

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

(Contact Person)

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3	0
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Month Day
(Fiscal Year)

	1	7	-	Q
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(Form Type)

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Month Day
(Annual Meeting)

846-7910

(Company Telephone Number)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

OF FOLLOWINGS

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

LCU

[illegible]

Document ID

Cashier

Cashier

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, 2018
2. SEC identification number 184228 3. BIR Tax Identification No 000-275-291-000
4. Exact name of issuer as specified in its charter MRC ALLIED, INC.
5. Makati City, Philippines
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. 5th Floor, Eurovilla 4 Building, 853 A. Arnaiz Avenue, Makati City 1229
Address of issuer's principal office Postal Code
8. +632 846-7910
Issuer's telephone number, including area code
9. MRC ALLIED INDUSTRIES, INC.
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common
Stock Outstanding and Amount of Debt outstanding |
|----------------------|--|
| <u>Common Shares</u> | <u>8,512,658,975</u> |
11. Are any or all of the securities listed on the Philippine Stock Exchange?
Yes ☒ No ☐
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 ☐

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

See attached.

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

See attached.

PART II--OTHER INFORMATION

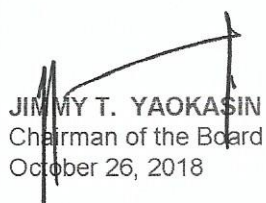
The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

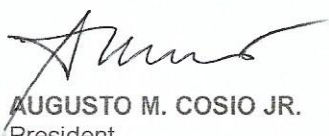
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MRC ALLIED, INC.

By:



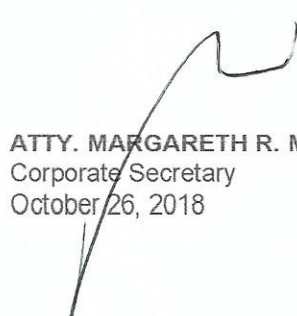
JIMMY T. YAOKASIN
Chairman of the Board
October 26, 2018



AUGUSTO M. COSIO JR.
President
October 26, 2018



BERNARD B. RABANZO
Treasurer
October 26, 2018



ATTY. MARGARETH R. MENDOZA
Corporate Secretary
October 26, 2018

MRC ALLIED, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE QUARTER ENDED SEPTEMBER 30, 2018
(With Comparative Figures for December 31, 2017)

	September 30, 2018 UNAUDITED	2017
ASSETS		
Current Assets		
Cash	620,411	716,788
Trade and other receivables-net	382,057	657,497
Due from related parties	17,168,502	15,876,168
Real estate projects	562,805,383	562,805,383
Other current assets-net	4,827,570	4,232,110
Total Current Assets	585,803,923	584,287,946
Noncurrent Assets		
Property and equipment-net	8,010,787	10,556,553
Exploration and evaluation assets	464,252,600	464,252,600
Other noncurrent assets	281,227,146	281,227,146
Total Noncurrent Assets	753,490,533	756,036,299
TOTAL ASSETS	1,339,294,456	1,340,324,245
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	25,000,000	25,000,000
Trade and other payables	344,389,748	342,183,405
Due to related parties	186,623,579	163,749,474
Subscription payable	255,250,000	255,250,000
Total Current Liabilities	811,263,327	786,182,879
Noncurrent Liability		
Pension liability	7,005,148	7,005,148
Deferred Tax Liability	2,123,245	2,123,245
Total Noncurrent Liabilities	9,128,393	9,128,393
Total Liabilities	820,391,720	795,311,272
Equity (Capital Deficiency)		
Capital stock-P0.10 par value		
Authorized shares-15,000,000,000		
Issued shares-8,512,658,975	851,265,898	851,265,898
Additional paid-in capital	-	-
Deficit	(332,363,162)	(306,252,925)
Total Equity	518,902,736	545,012,973
TOTAL LIABILITIES AND EQUITY	1,339,294,456	1,340,324,245

