoted in an Active Market.** The Company determines whether a reliable measure of fair value is available for equity investments not quoted in an active market. If a reliable measure is not available or ceases to be available, the unquoted equity investments are measured at cost.

The fair values of the Company's investments in MRTH I and MRTH II cannot be reasonably determined as the shares are unquoted nor are there any expected future cash flows in view of the sale of future distributions and that the investments, pursuant to the "Letter of Agreement", will be used to settle the Company's liability to FEMI.

**Determination of Impairment of AFS Financial Assets.** The Company treats quoted AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant decline" when the difference between its cost and fair value is 20.0% or more and "prolonged decline" when the fair value of quoted equity securities is lower than its cost for more than twelve months. In making this judgment, the Company evaluates, among other factors, the normal volatility in share price for quoted equities.

There was no impairment for quoted equity securities as of September 30, 2015 and December 31, 2014. The carrying value of quoted equity securities amounted to ₱4.7 million and ₱7.4 million as of September 30, 2015 and December 31, 2014.

In the case of unquoted shares, AFS financial assets are considered impaired when management believes that future cash flows generated from the investment is expected to decline significantly. The Company's management makes significant estimates and assumptions on the future cash flows expected and the appropriate discount rate to determine if impairment exists. Impairment may also be appropriate when there is evidence of deterioration in the financial

health of the investee, industry and sector performance.

The amount due from MRTH I and MRTH II amounting to ₱333.5 million represents advances received by the Company prior to the sale of future distribution which shall be applied against future dividends to be declared. MRTC declared dividends in 2014 but MRTH I and MRTH II have yet to declare dividends. Prior to sale of future distributions, the Company accounted its investments in MRTH I and MRTH II under the equity method and therefore the carrying value of the investments in MRTH I and MRTH II includes the Company's share in earnings of the MRT companies. As such, once dividends are declared, the amounts due to related parties will just

be closed and offset against the balance of investments. After the sale of future distributions, the Company accounted its investments in MRTHI and MRTHII as AFS investments.

Management believes that the carrying value of the AFS investments in MRTHI and MRTHII, unquoted equity securities, after the application of the proceeds from the sale of future share distributions and after considering the advances to be applied against future dividends as discussed, can be realized in the future mainly through the following :

- a. Consummation of the Cooperation Agreement between the Company and MPIC. As of September 30, 2015, the Cooperation Agreement is still not consummated.
- b. Letter Agreement between the Company and FEMI where the Company has a put option to use the shares of stocks of MRTHI and MRTH II to pay-off its net advances from FEMI pursuant to the "Letter of Agreement". However, this put option is subordinated to the Cooperation Agreement mentioned above.

In addition, the Company also believes that other sources of realization of the carrying value of the AFS investments in unquoted equity shares will be from the following (a) the Company's share in any additional variable equity rental payments (ERP) received by MRTC from DOTC in the form of a ridership bonus or sharing scheme which were not included in the future share distributions sold and (b) the Company's share in the benefits arising from the residual rights in the expansion project. However, the benefits that can be derived from these cannot still be quantified and therefore not included in the calculation of impairment loss.

#### **Estimate**

The key assumption concerning future and other key source of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below.

***Recognition of Deferred Tax Assets.*** 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 income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that sufficient taxable income will be generated to allow all or part of the deferred tax assets to be utilized.

#### **Financial Risk Management Objectives and Policies**

The Company's financial assets and financial liabilities are cash in banks, AFS financial assets, accrued expenses and other current liabilities and due to a stockholder (excluding deposits received in consideration from the Cooperation Agreement). The BOD reviews and approves policies of managing each of the risks.

#### **Liquidity Risk**

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet or settle its obligations and supporting the Company's operations and activities.

Other than accrued expenses and other current liabilities (excluding the deposits received in consideration from the Cooperation Agreement), which are payable on demand, the remaining liabilities have no fixed repayment terms. As discussed in Note 4, the Company has the option to use its investment in MRTHI and MRTH II in payment for its outstanding advances to FEMI while the other due to related parties shall be applied against future dividends. In addition, as discussed in Note 1, FEMI committed not to demand payment of the amount due from the Company which therefore reduces the Company's exposure to liquidity risk.

The Company coordinates and negotiates closely with its Parent Company to manage cash flow risks by jointly identifying new sources of cash flows through potential future investment and/or cash flow infusions into the Company over the next five years.

### **Credit Risk**

Credit risk arises from the possibility of the Company incurring a loss due to the failure of the debtors to meet their contractual debt obligations.

