

COVER SHEET

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SEC Registration No.

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

(Company's Full Name)

2 2 N D F L O O R C I T I B A N K T O W E R , 8 7 4 1 P A S E O D E R O X A S , M A K A T I C I T Y

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

Atty. Nestor S. Romulo
Contact Person

(632) 706-7888
Contact Telephone No.

1 2 3 1
Fiscal Year

1 7 - A
FORM TYPE

Any day in May
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

833
Total No. of Stockholders

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 purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 174
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES



1. For the fiscal year ended DECEMBER 31, 2008
 2. SEC Identification Number 296 3. BIR Tax Identification No. 000-130-411
 4. Exact name of issuer as specified in its charter
METRO ALLIANCE HOLDINGS & EQUITIES CORP.
 5. PHILIPPINES
Province, Country or other jurisdiction
of incorporation or organization
 6. (SEC Use Only)
Industry Classification Code:
 7. 22nd FLOOR CITIBANK TOWER, 8741 PASEO DE ROXAS, MAKATI CITY 1226
Address of principal office Postal Code
 8. (632)-706-7888
Issuer's telephone number, including area code
 9. Not Applicable
Former name, former address, and former fiscal year, if changed since last report.
 10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common – Class A	183,673,470
Common - Class B	122,448,979
Debt outstanding	951,637,628
 11. Are any or all of these securities listed on a Stock Exchange.
Yes [] No []
- If yes, state the name of such stock exchange and the classes of securities listed therein:
- | | |
|----------------------------------|-------------------------|
| Philippine Stock Exchange | Common – Class A |
| | Common – Class B |
12. Check whether the issuer:
 - (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes [] No []
 - (b) has been subject to such filing requirements for the past ninety (90) days.
Yes [] No []
 13. Aggregate market value of the voting stock held by non-affiliates:
Php283,997,334

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. Description of Business

(1) Business Development

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

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

The registered address of the Company is at 22nd Citibank Tower, 8741 Paseo De Roxas, Makati City.

Status of Operation

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

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

Acquisition Transactions

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

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

To partially finance the Company's advances relating to the Petrochemical Project, the Company obtained short-term loans from local banks (see Note 9). With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Company was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled ₱866.7 million, consisting of the outstanding principal balance of ₱378.3 million and finance charges of ₱488.4 million. In 2007 these past due liabilities were transferred to and applied against the advances made to Polymax.

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

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

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

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

On November 15, 2005, BPC and Polymax executed a Deed of Assignment whereby BPC transferred and conveyed to Polymax all its rights and interest to Polymax's 85

million shares of common stock, with a total value of US\$85 million, in exchange for the discharge of a portion of BPC's secured debt, which was acquired by Polymax from IFC, up to the extent of the value of the shares transferred. Polymax retired the said shares 10 days from the date the Deed of Assignment.

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

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

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

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

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

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

On December 31, 2006, the ARSPA Variation Agreement expired with the conditions subsequent remaining unsettled. Nevertheless NPCI and PCII took control of the

petrochemical plant resulting in a dispute with the Company and Polymax, which considered the sale of Polymax's 40% and 20% interest in the petrochemical plant to NPCI and PCII as null and void.

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

Subsequently on August 27, 2013, the Company and Polymax ("Respondents") entered into a settlement agreement with NPCI, PIIC and NPC ("Claimants") to resolve the dispute arising from the uncompleted acquisition transactions described above.

By letter dated October 31, 2013, the Claimants informed the Tribunal that the Parties to all three arbitrations had settled their disputes and that they wished to cease the proceedings. A request was made, to which the Respondents concurred by letter dated November 21, 2013, that the Tribunal issue a procedural order to record that the proceedings be withdrawn by agreement.

By letter dated November 22, 2013, the Tribunal agreed to make the order requested and said that it would fix the cost of the arbitration. In response to the Tribunal's enquiry about the Parties' own legal costs and expenses, the Respondents said that no party was seeking an order that another party should contribute to its legal cost.

The Claimants requested time to seek instructions from their clients in response to the Tribunal's enquiry. On October 2, 2014, the Claimants requested the Tribunal to issue Orders in each arbitration recording withdrawal of the Proceedings by agreement of the Parties, and fixing costs and returning the Claimants deposit against costs, following the deduction of any outstanding sums owing to the Tribunal. It is apparent from this letter as well as the response of the Respondent that none of the Parties are seeking an order in respect of their own cost.

It is also apparent from the Parties' submissions to the Tribunal that they agreed that this arbitration should be terminated and that the Tribunal should fix the costs of the arbitration. Further, as only the Claimants have made deposits towards those costs, it is appropriate that, after deducting from those deposits the cost of the arbitration as fixed by this Order, the balance held by the London Court of International Arbitration (LCIA) should be returned to the Claimants.

Business Development of the Subsidiaries:

GAC Logistics, Inc. (GACL) [Now Metro Combined Logistics Solutions, Inc. (MCLSI)]

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

Mabuhay Vinyl Corporation (MVC)

Mabuhay Vinyl Corporation (MVC) was 42.69% owned by MAHEC as of December 31, 2006. In 2007, the Company sold its 37.69% interest in MVC, retaining 5% which was reclassified to AFS investments and ceased to be a subsidiary as of December 31, 2007. The remaining 5% was subsequently sold in 2012. MVC involves in chlor-alkali business. It basically manufactures chemicals for household applications such as caustic soda, hydrochloric acid, liquid chlorine and sodium hypochlorite.

Non-operating Subsidiaries

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

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

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

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

Bankruptcy, receivership and similar proceedings

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

Material reclassification, merger consolidation or purchase

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

(2) Business of Metro Alliance

(a) Description of Registrant

(i) Principal products and services

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

Principal products or services of its subsidiaries MCLSI:

GACL

GACL provides contract Logistics and Supply Chain Management Services to meet the business needs of major companies in the Philippines. Contract logistics and supply chain management services include third party warehousing and distribution, consultancy and project management services to multinational and local companies which include Johnson & Johnson (J & J), Philip Morris Philippines (PMP), 3M Philippines, Interphil Laboratories, Inc. (ILI), and Zuellig Pharma Corporation (ZPC). Revenue contribution of each principal for the year 2008 is as follows:

Principal	Service Income (millions)	% to Total
J & J	19.31	30%
ZPC	17.38	27%
3M	14.80	23%
ILI	9.65	15%
PMP	3.22	5%
Total	64.36	100%

(ii) Export sales

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

(iii) Distribution Methods of the Products

GACL

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

(iv) Publicly-announced new product or service.

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

(v) Competition

GACL

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

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

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

(vii) Dependence on one or few major customers

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

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

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

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

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

(x) Government approval of principal products or services

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

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

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

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

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

(xiii) Costs and effects of compliance with environmental laws

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

(xiv) Total Number of Full Time-Employees (as of December 31, 2008):

Metro Alliance

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

GACL

	<i>Rank and File</i>	<i>Supervisors</i>	<i>Managers and up</i>	<i>Total</i>
Operations	115	17	6	138
Administrative	2	1	2	5
Total	117	18	8	143

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

(xv) Major Risks

Metro Alliance

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

Metro Alliance's financial instruments consist of cash, advances to or from affiliates, loans and long-term debt. The carrying amounts of these financial instruments, which are currently due and demandable, approximate their respective fair values as of balance sheet date. The main risk arising from Metro Alliance's financial instruments are interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and approves policies for managing each of the risks.

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

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

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

GACL

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

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

(b) Additional Requirements as to Certain Issues or Issuers

Not Applicable

Item 2. Properties

Description of Property

Metro Alliance

Metro Alliance leases a 34 square meter office space located at 22nd Floor, Citibank Tower, Paseo de Roxas, Makati City at a monthly rental fee of P27,200 as of December 31, 2008. It currently leases a 40 square meter office space located at the 35th Floor, One Corporate Centre, Dona Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City when it transferred last 2010. Amendment of the articles of incorporation for the change of official business address will be recommended for approval at the annual stockholders' meeting. Monthly net rental fee is P22,050. Lease contract is for two years starting April 2012 and renewable every two years.

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

GACL

GACL leases 26,801 square meters of warehouse space located in Tunasan, Muntinlupa for its principal. Lease expires on various dates up to August 1, 2008 and renewable thereafter. The other warehouses for its other principals are either owned or leased by the respective principals. GACL also leases five battery and electrical forklift models, and five electric reach truck model for its warehouses – Carmona, Cabuyao and Panorama – with total monthly rentals of P125,000 and P270,000, respectively. Lease term is on a monthly basis.

GACL sub-leases 80 square meters of office space at 7th Floor, F&M Lopez Building II, 109 Carlos Palanca St., Legaspi Village, Makati City, at a lease rental of P22,000 per month. Lease expires in September 2008 and renewable thereafter. GACL previously leased 156.6 square meters of office space at Suite 2002, Alabang Business Tower, Madrigal Business Park, Muntinlupa City, at a lease rental of P35,000 per month.

GACL also entered into a finance lease agreements on various warehouse equipments used in providing its operations. Based from the terms of the agreements, ownership of the equipment shall be transferred to GACL after the lease term or after all relevant monthly fees have been monthly settled. Guarantee deposits and/or residual value of the leased equipment is equal to 10% of the unit price of the equipment.

Details of the finance lease are as follows:

Warehouse Equipment	Location	Monthly Lease (in Php)	Lease Term
KUAP Cartoon clamp (3 units)	Carmona, Cavite	25,665	December 1, 2006 to December 31, 2009
Shinko Forklift	Carmona, Cavite	34,808	September 1, 2007 to September 30, 2009
Yale Forklift	Carmona, Cavite	21,805	December 1, 2006 to December 31, 2009
Shinko Battery Operated Forklift (2 units)	Carmona, Cavite	76,992	December 1, 2006 to December 31, 2009
Shinko Battery Operated Forklift complete with attachments and accessories (2 units)	Panorama, Batangas	124,446	December 8, 2004 to December 31, 2008
Shinko Battery Operated Forklift complete with attachments and accessories (2 units)	Panorama, Batangas	121,254	March 31, 2005 to March 31, 2009

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

Item 3. Legal Proceedings

Metro Alliance

Metro Alliance

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

(CA), which likewise denied the appeal and upheld the assessment against the Parent Company. The Parent Company, through its legal counsel, filed a Motion for Reconsideration with the CA in December 2003.

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

On April 26, 2006, the Parent Company filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Motion for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue. As of October 10, 2014, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable. Management believes, however, that the ultimate outcome of the case will not have a material effect on the consolidated financial statements.

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

Factual basis : Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sales plus Damages

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

Status : On September 14, 2005, Metro Alliance and Philippine Estate Corporation filed a Civil Action for Declaratory Relief, Accounting, Reformation of Contracts, Annulment in Decrease in Interest Rates, Service Charge, Penalties and Notice of Sheriffs Sale, plus Damages with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction. Damages sought are P1,000,000 as and by way or exemplary damages and P500,000 as and by way of attorney's fees; litigation expenses and cost of suit. The case is now pending with the Regional Trial Court of Tagaytay City, Branch 18 0 SCA No. TG-05-2519.

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

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

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

Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction and damages sought are P1,000,000 and other charges of P500,000.

- Case Title : **Securities and Exchange Commission (SEC) En Banc Case No. 07-09-169 For Review of Order of Revocation of Registration of and Permit to Sell Securities**
- Factual basis : The records of the Commission revealed that the 2006 Annual Report (SEC Form 17-A) and 2007 1st, 2nd and 3rd Quarter Report (SEC Form 17-Q) were due for submission. The Company filed its SEC Form 17-L or Notice of Inability to File its 2006 Annual Report (SEC Form 17-A) on May 11, 2007. In response to the Show-Cause Letter of CFD dated June 27, 2007, the Company explained that it had not been able to submit its 2006 Annual Report due to the legal issues involving the acquisition of the petrochemical plant and the surrounding circumstances. On July 30, 2007, the CFD, finding the Company's explanation unmeritorious, partially assessed the Company of P288,000 for its continued failure to file its 2006 Annual Report. Same scenario with its quarterly reports which the CFD assessed a penalty of P27,200 as of August 1, 2007.

Suspension of Registration of Securities

For the Company's continued failure to submit the required reports, a hearing for suspension was scheduled on October 24, 2007, which the Company failed to attend. Another hearing was held on February 18, 2008, wherein the Company reiterated its earlier explanation. Eventually, the Company's Registration of Securities was suspended for a period of sixty (60) days from the Company's receipt of the Suspension Order dated July 17, 2008, or until the company was able to submit the foregoing reports and fully pay the corresponding penalties.

Revocation of Registration of Securities

After the hearing on the revocation of the registration held on November 21, 2008, the Company was allowed by CFD to file on December 5, 2008 its explanation. The Company explained that its inability to file its report was due to the refusal of its External Auditor, Sycip Gorres and Velayo ("SGV"), to give an unqualified opinion on the Company's financial statements. On June 25, 2009, the CFD issued Revocation Order. It was issued due to the Company's failure to comply with the Suspension Order, that is, it failed to file the reports and pay the penalties within sixty (60)

days from receipt of the Suspension Order. The records reveal that the Company filed the afore-said reports on August 12, 2008, which is well within the given sixty-day period for compliance with the Suspension Order. However, CFD deemed such reports as not filed considering that:

- a) 2006 Consolidated Audited Financial Statements of the Group which were attached to the 2006 Annual Report (SEC Form 17-A) contained a qualified opinion from the External Auditor in violation of SRC Rule 68.1(2) which requires an unqualified opinion, rendering the same deemed not filed; and
- b) Since the said 2006 Consolidated Audited Financial Statements of the Company has been deemed not filed, the succeeding reports such as the 2007 1st, 2nd and 3rd Quarter Reports (SEC Form 17-Q) could not be properly accomplished, as a comparative presentation with duly accomplished 2006 Consolidated Audited Financial Statements is required.

SRC Rule 68.1(2), which CFD invokes in support of the above conclusion, provides that:

“Audited financial statements of companies covered by this Rule with an auditor’s opinion that is other than unqualified because of departure(s) from the generally accepted accounting principles in the Philippines shall be deemed not filed and shall give rise to the imposition of appropriate sanctions on the company.

The Commission reserves the right to obtain clarification or to question other modifications in the report issued by the external auditor which it deems unreasonable.”

The Company’s Appeal

The ultimate issue to be resolved is whether CFD erred in revoking the Company’s registration of securities.

The Company filed an Appeal dated July 14, 2009 to the Commission. The Company argues that CFD erred in finding the reports as deemed not filed because the qualified opinion or disclaimer of opinion of the External Auditor was not due to a departure from the generally accepted accounting principles in the Philippines, which is what is required for SRC Rule 68.1(2) to apply, but was made due to a scope limitation that is beyond the control of the External Auditor and is not imposed by its management.

Relief Sought : The Office of the General Accountant (“OGA”) commented that Company’s subject Audited Financial Statements should be considered as filed because, based on the foregoing, SGV’s failure to complete the audit is by reason of limitation of scope, not a deviation

from the generally accepted accounting principles as contemplated by SRC Rule 68.1(2). Further, such Audited Financial Statements contains sufficient disclosure on the legal issues on the acquisition transactions of the petrochemical plant.

The SEC en Banc, premises considered, granted the Order of Revocation of Registration of and Permit to Sell Securities dated June 25, 2009 be SET ASIDE.

However, the timeliness of the filing of the required reports is a totally different issue. The Commission en Banc directed the CFD to determine and impose, after proper proceedings, penalties against the Company for its late filing of its 2006 Annual Report (SEC Form 17-A) and 2007 1st, 2nd and 3rd Quarter Reports (SEC Form 17-Q). As of this report, final amount for all the penalties that accrue cannot be determined. The Company believes that it made provisions sufficient enough to cover the contingent liability.

Case Title	:	Metro Alliance vs The Philippine Stock Exchange (“PSE”)
Factual basis	:	The Company has an outstanding obligation to the PSE in the amount of P2,450,000 as of March 21, 2014 for the repeated violations of the rules and regulations of the PSE starting May 2007 until December 2012. The case was related to the same violation the Company has with the SEC where it also required submitting structured reports such as Annual and Quarterly Report from 2007 until 2012. (Please refer to preceding paragraph for the discussion of the Company’s inability to file such reports). The PSE suspend the trading of the Company last May 2007.
Relief Sought	:	The Company has made provisions on its financial statement sufficient enough to cover such liability.

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

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer’s Common Equity and Related Stockholder Matters

(1) Market Information

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

		Class A		Class B	
		High	Low	High	Low
2008	First Quarter	–	–	–	–
	Second Quarter	–	–	–	–
	Third Quarter	–	–	–	–
	Fourth Quarter	–	–	–	–
2007	First Quarter	0.73	0.73	0.72	0.73
	Second Quarter	–	–	–	–
	Third Quarter	–	–	–	–
	Fourth Quarter	–	–	–	–
2006	First Quarter	0.38	0.23	0.40	0.38
	Second Quarter	0.54	0.54	0.42	0.40
	Third Quarter	0.39	0.40	0.38	0.38
	Fourth Quarter	0.49	0.49	0.36	0.36

The high, low and close market price of Class “A” and Class “B” were P0.70 and P0.84, respectively, as of May 17, 2007, the last practicable trading date before the PSE suspended the Company’s trading last 2007.

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

(2) Holders

a) There are 306,122,449 shares outstanding: 183,673,470 shares are Class "A" and 122,448,979 shares are Class "B". As of December 31, 2008, there are 632 holders of Class "A" shares and 403 holders of Class "B" shares.

Metro Alliance's Top 20 Stockholders as of December 31, 2008 are as follows:

	Stockholder's Name	Number of Shares		Percentage to Total
		Class A	Class B	
1	Creston Global Limited		56,378,388	18.42
2	PCD Nominee Corporation (Filipino)	16,190,768	27,744,171	14.35
3	Chesa Holdings, Inc.	40,500,000		13.23
4	Pacific Wide Realty & Development Corp.	31,498,000		10.29
5	Forum Holdings Corporation	16,376,856	13,432,644	9.11
6	Misons Industrial and Development Corp.	22,000,000		7.19
7	Pacific Concorde Corporation	6,329,500	9,503,908	5.17
8	Rexlon Realty Group, Inc.	12,200,000	2,673,112	4.86
9	Chartered Commodities Corp.	11,296,000		3.69
10	Mizpah Holdings, Inc.	10,128,700		3.31
11	William T. Gatchalian	2,091,000	1,481,500	1.17
12	Pacific Rehouse Corp.	1,258,000	1,670,000	0.96
13	PCD Nominee Corporation (Non-Filipino)		2,613,830	0.85
14	Kenstar Industrial Corp.	2,312,331		0.76
15	Nancy Saw		1,846,500	0.60
16	Tin Fu Or Trajano		820,000	0.27
17	CTBC TA#5-C184; Zuellig Corp.	684,829		0.22
18	UBP Capital Corporation	645,000		0.21
19	Rexlon T. Gatchalian	600,000		0.20
20	Victor Gan Sy	600,000		0.20
	Others	8,962,486	4,284,926	4.33
	Total	183,673,470	122,448,979	100.00

(3) Dividends

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

(4) Recent sales of unregistered or exempt securities

There are no recent sales of unregistered or exempt securities.

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

(1) Plan of Operation

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

The Group still holds 40% interest in the petrochemical plant as of December 31, 2007. The Board will discuss on their succeeding meetings on how best to proceed on this investment. The Board will outline business target projects including possible investment in mining industry. MAHEC's remaining operating subsidiary, GAC, is steadily growing with additional businesses from its existing principals.

Projected Plan for the next 12 months:

- a) The Group will still outline its business target projects, including possible investment in the mining industry. The Group has three options, among others, to infuse capital to finance its project: a) increasing the authorized capital stock to Php3.0 billion thereby requiring new subscription of Php456 million shares of both classes by way of fresh cash by the company; b) offer rights issue at Php1 per share to fully subscribe the remaining 893,879,511 shares thus raise Php893,879,511; and (c) entry of new investor by way of capital infusion amounting to P893,879,511 thus diluting the existing shareholders by 75%.
- b) The Group does not expect significant changes in the number of employees as it still in the stage of exploring new business opportunities. Manpower will be outsourced if needed.
- c) The Group will make purchases of equipment and machineries in the future if needed especially when investment in mining industry will materialize.

(2) Management's Discussion and Analysis

a) Key Performance Indicators

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

Metro Alliance

Metro Alliance's key performance indicators include the following:

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

Metro Alliance parent company registered a net loss of P million in 2008 as against P24.7 million net loss in 2007. The increase in net loss in 2007 by P29.8 million is due to reversal of management fee accrual, gain on disposal of subsidiary and sale of AFS investment and a decrease in administrative expenses.

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

Performance indicator	December 31	
	2008	2007
Net income (loss) - in millions Php	(6.5)	(24)
Earnings (loss) per share (in Php)	(0.02)	(0.08)
Return (loss) on average equity	(0.03)	(0.09)
Debt to total assets ratio	0.77	0.72
Debt to equity ratio	3.32	2.58

GACL

GACL's key performance indicators include the following:

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

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

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

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

Comparative analysis of GACL's key performance indicators follows:

Performance indicator	2008	2007
<u>Profitability</u>		
a. Gross profit margin	0.128	0.170
b. Net profit margin	0.159	0.062
c. Return on assets	0.196	0.135
d. Return in equity	0.381	0.199
<u>Liquidity</u>		
a. Current ratio	1.714	2.856
b. Receivables turnover	2.208	5.98
c. Days' sales in receivables	165	61

CPDSI, FEZ-EAC, ZDI and AHI

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

Financial Highlights

The following companies are included in Metro Alliance consolidated financial statement: GACL, CPDSI, FEZ-EAC, ZDI and AHI. The Group's last audited consolidated financial statements was for the year ended December 31, 2006. Due to uncertainties surrounding the acquisition transactions of the Bataan petrochemical plant, the scope of the 2007-2013 audits was completed by the independent auditors and the reports was approved by the Board of Directors on October 10, 2014.