See accompanying Notes to Consolidated Statements

MRC ALLIED, INC. (formerly MRC ALLIED INDUSTRIES, INC.) AND SUBSIDIARY

Notes to Financial Statements

As of June 30, 2018

1	Cash		
	Bank of Commerce		<u>620,411</u>
2	Accounts Receivable consists of:		
	Trade Receivables	-	
	Advances to:		
	Officers & Employees	382,057	
	Less: Allowance for Doubtful Accounts	-	
			<u>382,057</u>
3	Real Estate Projects		
	Developed Land for Sale	359,257,715	
	Land Under Development	203,547,668	
			<u>562,805,383</u>
4	Due from related parties		
	New Cebu Township One		<u>17,168,502</u>
5	Property and equipment		
	Land	1,045,000	
	Transportation equipment	4,747,082	
	Furniture, Fixtures and Equipment	560,620	
	Land and Lease Improvements	1,658,085	
	Gold processing plant & tunnels	-	
			<u>8,010,787</u>
6	Exploration and evaluation assets		
	Surigao Mines, Inc.	444,252,600	
	Tampakan Mines, Inc.	20,000,000	
			<u>464,252,600</u>
7	Bank Loans		
	First Metro Investment Corporation		<u>25,000,000</u>
8	Accounts Payable and Other Liabilities		
	Accounts Payable	-	
	Accrued		
	Interest & Penalties	343,691,135	
	Project Costs	679,989	
	Statutory liabilities	(5,460)	
	Subscription Payable	255,250,000	
	Others	24,085	
			<u>599,639,749</u>
9	Due to related parties		
	Advances From Stockholders		<u>186,623,579</u>

MRC ALLIED, INC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2018
(With Comparative Figures for September 30, 2017)

	JANUARY TO SEPTEMBER 30, 2018 UNAUDITED	JANUARY TO SEPTEMBER 30, 2017 UNAUDITED
EXPENSES		
Mining Expenses	-	-
Interest	2,437,350	2,437,350
General and administrative	23,702,888	16,030,942
Other charges-net	-	-
LOSS BEFORE INCOME TAX	26,140,238	18,468,292
INCOME TAX BENEFIT	-	-
NET LOSS	26,140,238	18,468,292
OTHER COMPREHENSIVE INCOME	30,000	-
TOTAL COMPREHENSIVE LOSS	26,110,238	18,468,292
BASIC/DILLUTED LOSS PER SHARE	0.003	0.002

See accompanying Notes to Consolidated Statements.

MRC ALLIED, INC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2018
(With Comparative Figures for September 30, 2017)

	JULY TO SEPTEMBER 30, 2018 UNAUDITED	JULY TO SEPTEMBER 30, 2017 UNAUDITED
EXPENSES		
Mining Expenses	-	-
Interest	812,450	812,450
General and administrative	6,313,419	5,563,347
Other charges-net	-	-
LOSS BEFORE INCOME TAX	7,125,869	6,375,797
INCOME TAX BENEFIT	-	-
NET LOSS	7,125,869	6,375,797
OTHER COMPREHENSIVE INCOME	(30,000)	-
TOTAL COMPREHENSIVE LOSS	7,095,869	6,375,797
BASIC/DILLUTED LOSS PER SHARE	0.001	0.001

See accompanying Notes to Consolidated Statements.

MRC ALLIED, INC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2018
(With Comparative Figures for September 30, 2017)

	Capital Stock	Additional Paid-in Capital	Deficit	Total
Balances at December 31, 2017	851,265,898	-	(306,252,925)	545,012,973
Total Comprehensive loss for the quarter			(26,110,238)	(26,110,238)
Balances at September 30, 2018	851,265,898	-	(332,363,162)	518,902,736

Balances at December 31, 2016	851,265,898	-	(245,550,115)	605,715,783
Total Comprehensive loss for the quarter			(18,468,292)	(18,468,292)
Balances at September 30, 2017	851,265,898	-	(264,018,407)	587,247,491

See accompanying Notes to Consolidated Statements.

MRC ALLIED, INC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2018
(With Comparative Figures for September 30, 2017)

	Capital Stock	Additional Paid-in Capital	Deficit	Total
Balances at June 30, 2018	851,265,898	-	(325,267,294)	534,914,060
Total Comprehensive loss for the quarter			(7,125,869)	(7,125,869)
Balances at September 30, 2018	851,265,898	-	(332,393,162)	518,872,736
Balances at June 30, 2017	851,265,898	-	(257,642,610)	593,623,288
Total Comprehensive loss for the quarter			(6,375,797)	(6,375,797)
Balances at September 30, 2017	851,265,898	-	(264,018,407)	587,247,491

See accompanying Notes to Consolidated Statements.