The Company's exposure to credit risk relates primarily to its deposits from banks with good credit rating. The gross and net maximum exposure to credit risk is equivalent to the carrying amount of these cash in banks and AFS financial assets.

In 2014, the Company recognized impairment loss on its available for sale financial assets amounting to P183.26 million. After recognition of impairment, the aggregate fair value of the

Company's financial assets amounted to P1,538.1 million as of December 31, 2014.

No impairment loss was recognized as of September 30, 2015, hence the fair value of the Company's financial assets remain unchanged at P1,538.1 million.

*Cash in banks.* These are deposited with a reputable bank that belonged to the top three banks in the Philippines and approved by management. The Company has not experienced any difficulty transacting with these banks.

*AFS Financial Assets.* Unquoted AFS financial assets are unrated while quoted AFS financial assets are assessed as high grade based on the financial status of the counterparty and its current stock price performance in the market.

### **Equity Price Risk**

The Company is exposed to fair value changes on its AFS financial assets in listed equity securities.

The Company's policy is to maintain the risk to an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.

### **Capital Management**

The Company treats its payables to FEMI as part of the aggregate capital base. The primary objective of the Company's management is to maintain a substantial capital base sufficient to support its long-term investment and holding company mandate.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions or business directions as approved by the Company's BOD. To maintain or adjust the capital structure, the issuance of new shares and the conversion of shareholder advances into capital stock.

The Company monitors capital using a targeted gearing ratio, which is net debt divided by total capital (inclusive of payables to FEMI as part of capital base) plus net debt. The Company's policy is to keep a gearing ratio of 60.0% or lower. The Company includes within net debt, accrued expenses and other current liabilities and due to other related parties, less cash.

	September 30, 2015	December 31, 2014
Accrued expenses and other current liabilities	424,473,905	402,101,485
Due to related parties	333,468,624	333,468,624
Less cash on hand and in banks	923,249	94,870
Net debt (a)	757,019,280	735,475,239
Due to a stockholder	828,975,996	847,258,377
Total capital deficiency	(39,840,340)	(33,931,344)
Capital and net debt (b)	1,546,154,937	1,548,802,272
Gearing ratio (a/b)	48.96%	47.49%

The Company continuously conducts an internal review of its capital and financial risk management objective and policies.

### 3. Other Information

With regards to debt and equity securities, there were no issuances and/or repurchases incurred in the third quarter ended, September 30, 2015.

The Company had not made any reorganization, or entered into any merger or consolidation or any business combinations. Also, the Company was not involved in any acquisition or disposal of subsidiaries and long term investments, restructurings and discontinuing operations since the last reporting period of December 31, 2014.

As of December 31, 2014 up to this quarter period reporting (September 30, 2015), no contingent liabilities or contingent assets had been declared.

## PART I - FINANCIAL INFORMATION

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

MGHC continues to be a stakeholder of the Metro Manila Rail Transit Project through its holding company Metro Rail Transit Holdings, Inc. and its subsidiary Monumento Rail Transit Corporation.

MGHC also plans to continue its strategy in maintaining itself as a holding corporation with key investment in the form of equity interest in Metro Rail Transit Holdings (MRTH), Inc. and Metro Rail Transit Holdings II (MRTH II). The combined investment in these two holding companies represents approximately 29% interest in the EDSA MRT Systems. The Phase 1 of the MRT Project (LRTS Phase 1) started full operation on July 15, 2000, which involved 13 stations covering the North Triangle to Taft Avenue. The operation for the next 12 months will be strictly confined to that of an investee Corporation.

The Company will continue, through its holdings in Monumento Rail to actively pursue its participation in the train system extensions (e.g. Makati Loop) and capacity extension through procurement of additional trains/vehicles.

**Equity Infusion.** On March 19, 2007, the Company accepted the proposal of FEMI to infuse its 30.0% equity ownership in Camp John Hay Development Corporation (CJH) subject to the approval of the SEC.

On September 11, 2007, the Company signed a Deed of Assignment transferring the 30.0% equity ownership of FEMI in CJH in exchange for 450.0 million shares of the Company at P1.0 par value and was approved by the Bases Conversion Development Authority (BCDA) on July 1, 2008.

On April 23, 2009, the Company and FEMI (the parties) executed an Amendment to the Deed of Assignment which includes amending the number of shares to be transferred to 1.5 million shares still representing 30.0% equity interest in CJH and (b) extend date of closing of transaction to allow the parties to fully comply with the conditions precedent to closing as set forth in the Deed of Assignment, particularly the consent from the SEC.