The table below shows the consolidated financial highlights of Metro Alliance for the years ended December 31, 2008, 2007 and 2006:

Balance Sheet	As of December 31		
	2008	2007	2006(restated)
Current assets	P 1,011,524,583	P 993,642,284	P 3,233,995,149
Noncurrent assets	40,013,676	69,638,435	643,294,057
Total Assets	1,051,538,259	1,063,280,719	3,877,289,206
Current liabilities	950,815,743	911,148,890	2,144,873,285
Noncurrent liabilities	821,885	1,117,839	77,319,375
Total Liabilities	951,637,628	912,266,729	2,222,192,660
Stockholder's Equity	99,900,631	151,013,990	1,655,096,546
Total Liabilities and Stockholder's Equity	1,051,538,259	1,063,280,719	3,877,389,206

Income Statement	As of December 31		
	2008	2007	2006(restated)
Sales and services	64,355,980	P 119,533,229	P 1,490,432,155
Cost of sales and services	(58,306,967)	(98,844,205)	(1,136,930,520)
Gross profit	6,049,013	20,689,024	353,501,635
Expenses	(29,536,862)	(318,530,183)	(511,502,725)
Net Income (Loss) Before Tax	(23,487,849)	(297,841,159)	(158,001,090)
Income Tax - Current	(287,046)	(4,205,804)	(25,099,500)
Deferred	4,486,645	33,865	2,451,128
Net Income (Loss) from Continuing Operations	(19,288,250)	(302,013,098)	(180,649,462)
Loss from Discontinued Operations	-	-	(1,647,170,950)
Net Income (Loss)	(19,288,250)	(302,013,098)	(1,827,820,412)
Loss for the year attributable to the equity holders of	(P 14,278,764)	(P 305,621,045)	(P1,854,266,988)
Parent Company and Earnings (Loss) Per Share	(P 0.05)	(P 1.00)	(P 6.06)
Loss from continuing operations attributable to equity holders of Parent Company and Earnings (Loss) Per Share	(P 14,278,764)	(P305,621,045)	(P 207,096,038)
holders of Parent Company and Earnings (Loss) Per Share	(P 0.05)	(P 1.00)	(P 0.68)

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

CHANGES IN OPERATING RESULTS

2008 COMPARED TO 2007

Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net loss of P19.29 million in 2008 as against net loss of P302 million in 2007 or a decrease of P282.7 million or 94%. Earnings (loss) per share for 2008 and 2007 are (P0.05) and (P1), respectively. The decrease in net loss is net effect of the following:

- Decrease in service income by P55.14 million or 46% due to termination of various lease contracts and logistics services in 2008, specifically losing from the bid of its major principal's contract, Philip Morris Philippines, at the middle of the year.
- Decrease in cost of service by P40.49 million or 41% in parallel to decrease in service income due to losing for the bid of contracts with Philip Morris Philippines during 2008
- Decrease in expenses by P125 million or 81% is mainly due to provision for probable losses amounting to P138.3 million for notes receivable which are considered impaired in 2007. Allowance for 2008 amounted to P0.6 million. Other expenses which consequently increased in 2008 are: (a) personnel cost by P7.1 million or 142% due to benefits paid due to resignation and retrenchment; (b) rent and utilities by P1.64 million or 159%; (c) depreciation expense by P0.1 million or 20%; (d) taxes and licenses by P0.05 million or 337%; and, (e) other expenses by P3.7 million or 36%. Others include professional fees, communication, supplies, transportation, entertainment and miscellaneous expenses.
- Decrease in finance cost by P46.13 million or 98.9% is due to loan payable and accrued interest of Parent Company to MVC in 2007 that were settled in 2007 by assigning shares of stocks owned by Parent Company or by way of dacion en pago.
- Decrease in interest income by P5.7 million or 100%. Interest income in 2007 pertains to accrual of interest of notes receivable which were also determined to be impaired and covered with allowance for probable losses.
- The Company incurred losses from sale of its interest in MVC by P139.7 million in 2007. The management has disposed its interest in MVC despite of lower market value to pay off liabilities that are already due to avoid further accruals of finance cost.
- Decrease in other income by P16.1 million or 95%. There has been a reversal of management fees recorded under accrued expenses in 2007 amounting to P16.1 million. Other income for 2008 pertains to interest accruing from notes receivable and dividends receive for the current year.

Sale of Services

The Group registered gross service revenue of P64.36 million and P119.5 million for the years ended December 31, 2008 and 2007, respectively. The decrease in revenue of P55.14 million or 46% in 2008 is due to loss of contracts with its major principal, Philip Morris Philippines during the bid in 2008.

Cost of Service

Total cost of services for the year 2008 is P58 million as against P98 million for the year 2007 or a decrease of P40 million or 41% in parallel with the decrease in service income resulting from the loss of contracts with its major principal, Philip Morris Philippines during the bid in 2008.

Operating Expenses

Total operating expenses for the year 2008 amounted to P30 million as against P155 million for the year 2007. Decrease in expenses by P125 million or 81% is mainly due to provision for probable losses amounting to P138.3 million for notes receivable which are considered impaired in 2007. Allowance for 2008 amounted to P0.6 million. Other expenses which consequently increased in 2008 are: (a) personnel cost by P7.1 million or 142% due to benefits paid due to resignation and retrenchment; (b) rent and utilities by P1.64 million or 159%; (c) depreciation expense by P0.1 million or 20%; (d) taxes and licenses by P0.05 million or 337%; and, (e) other expenses by P3.7 million or 36%. Others include professional fees, communication, supplies, transportation, entertainment and miscellaneous expenses.

Finance Cost

Finance cost for the years 2008 and 2007 amounted to P0.24 million and P46.37 million, respectively. Decrease in finance cost by P46.13 million or 98.9% is to loan payable and accrued interest of Parent Company to MVC in 2007 that were settled in 2007 by assigning shares of stocks owned by Parent Company or by way of dacion en pago.

Other Income (Charges)

Other income (charges) for the years 2008 and 2007 amounted to P0.796 and P16.87 million, respectively. There has been a reversal of management fees recorded under accrued expenses in 2007 amounting to P16.1 million. Other income for 2008 pertains to interest accruing from notes receivable and dividends receive for the current year.

CHANGES IN FINANCIAL CONDITION

2008 COMPARED TO 2007

The following companies are included in Metro Alliance consolidated financial statement: GACL, CPDSI, FEZ-EAC, ZDI and AHI. A subsidiary is an entity in which the Company has control. Subsidiaries are consolidated from the date on which control is transferred out of the Company.

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

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

The remaining 40% of Polymax's interest which is valued at P900 million, which is estimated recoverable amount from the sale of investment. The realization of the Company's advances to Polymax (an unconsolidated special purpose entity in 2007) and the settlement Polymax's past due liabilities for which the Company is jointly and severally liable, depends on whether sufficient cash flows can be generated from

Polymax's 40% interest in NPCA, which is for sale, and from a letter of comfort issued by the Wellex Group of Companies in favor of the Company. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Assets

Cash and cash equivalents for the years 2008 and 2007 amounted to P3.1 million and P19.7 million, respectively. The decrease by P16.6 million or 84% is due settlement of advances obtained from affiliates. Net cash used in operating activities for 2008 amounted to (P23.5 million), net cash used in investing activities such as acquisition of property and equipment, advances to Polymax, interest and dividend received, etc. amounted to (P14.4) million and net cash provided by financing activities (advances from related parties, proceeds from long term debt and settle of obligation under finance lease) amounted to P21.3 million.

Receivables amounted to P79 million in 2008 and P63.8 million in 2007 (net of allowance for doubtful accounts of P140.8 million and P140.2 million as of December 31, 2008 and 2007). Increase by P15.2 million or 24% is mainly due to additional advances provided to the group to finance its working capital requirements and expenditures amounted to P8.3 million, increase in trade receivables by P10.4 million and non-recognition of interest income in 2008 on impaired notes receivable . In 2007, a substantial portion of notes receivables was considered impaired and covered with allowance for probable losses. Other receivables in 2008 include noninterest-bearing receivables of Polymax from third business partners that are subject to liquidation.

The Group reviews the carrying amount of receivables at each balance sheet date to reduce the balance to their estimated recoverable amounts.

Inventory amounted to nil in 2008 and 2007, respectively. Inventories in 2006 pertain to inventories of MVC, an entity that ceased to be a subsidiary in 2007. Under the terms of agreements covering liabilities under trust receipts, certain inventories have been released to the Group in trust for the banks. The Group is accountable to the banks for the said inventories.

Prepaid expenses and other current assets amounted to P13.8 million in 2008 and P7.8 million in 2007 (net of allowance for probable losses of P16.2 million for 2008 and 2007). The increase of P6 million is mainly due to P9.6 million increase in input taxes, increase of P2.8 million in creditable withholding taxes, and decrease in refundable deposit and other prepayments of P6.4 million. The accounts also include creditable withholding tax, refundable deposits, etc. The Group reviews the carrying amount at each balance sheet to reduce the balance to their estimated recoverable amounts.

Asset held for sale amounting to P915.6 million and P902,232,308 as of December 31, 2008 and 2007, respectively, which constitutes 87% and 85% of the Group's total assets as of December 31, 2008 and 2007, respectively, represents advances to Polymax, the Parent Company's special purpose entity incorporated in British Virgin Islands solely for the purpose of acquiring the petrochemical plant of NPCA as discussed in Note 2.

On March 18 and September 20, 2006, Polymax's interest in NPCA of 40% and 20%, respectively, was sold. Thereafter, Polymax's management decided to discontinue operations, cease operating as a going concern, and exclude the account of Polymax in the Group's consolidated financial statements starting in 2007. The remaining 40% interest of Polymax in NPCA, which is for sale, is valued at P900 million, which is the estimated recoverable amount from the sale of the investment (see Note 2 for details).

The realization of the Parent Company's advances to Polymax and the settlement of Polymax's past due liabilities related to the asset held for sale, for which the Parent Company is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 40% interest in NPCA. In this regard and to ensure the recoverability of the Parent Company's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, the Parent Company's major stockholders issued a letter of comfort in favor of the Parent Company on September 30, 2014.

Available-for-sale-investments (AFS) amounted to P29.8 million in 2008 and P61.6 million in 2007. The AFS investments of the group consist of investments in shares of Mabuhay Vinyl Corporation (MVC), an entity that ceased to be a subsidiary in 2007 and others that are quoted in the local stock exchange as well as investments in unlisted shares. In 2007, shares of stock of the group in MVC totaling 59,254,263, representing 8.6% ownership interest in MVC, with a carrying value of P50,328,266, was transferred from investments in subsidiaries to AFS investments.

Unrealized loss on AFS investments in 2008 amounted to P31,825,109 and unrealized gain amounted to P1,162,106 in 2007. The carrying value of these investments include accumulated unrealized loss on AFS investments of P24.8 million as of December 31, 2008 and P7.1 million cumulative gains for 2007, which is deferred in equity section of the consolidated balance sheet.

Property, plant and equipment amounted to P3.4 million in 2008 and P4.7 million in 2007. Reduction in property, plant and equipment in 2008 by P1.3 million is mainly due to the disposal of machinery and equipment amounting to P7.3 million. Depreciation charge for 2008 and 2007 amounted to P4.2 million and P5.1 million, respectively. Acquisition for 2008 amounted to P3.2 million.

Other non-current assets for the years 2008 and 2007 amounted to P1.6 million and P2.6 million, respectively. Other non-current assets pertain mainly to GACL security and rental deposits on various leased properties.

Liabilities

Current Liabilities

Accounts payable and accrued expenses for the years 2008 and 2007 amounted to P407.5 million and P389.3 million, respectively. The increase for year 2008 by P18.2 million or 4.6% is mainly due to accrued finance charges totaling P358.3 million relating to past due loans obtained jointly and severally with Polymax to finance the acquisition by Polymax of 100% interest in NPCA which were transferred to and applied against the advances made to Polymax to reflect the economic substance of the loan and acquisition transactions instead merely their legal forms. Trade payables increased by P5.4 million or 35%.

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

Due to related parties for the years 2008 and 2007 amounted to P515.4 million and P492.4 million, respectively or an increase of P23 million or 5% due to additional advances for the working capital requirements. The Group, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Group did not provide nor received any guarantee on its transaction with related parties. Significant portion of these advances were used to finance its planned acquisition of petrochemical plant in prior years.

Long-term debt amounted to P794,546 in 2008 and nil in 2007 (current and noncurrent portion). The account pertains to loan from local banks which were used for the purchase of transportation equipment with interest rate of 9.88% payable in 24 equal monthly installments starting May, 2008.

Loans payable of P27 million for both 2007 and 2008 pertains to the remaining balance of the parent company's loan obligations to MVC, an entity that ceased to be a subsidiary in 2007. The account pertains to loans obtained to: (a) partially finance acquisition of petrochemical plant: (1) a P280 million secured loan payable before June 14, 2004.

Accrued retirement benefit cost amounted to P614,039 in 2008 and P799,005 in 2007. MAHEC and GACL has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. The decrease of P184,966 or 23% is due to benefits paid due to retirement and retrenchment. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation.

(i) Summary of Material Trends, Events and Uncertainties

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

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

To partially finance the Company's advances relating to the Petrochemical Project, the Company obtained short-term loans from local banks (see Note 9). With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Company was unable to pay the bank loans on maturity dates. As of

December 31, 2006, the amounts payable to the banks totaled ₱866.7 million, consisting of the outstanding principal balance of ₱378.3 million and finance charges of ₱488.4 million. In 2007 these past due liabilities were transferred to and applied against the advances made to Polymax.

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

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

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

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

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

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

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

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

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

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

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

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

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

Subsequently on August 27, 2013, the Company and Polymax ("Respondents") entered into a settlement agreement with NPCI, PIIC and NPC ("Claimants") to resolve the dispute arising from the uncompleted acquisition transactions described above.

By letter dated October 31, 2013, the Claimants informed the Tribunal that the Parties to all three arbitrations had settled their disputes and that they wished to cease the proceedings. A request was made, to which the Respondents concurred by letter dated November 21, 2013, that the Tribunal issue a procedural order to record that the proceedings be withdrawn by agreement.

By letter dated November 22, 2013, the Tribunal agreed to make the order requested and said that it would fix the cost of the arbitration. In response to the Tribunal's enquiry about the Parties' own legal costs and expenses, the Respondents said that no party was seeking an order that another party should contribute to its legal cost.

The Claimants requested time to seek instructions from their clients in response to the Tribunal's enquiry. On October 2, 2014, the Claimants requested the Tribunal to issue

Orders in each arbitration recording withdrawal of the Proceedings by agreement of the Parties, and fixing costs and returning the Claimants deposit against costs, following the deduction of any outstanding sums owing to the Tribunal. It is apparent from this letter as well as the response of the Respondent that none of the Parties are seeking an order in respect of their own cost.

It is also apparent from the Parties' submissions to the Tribunal that they agreed that this arbitration should be terminated and that the Tribunal should fix the costs of the arbitration. Further, as only the Claimants have made deposits towards those costs, it is appropriate that, after deducting from those deposits the cost of the arbitration as fixed by this Order, the balance held by the London Court of International Arbitration (LCIA) should be returned to the Claimants.

Legal cases

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

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

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

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

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

(iv) Commitment For Capital Expenditures

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

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

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

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

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

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

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

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

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

Item 7. Financial Statements

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

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

Information on Independent Accountant and other Related Matters

(1) External Audit Fees and Services

- (a) Audit and related fees for Metro Alliance is P300,000 for years 2008, 2007 and in 2006 for expressing an opinion on the financial statements and assistance in preparing the annual income tax return. In addition, to bring to the attention of management, any deficiencies in internal control and detected misstatements and fraudulent or illegal acts.
- (b) Tax fees - there were no tax fees paid for the years 2008, 2007 and 2006.
- (c) Other fees – there were no other fees paid for the years 2008, 2007 and 2006.
- (d) Audit committee's approval policies and procedures for the above services – the committee will evaluate the proposals from known external audit firms. The review will focus on quality of service, commitment to deadline and fees as a whole, and no one factor should necessarily be determinable.

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

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

PART III– CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

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

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

The current Directors and Executive Officers are as follows:

Name	Age	Citizenship	Position and Office
Renato B. Magadia	78	Filipino	Chairman of the Board and President
Kenneth T. Gatchalian	33	Filipino	Director and Treasurer
Elvira A. Ting	48	Filipino	Director
Lamberto B. Mercado, Jr.	44	Filipino	Director
Rogelio D. Garcia	72	Filipino	Independent Director
Ricardo M. Dela Torre	68	Filipino	Independent Director
Nestor S. Romulo	65	Filipino	Corporate Secretary
Weslie T. Gatchalian	29	Filipino	Executive Vice President

Business experience during the past five years and other directorships

Name	Corporation	Position
Renato B. Magadia Chairman of the Board & President Filipino 76 years old Bachelor of Science in Business Administration University of the Philippines Certified Public Accountant -1960	Present: MAHEC MAHEC MAHEC Philippine Estate Corp. Waterfront Phils., Inc. CPDSI FEZ and ZDI Asia Healthcare, Inc. Acesite (Phils.) Hotel Corp. ZetaMark, Inc. Previous: The Zuellig Corporation Mabuhay Vinyl Corporation	Chairman of the Board since 1999 President since 2001 Director since 1998 Director Chairman of the Board/Director since 1999 Chairman of the Board since 1999 Chairman and President since 2004 Chairman of the Board, 2001-2003 Chairman and President, since 2004 Vice Chairman Chairman President & CEO, 1980-99 Chairman & CEO, 2001-2007
Kenneth T. Gatchalian Director and Treasurer Filipino 31 years old B.S. in Architecture University of Texas, USA	Present: MAHEC and CPDSI AHI, FEZ and ZDI Phil. Estates Corporation Mabuhay Vinyl Corp. GAC Logistics Forum Pacific, Inc. Express Savings Bank Wellex Industries, Inc. Waterfront Phils. Inc. Previous: Not employed prior to 2000	Director and Treasurer since 2002 Director, 2004 Executive Vice President & COO since 2000 Director 2003-2004 Director and Treasurer since 2002 Director since 2002 Director since 2002 Director since 2002 Vice Chairman since 2001

<p>Elvira A.Ting Director Filipino 46 years old BSBA major in Management Phil. School of Business Administration</p>	<p>Present: MAHEC and CPDSI AHI, FEZ and ZDI GAC Logistics, Inc. Mabuhay Vinyl Corp. Phil. Estates Corporation Express Savings Bank Forum Pacific, Inc. Wellex Industries, Inc. Waterfront Phils., Inc.</p> <p>Previous: Air Philippines PCI Bank</p>	<p>Director since June 2002 Director and Treasurer, 2004 Director since 2002 Director since 2003 President and CEO Chairperson and Director Director since 1996 Director since 1999 Director since 1996</p> <p>Treasurer, 1996 Director, 1991-93</p>
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<p>Lamberto B. Mercado, Jr. Director Filipino 42 years old Bachelor of Laws (L.L.B.) Ateneo de Manila University School of Law Lawyer – 1991</p>	<p>Present: MAHEC AHI, FEZ and ZDI Waterfront Phils., Inc. Forum Pacific, Inc. The Wellex Group, Inc.</p> <p>Previous: Subic Bay Metropolitan Authority</p>	<p>Director since 2003 Director, 2004 Director since 1999 Director since 1998 Vice President for Legal</p> <p>Deputy Administrator for Administration, 1997-98</p>
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<p>Rogelio D. Garcia Director Filipino 70 years old Bachelor of Law (LLB) University of the Philippines 1961</p>	<p>Present: Metro Alliance Garco Pacific Consultants Wellex Industries, Inc. Forum Pacific, Inc.</p> <p>Previous: ConyBio Philippines, Inc. NIR Placement Center Inc.</p>	<p>Independent Director since 2003 Chief Executive Officer since 1993</p> <p>Chairman/Director since 2005 Director since 2003</p> <p>Chief Executive Officer, 1997-2000 Executive Consultant, 1998-2000</p>
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<p>Nestor S. Romulo Corporate Secretary Filipino 63 years old Bachelor of Laws (LLB) University of the Phils. Lawyer - 1971</p>	<p>Present: Metro Alliance</p> <p>Winbank (Savings Bank) Westmont Investment Corp Wincorp Securities Romulo, Serrano and Canello Law Offices Reyno, Tiu, Domingo and Santos Law Offices</p> <p>Previous: EPCIB PCIB</p>	<p>Corporate Secretary since February 2004 Chairman of the Board Chairman of the Board Director Partner</p> <p>Consultant</p> <p>Consultant, 1999-2000 VP and Head, Legal Services Group, 1995-1999</p>
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<p>Ricardo M. Dela Torre Independent Director Filipino 66 years old Advanced Management Program – 1994 (Asian Institute of Management, Indonesia) Masters in Business Management – 1970 (Asian Institute of Management, Philippines) Bachelor of Science in Accounting – 1963 (Ateneo de Naga, Philippines) Certified Public Accountant - 1964</p>	<p>Present: Metro Alliance Holdings & Equities Corp. Previous: Banco de Oro</p> <p>BPI – Family Bank BPI – Family Bank BPI Card Corporation BPI/MS Insurance FGU Insurance Corporation Santiago Land Ford Credit Philippines Ford Credit Philippines Filiol Corporation</p>	<p>Independent director (since 2005)</p> <p>Consultant, Consumer Financing (July 2003-July 2005) Senior Vice President (1984-2002) Director Director Director Director Director General Manager Sales and Distribution Manager Corporate Planning Manager</p>
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<p>Weslie T. Gatchalian 27, Filipino BA Honours Degree/DipHE Business and Operations Management Oxford Brookes University, U.K.</p>	<p>Present NPC Alliance Corporation Metro Alliance</p> <p>Mabuhay Vinyl Corporation</p> <p>The Wellex Group of Companies</p> <p>Wellex Industries, Inc Forum Pacific, Inc. Westlink Global Equities Corp.</p> <p>Previous Waterfront Hotels and Casinos PCI bank Westlink Global Equities</p>	<p>Director (since 2005) Executive Vice President (since 2005) Assistant Vice President (2004-2005) Director (since 2005) Vice President for Investments and Foreign Affairs Director Director Assistant Vice President</p> <p>Sales and Marketing (2002 – 2003)</p> <p>Leasing and Finance (2001) Trainee (1999-2000)</p>
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(2) Significant Employees

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

(3) Family Relationships

With the exception of the (a) aunt-nephew relationship between Elvira A. Ting and Kenneth T. Gatchalian, and (b) aunt-nephew relationship between Elvira A. Ting and Weslie T. Gatchalian, there are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, persons nominated or chosen by Metro Alliance to become directors, or executive officers.