MRC ALLIED, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2018
(With Comparative Figures for September 30, 2017)

	JANUARY TO SEPTEMBER 30, 2018 UNAUDITED	JANUARY TO SEPTEMBER 30, 2017 UNAUDITED
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(26,140,238)	(18,468,292)
Adjustment for:		
Interest expense	-	-
Depreciation and amortization	2,545,766	945,438
Provision for probable losses and impairment		
Operating loss before working capital changes	(23,594,472)	(17,522,854)
Decrease (increase) in:		
Trade and accounts receivable	275,440	(540,100)
Other current assets	(595,460)	(495,290)
Increase (decrease) in:		
Trade and other payables	2,206,343	2,577,438
Pension liability	-	-
Net cash used in operating activities	(21,708,149)	(15,980,806)
CASH FLOW FROM A FINANCING ACTIVITIES		
Increase in amount due to related parties	21,612,772	15,980,806
NET INCREASE IN CASH	(96,377)	-
CASH AT BEGINNING OF YEAR	716,788	867,514
CASH AT END OF YEAR	620,411	867,514
NON CASH TRANSACTIONS		
Advances by related parties for:		
Exploration and evaluation costs capitalized		
Property and equipment acquisitions		
Increase in other noncurrent assets		
Settlement of loans		
Debt-to-equity conversion		
	-	-

See accompanying Notes to Consolidated Statements.

MRC ALLIED, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED SEPTEMBER 30, 2018
(With Comparative Figures for September 30, 2017)

	JULY TO SEPTEMBER 30, 2018 UNAUDITED	JULY TO SEPTEMBER 30, 2017 UNAUDITED
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(7,095,869)	(6,375,797)
Adjustment for:		
Interest expense	-	-
Depreciation and amortization	848,589	321,119
Provision for probable losses and impairment		
Operating loss before working capital changes	(6,277,280)	(6,054,678)
Decrease (increase) in:		
Trade and accounts receivable	(10,500)	(303,100)
Other current assets	(167,995)	(131,349)
Increase (decrease) in:		
Trade and other payables	636,298	778,103
Pension liability	-	
Net cash used in operating activities	(5,819,477)	(5,711,024)
CASH FLOW FROM A FINANCING ACTIVITIES		
Increase in amount due to related parties	5,819,477	5,711,024
NET INCREASE IN CASH	30,000	-
CASH AT BEGINNING OF SECOND QUARTER	590,411	867,514
CASH AT END OF THIRD QUARTER	620,411	867,514
NON CASH TRANSACTIONS		
Advances by related parties for:		
Exploration and evaluation costs capitalized		
Property and equipment acquisitions		
Increase in other noncurrent assets		
Settlement of loans		
Debt-to-equity conversion		
	-	-

See accompanying Notes to Consolidated Statements.

PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements Required under SRC RULE 68.1

1. Basic and Diluted Earnings per Share (See Attached Income Statement)
2. The accompanying consolidated interim financial statements of MRC Allied, Inc. (MAI) were prepared in accordance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS).

Notes to Financial Statements:

- a. The accompanying financial statements were prepared in compliance with PFRS. The financial statements have been prepared using the historical cost basis and are presented in Philippine Pesos.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, Statement of Cash Flows - Disclosure Initiative – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to PAS 12, Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses – The amendments clarify the accounting for deferred tax where an asset is measured at fair value and the fair value is below the asset's tax base (e.g. deferred tax asset related to unrealized losses on debt instruments measured at fair value), as well as certain other aspects of accounting for deferred tax assets.

The adoption of the foregoing amended PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

New and Amended PFRS Not Yet Adopted

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2017 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2018 -

- PFRS 9, Financial Instruments – This standard will replace PAS 39, Financial Instruments: Recognition and Measurement (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will be no longer necessary for objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Effective for annual periods beginning on or after January 1, 2019

- PFRS 16, Leases – The biggest change introduced by the new standard is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.
- Philippine Interpretation IFRIC 23, Uncertainty Over Income Tax Treatments – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, Income Taxes, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

Deferred effectivity

- Amendment to 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 – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the consolidated financial statements of the Company. Additional disclosures will be included in the consolidated financial statements, as applicable.