On January 9, 2012, CJHDEVCO rescinded the Restructured Memorandum of Agreement it entered into with BCDA on July 1, 2008, in view of the continuing inability of BCDA to make good its one-stop shop 30-day permit issuance guaranty. CJH subsequently filed a case against BCDA for arbitration with the Philippine Dispute Resolution Center, Inc.

On March 14, 2012, the House of Representatives passed a resolution creating a technical working group aimed at assisting CJHDEVCO and BCDA in amicably resolving the dispute.

On April 12, 2012, the Board of Directors (BOD) approved the deferment of the implementation of the transfer of the 30.0% equity of FEMI in CJH until the dispute between CJH and BCDA has been resolved.

On February 11, 2015, the PDRCI rendered its Final Award on the arbitration case filed by CJH Development Corporation (CJH) against the Bases Conversion and Development Authority ((BCDA). The decision stated that the Original Lease Agreement, and the subsequent Memorandums of Agreements entered into by CJH and BCDA were rescinded due to mutual breach of both parties and ordered the parties to be reverted as far as practicable to their original position prior to the execution of the Original Lease Agreement.

The PDRCI (a) directed BCDA to return to CJH the total amount of rentals it paid amounting to P1,421.1 billion; and (b) ordered CJH to vacate the leased premises and promptly deliver the leased property to BCDA. The PDRCI likewise declared CJH as not liable for any unpaid back rent consistent with the ruling that rescission and mutual restitution is proper in the case.

On March 6, 2015, CJH filed a Verified Petition for Confirmation of Final Award with the Regional Trial Court of Baguio City. On March 27, 2015, the Court issued an Order of Confirmation of the Final Award, re-stating "in toto" the Final Award of the PDRCI.

In view of the PDRCI decision, the Board of Directors approved to permanently cancel the proposed transaction for FEMI to infuse its 30.0% equity in CJH in exchange for equity shares of the Company.

**Infusion of Certain Properties.** On April 12, 2012, the Company accepted the infusion by FEMI of certain properties of Mt. Zion Memorial, Inc. (MZMI) worth P500.0 million in exchange for 500.0 million shares of the Company at P1.0 par value. MZMI is a wholly-owned subsidiary of FEMI engaged in the development of Class A memorial parks.

Consistent with the new business directions of the Company as discussed in the next section, the Board of Directors approved to cancel the implementation of the proposed plan of FEMI to assign properties of Mt. Zion Memorial Inc. (MZMI), worth P500.0 million in exchange for 500,000,000 shares of the Company at P1.00 per share.

**Conversion of Liabilities to FEMI to Equity.** On December 16, 2013, the SEC approved the conversion of a portion of the Company's liabilities to FEMI amounting to P800.0 million, into equity shares totaling 800.0 million shares at P1.00 par value.

On May 6, 2014, the BOD of the Company approved the request of FEMI to increase its shareholdings and further reduce its receivables from the Company through the conversion into equity of portion of its receivables amounting to P200.15 million, equivalent to 200,150,000 shares at P1.00 par value. On September 4, 2014, the SEC approved the conversion of portion of the Company's liabilities to

FEMI amounting to P200.15 million, into equity shares equivalent to 200,150,000 shares at P1.00 par value.

On September 4, 2014, the Securities and Exchange Commission approved the Corporation's application for Confirmation of Valuation of the advances of P200,150,000 as payment for the additional Subscription of Fil-Estate Management, Inc. to 200,150,000 common shares of Metro Global Holdings Corporation (formerly Fil-Estate Corporation) with par value of P1.00 per share.

With the additional conversion of liabilities to equity, FEMI's equity interest increased from 86.54% to 87.88%.

**Cooperation Agreement.** On November 12, 2010, the Company, Fil-Estate Properties, Inc. (FEPI) and FEMI (collectively termed as the Fil-Estate Companies) entered into a Cooperation Agreement with Metro Pacific Investment Corporation (MPIC) relating to the Fil-Estate Companies' rights and interests in the MRT Companies. The cooperation had the following objectives: (i) explore solutions that will enable to expansion of the MRT 3 system through financially and legally viable means, and (ii) to transfer the interests of the Fil-Estate Companies in the MRT Companies, subject to obtaining the necessary consents from the relevant parties. Under the Cooperation Agreement, the Fil-Estate Companies appointed MPIC as its attorney-in-fact in connection with the exercise of the rights and interests of the Fil-Estate Companies in the MRT Companies. The completion and consummation of the transaction contemplated by the parties is subject to certain conditions, which as of September 30, 2015, had not yet occurred. As such, MPIC and Fil-Estate Companies were still in the process of discussing possible scenarios on how to implement the transactions contemplated by the parties when they entered into the Cooperation Agreement.