(4) Involvement in Certain Legal Proceedings

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

Item 10. Executive Compensation

(1) Summary Compensation Table – Annual Compensation

The following table lists the names of the Corporation's Directors and Executive Officers Annual Compensation for the two most recent years including the estimated compensation for year 2009. As observed, there was no compensation, in any form, to all Directors and key officers for the previous years due to the Company's tight cash position resulting from the trading suspension from PSE and subsidiaries that have ceased operations.

(a) Summary Compensation Table – Annual Compensation

	Name and Principal Position	Year	Salary	Bonus	Other compensation
1	Renato B. Magadia Chairman of the Board and President	2009	-	-	-
		2008	-	-	-
		2007	-	-	-
2	Kenneth T. Gatchalian Treasurer	2009	-	-	40,000
		2008	-	-	40,000
		2007	-	-	40,000
3	Nestor S. Romulo Corporate Secretary and Legal Counsel (elected February 2004) Legal Counsel	2009	-	-	600,000
		2008	-	-	600,000
		2007	-	-	600,000
4	Other directors	2009	-	-	200,000
		2008	-	-	200,000
		2007	-	-	200,000
	All directors and Officers as a Group unnamed	2009	-	-	840,000
		2008	-	-	840,000
		2007	-	-	840,000

(2) Compensation of Directors

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

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

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

(4) Warrants and Options Outstanding: Repricing

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2008, Metro Alliance knows of no one who beneficially owns in excess of 5% of the its common stock except as set forth in the table below.

Title of Class	Name, address of Record owner and Relationship with issuer	Name of Beneficial Owner* and relationship with record owner	Citizenship	No. of Shares Held	Percent
Common Shares – Class B	Creston Global Limited C/o #9 Cardinal St., St. Dominic Subd., Bahay Toro, Congressional Ave, Quezon City (1 st major stockholder)	John Torres – Authorized signatory (Designated representative)	British	56,378,388	18.42%
Common Shares – Class A 16,190,768 Class B 26,779,182	PCD Nominee Corp. 37F Tower 1, The Enterprise Center, 6766 Ayala Avenue cor. Paseo De Roxas, Makati City (2 nd major stockholder)	PCD Participants and their clients (see Schedule A)	Filipino	43,934,939	14.35%
Common Shares – Class A	Chesa Holdings, Inc. Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City (3 rd major stockholder)	Perlie Alpuerto – Corporate Treasurer (Designated representative)	Filipino	40,500,000	13.23%
Common Shares – Class A	Pacific Wide Realty & Development Corp. Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City (4 th major stockholder)	Chona Chua – Corporate Treasurer (Designated representative)	Filipino	31,498,000	10.29%
Common Shares – Class A 14,442,356 Class B 13,432,644	Forum Holdings Corp. Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City (5 th major stockholder)	Ellen T. Balunsat Corporate Treasurer (Designated representative)	Filipino	27,875,000	9.11%

Common Shares – Class A	Misons Industrial and Development Corp. Unit 2002 20 ^F , Antel 2000 Corporate Center 121 Valero St., Salcedo Village, Makati City (6 th major stockholder)	Renato B. Magadia	Filipino	22,000,000	7.19%
Common Shares – Class A 6,329,500 Class B 9,503,908	Pacific Concorde Corp. Unit 401 Joy Bldg., Brgy. Balingasa, Quezon City (7 th major stockholder)	Irene F. San Roque Corporate Treasurer (Designated representative)	Filipino	15,833,408	5.17%

* Person designated to exercise investment power over the equity

(2) Security Ownership of Management

As of December 31, 2008, the security ownership of individual directors, executive officers and nominees of Metro Alliance is as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	%
Common–Class A	Renato B. Magadia	125,010 / Direct	Filipino	0.041
Common–Class A	Weslie T. Gatchalian	1,000 / Direct	Filipino	0.000
Common–Class A	Kenneth T. Gatchalian	100 / Direct	Filipino	0.000
Common–Class A	Elvira A. Ting	100 / Direct	Filipino	0.000
Common–Class A	Lamberto B. Mercado, Jr.	1 / Direct	Filipino	0.000
Common–Class A	Rogelio D. Garcia	1 / Direct	Filipino	0.000
Common–Class A	Ricardo M. Dela Torre	1 / Direct	Filipino	0.000
	Nestor S. Romulo	0		
Total		126,213		

(3) Voting Trust Holders of 5% Or More

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

(4) Changes in Control

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

Item 12. Certain Relationships and Related Transactions

(1) Metro Alliance significant transactions with related parties include the following:

- a. Past due bank loans and accrued interest totaling ₱866.7 million, which were obtained to partially finance the acquisition by Polymax of 100% interest in NPCA, were unilaterally transferred to and applied against the advances made to Polymax to reflect the economic substance of the loan and acquisition transactions instead of merely their legal forms.
- b. Metro Alliance and Mr. Renato B. Magadia, a stockholder/director, have entered into a Management Consultancy Agreement for an initial period of five years up to March 31, 2004, whereby Metro Alliance pays the amount mutually agreed upon based on the nature of services rendered. On April 1, 2004, a new agreement was signed for an indefinite term until terminated by either party by

giving six months prior written notice. Management fees charged to operations amounted to P6 million annually from 2004. In 2007, the management agreement was terminated and the unpaid management fee as of December 31, 2006 totaling P16.1 million (included under accounts payable and accrued expenses) was waived and extinguished by the stockholder.

- c. Past due bank loans and accrued interest totaling P866.7 million, which were obtained to partially finance the acquisition by Polymax of 100% interest in NPCA, were unilaterally transferred to and applied against the advances made to Polymax to reflect the economic substance of the loan and acquisition transactions instead of merely their legal forms.
- d. Payables for shared operating expenses
 - GAC, an operating subsidiary, is billed by a stockholder and an affiliate for its share in marketing and information technology services. Total expense included in other expenses amounted to P1,091,903 in 2008, P1,273,176 in 2007 and P1,919,789 in 2006. The outstanding payable included in due to related parties amounted to P2,514,793 and P1,061,297 as of December 31, 2008 and 2007, respectively.
 - GAC Shipping & Cargo Systems (Phils.), Inc, an affiliate, bills GAC, an operating subsidiary, for share in the lease of office space, accounting services, and other office expenses. Total charges (included in rent and utilities and other expenses) amounted to P1,548,188 in 2008 and P 1,917,758 in 2007 and P303,412 in 2006. GAC has outstanding payable of P1,240,789 and P509,035 as of December 31, 2008 and 2007, respectively, included under due to related parties.
 - Accounts with related parties
The outstanding balances pertaining to the Group's transactions with related parties follow:

	Increase (Decrease)		2008	2007
	%	Amount		
<i>Asset Held For Sale</i>				
Advances to Polymax (special purpose entity)	1.48%	13,323,264	915,555,572	902,232,308
<i>Due from related party</i>				
The Wellex Group, Inc. (under common control)	100.00%	8,301,000	8,301,000	–
<i>Due to related parties (under common control)</i>				
Waterfront Philippines, Inc. (WPI)	6.95%	21,104,805	324,602,010	303,497,205
Acesite (Phils.) Hotel Corporation	1.45%	86,619	6,057,993	5,971,374
GAC Shipping and Cargo Systems (Phils.), Inc.	100.00%	2,516,389	2,516,389	–
Wellex	100.00%	17,630	17,630	–
Stockholders	(0.58%)	(1,063,253)	181,753,940	182,817,193
Others	203.19%	287,375	428,807	141,432
<i>Accrued Finance Charges</i>				
Waterfront Philippines, Inc. (WPI)	(43.80%)	(10,120,724)	12,984,080	23,104,804
Mabuhay Vinyl Corp. (MVC)	–	–	401,500	401,500
<i>Loan Payable</i>				
MVC	–	–	27,000,000	27,000,000

(2) Transactions with promoters

Metro Alliance and its subsidiaries have no transaction with promoters.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

- (a) Metro Alliance’s Compliance Officer is mandated to monitor the compliance to all concerned the provisions and requirements of the Manual on Corporate Governance. Facilitate the monitoring, the Compliance Officer has established the “Corporate Governance Monitoring and Assessment” to measure or determine the level of compliance of the Corporation with the Amended Manual on Corporate Governance (Manual). The Compliance Officer, on January 12, 2008, certified the level of Metro Alliance’s compliance with its Manual.
- (b) Metro Alliance believes that its Amended Manual on Corporate Governance is in line with the leading practices and principles on good governance, and as such, is in full compliance.
- (c) There were minor deviations from the Corporation’s Manual during the period January to December 2008 due mainly to recent changes and business development plans.
- (d) Metro Alliance will improve its Amended Manual on Corporate Governance when appropriate and warranted, in the Board of Directors’ best judgment. In addition, it will be improved when a regulatory agency such as the SEC requires the inclusion of a specific provision.

PART V – EXHIBITS AND SCHEDULES

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

(a) Exhibits

Financial Statements

- Statement of Management’s Responsibility for Financial Statements
- Report of Independent Public Accountant
- Balance Sheets as of December 31, 2008 and 2007
- Statements of Income for each of the three years ended December 31, 2008, 2007 and 2006
- Statements of Changes in Equity for each of the three years ended December 31, 2008, 2007 and 2006
- Statements of Cash Flows for each the three years ended December 31, 2008, 2007 and 2006
- Notes to Financial Statements

Supplementary Schedules

Report of Independent Public Accountants on Supplementary Schedules:

- Financial Soundness
- Map of Conglomerate or Group of Companies Within Which the Company Belongs (Not Applicable)
- Standards and Interpretations Effective For Annual Periods Beginning January 1, 2008
- Financial Assets
- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
- Amounts Receivable From Related Parties Which Are Eliminated During

- the Consolidation of Financial Statements
- Indebtedness of Unconsolidated Subsidiaries and Affiliates
- Intangible Assets - Other Assets
- Long-term Debt
- Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)
- Guarantees of Securities of Other Issuers
- Capital Stock

(b) Reports on SEC Form 17- C filed during the year 2008:

Report Date: January 28, 2008

Postponement of the Annual Stockholders' meeting (ASM), which was previously scheduled on February 29, 2008 to May 30, 2008 at 2:00 in the afternoon at Top of the Citi, 34th Floor Citibank Tower, 8741 Paseo De Roxas, Makati City. The record date for determining the stockholders entitled to notice of, and to vote at, such meeting has been reset from January 31, 2008 to April 28, 2008. The Board of Directors was compelled to postpone the Annual Meeting of Stockholders because of the delayed and completion and release of the December 31, 2006 audited consolidated financial statements of the Corporation which is principally caused by the pending finalization of the financial statements of a specific purpose entity, Polymax Worldwide Limited (a company incorporated in the British Virgin Islands) which is included in the consolidation of Metro Alliance's financial statements to comply with the new Philippine Financial Reporting Standards and which is a justifiable and valid reason.

Report Date: April 28, 2008

Postponement of the Annual Stockholders' meeting (ASM), which was previously scheduled on May 30, 2008 to September 26, 2008 at 2:00 in the afternoon at Top of the Citi, 34th Floor Citibank Tower, 8741 Paseo De Roxas, Makati City. The record date for determining the stockholders entitled to notice of, and to vote at, such meeting has been reset from April 28, 2008 to August 15, 2008. The Board of Directors was compelled to postpone the Annual Meeting of Stockholders because of the preparations and requirements to be complied with such as, but not limited to, printing of the Annual Report and the Information Statement, which are justifiable and valid reason.

Further postponement of the 2007 annual stockholders' meeting is due to the delayed completion and release of the December 31, 2006 audited consolidated financial statements of a special purpose entity, Polymax Worldwide Limited (a company incorporated in the British Virgin Islands) which is included in the consolidation of Metro Alliance to comply with the new Philippine Financial Reporting Standards.

The Board of Directors also postponed the 2008 Annual Stockholders' Meeting to September 26, 2008 at 2:00 in the afternoon at Top of the Citi, 34th Floor Citibank Tower, 8741 Paseo De Roxas, Makati City. All stockholders as of record date of August 15, 2008 are entitled to participate in said Annual Stockholders Meeting.

Report Date: August 20, 2008

Appointment of KPMG Manabat Sanagustin & Co., as Metro Alliance's auditor for the year ended December 31, 2007 and the engagement of Mr. Jose T. Valencia, KPMG Manabat Sanagustin & Co. partner, for the examination of Metro Alliance's financial statements.

Postponement of the Annual Stockholders' meeting (ASM), which was previously scheduled on September 26, 2008 to December 5, 2008 at 2:00 in the afternoon at Top of the Citi, 34th Floor Citibank Tower, 8741 Paseo De Roxas, Makati City. The record date for determining the stockholders entitled to notice of, and to vote at, such meeting has been reset from August 15, 2008 to October 31, 2008. The Board of Directors was compelled to postpone the Annual Meeting of Stockholders because of the preparations and requirements to be complied with such as, but not limited to, printing of the Annual Report and the Information Statement, which are justifiable and valid reason.

The Board of Directors also postponed the 2008 Annual Stockholders' Meeting to December 5, 2008 at 2:00 in the afternoon at Top of the Citi, 34th Floor Citibank Tower, 8741 Paseo De Roxas, Makati City. All stockholders as of record date of October 31, 2008 are entitled to participate in said Annual Stockholders Meeting.

Report Date: November 4, 2008

Postponement of the Annual Stockholders' meeting (ASM), which was previously scheduled on December 5, 2008 to March 27, 2009 at 2:00 in the afternoon at Top of the Citi, 34th Floor Citibank Tower, 8741 Paseo De Roxas, Makati City. The record date for determining the stockholders entitled to notice of, and to vote at, such meeting has been reset from August 15, 2008 to February 27, 2009. The Board of Directors was compelled to postpone the Annual Meeting of Stockholders because of the preparations and requirements to be complied with such as, but not limited to, printing of the Annual Report and the Information Statement, which are justifiable and valid reason.

Further postponement of the 2007 annual stockholders' meeting is due to the delayed completion and release of the December 31, 2006 audited consolidated financial statements of a special purpose entity, Polymax Worldwide Limited (a company incorporated in the British Virgin Islands) which is included in the consolidation of Metro Alliance to comply with the new Philippine Financial Reporting Standards.

The Board of Directors also postponed the 2008 Annual Stockholders' Meeting to March 27, 2009 at 2:00 in the afternoon at Top of the Citi, 34th Floor Citibank Tower, 8741 Paseo De Roxas, Makati City. All stockholders as of record date of February 27, 2009 are entitled to participate in said Annual Stockholders Meeting.

Report Date: December 22, 2008

The Corporation respectfully reports that on October 24, 2008, the Securities and Exchange Commission's Office of the General Accountant raised a significant issue on the reasonableness of the continuous recognition by Metro Alliance, based from its 2006 audited consolidated financial statements, of the "Assets held for sale" representing Polymax's interest in NPCA, taking into account the "relevant documents" earlier submitted by Metro Alliance to SEC and the requirements of applicable accounting standards and was required also to submit the disclosure in a current report containing a discussion on the issue raised by SEC on the company's 2006 financial statements including the required resolution thereof by the company and implement the resolution on the subject issue in the company's 2007 financial statements through the restatement/ adjustment of the comparative 2006 financial statements in accordance with the applicable accounting standards,

herewith is Metro Alliance's position and reply to SEC letter.

The Corporation, in its letter reply to the SEC dated November 14, 2008 state:

"After a thorough study, the Corporation has to maintain its position that Polymax's interest in NPCA has to be reported in its audited FS as "Assets held for sale" in view of the following circumstances:

1. The conditions, for the closing of the sale to NPCI and PIIC of the 60% interests of Polymax in NPC Alliance Corporation, under the Share Purchase Agreement and the Variation Agreements were not fulfilled on the Long Stop Date thus resulting to termination of the purchase agreement.
2. Polymax has filed already as of November 27, 2007 a case for Declaratory Relief to judicially declare as null and void the transfer to NPCI and PIIC of the 60% interests of Polymax in NPC Alliance Corporation.
3. The Deed of Absolute Sale is not a true sale or one executed only as a simulated sale because there was no receipt by Polymax of the full consideration for the sale of the 60% interests of Polymax in NPC Alliance Corporation.

Considering the pendency of the case or Declaratory Relief it would be highly anomalous for the Corporation to take a position that the 60% interests of Polymax in NPC Alliance Corporation is no longer "Assets held for sale" and treat it now as receivables and then once there is final judgment upholding its stand it will have to reverse again in its financial statement that the 60% interests of Polymax is still "Assets held for sale". This will all the more create confusion in the minds of the stockholders".

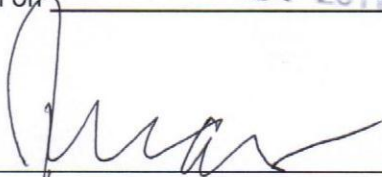
The Corporation, in the special meeting held on December 19, 2008 at 5:00 p.m., after thoroughly discussing the issues raised by the SEC through the Office of the General Accountant in its letter dated October 24, 2008 regarding the reasonableness of the continuous recognition by the Group of the "Assets held for sale" representing Polymax's interest in NPCA, taking into account the "relevant documents" and the requirements of applicable accounting standards passed the following resolution:

"Resolved, as it is hereby resolved, after a thorough discussion of the issues raised by the SEC through the Office of the General Accountant in its letter dated October 24, 2008 regarding the reasonableness of the continuous recognition by the Group of the "Assets held for sale" representing Polymax's interest in NPCA, taking into account the " relevant documents" and the requirements of applicable accounting standards, that the 60% interests of Polymax in NPC Alliance Corporation be, and still, considered as "Assets held for sale" of Polymax and that in the Corporation's 2007 audited financial statement the 60% interests of Polymax in NPC Alliance Corporation be, and still, considered as "Assets held for sale" and that the corresponding restatement/adjustment in the 2006 financial statement be made in accordance with the applicable accounting standards."


SIGNATURES


After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on NOV 18 2014.

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code of the Philippines, the registrant has duly caused this report to be signed on behalf by the undersigned, thereunto duly authorized, in the City of Makati on NOV 18 2014.

By: 

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


NESTOR S. ROMULO
Corporate Secretary

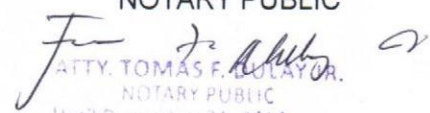

JAMES B. PALIT-ANG
Corporate Treasurer

SUBSCRIBED AND SWORN to before me this NOV 18 2014 day of _____, affiants exhibiting to me their Tax Identification No. as follows:

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

TAX IDENTIFICATION NO.
100-942-390
107-200-723
151-671-333

Doc. No. 142
Page No. 29
Book No. 294
Series of Long

NOTARY PUBLIC

ATTY. TOMAS F. MOLAYOR,
NOTARY PUBLIC
Until December 31, 2014
AFTER MATTER #. NP-061-2014-2015
PI# 904238301-07/01-07-14 Q.C.
IS# 915073 CY-2014 Q.C.
Roll No. 16583/03/13-61
TIN# 410225916
Add. 92 Legaspi St. Proj. 4 Q.C.
MCLE EXEMPTED # 000838

**METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND
SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

AND

INDEPENDENT AUDITOR'S REPORT

COVER SHEET

0 0 0 0 0 0 0 2 9 6

SEC Registration No.

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

(Company's Full Name)

2 2 N D F L O O R C I T I B A N K T O W E R , 8 7 4 1 P A S E O D E R O X A S , M A K A T I C I T Y

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

Atty. Nestor S. Romulo

Contact Person

(632) 706-7888

Contact Telephone No.

1 2 3 1

Fiscal Year

A C F S - 0 8

FORM TYPE

Any day in May

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

833

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign -

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. Use black ink for scanning purposes



METRO ALLIANCE
HOLDINGS & EQUITIES CORP.