The Company's risk management objectives and policies- The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is coordinated with its Management in close cooperation with the Board of Directors, focuses on actively securing the Company's short-to medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The first time application of the standards and amendments has not resulted in any prior period adjustments of cash flows, net income or balance sheet line items

- a. There is no significant seasonality or cycle of interim operations.
- b. Material events subsequent to the end of the interim includes the application of the following: (i) On January 14, 2014 the SEC approved the Company's further equity restructuring by applying additional paid-in capital of P281.9 million to fully wipe out the remaining deficit.
- c. There are no changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.
- d. There are no material changes in the contingent liabilities or contingent assets since the last annual balance sheet date.
- e. There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

MRC ALLIED, INC.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results or Plan of Operation

2a) Plan of Operation

The Company has incurred expenses as it continues to explore and develop potential business ventures, particularly renewable energy, resulting to a deficit. However, because of debt-to-equity conversions in 2013 and 2012 and the equity restructuring in 2014 and 2013, it has reduced its deficit resulting to a positive equity of P=545.0 million and P=605.7 million as at December 31, 2017 and 2016, respectively.

The Company's business development projects are discussed as follows:

a. Clean and Renewable Energy

- Solar Power Plant

The Company, through its subsidiary, MREN, will develop in New Cebu Township One (NCTO) at least 60 megawatt solar power plant that can either supply electricity to the Visayas grid and/or offer its production to large power consumers within and around Naga City, Cebu. On October 10, 2015, MREN prequalified for the award of the service contract related to the solar project. On December 23, 2015, MREN was granted a service contract by the Department of Energy (DOE) for the development of the 60 megawatt solar power project (Naga Solar Project). The said project is currently in its pre-development phase. On January 25, 2017, the BOD of MREN approved the increase of its authorized capital stock from P=100 million to P=500 million and decrease in par value from P=100 per share to P=1 per share in order to allow the infusion of additional capital. Management is in discussions with local distribution utilities, end-users and other stakeholders for possible supply of electricity from the Naga Solar Project through the execution of a Solar Power Plant Sales Agreement.

On October 2, 2017, the Company acquired 15% ownership in Sulu Electric Power and Light Philippines, Inc. (SEPALCO), which owns and operates a 50 megawatt solar project located in Palo, Leyte for P=255.3 million.

- Solar Photovoltaic Systems Project

On February 8, 2018, the Company entered into a contract with Uni Solar Inc. (USI) for the design, supply, delivery, installation, testing and commissioning of solar PV rooftop systems with a target capacity of 4MW of Xentro Mall Developer, Inc., a Company which owns and operates shopping malls in the Philippines and the operation and maintenance of the same.

b. Real Estate

The Company has two land banks consisting of 160-hectare industrial estate in Naga City, Cebu known as the NCTO and 700 hectares raw land in San Isidro Municipality, Leyte known as Amihan Woodlands Township (AWT) (see Note 5). The NCTO comprises of parcels of land that are registered with the Philippine Economic Zone Authority (PEZA). Based on the latest appraisal, the properties have a fair market value of P=1.9 billion as at December 31, 2017.

The Company will lease out portions of the NCTO property for the use and development of the Naga Solar Project to MREN. The Company will also sell unused portions of the NCTO property to interested buyers.

c. Mining

The Company entered into Mines Operating Agreements (MOA) for gold and copper with Alberto Mining Corporation (AMC) and Pensons Mining Corporation (PMC) for the exploration and evaluation of the following mining sites:

Location	No. of Hectares
Kiblawan, Davao del Sur and Columbio, Sultan Kudarat	7,955.7
Marihatag, Surigao del Sur	3,759.3
Paquibato, Davao City	8,475.6
Boston and Cateel, Davao Oriental	4,860.0

Exploration and evaluation assets recognized in the consolidated statements of financial position amounted to P=464.3 million as at December 31, 2017 and 2016.

The above mining sites have ongoing applications for Exploration Permit (EP) with the Mines and Geosciences Bureau (MGB). Its applications are already in the final stage and it is set to issue a memorandum advice containing the result of their evaluation of the applications. The memorandum advice and the compliance by the Company therein will lead to the issuance of the clearance for the approval of the application for EP.

The ability of the Company to continue as a going concern depends largely on the successful implementation of the above business development projects.