**Redemption of Redeemable Preferred Shares in Monumento Rail**

On August 22, 2006, the Board of Directors of Monumento Rail Transit Corporation (Monumento Rail) approved the redemption of the redeemable preferred shares it issued to its shareholders giving the latter a redemption privilege by assigning the former's right to receive Depot Royalty Rights pro-rata to the percentage of shareholdings held by each shareholder. On December 17, 2014, Monumento Rail and its shareholders executed the Redemption and Deeds of Assignment of the redeemable preferred shares.

The cost of the Company's 18,029,417 redeemable preferred shares amounts to P901,471 based on par value P.05 per share which is the price per share at time of redemption. In accordance with the Articles of Incorporation of the issuer, the holder of the redeemable preferred shares is given the privilege of a right to receive Depot Royalty pro-rata to the percentage of shareholdings of redeemable shares held by each shareholder of record thereof as of August 22, 2006.

**Settlement Agreement**

On December 17, 2014, the Company, together with all the shareholders of Monumento Rail Transit Corp., entered into a Settlement Agreement with Metro Rail Transit Development Corporation (MRTDEVCO) and companies who are parties to a Vested Rights Agreement dated May 22, 1995, whereby MRTDEVCO agreed to assign to parties of the Vested Rights Agreement the development rights to specific developable areas of the 16 hectares Depot in North Triangle corner EDSA, North Avenue and Mindanao Avenue. The assignment of development rights, however, are conditioned on the assumption of the assignees of the obligation to pay the Depot Income to shareholders of Monumento Rail Transit Corp. (Monumento Rail) arising from the developments in the Depot in accordance with the Deed of Assignment of Development Rights of June 16, 1995 between Metro Rail Transit Corp. Ltd. (MRTCL) and MRTDEVCO, the Assignment and Assumption Agreement of December 18, 2000 between MRTCL and the Company, and Deed of assignment between by MRTDEVCO to NTDCC on February 21, 2002.

**Change in Corporate Name.** On May 30, 2014, the SEC approved the amendment of the Articles of Incorporation and By-Laws of the Company, changing its name to Metro Global Holdings Corporation (from Fil-Estate Corporation).

## **New Management Plans**

**New Strategic Partner.** The Company went into serious discussions with possible foreign strategic partners to focus on the rail-related infrastructure business of the Company.

**Proposal to Department of Transportation and Communications (DOTC).** On December 19, 2014, the Company presented to the Department of Transportation and Communication (DOTC) its proposal for a Fast Track Rehabilitation of the MRT-3 system as a substantial shareholder of Metro Rail Transit Corporation (MRTC), owner of the MRT-3 System. The proposal, included among others, the total rehabilitation of the MRT-3 rail system and of the existing 73 rail cars, and the acquisition of new rail cars, at no cost to the government.

The Company intended to undertake the Fast Track Rehabilitation proposal together with its new foreign strategic partners and a local partner.

As of September 30, 2015, no update had been received by the Company from DOTC.

**Other Business Mandate.** The Company continued to pursue its new business mandate of getting involved in property projects relating to resort/leisure and entertainment facilities. A more aggressive outlook in property development has also been adopted by the Company in view of an upsurge in the business process outsourcing sector and the increase in demand for retirement and leisure homes.

The Company's key performance indicators (KPIs) cannot be measured or discussed since result of operation was net loss and there was capital deficiency. The Company's operation was strictly confined to that of a holding company. Current ratio for 3rd quarter of 2015 is 0.0062% as compared to 3rd quarter of 2014's ratio of 0.0001%. Please refer to the attached table A.

The company employed two (2) office personnel starting June 2015 up to present.

Cash increased by about P17.8 Thousand, from P94 Thousand in December 2014 to P112 Thousand in September 2015.

The decreased of P2.6 million in the AFS financial assets represents the decrease in the fair market value of the Company's quoted equity securities.

Increase in Accrued Expenses account of about P23.3 million represent the advances received from NTDC and additional accrual in 2015.

The "Due to a stockholder" account decreased by P13.9 Million from December 31, 2014 to September 30, 2015 due to partial payment of FEMI advances.