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

The management of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2008 and 2007, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

Uy, Singson, Abella & Co., CPAs the independent auditors appointed by the stockholders for the years ended December 31, 2008 and 2007, respectively, have examined the consolidated financial statements of the Company and its subsidiaries in accordance with the Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinions on the fairness of presentation upon completion of such examination.


RENATO B. MAGADIA

Chairman of the Board/ Chief Executive Officer/
President


JAMES B. PALIT-ANG


Chief Finance Officer/ Treasurer

CTC No. 10843235
Issued at Makati City
On January 13, 2014

CTC No. 13783087
Issued at Quezon City
On January 04, 2014

SUBSCRIBED AND SWORN TO before me this NOV 18 2014 at the QUEZON CITY, Metro Manila, Philippines. Affiant exhibiting to me his/her Community Tax Certificate as indicated below his/her name and signature above.

Doc. No. 139 ;
Page No. 28 ;
Book No. 294 ;
Series of 2014


T. TOMAS F. DULAY JR.
NOTARY PUBLIC
Until December 31, 2014
ADM MASTER #: NP-061-2014-2015
PTR# 90423301 02 /01-07-14 Q.C.
IBPH 915073 CY-2014 Q.C.
Roll No. 16583/03/13-61
TIN# 410225016
Add. 92 Legaspi St. Prof. 4 Q.C.
MCLE EXEMPTED # 000838

22nd Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City, Metro Manila
Trunk Line: (632) 848-0848 • Fax: (632) 811-1998

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
Metro Alliance Holdings & Equities Corp. and Subsidiaries
22nd Floor Citibank Tower
8741 Paseo de Roxas
Makati City

We have audited the accompanying consolidated financial statements of Metro Alliance Holdings & Equities Corp. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2008 and 2007, and the consolidated statements of income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

The accounts of a special purpose entity as shown in Note 10 were excluded from the consolidated financial statements since 2007 because the entity is no longer operating as a going concern and is in the process of liquidation.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Metro Alliance Holdings & Equities Corp., and its subsidiaries as of December 31, 2008 and 2007, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Notes 2 and 10 to the consolidated financial statements, which indicate that the Parent Company has advances to Polymax Worldwide Limited (Polymax) of ₱915.6 million and ₱902.2 million as of December 31, 2008 and 2007, respectively, and on the other hand, Polymax has past due liabilities of ₱800.7 million and ₱800.4 million as of December 31, 2008 and 2007, respectively, for which the Parent Company is jointly and severally liable. The realization of the Parent Company's advances to Polymax and the settlement of Polymax's past due liabilities, for which the Parent Company is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 40% interest in NPC Alliance Corporation and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company. These factors may cast significant doubt about the Parent Company's ability to continue as a going concern. The consolidated financial statements have been prepared assuming that the Parent Company will continue as a going concern and do not include any adjustments that might result from the outcome of these uncertainties. Management's plan is to infuse additional capital to address these going concern uncertainties as explained in Note 18b to the consolidated financial statements.

Other Matter

The consolidated financial statements of Metro Alliance Holdings & Equities Corp. and its subsidiaries as of and for the year ended December 31, 2006 were audited by other auditors whose report thereon dated December 13, 2007, expressed a disclaimer of opinion because of material uncertainties regarding disputed ownership interest of 60% of the assets held for sale and the Company's ability to settle past due obligations incurred in the acquisition of said assets for sale. As part of our audit of the 2007 consolidated financial statements, we also audited the adjustments described in Note 5 that were applied to amend the 2006 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2006 consolidated financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any form of assurance on the 2006 consolidated financial statements taken as a whole.

UY SINGSON ABELLA & CO.

Ma. Milagros F. Padernal

MA. MILAGROS F. PADERNAL

Partner

CPA Certificate No. 28591

SEC Accreditation No. 0316-AR-2 (Group A),

June 21, 2012, valid until June 20, 2015

Tax Identification No. 119-768-075

BIR Accreditation No. 07-000140-1-2013,

November 25, 2013, valid until November 24, 2016

PTR No. 9943752, February 6, 2014, Pasig City

October 10, 2014

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

		December 31	
	Notes	2008	2007
ASSETS			
Current Assets			
Cash and cash equivalents	7	₱3,136,649	₱19,745,539
Receivables – net	8	79,065,712	63,866,681
Other current assets – net	9	13,766,470	7,797,756
		95,968,831	91,409,976
Asset held for sale	5, 10	915,555,752	902,232,308
Total Current Assets		1,011,524,583	993,642,284
Noncurrent Assets			
Available-for-sale investments	11	29,758,604	61,583,713
Property and equipment – net	12	3,443,224	4,720,661
Deferred tax assets – net	21	5,185,067	698,422
Other noncurrent assets	13	1,626,781	2,635,639
Total Noncurrent Assets		40,013,676	69,638,435
TOTAL ASSETS		₱1,051,538,259	₱1,063,280,719
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	14	₱407,533,439	₱389,303,992
Due to related parties	17	515,376,769	492,427,204
Loan payable	16	27,000,000	27,000,000
Current portion of long-term debt	15	586,700	70,000
Current portion of obligation under finance lease	23	318,835	2,347,694
Total Current Liabilities		950,815,743	911,148,890
Noncurrent Liabilities			
Accrued retirement benefits costs	22	614,039	799,005
Long-term debt - net of current portion	15	207,846	–
Obligation under finance lease - net of current portion	23	–	318,834
Total Noncurrent Liabilities		821,885	1,117,839
Total Liabilities		951,637,628	912,266,729
Equity			
Equity attributable to equity holders of the Parent Company			
Capital stock	18	306,122,449	306,122,449
Additional paid in capital		3,571,921	3,571,921
Deficit		(195,034,967)	(180,756,203)
Available-for-sale reserve	11	(24,752,934)	7,072,175
		89,906,469	136,010,342
Minority interests		9,994,162	15,003,648
Total Equity		99,900,631	151,013,990
TOTAL LIABILITIES AND EQUITY		₱1,051,538,259	₱1,063,280,719

See accompanying Notes to Consolidated Financial Statements.

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(With Comparative Figures for the Year Ended December 31, 2006)

	Notes	2008	2007	2006
CONTINUING OPERATIONS				
NET SALES				
Services		₱64,355,980	₱119,533,229	₱140,404,610
Goods		–	–	1,350,027,545
		64,355,980	119,533,229	1,490,432,155
COST OF SALES AND SERVICES	19	58,306,967	98,844,205	1,136,930,520
GROSS PROFIT		6,049,013	20,689,024	353,501,635
Expenses	20	(30,098,257)	(155,070,024)	(364,484,115)
Finance costs		(235,139)	(46,372,463)	(228,458,388)
Interest income		–	5,703,643	13,106,019
Loss on sale of subsidiary		–	(139,661,586)	–
Other income		796,534	16,870,247	68,333,759
LOSS BEFORE INCOME TAX		23,487,849	297,841,159	158,001,090
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	21	287,046	4,205,804	25,099,500
Deferred		(4,486,645)	(33,865)	(2,451,128)
		(4,199,599)	4,171,939	22,648,372
LOSS FROM CONTINUING OPERATIONS		19,288,250	302,013,098	180,649,462
DISCONTINUED OPERATION	5	–	–	1,647,170,950
NET LOSS		₱19,288,250	₱302,013,098	₱1,827,820,412
Net loss attributable to:				
Equity holders of the Parent Company		₱14,278,764	₱305,621,045	₱1,854,266,988
Minority interests		5,009,486	(3,607,947)	(26,446,576)
		₱19,288,250	₱302,013,098	₱1,827,820,412
Basic Loss Per Share				
Loss for the year attributable to equity holders of Parent Company	25	₱0.05	₱1.00	₱6.06
Loss from continuing operations attributable to equity holders of Parent Company		₱0.05	₱1.00	₱0.68

See accompanying Notes to Consolidated Financial Statements.

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(With Comparative Figures for the Year Ended December 31, 2006)

	Attributable to Equity Holders of the Parent								
	Capital Stock	Additional Paid in Capital	Excess of Par Value of Retired Treasury Shares Over Cost	Retained Earnings (Deficit)	Asset Revaluation Reserve	AFS Reserve	Subtotal	Minority Interests	Total Equity
As at December 31, 2007	₱306,122,449	₱3,571,921	₱ —	(₱180,756,203)	₱ —	₱7,072,175	₱136,010,342	₱15,003,648	₱151,013,990
Net income (loss)	—	—	—	(14,278,764)	—	—	(14,278,764)	(5,009,486)	(19,288,250)
Fair value adjustments (Note 11)	—	—	—	—	—	(31,825,109)	(31,825,109)	—	(31,825,109)
As at December 31, 2008	₱306,122,449	₱3,571,921	₱ —	(₱195,034,967)	₱ —	(₱24,752,934)	₱89,906,469	₱9,994,162	₱99,900,631
As at December 31, 2006 - As previously reported	₱306,122,449	₱3,571,921	₱3,179,451,270	(₱965,505,682)	₱30,329,391	₱8,489,070	₱2,562,458,419	₱645,191,378	₱3,207,649,797
Additional loss from discontinued operations	—	—	—	(1,565,911,004)	—	—	(1,565,911,004)	—	(1,565,911,004)
Elimination of deficit of special purpose entity against its capital reserve (Note 5)	—	—	(2,707,983,385)	2,707,983,385	—	—	—	—	—
Reduction of interest in subsidiary of special purpose entity due to sale	—	—	—	13,357,753	—	—	13,357,753	—	13,357,753
As at January 1, 2007 - As restated (Note 5)	306,122,449	3,571,921	471,467,885	189,924,452	30,329,391	8,489,070	1,009,905,168	645,191,378	1,655,096,546
Net income (loss)	—	—	—	(305,621,045)	—	—	(305,621,045)	3,607,947	(302,013,098)
Net loss of subsidiary prior to sale	—	—	—	(47,054,930)	—	—	(47,054,930)	(40,265,696)	(87,320,626)
Dividends declared by subsidiary prior to sale	—	—	—	(8,814,800)	—	—	(8,814,800)	(11,834,482)	(20,649,282)
Remaining net assets of subsidiary after sale	—	—	—	(9,189,880)	(30,329,391)	(254,789)	(39,774,060)	(581,695,499)	(621,469,559)
Remaining net assets of special purpose entity no longer included in consolidation	—	—	(471,467,885)	—	—	—	(471,467,885)	—	(471,467,885)
Fair value adjustments (Note 11)	—	—	—	—	—	(1,162,106)	(1,162,106)	—	(1,162,106)
As at December 31, 2007	₱306,122,449	₱3,571,921	₱ —	(₱180,756,203)	₱ —	₱7,072,175	₱136,010,342	₱15,003,648	₱151,013,990

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(With Comparative Figures for the Year Ended December 31, 2006)

	Attributable to Equity Holders of the Parent							Minority Interests	Total Equity
	Capital Stock	Additional Paid in Capital	Excess of Par Value of Retired Treasury Shares Over Cost	Retained Earnings (Deficit)	Asset Revaluation Reserve	AFS Reserve	Subtotal		
As at January 1, 2006	₱306,122,449	₱3,571,921	₱3,179,451,270	(₱680,050,645)	₱30,298,499	₱1,620,600	₱2,841,014,094	₱634,190,991	₱3,475,205,085
Net loss (restated from ₱261,909,408)	-	-	-	(1,854,266,988)	-	-	(1,854,266,988)	26,446,576	(1,827,820,412)
Elimination of deficit of special purpose entity against its capital reserve (restated from nil) (Note 5)	-	-	(2,707,983,385)	2,707,983,385	-	-	-	-	-
Reduction of interest in subsidiary of special purpose entity due to sale (restated from nil)	-	-	-	13,357,753	-	-	13,357,753	-	13,357,753
Transfer of realized asset revaluation reserve to retained earnings	-	-	-	2,060,163	(2,060,163)	-	-	-	-
Effect of change in tax rates on asset revaluation reserve	-	-	-	-	2,931,839	-	2,931,839	3,935,902	6,867,741
Reduction of interest in subsidiary due to reacquisition of its own shares	-	-	-	840,784	(840,784)	-	-	-	-
Dividends of subsidiary	-	-	-	-	-	-	-	(19,724,137)	(19,724,137)
Fair value adjustments (Note 11)	-	-	-	-	-	6,868,470	6,868,470	342,046	7,210,516
As at December 31, 2006 - As restated	₱306,122,449	₱3,571,921	₱471,467,885	₱189,924,452	₱30,329,391	₱8,489,070	₱1,009,905,168	₱645,191,378	₱1,655,096,546

See accompanying Notes to Financial Statements.

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(With Comparative Figures for the Year Ended December 31, 2006)

	Notes	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax and after discontinued operation		(P23,487,849)	(P297,841,159)	(P1,805,172,040)
Adjustments for noncash items:				
Depreciation	12	4,164,220	5,130,728	101,256,555
Interest expense		235,139	46,372,463	205,208,514
Amortization of deferred lease expense	23	19,307	154,411	136,332
Interest income	8	(596,431)	(5,703,643)	(13,106,018)
Dividends		(200,104)	(431,384)	(471,503)
Unrealized foreign exchange gain		(143,067)	(92,823)	(57,538,060)
Gain on sale of available-for-sale investments		—	—	(3,538,420)
Loss on discontinued operation		—	—	1,647,170,950
Decrease (increase) in:				
Receivables		(13,055,964)	(24,093,669)	(287,723,811)
Other current assets		(3,761,390)	4,252,850	(518,147,216)
Inventories		—	—	44,298,954
Pension assets		—	—	(528,737)
Restricted cash		—	—	700
Increase (decrease) in:				
Accounts payable and accrued expenses		16,073,373	9,865,132	988,150,528
Liabilities under trust receipts		—	—	(80,349,992)
Accrued retirement benefits costs		(264,031)	382,475	1,326,046
Income taxes paid		(2,494,370)	(7,869,419)	(17,296,140)
Dividends received		—	9,246,184	15,141,333
Net cash flows provided by (used in) operating activities		(23,511,167)	(260,627,854)	218,817,975
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposal of property and equipment	12	308,111	—	1,000
Decrease in other noncurrent assets	13	989,551	1,137,578	526,848
Interest received		596,431	5,685,970	3,963,958
Dividends		200,104	431,384	471,503
Increase in asset held for sale	10	(13,323,444)	(23,439,201)	—
Acquisitions of:				
Property and equipment	12	(3,194,894)	(315,471)	(19,292,574)
Available-for-sale investments	11	—	(50,328,266)	—
Net asset of special purpose entity no longer included in consolidation	10	—	471,467,885	—
Proceeds from sale of available-for-sale investments		—	—	3,676,042
Net cash flows provided by (used in) investing activities		(14,424,141)	404,639,879	(10,653,223)

(Forward)

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(With Comparative Figures for the Year Ended December 31, 2006)

	Notes	2008	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid		–	(96,013,686)	(88,132,040)
Proceeds from (payment of):				
Long-term debt (including current portion)	15	724,546	(159,628,727)	(25,280,000)
Obligation under finance lease (including current portion)	23	(2,347,693)	(2,684,334)	(3,497,168)
Amounts due to related parties	17	22,949,565	(2,016,466)	648,384,042
Other current liabilities		–	–	(264,450,000)
Loans payable	16	–	27,000,000	(483,721,051)
Dividends paid		–	(11,834,482)	(31,504,288)
Net cash flows provided by (used in) financing activities		21,326,418	(245,177,695)	(248,200,505)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(16,608,890)	(101,165,670)	(40,035,753)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		19,745,539	120,911,209	160,946,962
CASH AND CASH EQUIVALENTS AT END OF YEAR		₱3,136,649	₱19,745,539	₱120,911,209

See accompanying Notes to Consolidated Financial Statements.

METRO ALLIANCE HOLDINGS & EQUITIES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

Corporate Information

Metro Alliance Holdings & Equities Corp. (MAHEC or the Parent Company) is incorporated in the Philippines. The Parent Company and its subsidiaries (collectively referred to as “the Group” are involved in contract logistics. Certain subsidiaries previously engaged in the importation and distribution of polypropylene resin and pharmacy management had ceased operations.

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

Approval of Financial Statements

The accompanying consolidated financial statements as of December 31, 2008 were approved and authorized for issue by the Board of Directors (BOD) on October 10, 2014.

2. Status of Operations

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Parent Company will continue as a going concern. As of December 31, 2008 and 2007, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱915.6 million and ₱902.2 million, respectively, relating to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in the next section below. On the other hand, Polymax (jointly and severally with the Parent Company) has past due liabilities, including interest and penalties, amounting to ₱800.7 million and ₱800.4 million as of December 31, 2008 and 2007, respectively, which were obtained to partially finance the acquisition of the petrochemical plant, resulting from the transfer of past due loans as discussed in the next paragraph.

In 2007, the Parent Company unilaterally transferred to Polymax two significant past due liabilities totaling ₱866.7 million as of December 31, 2006 that were obtained (jointly and severally with Polymax) to partially finance the acquisition of the petrochemical plant, and applied these against the Parent Company’s advances to Polymax, in order to reflect the economic substance of the acquisition and related loan transactions as discussed in Note 10.

As explained in Note 10, the remaining 40% of Polymax’s interest in the petrochemical plant is for sale. The realization of the Parent Company’s advances to Polymax (an unconsolidated special purpose entity starting in 2007) and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, depend on whether sufficient cash flows can be generated from the sale of Polymax’s remaining 40% interest in NPC Alliance Corporation (NPCA) and from the letter of comfort issued by the Parent Company’s major stockholders in favor of the Parent Company. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainty. As explained in Note 18b, management’s plan is to infuse additional capital to address this going concern uncertainty.

Acquisition Transactions

On December 4, 2003, the Parent Company entered into a Memorandum of Agreement (MOA) with Polymax, whereby the Parent Company confirmed the designation of Polymax as the acquiring company in the proposed acquisition of the senior secured debt papers of BPC from

International Finance Corporation (IFC). Under the MOA, the Parent Company and Polymax agreed that (a) the acquisition of the secured debt paper would be for the account and benefit of the Parent Company; (b) the funding for the acquisition would be provided and arranged by the Parent Company; and (c) the exercise of creditor rights arising from the secured debts via foreclosure and takeover of the assets of BPC would be directed by and for the account and benefit of the Parent Company. In addition, the Parent Company would make certain advances to Polymax.

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

To partially finance the Parent Company's advances relating to the Petrochemical Project, the Parent Company obtained short-term loans from local banks. With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Parent Company was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled ₱866.7 million, consisting of the outstanding principal balance of ₱378.3 million and finance charges of ₱488.4 million. In 2007, these past due liabilities were unilaterally transferred and applied against the advances made to Polymax as discussed in Note 10.

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

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

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

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

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

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

maintenance of the petrochemical plant or such other third party cost or expenses, taxes or duties as agreed between Polymax and NPCI.

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

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

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

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

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

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

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

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

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

Summary of Significant Accounting Policies

Statement of Compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) approved by the Philippine Financial Reporting Standards Council (PFSRC) and the SEC.

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company, Metro Alliance Holdings and Equities Corp., and the following subsidiaries:

	Percentage of Ownership	
	2008	2007
Operating subsidiaries:		
GAC Logistics, Inc. (GAC)	51.00	51.00
Non-operating subsidiaries:		
Consumer Products Distribution Services, Inc. (CPDSI)	100.00	100.00
FEZ-EAC Holdings, Inc. (FEZ-EAC)	100.00	100.00
Zuellig Distributors, Inc. (ZDI)	100.00	100.00
Asia Healthcare, Inc. (AHI)	60.00	60.00

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

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

Minority Interests

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

Adoption of New Standards, Amendments to Standards and Interpretations

The PFRSC approved the adoption of new standards, amendments to standards, and interpretations.

Amendments to Standards and Interpretations Adopted in 2008

Starting January 1, 2008, the Group adopted the following new and amended PAS and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC):

Philippine Interpretation IFRIC 14, *PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, becomes effective for annual periods beginning on or after January 1, 2008. This interpretation clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses

when a MFR might give rise to a liability. Adoption of this standard did not have a significant impact on the consolidated financial statements.

Future Changes in Accounting Policies

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2009, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below.

Effective 2009

- PFRS 8, *Operating Segments*. It will replace PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated balance sheet and consolidated statement of income and the Group will provide explanations and reconciliations of the differences. This standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its consolidated financial statements with a securities commission or similar party.
- Amendment to PAS 1, *Presentation of Financial Statements*. It introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income' (OCI). Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of income. This Amendment also requires additional requirements in the presentation of the consolidated balance sheets and equity as well as additional disclosures to be included in the consolidated financial statements.
- Amendment to PAS 23, *Borrowing Costs*. The Standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Effective 2011

PAS 24 (Amended), *Related Party Disclosures*. The amendment clarified the definition of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

Effective 2013

- PFRS 10, *Consolidated Financial Statements*. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.
- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)*. The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled.

- *PAS 19, Employee Benefits (Revised)*. For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period. The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

- *PFRS 12, Disclosure of Interests in Other Entities*. PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights).
- *PFRS 13, Fair Value Measurement*. PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

Annual Improvements to PFRSs (2009-2011 Cycle)

- *PAS 1, Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*. These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required.
- *PAS 32, Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*. The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*.

Effective 2014

PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments). These Amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these Amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

Effective 2015

PAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments). The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net

defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.

Annual Improvements to PFRSs (2010-2012 Cycle)

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments’ Assets to the Entity’s Assets*. The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments’ assets to the entity’s assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.
- PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables*. The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.
- PAS 24, *Related Party Disclosures – Key Management Personnel*. The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Financial Assets and Liabilities

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

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

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

Determination of Fair Value. The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for

long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

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

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

Financial Assets

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

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

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

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

The Group has no financial assets at FVPL as of December 31, 2008 and 2007.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial asset at FVPL. Receivables are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest method.