2b) Financial Condition and Results of Operation as of December 31, 2017

2017 – The company total assets is P1.340 billion and P1.084 billion as at December 31, 2017 and December 31, 2016, respectively. Receivables amounted to P16.533 million and P15.960 million as at December 31, 2017 and 2016, respectively, are advances made to stockholders and officers and employees and are settled through liquidation and salary deduction for a specified period of time. In 2017 and 2016, the Company provided allowance for impairment losses amounting to P0.254 million. Real estate projects are valued at P359.26 million and P203.55 million for AWT and NCTO, respectively. There were no borrowing costs capitalized as at December 31, 2017 and 2016. The Company, in its normal course of business, has transactions with its related parties. Noninterest bearing cash advances to MCC of ₱16.1 million in December 31, 2017 and P15.9 million in December 31, 2016. The Company obtained cash advances from its stockholder for working capital requirements which amounted to P163.7 million and P124.6 million as at December 31, 2017 and 2016, respectively. These advances are due and payable on demand. Noninterest bearing cash advances made to officers amounted to P0.349 million and nil as at December 31, 2017 and 2016, respectively. In 2017 and 2016, the Company provided allowance for impairment losses on advances to officers and employees amounting to P0.254 million. There were no compensation of key management personnel of the Company in 2017 and 2016. Other current assets amounting to P4.232 million and P3.337 million as at December 31, 2017 and 2016, respectively. The Company recognized allowance for impairment losses amounting to P8.619 million and P8.133 million in 2017 and 2016, respectively. Property and equipment amounted to P10.557 million and P12.529 million as at December 31, 2017 and 2016, respectively. The cost of fully depreciated property and equipment that are being used by the Company amounted to P5.3 million and P45.6 million in 2017 and 2016, respectively. No movement on exploration and evaluation assets of P464.25 million as at December 31, 2017 and 2016, respectively. Other noncurrent assets of P281.2 million and P24.5 million as at December 31, 2017 and 2016, respectively. The increase was due to 15% investment in the shares of stock of SEPALCO and the predevelopment costs incurred by the Company in acquiring licenses and service contracts in relation to Menlo Renewable Energy's solar energy service contract with DOE in Naga City, Cebu. Bank loans of P25.0 million as at December 31, 2017 and 2016, represents due and demandable, unsecured loans payable to First Metro Investment Corporation, with 13% annual interest. Trade and Other Payable consists of Accrued Interest and penalties incurred on the outstanding loans amounting to P342.18 million and P317.22 million for 2017 and 2016, respectively. Due to related party of P163.75 for 2017 and P124.56 million for 2016. These are transactions made from a stockholder for working capital advances and acquisition of licenses for Menlo Renewable Corporation. Retirement liabilities amounted to P7.00 million for 2017 and P11.79 million for 2016. These are unfunded, defined benefit retirement plan covering all its qualified employees. As a result, the Company's deficit for 2017 is at negative P306.25 million while for 2016, it's a negative P245.55 million.

In terms of profitability, MRC's net loss stood at P60.70 million in 2017 compared to P65.80 million net loss in 2016. The decrease in net loss of P5.10 are primarily attributable to the Company's other income particularly on reversal of allowance for impairment losses and remeasurement gain on net retirement liability.

2c) Comparable Discussion of Interim Period as of 30 September 2018

The Group's aggregate resource stood at P1.339 Billion, while total liabilities and equity amounted to P820.39 Million and P518.90 Million respectively, as of 30 September 2018. Comparing September 30, 2018 against December 2017 level, total resources net decreased by P1.030 million attributed principally on accumulated depreciation and advances of subsidiaries and affiliates. Total liabilities went up by P25.080 Million in 30 September 2018 due to the following: (i)) accrual of interest and penalties of the existing bank loans and transactions recorded in the related parties and advances to stockholders to fund the day to day operations of the Company. Total stockholders' equity was recorded at P518.90 Million in 30 September 2018 as against of P545.01 Million in 31 December 2017 due mainly to the general expenses for the third quarter of 2018.

On a quarter to quarter basis, total assets of the Group for the third quarter of 2018 amounted to P1.339 Billion compared to the total assets as of end of third quarter of 2017 were increased by P0.255 million. The increase is due to investments in the shares of stock of SEPALCO and predevelopment costs incurred in relation to Menlo Renewable Energy Corporation's solar energy service contract.

Total liabilities of the Group as of third quarter of 2018 increased by P322.83 Million net of P497.56 million compared to P820.39 million this quarter against the same quarter of 2017. This increase was due to subscription payable which represents investments of stocks and to the advances made to stockholders for working capital requirements of its subsidiaries and the accrual of interest on the bank loan and other payables for this quarter of 2018.

MRC ended the third quarter of 2018, with a total net loss of P26.11 Million compared to P18.47 Million in the third quarter of 2017. The increase was largely due to the related party transaction with Menlo Capital Corporation to support the general and administrative expenses of the company and the accrual of interest on the bank loans.