Net Loss for 3rd quarter of 2015 of about P9.4 million was brought about by the regular operating expenses of the company.

There were no material events, trends, commitments or uncertainties known to management that would address the past and would have an impact on the liquidity and on future operation of the company in general.

There were no any material commitments for capital expenditures, nor any events that will trigger direct or contingent financial obligation that is material to the company.

No material off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons created during this 3rd quarter period.

## FINANCIAL RISK DISCLOSURE

The significant judgments made in classifying a particular financial instrument in the fair value hierarchy.

- **Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position could be derived from active markets, these were determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models were taken from observable markets where possible, but where this was not feasible, a degree of judgment was required in establishing fair values. These judgments may have included considerations of liquidity. Due to the short-term nature of transactions, the fair value of cash in banks, accrued expenses and other current liabilities and due to a stockholder approximate the carrying values as of reporting date. Quoted equity securities are recorded at fair value. Fair value of unquoted equity securities for which no reliable basis for fair value measurement was available are carried at cost, less any accumulated impairment loss.

### **Fair Value Hierarchy**

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which had a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which had a significant effect on the recorded fair value that are not based on observable market data.

The quoted equity securities, the fair values of which were determined using quoted prices in active markets (Level 1), amounted to ₱4.7 million and ₱7.4 million as of September 30, 2015 and December 31, 2014, respectively.

As of September 30, 2015 and December 31, 2014, the Company did not have any financial assets and financial liabilities carried at fair value that are classified under Levels 2 and 3.

On September 30, 2015 and December 31, 2014, there were no transfers among the fair value hierarchies.

A comparison of the fair values as of the date of the recent interim financial report and as of date of the preceding interim period, and the amount of gain/loss recognized for each of the said periods, as follows;

### Quoted Equity Securities

The changes in market value of quoted equity securities that were presented as "Change in fair value of available-for-sale financial assets" in other comprehensive income amounted to ₱ 2.2 million gain in September 2015 and ₱ 4.8 million gain in December 2014.

Movement in AFS financial assets consists of:

	September 2015	Dec. 2014
Acquisition cost	₱2,565,532	₱2,565,583
Cumulative change in fair value of AFS financial assets:		
Balance at beginning of the year	4,809,289	6,268,406
Changes in fair value during the year	(2,647,334)	(1,459,117)
Balance at end of year	2,161,955	4,809,289
	₱4,727,538	₱7,374,872

The criteria used to determine whether the market for a financial instrument is active or inactive, as defined under PAS 39 - Financial instruments.

- (1) Determination of Fair Value of Financial Assets not quoted in an Active Market. The Company classifies financial asset valuating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arms' length basis.
- (2) The fair values of the company's investments in MRTHI and MRTHII cannot be reasonably determines as the shares are unquoted nor were there any expected future cash flows in view of the sale of future distributions entered into by the participated shareholders of MRTHI and MRTHII with TBS Kappitel Corporation Pte Ltd (TBS Kappitel) and that the investments, pursuant to the option agreement with FEMI will be used to settle the Company's liability to FEMI. The carrying amount of unquoted investments amounted to P 1,530.7 billion as of September 30, 2015 and December 31, 2014.

## **PART II - OTHER INFORMATION**

No Form 17-C was submitted to SEC during the first nine (9) months of the calendar year 2015.

**Table A**

Financial Ratios	Formula	3 <sup>rd</sup> quarter 2015	3 <sup>rd</sup> quarter 2014
a) Current Ratio	$\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$	0.0062%	0.0001%
b) Solvency Ratio	$\frac{\text{Net Profit after Tax (or NPAT) + Depreciation and amortization}}{\text{Total Liabilities}}$		
c) Debt-to-Equity Ratio	$\frac{\text{Total Debt}}{\text{Total Stockholders' Equity}}$		
d) Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$		
e) Net Profit margin	$\frac{\text{NPAT}}{\text{Net Revenues}}$		
f) Return on assets	$\frac{\text{NPAT}}{\text{Average Total Assets}}$		
g) Return on Equity	$\frac{\text{NPAT}}{\text{Average Total Stockholders' Equity}}$		

## SIGNATURES

Pursuant to the requirements of the Revised Securities Act, the registrants has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized

Registrant: Metro Global Holdings Corporation


Signature and Title

  
**Atty. Ferdinand T. Santos**  
President

Date : June 5, 2018

Principal Financial/Accounting Officer/Controller:

Signature and Title

  
**Ramon G. Jimenez**  
Vice President for Accounting