The Group's cash and cash equivalents, receivables and refundable deposits (included under other current assets and other noncurrent assets) are included in this category.

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and classified as AFS investments. After

initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that is an integral part of the effective interest rate.

Gains and losses are recognized in the consolidated statement of income when the HTM investments are derecognized or impaired, as well as through the amortization process.

The Group has no HTM investments as of December 31, 2008 and 2007.

AFS Investments. AFS investments are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. Subsequent to initial recognition, AFS investments are carried at fair value in the consolidated balance sheet. Changes in the fair value of such assets are reported in the equity section of the consolidated balance sheet until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the consolidated statement of income. Interest earned on holding AFS investments are recognized in the consolidated statement of income using effective interest rate.

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

Financial Liabilities

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

The Group has no derivative liabilities as of December 31, 2008 and 2007.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

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

Included in this category are the Group's accounts payable and accrued expenses (excluding payables to government agencies and reserves for contingencies), due to related parties, long-term debt, obligation under finance lease and loan payable.

Derecognition of Financial Assets and Liabilities

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

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

The Group assesses at balance sheet date whether a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in the consolidated statement of income.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income, is transferred from equity to the consolidated statement of income. Reversals in respect of equity instruments classified as AFS are not recognized in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Classification of Financial Instruments between Debt and Equity

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

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and therefore, the related assets and liabilities are presented gross in the consolidated balance sheet.

Asset Held for Sale

An asset is classified as asset held for sale when its carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is highly probable. Asset held for sale is stated at the lower of its carrying amount and fair value less costs to sell.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to operations in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation of property and equipment commences once the fixed assets are available for use and is calculated on a straight-line basis over the following estimated useful lives:

	<u>Number of Years</u>
Machinery and equipment	3-10
Office furniture, fixtures and equipment	2-5

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

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

Impairment of Non-financial Asset with Definite Useful Life

The carrying value of property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication

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

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

Equity

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

Revenue

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

Logistics and Other Services

Revenue is recognized when the related services are rendered.

Interest

Interest income is recognized as it accrues, taking into account the effective yield of the assets. Interest income includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Dividend Income

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

Expenses

Expenses are recognized as incurred.

Leases

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

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments

are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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

Borrowing Costs

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

Retirement Benefits Costs

The Parent Company and one of its subsidiaries, GAC, provide for estimated retirement benefits to be paid under Republic Act (RA) No. 7641 to all their permanent employees. GAC has a funded, non-contributory defined benefit retirement plan, administered by a trustee, covering its permanent employees. The cost of providing benefits under the defined benefit retirement plan is determined using the projected unit credit actuarial valuation method.

This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Retirement benefit costs include current service cost, interest cost, expected return on any plant assets, amortization of actuarial gains and losses, past services cost and the effect of any curtailment or settlement.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, the retirement plan, past service cost is recognized immediately.

The net retirement benefits liability recognized by the Group is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related retirement benefits liability.

The net retirement benefits assets recognized by the Group in respect of defined pension plan is the lower of: (a) the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains or losses and past service cost that shall be recognized in later periods; or (b) the total of any cumulative unrecognized net actuarial losses and past service cost and present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

Actuarial gains and losses from retirement benefit costs are recognized as income or expense if the cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of the 10% of the present value of defined benefit obligation or 10% of the fair value of the plan assets. These gains and losses are recognized over the expected average remaining working life of the employees participating in the plan.

Foreign Currency Transactions and Translations

Transactions denominated in foreign currency are recorded in Philippine peso using the prevailing exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated to Philippine peso using the prevailing exchange

rate at balance sheet date. Foreign exchange gains or losses arising from the translation at balance sheet date or settlement of monetary items at rates different from those at which they were initially recorded are credited to or charged against current operations.

Income Tax

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

Current Tax

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

Deferred Tax

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

Related Parties

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

Earnings Per Share

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

Segments

The Group's operating businesses are recognized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serve different markets. Financial information on business segments are presented in Note 6.

Provisions

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

Contingencies

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

Events After the End of Reporting Period

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

4. Critical Accounting Estimates and Judgments

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

Judgments

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

Consolidation of SPE

An entity is considered a SPE and included in consolidation even in cases when the Parent Company owns less than one-half or none of the SPE's equity, when the substance of the relationship between the Parent Company and the SPE indicates that the SPE is controlled by the Parent Company. While the Parent Company has no ownership interest in Polymax, this SPE was included in the 2006 consolidated statement of income. Starting in 2007, the SPE was no longer consolidated because it has ceased operating as a going concern (see Note 10).

Operating Lease Commitments – Group as Lessee

The Group has various operating lease agreements for their respective offices and warehouses. The Group has determined that the risks and rewards of ownership of the underlying properties have been retained by their respective lessors. Accordingly, these leases are accounted for as operating leases (see Note 23).

Finance Lease Commitments – GAC as Lessee

GAC has lease agreements for certain warehouse equipment. GAC has determined that the risks and rewards of ownership of the underlying properties have been transferred to GAC. Accordingly, these leases are accounted for as finance leases (see Notes 12 and 23).

Contingencies

The Group is currently involved in various legal proceedings, which are normal to its business as discussed in Note 30. The Group's estimate of the probable costs for these proceedings and resolution of these claims have been developed in consultation with outside counsel handling the prosecution and defense of these cases and is based upon an analysis of potential results. The Group does not believe these legal proceedings will have a material adverse effect on its

consolidated financial statements. It is possible however, that changes in estimates relating to these proceedings may materially affect results of operations.

Estimates and Assumptions

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

Estimating Allowance for Probable Losses

The Group reviews the carrying amounts of receivables, creditable withholding taxes and input taxes (under other current assets) and advances to Polymax (under asset held for sale) at each balance sheet date and reduces the balance of these assets to their estimated recoverable amounts. Provision for probable losses amounted to ₱0.7 million in 2008, ₱138.3 million in 2007 and ₱49.8 million in 2006 (see Note 20).

Receivables (net of allowance for doubtful accounts of ₱140.8 million and ₱140.2 million as of December 31, 2008 and 2007, respectively), amounted to ₱79 million and ₱63.9 million as of December 31, 2008 and 2007, respectively (see Note 8).

Creditable withholding and input taxes, included under "Other current assets" totaling ₱27.8 million and ₱15.4 million as of December 31, 2008 and 2007, respectively, are provided with allowance for probable losses of ₱16.2 million as of December 31, 2008 and 2007 (see Note 9).

Advances to Polymax (under asset held for sale) amounting to ₱915.6 million and ₱902.2 million as of December 31, 2008 and 2007, respectively, constitute 87% and 85% of the Group's total assets at the end of 2008 and 2007, respectively. The realization of the Parent Company's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 40% interest in NPCA and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company, as discussed in Note 10.

Estimating Useful Lives and Residual Values of Property and Equipment

The Group estimated the useful lives and residual values of its property and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives and residual values of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment would increase depreciation expense, while an increase in the estimated useful lives would decrease depreciation expense. As of December 31, 2008 and 2007, property and equipment, net of accumulated depreciation, amounted to ₱3.4 million and ₱4.7 million, respectively and total depreciation expense charged to operations amounted to ₱4.2 million in 2008 and ₱5.1 million in 2007 and ₱101.3 million in 2006 (see Note 12).

Evaluation of Impairment of Noncurrent Nonfinancial Assets

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

ii it is not possible, for the cash generating unit to which the asset belongs. Management believes that there was no indication of impairment on property and equipment as of December 31, 2008 and 2007.

Fair Value of Financial Assets and Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires use of accounting estimates and judgment. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., quoted market prices and interest rates). In the case of those financial assets and financial liabilities that have no active markets, fair values are determined using an appropriate valuation technique. Any change in fair value of these financial assets and liabilities would affect profit or loss and equity. The fair value of financial assets and liabilities are enumerated in Note 26.

Impairment of AFS Investments

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

Deferred Income Tax Assets

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

The recognized net deferred tax assets amounted to ₱5.2 million and ₱0.7 million as of December 31, 2008 and 2007, respectively (see Note 21).

The Group did not recognize deferred tax assets of the Parent Company and its nonoperating subsidiaries amounting to ₱81.6 million and ₱93.2 million as of December 31, 2008 and 2007, respectively, as management believes that the Parent Company and its nonoperating subsidiaries may not have sufficient future taxable profits available to allow utilization of these deferred income tax assets as discussed in Note 21.

Retirement Benefits

The determination of the obligation and cost of retirement benefits is dependent on certain assumptions used by the actuary in calculating such amounts. These assumptions are describe in Note 22 to the consolidated financial statements and include, among others, discount rates, salary increase rates and expected rates of return on plan assets. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations.

The Group's unrecognized net actuarial losses amounted to ₱0.4 million in 2008 and ₱0.9 million in 2007. The accrued retirement benefits costs amounted to ₱0.6 million and ₱0.8 million as of December 31, 2008 and 2007, respectively (see Note 22).

5. Restatement of the 2006 Consolidated Financial Statements

As stated in Note 2 on Status of Operations, the previously issued 2006 consolidated financial statements of the Parent Company and its subsidiaries were restated to reflect the following adjustments:

- a. Recognition of loss from a previously disputed 2006 sale, which was ultimately resolved in 2013, of a special purpose entity's 60% (out of 100%) interest in a petrochemical plant and recognition of impairment loss on the remaining 40% interest;
- b. Reduction of a special purpose entity's interest in a petrochemical plant from 100% to 40% interest due to the sale as mentioned above; and
- c. Elimination of the deficit of a special purpose entity against its other capital reserve.

The accounts affected in the 2007 consolidated financial statements as a result of the above items pertain to the December 31, 2006 balance of the following:

	As Previously Reported	Adjustments Add (Deduct)	As Restated
<i>Consolidated Statement of Income</i>			
Loss from discontinued operation	₱81,259,946	₱1,565,911,004	₱1,647,170,950
<i>Consolidated Statement of Changes in Equity</i>			
Excess of par value of treasury shares over costs	3,179,451,270	(2,707,983,385)	471,467,885
Retained earnings (deficit)	(965,505,682)	1,155,430,134	189,924,452

6. Segment Information

The Group's business activities are conducted in the Philippines and it is primarily in the contract logistics and supply chain management segment in 2008 and 2007. The Group has previously divested majority of its interest in chemical manufacturing and in the petrochemical industry.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash and cash equivalents, receivables, other current assets, asset held for sale, available-for-sale investments and property, plant and equipment, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued expenses, as well as loan and advances payable to related and other parties.

The financial information with regard to the Group's significant business segments as of December 31, 2008, 2007 and 2006 and for the years then ended is as follows:

2008

	Distribution And Contract Logistics	Other Businesses	Eliminations	Total
Sales				
External Sales	₱64,355,980	₱ –	₱ –	₱64,355,980
Results				
Segment result	(₱14,592,940)	(₱9,456,304)	₱ –	(₱24,049,244)
Other income	168,940	392,455	–	561,395
Benefit from (provision for) income tax	4,200,560	(961)	–	4,199,599
Net loss	(₱10,223,440)	(₱9,064,810)	₱ –	(₱19,288,250)
Other Information				
Segment assets	₱52,051,210	₱999,487,049	₱ –	₱1,051,538,259
Segment liabilities	25,250,592	926,387,036	–	951,637,628
Capital expenditures	3,194,894	–	–	3,194,894
Depreciation	4,071,054	93,166	–	4,164,220
Noncash items other than depreciation	(1,123,738)	507,426	–	(616,312)

2007

	Distribution And Contract Logistics	Other Businesses	Eliminations	Total
External Sales				
	₱119,533,229	₱ –	₱ –	₱119,533,229
Results				
Segment result	₱11,219,514	(₱145,600,514)	₱ –	(₱134,381,000)
Other income (expense)	208,062	(196,531,907)	32,863,686	(163,460,159)
Provision for income tax	(4,064,419)	(107,520)	–	(4,171,939)
Net income (loss)	₱7,363,157	(₱342,239,941)	₱32,863,686	(₱302,013,098)
Other Information				
Segment assets	₱54,367,200	₱1,008,913,519	₱ –	₱1,063,280,719
Segment liabilities	17,343,142	894,923,587	–	912,266,729
Capital expenditures	254,171	61,300	–	315,471
Depreciation	4,836,413	294,315	–	5,130,728
Noncash items other than depreciation	61,588	(129,376,097)	–	(129,314,509)

2006	Continuing Operations							Discontinued Operation	Total
	Chemical Manufacturing	Distribution and Contract Logistics	Special Purpose Entity	Others	Eliminations	Subtotal			
Sales									
External sales	₱1,350,027,545	₱140,404,610	₱ –	₱ –	₱ –	₱1,490,432,155	₱ –	₱1,490,432,155	
Results									
Segment result	₱67,430,256	₱10,939,663	(₱62,224,924)	(₱19,843,305)	(₱7,284,170)	(₱10,982,480)	(₱1,647,170,950)	(₱1,658,153,430)	
Other expense	(490,540)	(593,462)	(92,195,121)	(53,178,543)	(560,944)	(147,018,610)	–	(147,018,610)	
Provision for income tax	(20,781,819)	(4,255,177)	–	(167,459)	2,556,083	(22,648,372)	–	(22,648,372)	
Net income (loss)	₱46,157,897	₱6,091,024	(₱154,420,045)	(₱73,189,307)	(₱5,289,031)	(₱180,649,462)	(₱1,647,170,950)	(₱1,827,820,412)	
Other Information									
Segment assets	₱1,375,385,908	₱48,648,667	₱2,265,975,412	₱187,279,219	₱ –	₱3,877,289,206	₱ –	₱3,877,289,206	
Segment liabilities	244,244,081	18,987,764	1,794,507,527	164,453,288	–	2,222,192,660	–	2,222,192,660	
Capital expenditures	17,801,086	1,491,488	–	–	–	19,292,574	–	19,292,574	
Depreciation	88,100,462	5,385,031	–	467,969	7,303,093	101,256,555	–	101,256,555	
Noncash items other than depreciation	–	(563,537)	(49,030,000)	(15,061,709)	15,715,401	(48,939,845)	–	(48,939,845)	

7. Cash and Cash Equivalents

Details of cash and cash equivalents are as follows:

	2008	2007
Cash on hand and in banks	₱3,136,649	₱7,662,329
Short-term investments	–	12,083,210
	₱3,136,649	₱19,745,539

Cash in banks earn interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to three months. These placements earn interest at the respective short-term placement rates.

8. Receivables

Details of receivables are as follows:

	2008	2007
Notes	₱138,710,706	₱138,282,345
Trade	35,395,482	24,983,082
Due from related party (Note 17)	8,301,000	–
Interest	–	3,576,429
Others	37,494,084	37,206,468
	219,901,272	204,048,324
Less allowance for probable losses	140,835,560	140,181,643
	₱79,065,712	₱63,866,681

The notes receivable bear interest at 3.5% per annum and is payable in 365 days on demand, subject to renewal upon mutual consent. Interest income recognized on the note amounted to ₱5.3 million in 2007 and ₱8.2 million in 2006 (none in 2008). In 2007, notes receivable are considered impaired and covered with allowance for probable losses.

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

Due from related party is noninterest bearing and have no fixed repayment terms.

Other receivables pertain to advances subject for liquidation.

9. Other Current Assets

Details of other current assets are as follows:

	2008	2007
Input taxes	₱14,338,789	₱4,735,655
Creditable withholding taxes	13,455,237	10,673,821
Refundable deposits (Note 23)	1,485,610	2,000,000
Prepayment and others	665,441	6,566,887
	29,945,077	23,976,363
Less allowance for probable losses	16,178,607	16,178,607
	₱13,766,470	₱7,797,756

10. Asset Held for Sale

Asset held for sale amounting to ₱915,555,752 and ₱902,232,308 as of December 31, 2008 and 2007, respectively, which constitutes 87% and 85% of the Group's total assets as of December 31, 2008 and 2007, respectively, represents advances to Polymax, the Parent Company's special purpose entity incorporated in British Virgin Islands solely for the purpose of acquiring the petrochemical plant of NPCA as discussed in Note 2.

On March 18 and September 20, 2006, Polymax's interest in NPCA of 40% and 20%, respectively, was sold. Thereafter, Polymax's management decided to discontinue operations, cease operating as a going concern, and exclude the account of Polymax in the Group's consolidated financial statements starting in 2007. The remaining 40% interest of Polymax in NPCA, which is for sale, is valued at ₱900 million, which is the estimated recoverable amount from the sale of the investment (see Note 2 for details).

The realization of the Parent Company's advances to Polymax and the settlement of Polymax's past due liabilities related to the asset held for sale, for which the Parent Company is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 40% interest in NPCA. In this regard and to ensure the recoverability of the Parent Company's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, the Parent Company's major stockholders issued a letter of comfort in favor of the Parent Company on September 30, 2014.

Condensed unaudited financial information of Polymax as of December 31, 2008 and 2007 prepared on the liquidation basis of accounting is shown in the table below.

	2008	2007
Assets		
Assets held for sale	₱1,128,447,450	₱1,601,925,995
Due from related parties	290,935,120	290,644,212
Total assets	1,419,382,570	1,892,570,207
Liabilities		
Liabilities related to asset held for sale	800,729,422	800,398,137
Due to Metro Alliance Holdings and Equities Corp.	915,555,752	902,232,308
Other payable	49,030,000	49,030,000
Total liabilities	1,765,315,174	1,751,660,445
Net equity (capital deficiency)	(₱345,932,604)	₱140,909,762

Assets held for sale of Polymax include its 40% interest in NPCA carried at ₱900 million and ₱1.404 billion as of December 31, 2008 and 2007, respectively.

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

Liabilities related to asset held for sale of Polymax as of December 31, 2008 and 2007 pertain to past due liabilities, which were obtained to finance the purchase of 100% ownership interest in NPCA. The Parent Company is jointly and severally liable with Polymax with respect to these past due liabilities. These liabilities were previously carried in the books of the Parent Company but were unilaterally transferred to Polymax in 2007 and partially applied against the advances made to Polymax to reflect the economic substance of the loan and acquisition transactions, instead of merely their legal forms, as discussed in Note 2.

The decrease in net equity by ₱486.8 million and ₱330.5 million in 2008 and 2007, respectively, pertains to the following:

	(In Million)	
	2008	2007
Share in net loss of NPCA	₱503.6	₱310.0
Interest and penalties	13.3	23.6
Foreign exchange loss (gain) on dollar denominated assets held for sale	(30.2)	36.7
Impairment loss on due from related parties	-	26.7
Reversal of overaccrual of finance cost	-	(80.7)
Other costs and expenses	0.1	14.2
Net loss	₱486.8	₱330.5

In 2008, Polymax's share in the net loss of NPCA amounted to ₱728.8 million; however, only ₱503.6 million was recognized so that the carrying value of Polymax's investment in NPCA will not fall below its estimated recoverable value from sale of ₱900 million.

11. Available-for-sale Investments

Available-for-sale investments consist of investments in shares of Mabuhay Vinyl Corporation (MVC), an entity that ceased to be a subsidiary in 2007, and others, that are quoted in the local stock exchange, as well as investments in unlisted shares as follows.

	2008	2007
At acquisition cost	₱54,511,538	₱54,511,538
Cumulative fair value gains (losses) - in equity	(24,752,934)	7,072,175
	₱29,758,604	₱61,583,713

In 2007, shares of stock of the Group in MVC totaling 59,254,263, representing 8.6% ownership interest in MVC, with a carrying value of ₱50,328,266, was transferred from investments in subsidiaries to AFS investments.

Unrealized fair value loss on AFS investments amounted to ₱31,825,109 in 2008, ₱1,162,106 in 2007 and ₱6,868,470 in 2006. The carrying value of these investments include accumulated unrealized loss of ₱24.8 million and unrealized gain of ₱7.1 million as of December 31, 2008 and 2007, respectively, which are deferred in equity section of the consolidated balance sheet.

12. Property and Equipment

Details of this account are as follows:

2008

	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Total
Cost			
January 1	₱31,555,485	₱9,370,219	₱40,925,704
Additions	1,514,500	1,680,394	3,194,894
Disposals	(7,339,935)	(186,632)	(7,526,567)
December 31	25,730,050	10,863,981	36,594,031

	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Total
Accumulated Depreciation			
January 1	27,244,207	8,960,836	36,205,043
Depreciation	3,681,253	482,967	4,164,220
Disposals	(7,031,824)	(186,632)	(7,218,456)
December 31	23,893,636	9,257,171	33,150,807
Net Book Value	₱1,836,414	₱1,606,810	₱3,443,224

2007

	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
Cost				
January 1	₱1,184,878,323	₱40,112,058	₱5,010,131	₱1,230,000,512
Addition	—	315,471	—	315,471
Disposals/retirement	(1,153,322,838)	(31,057,310)	(5,010,131)	(1,189,390,279)
December 31	31,555,485	9,370,219	—	40,925,704
Accumulated Depreciation				
January 1	812,314,333	36,703,289	—	849,017,622
Depreciation	4,598,962	531,766	—	5,130,728
Disposals/retirement	(789,669,088)	(28,274,219)	—	(817,943,307)
December 31	27,244,207	8,960,836	—	36,205,043
Net Book Value	₱4,311,278	₱409,383	₱ —	₱4,720,661

The carrying value of warehouse equipment that GAC leases under finance lease agreements, included under "Machinery and Equipment," are as follows:

	2008	2007
Cost	₱13,817,728	₱15,053,636
Less accumulated depreciation	13,491,416	12,301,166
Net Book Value	₱326,312	₱2,752,470

13. Other Noncurrent Assets

Details of this account are as follows:

	2008	2007
Refundable deposits	₱600,201	₱1,609,059
Other noncurrent assets	1,026,580	1,026,580
	₱1,626,781	₱2,635,639

14. Accounts Payable and Accrued Expenses

Details of this account are shown below.