Key Performance Indicators

	2018	2017
Current/liquidity ratio	0.72	0.74
Current Assets	585,803,923	584,287,946
Current liabilities	811,263,327	786,182,879
Solvency ratio	(0.029)	(0.083)
After tax income (loss) less dep	(23,594,472)	(65,657,050)
Total liabilities	820,391,720	795,311,272
Debt-to-equity ratio	1.58	1.46
Total liabilities	820,391,720	795,311,272
Total equity	518,902,736	545,012,973
Asset-to-equity ratio	2.55	2.46
Total assets	1,339,294,456	1,340,324,245
Total equity	518,902,736	545,012,973
Interest rate coverage ratio	(9.72)	(1.73)
Loss before interest and taxes	(23,702,888)	(42,203,639)
Interest expense	2,437,350	24,433,443
Profitability ratio		
Return on assets	(0.02)	(0.05)
After tax income	(26,110,238)	(65,657,050)
Total assets	1,339,294,456	1,340,324,245

Return of equity	(0.05)	(0.12)
After tax income	(26,110,238)	(65,657,050)
Total equity	518,902,736	545,012,973

Discussion and Analysis of Materials Events

(1) i. MRC's debt-to-equity restructuring have a material impact on its liquidity and equity in the first quarter of 2014. The quasi-reorganization, debt-to-equity conversion and the decrease in MRC's par value resulted to a positive equity.

ii. There are no other known trends, commitments, events or uncertainties that will have a material impact on MRC's liquidity within the next twelve (12) months except for those mentioned above.

(2) i. There are no material commitments as yet for capital expenditures.

ii. There are no events that will trigger any direct or contingent financial obligation that is material to the Group or any default or acceleration of an obligation for the period.

(3) i. There is nothing to disclose regarding any material off-balance sheet transaction, arrangements, obligations (including contingent obligations) and other relationships of MRC with unconsolidated entities or other persons created during the reporting period.

(4) There are no other significant elements of income or loss that did not arise from the MRC's operations or borrowings for its projects.

(5) The material changes of 5% or more from period to period of the following accounts are as follows:

Balance Sheet Accounts:

Total assets is P1.339 billion and total liabilities and equity is P820.39 million and P518.90 million, respectively. Total assets went down by P1.030 million this quarter due to increase in current assets and accumulated depreciation and amortization.

Trade and other payables of P344.39 million went up by P2.206 million because of the accrual of interest on the bank loan, statutory liabilities and other payables in third quarter of 2018.

Due to a related party amounted to P186.62 million in 2018. The increase of P22.87 million was due to the advances made from a stockholder for working capital operation of its subsidiary.

Subscription payable of P255.25 pertains to the 15% investment in the shares of stock of SEPALCO.

Income Statement Accounts:

Net loss of P7.096 million compared to the Company's net loss of P6.375 for 2017 of the same quarter. Net loss for this quarter is attributed to the accrual of interest of loans amounting to P0.812 million, depreciation of P0.849 million.

General and administrative expenses of P6.31 million as against P5.56 million for third quarter of 2017. The increase in general and administrative expenses is attributed to the depreciation and amortization amounting to P0.849 million; salaries and wages of P2.54 million; and other expenses in the day to day operation of the Company.

Financial Risk Disclosure under SRC RULE 17.1 (1) (A) (ii)

The Company's principal financial instruments are cash, due from a stockholder, loans payable, accrued interest and penalties and other payables (excluding statutory payables) and due to a related party.

The BOD is responsible for the Company's risk management. The Company has risk management policies to identify and manage Company exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to liquidity risk and credit risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks which are summarized below.

1. Liquidity Risk. The Company's objective is to maintain a balance between continuity of funding and flexibility through availment of loans and advances from related parties. The assets are sufficient to pay the financial liabilities when they fall due.
2. Credit Risk. Credit risk refers to potential loss arising from failure by counter parties to fulfill their obligations.

MRC Allied, Inc.

Aging of Accounts Receivable

As of September 30, 2018

	Total	1-3 mos	4-6 mos	7 mos to 1 year	1-2 years	3-5 years	Past Due Accts. & Items in Litigation
1) Type of Accounts Receivable:							
a) Trade Receivables	0.00					0.00	
Less: Allowance for Doubtful Accounts	(0.00)					(0.00)	
Net Trade Receivables	0.00					0.00	
b) Non- Trade Receivable:							
1. Advances							
Suppliers	0.00					0.00	
Officers & Employees	382,057.00					382,057.00	
Net Receivable	382,057.00	0.00	0.00	0.00	0.00	382,057.00	

-Nothing follows-