	2008	2007
Trade payables	₱20,776,044	₱15,390,712
Accrued expenses (Note 17)	358,278,329	340,829,343
Accrued finance charges – related parties (Note 17)	13,385,580	23,506,304
Other liabilities	15,093,486	9,577,633
	₱407,533,439	₱389,303,992

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

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

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

Other liabilities mainly pertain to payable to government agencies.

15. Long-term Debt

Details of this account are shown below.

	2008	2007
a. Secured loan from a local bank – with interest rate of 9.88% over 24 monthly installments starting on May 7, 2008	₱794,546	₱ –
b. Secured loan from a local bank – with total add-on financing charges of 49% over 48 months; payable in monthly installments starting April 25, 2004	–	₱70,000
	794,546	70,000
Less current portion	586,700	70,000
	₱207,846	₱ –

- a. On May 7, 2008, GAC entered into a loan agreement with a local bank. The loan, which was used for the purchase of transportation equipment, amounted to ₱1,446,000, with interest at the rate of 9.88%. The loan is payable in 24 equal monthly installments starting on May 7, 2008. Total interest expense recognized on the said loan amounted to ₱61,450 in 2008. Outstanding balance of the loan amounted to ₱794,546 as of December 31, 2008.
- b. The loan with an original principal of ₱0.9 million was obtained by the Parent Company to finance the acquisition of a transportation equipment. The loan is secured by a chattel mortgage over the said transportation equipment included under the office furniture, fixture and equipment account in Note 12, with a carrying value of ₱363,636 as of December 31, 2007.

16. Loan Payable

Loan payable of ₱27 million as of December 31, 2008 and 2007 pertains to the remaining balance of the Parent Company's loan obligations to MVC, an entity that ceased to be a subsidiary in 2007, which is the subject of a Memorandum of Agreement (MOA) executed by the parties on January 28, 2005. The MOA provides, among others, that the Parent Company's 36 million MVC shares of stock shall be assigned or transferred to MVC in payment of the Parent Company's loan obligations to MVC amounting to ₱39.4 million, inclusive of interest. By virtue of a Dacion en Pago executed by the Parent Company and MVC in 2006, the Parent Company assigned, transferred and conveyed its rights, interest and participation to 9 million shares in favor of MVC in partial payment of the Parent Company's loans and interest. Subsequently on January 29, 2010, the Parent Company and MVC executed a Deed of Assignment with respect to these remaining 27 million shares (presented as AFS investments in Note 11) as full payment of the ₱27.4 million outstanding obligations (inclusive of interest) of the Parent Company.

17. Related Party Transactions

Significant transactions with related parties include the following:

a. Past due bank loans and accrued interest (Note 2)

In 2007, past due bank loans and accrued interest totaling ₱866.7 million at the end of 2006, which were obtained to partially finance the acquisition by Polymax of 100% interest in NPCA, were unilaterally transferred and applied against advances made to Polymax to reflect the economic substance of the loan and acquisition transactions, instead of merely their legal forms.

b. Management consultancy agreement

The agreement, which is for an initial period of five years up to March 31, 2004, is with a stockholder whereby the Parent Company pays the amount mutually agreed upon based on the nature of services rendered. On April 1, 2004, a new agreement was signed for an indefinite term until terminated by either party by giving six months prior written notice. Management fees charged to operations amounted to ₱6 million annually from 2004. In 2007, the management agreement was terminated and the unpaid management fee as of December 31, 2006 totaling ₱16.1 million (included under accounts payable and accrued expenses) was waived and extinguished by the stockholder.

c. Advances to and from related parties

The amount due from a related party is unsecured, non-interest bearing and has no definite repayment terms.

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

d. Payables for shared operating expenses

- GAC, an operating subsidiary, is billed by its stockholder and an affiliate for its share in marketing and information technology services. Total expense included in other expenses (Note 20) amounted to ₱1,091,903 in 2008, ₱1,273,176 in 2007 and ₱1,919,789 in 2006. The outstanding payable included in due to related parties amounted to ₱2,514,793 and ₱1,061,297 as of December 31, 2008 and 2007, respectively.

- GAC Shipping & Cargo Systems (Phils.), Inc, an affiliate, bills GAC, an operating subsidiary, for share in the lease of office space, accounting services, and other office expenses. Total charges included in rent and utilities and other expenses amounted to ₱1,548,188 in 2008, ₱1,917,758 in 2007 and ₱303,412 in 2006 (Notes 19 and 20). GAC has outstanding payable of ₱1,240,789 and ₱509,035 as of December 31, 2008 and 2007, respectively, included under due to related parties.
- e. Compensation of key management personnel follows:

	2008	2007	2006
Short-term employee benefits	₱14,744,245	₱3,599,652	₱16,454,376
Retirement benefits (Note 22)	949,661	179,500	753,552
	₱15,693,906	₱3,779,152	₱17,207,928

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

- f. Accounts with related parties

The outstanding balances pertaining to the Group's transactions with related parties follow:

	2008	2007
<u>Asset Held For Sale</u>		
Advances to Polymax (special purpose entity) (Note 10)	₱915,555,752	₱902,232,308
<u>Due from Related Party (Note 8)</u>		
The Wellex Group, Inc. – under common control	₱8,301,000	₱ –
<u>Due to Related Parties</u>		
<i>Under Common Control</i>		
Waterfront Philippines, Inc. (WPI)	₱324,602,010	₱303,497,205
Acesite (Phils.) Hotel Corporation	6,057,993	5,971,374
GAC Shipping and Cargo Systems (Phils.), Inc.	2,516,389	–
Wellex	17,630	–
<i>Stockholders</i>	181,753,940	182,817,193
<i>Others</i>	428,807	141,432
	₱515,376,769	₱492,427,204
<u>Accrued Finance Charges (Note 14)</u>		
WPI	₱12,984,080	₱23,104,804
MVC	401,500	401,500
	₱13,385,580	₱23,506,304
<u>Loan Payable (Note 16)</u>		
MVC	₱27,000,000	₱27,000,000

18. Capital Stock

- a. The Parent Company's capital stock as of December 31, 2008 and 2007 consists of the following common shares:

Class "A" – ₱1 par value		
Authorized – 720,000,000 shares		
Issued and outstanding – 183, 673,470 shares		
Number of equity holders – 676 in 2008 and 2007		₱183,673,470
Class "B" – ₱1 par value		
Authorized – 480,000,000 shares		
Issued and outstanding – 122,448,979 shares		
Number of equity holders – 421 in 2008 and 2007		122,448,979
		<u>₱306,122,449</u>

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

- b. On July 25, 2003, the Parent Company's stockholders approved the increase in authorized capital stock from ₱1.2 billion consisting of 1.2 billion shares to ₱5 billion consisting of 5 billion shares, both with par value of ₱1 per share. The increase was held in abeyance because of dispute in the acquisition of the Petrochemical Project, which was finally settled in 2013 as discussed in Note 2. After the final settlement of the dispute, the Parent Company's management has decided to pursue the said increase in authorized capital stock of the Parent Company.

19. Cost of Sales and Services

Details of this account are shown below.

	2008	2007	2006
Cost of services			
Personnel costs (Note 22)	₱23,437,833	₱27,934,668	₱31,433,450
Rent and utilities (Notes 17 and 23)	10,634,984	41,265,535	40,555,364
Outside services	9,824,288	13,813,909	16,532,102
Depreciation (Note 12)	3,496,520	4,573,544	5,231,564
Communication and office supplies	1,454,851	1,979,110	2,724,102
Repairs and maintenance	455,310	2,090,479	2,502,320
Others	9,003,181	7,186,960	9,417,272
	<u>58,306,967</u>	<u>98,844,205</u>	<u>108,396,174</u>
Cost of goods sold	–	–	1,028,534,346
	<u>₱58,306,967</u>	<u>₱98,844,205</u>	<u>₱1,136,930,520</u>

Cost of goods sold in 2006 pertains to MVC, an entity that ceased to be a subsidiary in 2007. Cost of goods sold includes depreciation amounting to ₱61.2 million in 2006.

20. Expenses

The details of expenses are shown below.

	2008	2007	2006
Personnel cost (Note 22)	₱12,154,684	₱4,966,668	₱51,805,145
Rent and utilities (Notes 17 and 23)	2,674,420	1,033,469	17,998,009
Depreciation (Note 12)	667,700	557,184	34,805,629
Provision for probable losses (Note 8)	653,917	138,282,345	49,830,526
Taxes and licenses	66,432	15,200	10,042,337
Shipping and delivery	–	–	143,830,467
Others (Note 17)	13,881,104	10,215,158	56,172,002
	₱30,098,257	₱155,070,024	₱364,484,115

Others include professional fees, communication, supplies, transportation, entertainment and others.

21. Income Taxes

- a. The components of the Group's provision for (benefit from) income tax consists of the following:

	2008	2007	2006
MCIT	₱195,979	₱ –	₱165,114
Final tax	91,067	47,919	1,416,948
RCIT	–	4,157,885	23,517,438
	287,046	4,205,804	25,099,500
Deferred tax benefit	(4,486,645)	(33,865)	(2,451,128)
	(₱4,199,599)	₱4,171,939	₱22,648,372

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

	2008	2007	2006
Benefit from income tax loss at statutory tax rate	(₱8,220,748)	(₱104,244,406)	(₱55,300,382)
Tax effect of:			
Expired NOLCO	13,144,983	36,144,377	15,315,782
Nondeductible interest and other expenses	1,100,236	60,938,440	63,268,496
Change in tax rate applicable to GAC	779,492	52,023	–
Expired MCIT	733,015	489,857	100,828
Change in unrecognized deferred income tax assets	(11,598,240)	15,715,464	7,913,234
Interest and dividends	(138,337)	(4,923,816)	(6,956,300)
Income tax holiday	–	–	(1,693,286)
	(₱4,199,599)	₱4,171,939	₱22,648,372

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

	2008	2007
Deferred tax assets:		
NOLCO	P4,106,991	-
Unamortized past service costs	556,048	P372,835
MCIT	195,979	-
Allowance for probable losses	154,855	101,720
Accrued leases and other nondeductible expenses	116,370	136,201
Unrealized foreign exchange loss	42,920	-
Accrued retirement benefits costs	11,904	106,298
Provision for impairment losses	-	13,856
	5,185,067	730,910
Deferred tax liability:		
Unrealized foreign exchange gain	-	32,488
Net deferred tax assets	P5,185,067	P698,422

- d. Deferred tax assets of the Parent Company and its nonoperating subsidiaries amounting to P81,635,680 and P93,233,921 as of December 31, 2008 and 2007, respectively, have not been recognized as management believes that the Parent Company and its nonoperating subsidiaries may not have sufficient taxable profits or tax liabilities against which these deferred tax assets may be utilized.

The following summarizes the deductible temporary differences as of December 31 for which no deferred income tax assets have been recognized.

	2008	2007
Allowance for probable losses	P149,142,132	P148,488,215
NOLCO	83,056,555	114,833,038
Accrued retirement benefits costs	574,360	495,295
	232,773,047	263,816,548
MCIT	165,114	898,129
	P232,938,161	P264,714,677

The above MCIT may be used as credit against future income tax payable as follows:

Year Incurred	Year Expiring	2008	2007
2004	2007	P -	P489,857
2005	2008	733,015	733,015
2006	2009	165,114	165,114
		898,129	1,387,986
Expired MCIT		(733,015)	(489,857)
		P165,114	P898,129

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

Year Incurred	Year Expiring	2008	2007
2004	2007	₱ —	₱103,269,648
2005	2008	37,557,093	37,557,093
2006	2009	66,066,760	66,066,760
2007	2010	11,209,185	11,209,185
2008	2011	5,780,610	—
		120,613,648	218,102,686
Expired NOLCO		(37,557,093)	(103,269,648)
		₱83,056,555	₱114,833,038

- e. On May 24, 2005, RA No. 9337 was passed into law amending various provisions in the existing National Internal Revenue Code, initially effective July 1, 2005. Among the changes provided for in RA No. 9337, which became effective on November 1, 2005, are as follows:
- Increase in the corporate income tax rate from 32% to 35% with a reduction thereof to 30% starting January 1, 2009 and onwards;
 - Increase in unallowable interest rate from 38% to 42% with a reduction thereof to 33% beginning January 1, 2009;
 - Increase in VAT rate from 10% to 12% effective February 1, 2006 as authorized by the Philippine President pursuant to the recommendation of the Secretary of Finance; and
 - Expanded scope of transactions subject to VAT.

On October 10, 2007, the Bureau of Internal Revenue issued Revenue Regulation (RR) No. 12-2007 amending certain provisions of RR No. 9-98 relative to the due date within which to pay the Minimum Corporate Income Tax (MCIT). The computation and payment of MCIT now applies to quarterly corporate income tax of companies.

22. Retirement Benefits Costs

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

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

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

	2008	2007	2006
Current service cost	₱344,189	₱633,434	₱4,587,044
Interest cost on benefit obligation	269,976	210,394	9,114,195
Net actuarial loss recognized	30,995	110,000	97,942
Expected return on plan assets	(93,770)	(173,126)	(7,151,262)
Past service cost	—	—	1,223,047
Net retirement benefits costs	551,390	780,702	7,870,966
Curtailment loss	239,452	130,780	(194,622)
Total retirement expense	₱790,842	₱911,482	₱7,676,344

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

	2008	2007
Present value of benefit obligation	₱1,573,493	₱3,223,573
Present value of plan assets	(580,523)	(1,562,833)
	992,970	1,660,740
Unrecognized net actuarial losses	(378,931)	(861,735)
Liability recognized in the consolidated balance sheet	₱614,039	₱799,005

Changes in present value of retirement obligation are as follows:

	2008	2007
Present value of obligation at beginning of year	₱3,223,573	₱117,001,131
Disposal of subsidiary - MVC	-	(113,300,972)
Current service cost	344,189	633,434
Interest cost on benefit obligation	269,976	210,394
Benefits paid	(1,654,125)	(298,132)
Actuarial gain	(517,260)	(699,786)
Effect of curtailment	(92,860)	(322,496)
Present value of obligation at end of year	₱1,573,493	₱3,223,573

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

	2008	2007
Fair value of plan assets at beginning of year	₱1,562,833	₱94,304,773
Contributions	975,808	-
Expected return on plan assets	93,770	173,126
Benefits paid due to resignation and retrenchment	(1,960,237)	(611,608)
Actuarial loss on plan assets	(91,651)	(162,765)
Disposal of subsidiary – MVC	-	(92,140,693)
Fair value of plan assets at end of year	₱580,523	₱1,562,833
Actual return on plan assets	₱2,119	₱10,361

The major categories of plan assets are as follows:

	2008	2007
Cash and cash equivalents	₱2,754	₱1,626
Investment in Unit Investment Trust Funds	577,769	1,561,207
Fair value of plan assets	₱580,523	₱1,562,833

Relevant amounts for December 31, 2008 and 2007 are as follows:

	2008	2007
Present value of obligation	₱1,573,493	₱3,223,573
Fair value of plan assets	580,523	1,562,833
Deficit	992,970	1,660,740
Experience adjustments	517,260	699,786

The assumptions used to determine retirement benefits costs for the Group for the years ended December 31, 2008, 2007 and 2006 are as follows:

	2008	2007	2006
Discount rate	17%	10%	7%
Salary increase rate	10%	3%	3% to 6 %
Expected rate of return on plan assets	6%	6%	8% to 10 %

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

23. Leases

- a. The Parent Company, under an operating lease agreement, leases an office space with a term of one year for an annual rate of ₱0.3 million.

GAC also leases office space and various warehouses under various agreements with terms ranging from two to three years.

Future minimum rental commitments under these operating lease agreements follow:

	2008	2007
Within one year	₱2,984,235	₱4,624,275
After one year but not more than five years	2,514,919	-
	₱5,499,154	₱4,624,275

- b. GAC has finance leases over various items of warehouse equipment. The lease agreements provide for the turnover of ownership of the equipment to GAC at the end of the lease term, which ended on March 8, 2009. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2008		2007	
	Minimum Payments	Present Value of Payments	Minimum Payments	Present Value of Payments
Within one year	₱324,787	₱318,835	₱2,521,382	₱2,347,694
After one year but not more than five years	-	-	324,787	318,834
Total minimum lease payments	324,787	318,835	2,846,169	2,666,528
Less amounts representing finance charges	5,952	-	179,641	-
Present value of minimum lease payments	₱318,835	₱318,835	₱2,666,528	₱2,666,528

24. Logistics Agreements

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

25. Basic Loss Per Share

The following table presents the information necessary to compute the basic loss per share:

- a. Loss per share on net loss attributable to equity holders of the Parent Company:

	2008	2007	2006
Net loss attributable to equity holders of Parent Company	₱14,278,764	₱305,621,045	₱1,854,266,988
Weighted average number of common shares	306,122,449	306,122,449	306,122,449
Basic Loss Per Share	₱0.05	₱1.00	₱6.06

- b. Loss per share on net loss from continuing operations attributable to equity holders of the Parent Company:

	2008	2007	2006
Net loss attributable to equity holders of Parent Company	₱14,278,764	₱305,621,045	₱207,096,038
Weighted average number of common shares	306,122,449	306,122,449	306,122,449
Basic Loss Per Share	₱0.05	₱1.00	₱0.68

26. Financial Assets and Financial Liabilities

The following table summarizes the carrying and fair values of the Group's financial assets and financial liabilities as of December 31, 2008 and 2007:

	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	₱3,136,649	₱3,136,649	₱19,745,539	₱19,745,539
Receivables - net	79,065,712	79,065,712	63,866,681	63,866,681
Refundable deposits	2,085,811	2,076,003	3,609,059	3,452,936
AFS investments	29,758,604	29,758,604	61,583,713	61,583,713
	₱114,046,776	₱114,036,968	₱148,804,992	₱148,648,869
Financial Liabilities				
Accounts payable and accrued expenses	₱53,256,259	₱53,256,259	₱44,147,606	₱44,147,606
Due to related parties	515,376,769	515,376,769	492,427,204	492,427,204
Obligation under finance lease (including current portion)	318,835	318,835	2,666,528	2,837,740
Long-term debt (including current portion)	794,546	781,678	70,000	70,000
Loan payable	27,000,000	27,000,000	27,000,000	27,000,000
	₱596,746,409	₱596,733,541	₱566,311,338	₱566,482,550

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

Current Financial Assets and Financial Liabilities

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

AFS Investments

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

Long-term Debt

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

Refundable Deposits and Obligation under Finance Lease

The fair values of noncurrent refundable deposits and obligation under finance lease have been determined by discounting the expected future cash flows at prevailing interest rates.

27. Financial Risk Management Objectives and Policies

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

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

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates to its long-term debt. As of December 31, 2008 and 2007, the Group has minimal exposure to interest rate risk since the interest rates are fixed up to the date of maturity.

Credit Risk

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

Financial information on the Group's maximum exposure to credit risk as of December 31, 2008 and 2007, without considering the effects of collaterals and other risk mitigation techniques, are presented below.

	2008	2007
Cash and cash equivalents	₱3,136,649	₱19,745,539
Receivables	79,065,712	63,866,681
Refundable deposits	2,085,811	3,609,059
	₱84,288,172	₱87,221,279

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

2008

	High Grade	Past Due but not Impaired			Impaired Financial Assets	Allowance for Probable Losses	Total
		Over 30 days	Over 60 days	Over 90 days			
Cash and cash equivalents	₱3,136,649	₱ -	₱ -	₱ -	₱ -	₱ -	₱3,136,649
Receivables:							
Trade	16,364,240	7,023,903	5,256,618	6,235,370	515,351	(515,351)	34,880,131
Notes	-	-	-	-	138,710,706	(138,710,706)	-
Due from affiliate	8,301,000	-	-	-	-	-	8,301,000
Others	624,275	-	-	35,260,306	1,609,503	(1,609,503)	35,884,581
Refundable deposits	2,085,811	-	-	-	-	-	2,085,811
	₱30,511,975	₱7,023,903	₱5,256,618	₱41,495,676	₱140,835,560	(₱140,835,560)	₱84,288,172

2007

	High Grade	Past Due but not Impaired			Impaired Financial Assets	Allowance for Probable Losses	Total
		Over 30 days	Over 60 days	Over 90 days			
Cash and cash equivalents	₱19,745,539	₱ -	₱ -	₱ -	₱ -	₱ -	₱19,745,539
Receivables:							
Trade	14,669,680	4,405,906	1,282,642	3,996,155	628,700	(628,700)	24,354,383
Notes	-	-	-	-	138,282,345	(138,282,345)	-
Interest	-	-	-	3,576,429	-	-	3,576,429
Others	231,832	-	-	35,704,037	1,270,598	(1,270,598)	35,935,869
Refundable deposits	3,609,059	-	-	-	-	-	3,609,059
	₱38,256,110	₱4,405,906	₱1,282,642	₱43,276,621	₱140,181,643	(₱140,181,643)	₱87,221,279

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

Liquidity Risk

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

28. Capital Management

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

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

The Group's interest bearing loans from third parties amounted to ₱794,546 and ₱29,736,528 as of December 31, 2008 and 2007, respectively, while the equity attributable to equity holders of the Parent Company less any reserves is shown in the following table:

	2008	2007
Capital stock	₱306,122,449	₱306,122,449
Additional paid-in-capital	3,571,921	3,571,921
Retained earnings (deficit)	(195,034,967)	(180,756,203)
	₱114,659,403	₱128,938,167

29. Notes to Consolidated Statements of Cash Flows

The principal non-cash financing and investing activities in 2007 consist of:

- a. Settlement of advances obtained from affiliates, which were used to partially finance the Petrochemical Project, through the application of advances made to other affiliates;
- b. Loans payable to local banks amounting to ₱378.3 million and related accrued finance charges amounting to ₱488.4 million as of December 31, 2006 transferred to Polymax in 2007;
- c. Loan payable to a local bank amounting to ₱35 million reclassified to the accrued expenses account in 2007;
- d. Reversal of accrued management fees recorded under accrued expenses in 2007 amounting to ₱16.1 million;
- e. Accrued finance costs charged to Polymax; and
- f. Assignment of MVC shares to a local bank as full payment of a loan obligation.

30. Other Matters

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

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

On April 26, 2006, the Parent Company filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Motion for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue. As of October 10, 2014, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable. Management believes, however, that the ultimate outcome of the case will not have a material effect on the consolidated financial statements.

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

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

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

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BOA/PRC Reg. No: 0384,
October 22, 2012, valid until December 31, 2015
SEC Accreditation No: 0005-FR-3 (Group A),
June 21, 2012, valid until June 20, 2015

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and Board of Directors
Metro Alliance Holdings & Equities Corp.
22nd Floor Citibank Tower
8741 Paseo de Roxas
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Metro Alliance Holdings & Equities Corp. and its subsidiaries as at and for the years ended December 31, 2008 and 2007 included in this Form 17-A, and have issued our report thereon dated October 10, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

UY SINGSON ABELLA & CO.

Ma. Milagros F. Padernal

MA. MILAGROS F. PADERNAL

Partner

CPA Certificate No. 28591

SEC Accreditation No. 0316-AR-2 (Group A),

June 21, 2012, valid until June 20, 2015

Tax Identification No. 119-768-075

BIR Accreditation No. 07-000140-1-2013,

November 25, 2013, valid until November 24, 2016

PTR No. 9943752, February 6, 2014, Pasig City

October 10, 2014

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
AS AT DECEMBER 31, 2008

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

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
I. SUPPLEMENTAL SCHEDULES REQUIRED BY ANNEX 68-E
AS AT DECEMBER 31, 2008

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and rates	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Cash		₱ – ₱3,136,649	₱3,136,649	₱ –
AFS Financial Assets				
Mabuhay Vinyl Corporation	–	₱19,634,454	₱19,634,454	–
Waterfront Philippines, Inc.	–	9,494,950	9,494,950	–
Others	–	629,200	629,200	–
	–	₱29,758,604	₱29,758,604	–

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

Name and designation of debtor	Balance at beginning of period	Amounts collected/transferred	Amounts written-off	Current	Non-current	Balance at end of period
Polymax Worldwide Limited (special purpose entity)	₱902,232,308	₱13,323,444	₱ –	₱915,555,752	₱ –	₱915,555,752
The Wellex Group, Inc.	–	8,301,000	–	8,301,000	–	8,301,000
	₱902,232,308	₱21,624,444	₱ –	₱923,856,752	₱ –	₱923,856,752

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

Account	January 1, 2008	Additions	Deductions		Current	Non-Current	December 31, 2008
			Amount Collected	Amount Written Off			
Advances to Consumer Products Distribution Services, Inc.	₱3,691,811	₱ –	₱ –	₱3,449,598	₱242,213	₱ –	₱242,213

Schedule D. Intangible Assets – Other Asset

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
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Not Applicable

Schedule E. Long-term Debt

Title of issue	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related balance sheet	Amount shown under caption "Long term debt" in related balance sheet
Secured bank loan	₱1,446,000	₱586,700	₱207,846

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

Name of related party	Balance at beginning of period	Balance at end of period
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Not Applicable

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
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Not Applicable

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common - Class A	720,000,000	183,673,470	–	156,590,387	126,213	26,956,870
Common - Class B	480,000,000	122,448,979	–	85,139,552	21,999,902	15,309,525
	1,200,000,000	306,122,449	–	241,729,939	22,126,115	42,266,395

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
II. SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS
AS AT DECEMBER 31, 2008

The following table summarizes the effective standards and interpretations as at December 31, 2008:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2008		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 2	Share-based Payment			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Amendments to PAS 1: Capital Disclosures	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial gains and losses, group plans and disclosures	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 28	Investments in Associates			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
PAS 33	Earnings per Share	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2008		Adopted	Not Adopted	Not Applicable
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Cooperative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2-Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
SIC 7	Introduction of the Euro			✓
SIC 10	Government Assistance – No Specific Relation to Operating Activities			✓
SIC 12	Consolidation – Special Purpose Entities			✓
	Amendment to SIC 12: Scope of SIC 12			✓
SIC 13	Jointly Controlled Entities – Non-monetary Contributions by Venturers			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2008		Adopted	Not Adopted	Not Applicable
SIC 15	Operating Leases – Incentives			✓
SIC 21	Income Taxes – Recovery of Revalued Non-depreciable Assets			✓
SIC 25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders			✓
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC 29	Service Concession Arrangements: Disclosures			✓
SIC 31	Revenue – Barter Transactions Involving Advertising Services			✓
SIC 32	Intangible Assets – Web Site Costs			✓

Note: Standards and interpretations tagged as “Not applicable” are those standards which were adopted but the entity has no significant covered transactions as at and for the years ended December 31, 2008 and 2007.

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES

III. RECONCILIATION OF RETAINED EARNINGS AVAILABLE

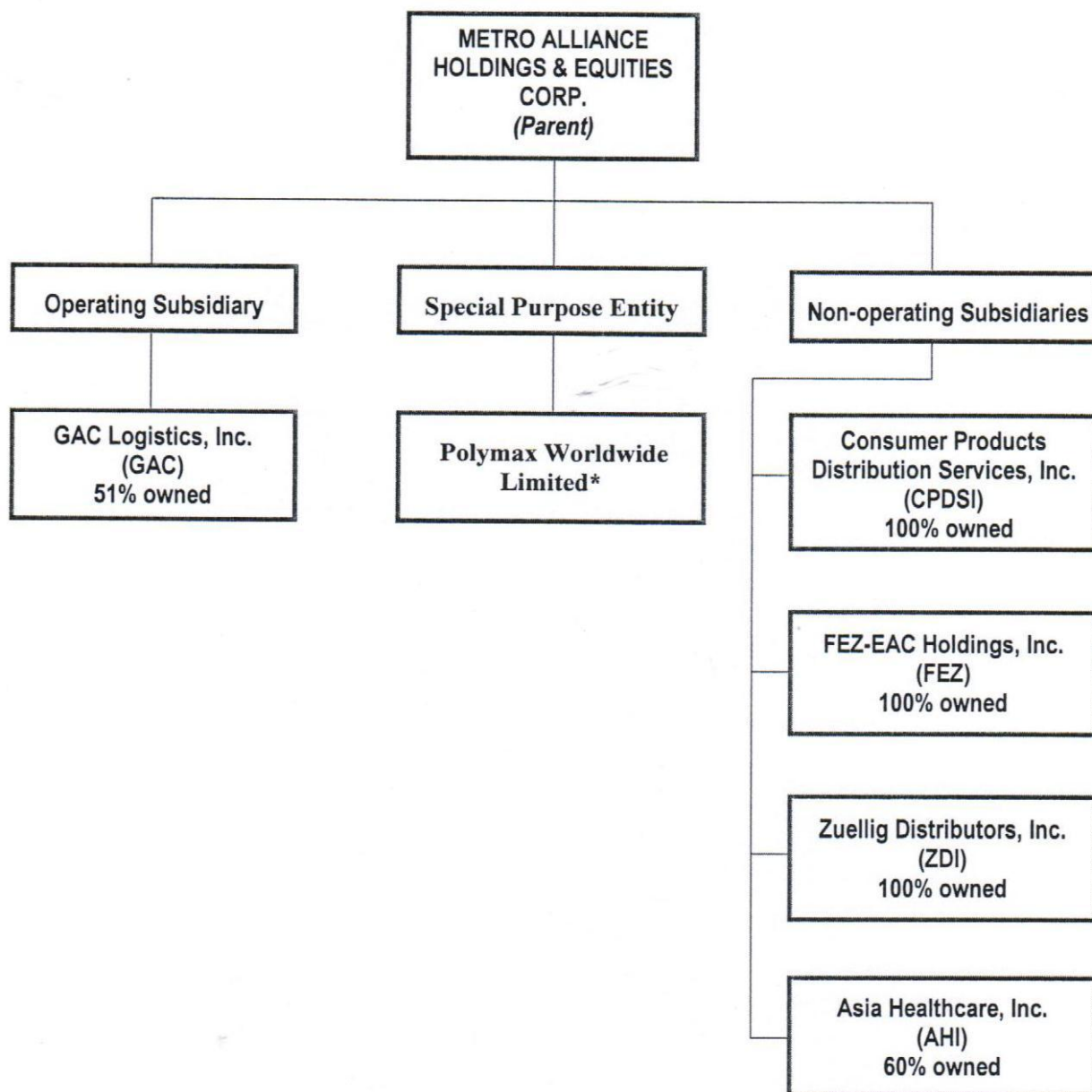
FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2008

Not Applicable*

*The Parent Company’s Retained Earnings as of December 31, 2008 did not exceed its 100% of Paid-in Capital Stock since it is in a deficit position.

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
IV. MAP OF THE RELATIONSHIP OF THE COMPANY WITHIN THE GROUP
FOR THE YEAR ENDED DECEMBER 31, 2008



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

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
V. SCHEDULE OF FINANCIAL RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2008

Financial Ratios	Description	2008	2007	2006
Current/liquidity ratio	Current assets over current liabilities	1.06	1.09	1.51
Asset to equity ratio	Total asset over total equity	10.53	7.04	2.34
Net debt to equity ratio	Interest – bearing loans and borrowings less cash and cash equivalents over total equity	(0.02)	(0.11)	0.39
Debt-to-equity ratio	Short-term loans over total equity	0.27	0.18	0.34
Solvency ratio	After tax net profit plus depreciation over total liabilities	(0.02)	(0.33)	(0.78)
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	(98.89)	(5.42)	0.31
Gross profit margin	Gross profit over net revenues	9%	17%	24%
Net income margin	Net income over net revenues	(30%)	(253%)	(123%)

METRO ALLIANCE HOLDINGS & EQUITIES CORP.

**PARENT COMPANY FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

AND

INDEPENDENT AUDITOR'S REPORT



13 NOV 2014

USA & Co
UY SINGSON ABELLA & Co
CERTIFIED PUBLIC ACCOUNTANTS

COVER SHEET

0 0 0 0 0 0 0 2 9 6

SEC Registration No.

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

E Q U I T I E S C O R P . & S U B S I D I A R I E S

(Company's Full Name)

2 2 N D F L O O R C I T I B A N K T O W E R , 8 7 4 1

P A S E O D E R O X A S , M A K A T I C I T Y

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

Atty. Nestor S. Romulo

Contact Person

(632) 706-7888

Contact Telephone No.

1 2 3 1

Fiscal Year

A F S - 0 8

FORM TYPE

Any day in May

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

833

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign -

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

LCU

Document I.D.

Document I.D.

Cashier

Cashier

S T A M P S

Remarks = pls. Use black ink for scanning purposes



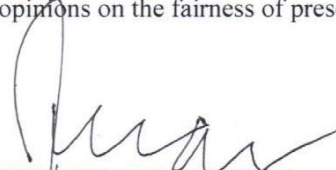
METRO ALLIANCE
HOLDINGS & EQUITIES CORP.

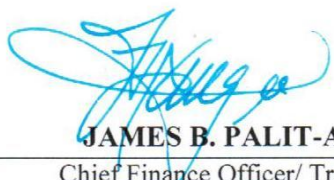
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR
FINANCIAL STATEMENTS**

The management of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** (the Company) is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2008 and 2007, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

Uy, Singson, Abella & Co., CPAs, the independent auditors appointed by the stockholders for the years ended December 31, 2008 and 2007, have examined the financial statements of the Company in accordance with the Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinions on the fairness of presentation upon completion of such examination.


RENATO B. MAGADIA
Chairman of the Board/ Chief Executive Officer/
President

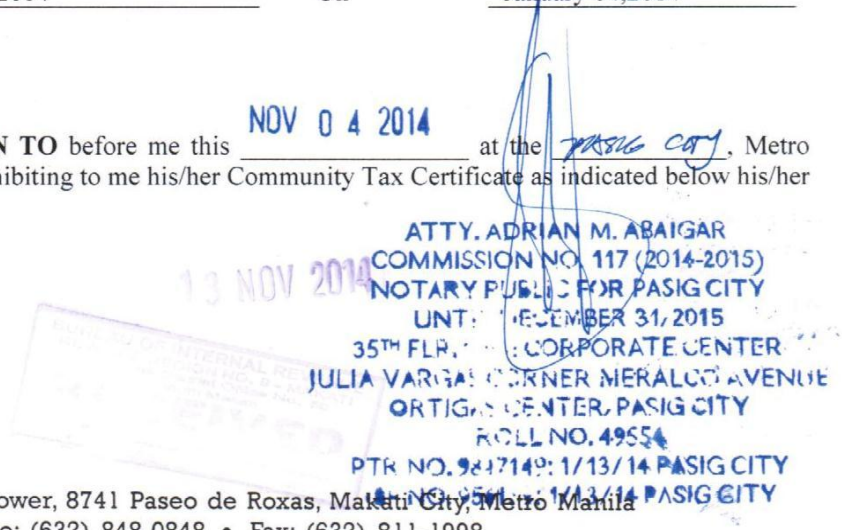

JAMES B. PALIT-ANG
Chief Finance Officer/ Treasurer

CTC No. 10843235
Issued at Makati City
On January 13, 2014

CTC No. 13783087
Issued at Quezon City
On January 04, 2014

SUBSCRIBED AND SWORN TO before me this NOV 04 2014 at the PASIG CITY, Metro Manila, Philippines. Affiant exhibiting to me his/her Community Tax Certificate as indicated below his/her name and signature above.

Doc. No. 457 ;
Page No. 96 ;
Book No. I ;
Series of 2014



22nd Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City, Metro Manila
Trunk Line: (632) 848-0848 • Fax: (632) 811-1998

USA&Co

UY SINGSON ABELLA & CO
CERTIFIED PUBLIC ACCOUNTANTS

Suite 1205 Antel Global Corporate Center
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Pasig City 1605, Philippines

Phone: (632) 687-6151 to 52
Fax: (632) 634-7564
E-mail: info@usacpas.com.ph
Website: www.usacpas.com.ph

BOA/PRC Reg. No: 0384,
October 22, 2012, valid until December 31, 2015
SEC Accreditation No: 0005-FR-3 (Group A),
June 21, 2012, valid until June 20, 2015

**SUPPLEMENTAL STATEMENT OF
INDEPENDENT AUDITOR**

The Stockholders and the Board of Directors
Metro Alliance Holdings & Equities Corp.
22nd Floor Citibank Tower
8741 Paseo de Roxas
Makati City

We have audited the accompanying Parent Company financial statements of Metro Alliance Holdings & Equities Corp. as of and for the years ended December 31, 2008 and 2007, on which we have rendered our report dated October 10, 2014.

In compliance with Securities Regulations Code Rule 68, we are stating that the said Parent Company has seven hundred ninety (790) stockholders owning one hundred (100) or more shares.

UY SINGSON ABELLA & CO.

Ma. Milagros F. Padernal

MA. MILAGROS F. PADERNAL
Partner
CPA Certificate No. 28591
SEC Accreditation No. 0316-AR-2 (Group A),
June 21, 2012, valid until June 20, 2015
Tax Identification No. 119-768-075
BIR Accreditation No. 07-000140-1-2013,
November 25, 2013, valid until November 24, 2016
PTR No. 9943752, February 6, 2014, Pasig City

October 10, 2014



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Metro Alliance Holdings & Equities Corp.
22nd Floor Citibank Tower
8741 Paseo de Roxas
Makati City

We have audited the accompanying Parent Company financial statements of Metro Alliance Holdings & Equities Corp., which comprise the balance sheets as at December 31, 2008 and 2007, and the statements of operations, statements of changes in equity, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Parent Company Financial Statements

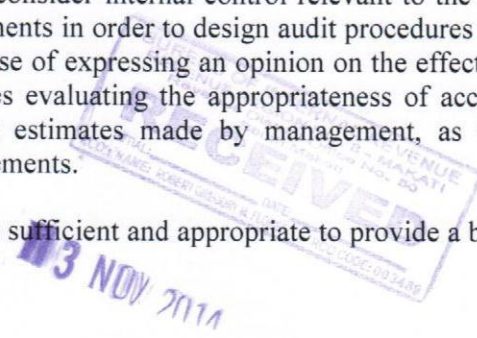
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material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

Auditors' Responsibility

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

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

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



Page 2 of 2

Opinion

In our opinion, the Parent Company financial statements present fairly, in all material respects, the financial position of Metro Alliance Holdings & Equities Corp. as of December 31, 2008 and 2007, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of a Matter

Without qualifying our opinion, we draw attention to Notes 2 and 6 to the Parent Company financial statements, which indicate that the Parent Company has advances to Polymax Worldwide Limited (Polymax) of ₱915.6 million and ₱902.2 million as of December 31, 2008 and 2007, respectively, and on the other hand, Polymax has past due liabilities of ₱800.7 million and ₱800.4 million as of December 31, 2008 and 2007, respectively, for which the Parent is jointly and severally liable. The realization of the Parent Company's advances to Polymax and the settlement of Polymax's past due liabilities, for which the Parent Company is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 40% interest in NPC Alliance Corporation and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company. These factors may cast significant doubt about the Parent Company's ability to continue as a going concern. The Parent Company financial statements have been prepared assuming that the Parent Company will continue as a going concern and do not include any adjustments that might result from the outcome of these uncertainties. Management's plan is to infuse additional capital to address these going concern uncertainties as explained in Note 13b.

UY SINGSON ABELLA & CO.

Ma. Milagros F. Padernal

MA. MILAGROS F. PADERNAL

Partner

CPA Certificate No. 28591

SEC Accreditation No. 0316-AR-2 (Group A),
June 21, 2012, valid until June 20, 2015

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BIR Accreditation No. 07-000140-1-2013,

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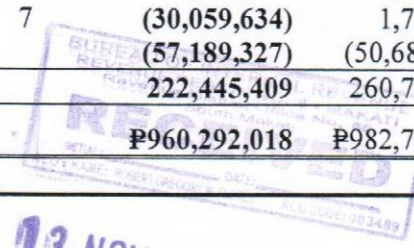
October 10, 2014



METRO ALLIANCE HOLDINGS & EQUITIES CORP.
PARENT COMPANY BALANCE SHEETS

		December 31	
	Notes	2008	2007
ASSETS			
Current Assets			
Cash		₱324,953	₱681,482
Receivables		607,547	500,032
Other current assets – net	5	933,238	815,948
		1,865,738	1,997,462
Asset held for sale	6	915,555,752	902,232,308
Total Current Assets		917,421,490	904,229,770
Noncurrent Assets			
Available-for-sale investments	7	23,950,354	55,775,463
Investment and advances	8	18,882,713	22,332,311
Equipment – net	9	37,461	421,536
Total Noncurrent Assets		42,870,528	78,529,310
TOTAL ASSETS		₱960,292,018	₱982,759,080
LIABILITIES AND EQUITY			
Current Liabilities			
Due to related parties	12	₱512,431,573	₱491,222,519
Accrued expenses and other current liabilities	10	197,840,676	203,201,206
Loan payable	12	27,000,000	27,000,000
Current portion of long-term debt	11	-	70,000
Total Current Liabilities		737,272,249	721,493,725
Noncurrent Liability			
Accrued retirement benefits cost	16	574,360	495,295
Total Liabilities		737,846,609	721,989,020
Equity			
Capital stock	13	306,122,449	306,122,449
Additional paid-in capital		3,571,921	3,571,921
Reserve for fluctuations in available-for-sale investments	7	(30,059,634)	1,765,475
Deficit		(57,189,327)	(50,689,785)
Net Equity		222,445,409	260,770,060
TOTAL LIABILITIES AND NET EQUITY		₱960,292,018	₱982,759,080

See accompanying Notes to Parent Company Financial Statements.



METRO ALLIANCE HOLDINGS & EQUITIES CORP.
PARENT COMPANY STATEMENTS OF OPERATIONS

	Notes	Years Ended December 31	
		2008	2007
INCOME			
Dividends		₱20,250	₱9,246,184
Foreign exchange gain		5,223	—
Interest		4,624	2,900
Reversal of management fee accrual	12	—	16,141,120
Gain on disposal of subsidiary	8	—	8,409,976
		30,097	33,800,180
EXPENSES			
General and administrative expenses	14	6,528,714	7,014,747
Foreign exchange loss – net		—	7,932
Finance costs		—	23,156,230
Impairment loss	8	—	32,863,686
		6,528,714	63,042,595
LOSS BEFORE INCOME TAX		6,498,617	29,242,415
INCOME TAX EXPENSE - Current	15	925	580
NET LOSS		₱6,499,542	₱29,242,995

See accompanying Notes to Parent Company Financial Statements.



METRO ALLIANCE HOLDINGS & EQUITIES CORP.
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Notes	Years Ended December 31	
		2008	2007
CAPITAL STOCK	13		
Class "A"		₱183,673,470	₱183,673,470
Class "B"		122,448,979	122,448,979
		306,122,449	306,122,449
ADDITIONAL PAID-IN-CAPITAL		3,571,921	3,571,921
RESERVE FOR FLUCTUATIONS IN AVAILABLE-FOR-SALE INVESTMENTS	7		
Balance at beginning of year		1,765,465	5,880,180
Fair value adjustment		(31,825,099)	(4,114,705)
Balance at end of year		(30,059,634)	1,765,475
DEFICIT			
Balance at beginning of year		(50,689,785)	(21,446,790)
Net loss		(6,499,542)	(29,242,995)
Balance at end of year		(57,189,327)	(50,689,785)
TOTAL EQUITY		₱222,445,409	₱260,770,060

See accompanying Notes to Parent Company Financial Statements.



METRO ALLIANCE HOLDINGS & EQUITIES CORP.
PARENT COMPANY STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Notes	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(₱6,498,617)	(₱29,242,415)
Adjustments for:			
Depreciation	9	93,166	294,315
Provision for retirement benefits	16	79,065	79,035
Dividends		(20,250)	(9,246,184)
Interest income		(4,624)	(2,900)
Impairment loss	8	-	32,863,686
Interest expense		-	23,156,230
Unrealized foreign exchange loss		-	7,932
Reversal of management fee accrual	12	-	(16,141,120)
Gain on disposal of subsidiary		-	(8,409,976)
Working capital adjustments:			
Decrease (increase) in:			
Receivables		(107,515)	81,784
Other current assets		(117,290)	(184,170)
Increase (decrease) in accrued expenses and other current liabilities		(5,360,530)	1,083,155
Income taxes paid	15	(925)	(580)
Net cash flows used in operating activities		(11,937,520)	(5,661,208)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in asset held for sale	6	(13,323,444)	(23,439,200)
Decrease in investments and advances	8	3,449,598	-
Proceeds from sale of equipment	9	290,909	-
Dividends received		20,250	9,246,184
Interest received		4,624	2,900
Disposal of subsidiary		-	207,663,622
Acquisition of equipment	9	-	(61,300)
Net cash flows provided by (used in) investing activities		(9,558,063)	193,412,206
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in amounts due to related parties	12	21,209,054	16,203,379
Payment of current portion of long-term debt	11	(70,000)	(159,628,727)
Interest paid		-	(43,897,532)
Net cash flows provided by (used in) financing activities		21,139,054	(187,322,880)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		-	(7,932)
NET INCREASE (DECREASE) IN CASH		(356,529)	420,186
CASH AT BEGINNING OF YEAR		681,482	261,296
CASH AT END OF YEAR		₱324,953	₱681,482

See accompanying Notes to Parent Company Financial Statements.

METRO ALLIANCE HOLDINGS & EQUITIES CORP.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Reporting Entity

Metro Alliance Holdings & Equities Corp. (MAHEC or the Parent Company) was incorporated in the Philippines in 1929. In 1979, the Parent Company obtained approval from the Securities and Exchange Commission (SEC) for the extension of its corporate life to another 50 years. MAHEC is a holding company with business interests in companies engaged in the manufacture of chemicals, petrochemical and contract logistics.

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

The accompanying Parent Company financial statements as of December 31, 2008 were authorized for issue by the Board of Directors (BOD) on October 10, 2014.

2. Status of Operations

Going Concern

The accompanying Parent Company financial statements have been prepared assuming that the Parent Company will continue as a going concern. As of December 31, 2008 and 2007, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱915.6 million and ₱902.2 million, respectively, relating to the acquisition of the petrochemical plant of Bataan Polyethylene Corporation (BPC) involving a series of acquisition transactions described in the next section below. On the other hand, Polymax (jointly and severally with the Parent Company) has past due liabilities, including accrued interest and penalties, amounting to ₱800.7 million and ₱800.4 million as of December 31, 2008 and 2007, respectively, which were obtained to partially finance the acquisition of the petrochemical plant, resulting from the transfer of past due loans as discussed in the next paragraph.

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

As explained in Note 6, the remaining 40% of Polymax's interest in the petrochemical plant is for sale. The realization of the Parent Company's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable, depend on whether sufficient cash flows can be generated from the sale of Polymax's remaining 40% interest in NPC Alliance Corporation (NPCA) and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company. The Parent Company financial statements do not include any adjustments that might result from the outcome of these uncertainties. As explained in Note 13b, management's plan is to infuse additional capital to address these going concern uncertainties.

Acquisition Transactions

On December 4, 2003, the Parent Company entered into a Memorandum of Agreement (MOA) with Polymax, whereby the Parent Company confirmed the designation of Polymax as the acquiring company in the proposed acquisition of the senior secured debt papers of BPC from International Finance Corporation (IFC). Under the MOA, the Parent Company and Polymax agreed that (a) the acquisition of the secured debt paper would be for the account and benefit of the

Parent Company; (b) the funding for the acquisition would be provided and arranged by the Parent Company; and (c) the exercise of creditor rights arising from the secured debts via foreclosure and takeover of the assets of BPC would be directed by and for the account and benefit of the Parent Company. In addition, the Parent Company would make certain advances to Polymax.

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

To partially finance the Parent Company's advances relating to the Petrochemical Project, the Parent Company obtained short-term loans from local banks. With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Parent Company was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled ₱866.7 million, consisting of the outstanding principal balance of ₱378.3 million and finance charges of ₱488.4 million. In 2007, these past due liabilities were unilaterally transferred and applied against the advances made to Polymax as discussed in Note 6.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Summary of Significant Accounting Policies

Statement of Compliance

The Parent Company financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) approved by the Philippine Financial Reporting Standards Council (PFRSC) and the SEC.

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

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

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

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

Adoption of New Standards, Amendments to Standards and Interpretations

The PFRSC approved the adoption of new standards, amendments to standards, and interpretations.

Starting January 1, 2008, the Parent Company considered the new and amended PAS and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC) in the preparation of its 2008 Parent Company financial statements. None of the new amended PAS and Philippine Interpretations significantly affects the financial statements of the Parent Company.

Future Changes in Accounting Policies

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2009, and have not been applied in preparing these Parent Company financial statements. None of these is expected to have a significant effect on the Parent Company financial statements, except the following set out below.

Effective 2009

Revised PAS 1, *Presentation of Financial Statements*, becomes effective for financial years beginning on or after January 1, 2009. The standard has been revised to introduce the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a Parent Company statement of comprehensive income. The impact of the revised standard upon adoption on January 1, 2009 will be mainly on the financial statement presentation of the items affected.

Effective 2011

PAS 24 (Amended), *Related Party Disclosures*. The amendment clarified the definition of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are

controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

Effective 2013

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)*. The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled.
- PAS 19, *Employee Benefits (Revised)*. For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period. The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee’s entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

- PFRS 12, *Disclosure of Interests in Other Entities*. PFRS 12 sets out the requirements for disclosures relating to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights).
- PFRS 13, *Fair Value Measurement*. PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.
- PAS 27, *Separate Financial Statements* (as revised in 2011). As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the Parent Company financial statements.

Annual Improvements to PFRSs (2009-2011 Cycle)

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*. These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required.
- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*. The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*.

Effective 2014

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*. These Amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these Amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

Effective in 2015

PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)*. The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.

Annual Improvements to PFRSs (2010-2012 Cycle)

PAS 24, *Related Party Disclosures – Key Management Personnel*. The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after *July 1, 2014* and are applied retrospectively.

Cash

Cash includes cash on hand and in banks.

Financial Assets and Liabilities

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

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

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

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

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

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

Financial Assets

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

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

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

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

The Parent Company has no financial assets at FVPL as of December 31, 2008 and 2007.

Loans and Receivables. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial asset at FVPL. Receivables are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest method.

The Parent Company's cash and receivables are included in this category.

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

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

The Parent Company has no HTM investments as of December 31, 2008 and 2007.

AFS Investments. AFS investments are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. Subsequent to initial recognition, AFS investments are carried at fair value in the Parent Company balance sheet. Changes in the fair value of such assets are reported in the equity section of the Parent Company balance sheet until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the Parent Company statement of operations. Interest earned on holding AFS investments are recognized in the Parent Company statement of operations using effective interest rate.

The Parent Company's investments in equity securities recognized under the AFS investments account are classified under this category.

Financial Liabilities

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

The Parent Company has no derivative liabilities as of December 31, 2008 and 2007.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

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

Included in this category are: due to related parties, accrued expenses and other current liabilities, loan payable and current portion of long-term debt.

Derecognition of Financial Assets and Liabilities

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

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

When the Parent Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

The Parent Company assesses at balance sheet date whether a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in the Parent Company statement of operations.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the Parent Company statement of operations, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in the Parent Company statement of operations, is transferred from equity to the Parent Company statement of operations. Reversals in respect of equity instruments classified as AFS are not recognized in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Classification of Financial Instruments between Debt and Equity

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

- deliver cash or another financial assets to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Parent Company; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Parent Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Parent Company balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and therefore, the related assets and liabilities are presented gross in the Parent Company balance sheets.

Asset Held for Sale

An asset is classified as asset held for sale when its carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is highly probable. Asset held for sale is stated at the lower of its carrying amount and fair value less costs to sell.

Investment in Subsidiary

A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by the Parent Company. The Parent Company has control over an entity if it has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investment in subsidiary in the Parent Company financial statements are carried at cost, less any impairment in the value of the investment.

Equipment

Equipment is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of equipment comprises its purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as an additional cost of equipment.

Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Transportation equipment	5
Computer equipment	3

The remaining useful lives, residual values and depreciation method are reviewed and adjusted, if appropriate, at each financial year-end to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of equipment.

The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

When each major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement, if the recognition criteria are satisfied.

An item of equipment is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses arising on the retirement and disposal of an item of equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are included in the Parent Company statement of operations in the period of retirement or disposal.

Impairment of Non-financial Assets

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

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

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Parent Company and the revenue can be measured reliably.

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

Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Operating Leases

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

Leases which do not transfer to the Parent Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized

as an expense in the statement of operations on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Retirement Benefits Cost

The Parent Company provides for estimated retirement benefits to be paid under Republic Act (RA) No. 7641 to its permanent employee. The amount of retirement benefit is dependent on such factors as years of service and compensation.

Foreign Currency Transactions and Translations

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

Income Tax

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

Current Tax

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

Deferred Tax

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

Related Parties

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

Provisions

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

Contingencies

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

Events After the Reporting Period

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

4. Critical Accounting Estimates and Judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods.

Estimated Allowance for Doubtful Accounts and Probable Losses

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

Creditable withholding taxes and input taxes totaling ₱12.6 million and ₱12.5 million as of December 31, 2008 and 2007, respectively, were provided with ₱11.6 million allowance for probable losses as of December 31, 2008 and 2007 (see Note 5).

The advances to Polymax (under asset held for sale) amounting to ₱915.6 million and ₱902.2 million as of December 31, 2008 and 2007, respectively, constitute 95% and 92% of the Parent Company's total assets at the end of 2008 and 2007, respectively. The realization of the Parent Company's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax, for which the Parent Company is jointly and severally liable are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 40% interest in NPCA and from the letter of comfort issued by the Parent Company's major stockholders in favor of the Parent Company, as discussed in Note 6.

Estimated Useful Lives and Residual Values of Equipment

The Parent Company estimates the useful lives and residual values of its equipment based on the period over which the assets are expected to be available for use. The Parent Company reviews annually the estimated useful lives and residual values of equipment based on factors that include asset utilization, internal technical evaluation, technological changes, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in

these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of equipment would increase depreciation expense, while an increase in the estimated useful lives would decrease depreciation expense. As of December 31, 2008 and 2007, equipment, net of accumulated depreciation, amounted to ₱37,461 and ₱421,536, respectively, and total depreciation expense charged to operations amounted to ₱93,166 in 2008 and ₱294,315 in 2007 (see Note 9).

Asset Impairment

The Parent Company assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Parent Company has determined that the equipment is not impaired. On the other hand, impairment loss was recognized to reflect the decline in value of investments in shares of stock of the subsidiaries. Total impairment loss charged to operations amounted to ₱32.9 million in 2007 as shown in Note 8. The carrying value of the investments in shares of stock and advances to subsidiaries amounted to ₱18.9 million and ₱22.3 million as of December 31, 2008 and 2007, respectively, as shown also in Note 8.

Fair Value of Financial Asset and Financial Liabilities

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

The recoverable amount of AFS investments with available market prices was determined based on quoted bid prices. AFS investments amounted to ₱23.9 million and ₱55.8 million as of December 31, 2008 and 2007, respectively (see Note 7).

Realizability of Deferred Tax Assets

The Parent Company reviews the carrying amounts of deferred income taxes at each balance sheet date and reduces deferred income tax assets (DTA) to the extent that it is no longer probable (or recognizes DTA to the extent that it is probable) that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

The Parent Company did not recognize deferred income tax assets on deductible temporary differences, unused NOLCO and MCIT totaling ₱22.3 million and ₱30.7 million as of December 31, 2008 and 2007, respectively, because management believes that the Parent Company may not have sufficient future taxable profits available to allow utilization of these deferred income tax assets (see Note 15c).

Classification of Financial Instruments

The Parent Company classifies a financial instrument, or its component parts, on initial recognition, as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, financial liability or an equity instrument. The substance of financial instrument, rather than its legal form, governs its classification in the Parent Company balance sheet.

The Parent Company determines the classification at initial recognition and reevaluates this designation at every financial reporting date.

Contingencies

The Parent Company is currently involved in various legal proceedings, which are normal to its business as discussed in Note 20. The Parent Company's estimate of the probable costs for these proceedings and resolution of these claims have been developed in consultation with outside counsel handling the prosecution and defense of these cases and is based upon an analysis of potential results. The Parent Company and its legal counsel believe that these legal proceedings will not have a material adverse effect on the financial statements. It is possible, however, that changes in estimates relating to these proceedings may materially affect results of operations.

5. Other Current Assets

	2008	2007
Creditable withholding taxes	₱7,721,700	₱7,721,700
Input taxes	4,852,945	4,735,655
	12,574,645	12,457,355
Less allowance for probable losses	11,641,407	11,641,407
	₱933,238	₱815,948

6. Asset Held for Sale

Asset held for sale amounting to ₱915,555,752 and ₱902,232,308 as of December 31, 2008 and 2007, respectively, which constitute 95% and 92% of the Parent Company's total assets as of December 31, 2008 and 2007, respectively, represents advances to Polymax, the Parent Company's special purpose entity incorporated in British Virgin Islands solely for the purpose of acquiring the petrochemical plant of NPCA as discussed in Note 2.

On March 18 and September 20, 2006, Polymax's interest in NPCA of 40% and 20%, respectively, was sold. Thereafter, Polymax's management decided to discontinue operations and ceased operating as a going concern. Accordingly, the remaining 40% interest of Polymax in NPCA is being offered for sale (see Note 2 for details). The realization of the Parent Company's advances to Polymax and the settlement of Polymax's past due liabilities related to asset held for sale, for which the Parent Company is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 40% interest in NPCA. Since Polymax's net equity has deteriorated from a positive amount of ₱140.9 million at the end of 2007 to a negative amount of ₱345.9 million at the end of 2008 (due mainly to Polymax's 40% share in the net loss of NPCA), the Parent Company's major stockholders issued a letter of comfort to the Parent Company on September 30, 2014 to ensure the recoverability of the Parent Company's advances to Polymax.

Condensed unaudited financial information of Polymax as of December 31, 2008 and 2007 prepared on the liquidation basis of accounting is shown in the table below.

	2008	2007
Assets		
Assets held for sale	₱1,128,447,450	₱1,601,925,995
Due from related parties	290,935,120	290,644,212
Total assets	1,419,382,570	1,892,570,207
Liabilities		
Liabilities related to asset held for sale	800,729,422	800,398,137
Due to Metro Alliance Holdings and Equities Corp.	915,555,752	902,232,308
Other payable	49,030,000	49,030,000
Total liabilities	1,765,315,174	1,751,660,445
Net equity (capital deficiency)	(₱345,932,604)	₱140,909,762

Assets held for sale of Polymax include its 40% interest in NPCA carried at ₱900 million and ₱1.404 billion as of December 31, 2008 and 2007, respectively.

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

Liabilities related to asset held for sale of Polymax as of December 31, 2008 and 2007 pertain to past due liabilities, which were obtained to finance the purchase of 100% ownership interest in NPCA. The Parent Company is jointly and severally liable with Polymax with respect to these past due liabilities. These liabilities were previously carried in the books of the Parent Company but in 2007, these were transferred to Polymax in order to reflect the economic substance of the loan and acquisition transactions, instead of merely their legal forms as discussed in Note 2.

The decrease in net equity by ₱486.8 million and ₱330.5 million in 2008 and 2007, respectively, pertains to the following:

	(In Million)	
	2008	2007
Share in net loss of NPCA	₱503.6	₱310.0
Interest and penalties	13.3	23.6
Foreign exchange loss (gain) on dollar denominated assets held for sale	(30.2)	36.7
Impairment loss on due from related parties	-	26.7
Reversal of over accrual	-	(80.7)
Other costs and expenses	0.08	14.2
Net loss	₱486.8	₱330.5

In 2008, Polymax's share in the net loss of NPCA amounted to ₱728.8 million; however, only ₱503.6 million was recognized so that the carrying value of Polymax's investment in NPCA will not fall below its estimated recoverable value from sale of ₱900 million.

7. Available-for-sale Investments

Available-for-sale investments consist of investments in shares of Mabuhay Vinyl Corporation (MVC) and others, which are quoted in the local stock exchange as follows:

	2008	2007
At acquisition cost	₱54,009,988	₱54,009,988
Cumulative fair value gain loss - in equity	(30,059,634)	1,765,475
	₱23,950,354	₱55,775,463

Unrealized fair value loss on AFS investments amounted to ₱31,825,109 in 2008 and ₱4,114,705 in 2007. The carrying value of these investments include accumulated unrealized loss of ₱30.1 million and unrealized gain of ₱1.8 million as of December 31, 2007 and 2006, respectively, which is deferred in Reserve for Fluctuations in Available-for-sale Investments in the stockholders' equity section of the balance sheet.

8. Investment and Advances

The details of the Parent Company's investments in and advances to subsidiaries follow:

	2008	2007
Investment in GAC Logistic, Inc. (GAC), operating subsidiary (51% owned)	₱18,640,500	₱18,640,500
Advances to Consumer Products Distribution Services, Inc. (CPDSI) (Note 12)	242,213	3,691,811
Total investments and advances	₱18,882,713	₱22,332,311

In 2007, the Parent Company conveyed certain MVC shares to its creditors as payment of long term debt, including accrued interest and penalty thereon, resulting in or gain of ₱8,409,976 disposal.

On April 28, 2007, management ascertained that no future economic benefits were expected to flow to the Parent Company from its investments in and/or advances to CPDSI, Zuellig Distributors, Inc., FEZ-EAC Holdings, Inc. and Asia Healthcare, Inc. as these companies have already been non-operating for a number of years. Thus, the investments and advances to these companies totaling ₱768.4 million (net of amounts due to these subsidiaries amounting to ₱290.9 million as of December 31, 2007) were written-off in 2007.

Provision for impairment losses amounted to ₱32.9 million in 2007.

Information with regard to GAC follows:

	2008	2007
Total assets	₱52,051,210	₱54,367,200
Total liabilities	25,250,592	17,343,142
Net income (loss)	(10,223,440)	7,363,157

9. Equipment

	Transportation Equipment	Computer Equipment	Total
2008			
<u>Cost</u>			
January 1	₱1,454,545	₱172,024	₱1,626,569
Disposal	(1,454,545)	(110,724)	(1,565,269)
December 31	-	61,300	61,300
<u>Accumulated Depreciation</u>			
January 1	1,090,909	114,124	1,205,033
Depreciation	72,727	20,439	93,166
Disposal	(1,163,636)	(110,724)	(1,274,360)
December 31	-	23,839	23,839
Net Book Value	₱ -	₱37,361	₱37,461
2007			
<u>Cost</u>			
January 1	₱1,454,545	₱110,724	₱1,565,269
Additions	-	61,300	61,300
December 31	1,454,545	172,024	1,626,569
<u>Accumulated Depreciation</u>			
January 1	800,000	110,718	910,718
Depreciation	290,909	3,406	294,315
December 31	1,090,909	114,124	1,205,033
Net Book Value	₱363,636	₱57,900	₱421,536

10. Accrued Expenses and Other Current Liabilities

This account consists of:

	2008	2007
Accrued expenses	₱184,085,683	₱179,394,865
Accrued finance charges - related parties (Note 12)	13,385,580	23,506,304
Other liabilities	369,413	300,037
	₱197,840,676	₱203,201,206

Other liabilities pertain to payable to government agencies.

The Parent Company has liabilities arising in the ordinary conduct of business, which are either pending decision by the government authorities or are being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, adequate provisions, which are recorded as part of accrued expenses, have been provided in the financial statements, to cover liabilities that may arise as a result of an adverse decision that may be rendered.

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

11. Long-term Debt

Long-term debt of ₱70,000 as of December 31, 2007, which was fully paid in 2008, represents the balance of the ₱900,000 loan that was obtained by the Parent Company to finance the acquisition of transportation equipment. The loan was secured by a chattel mortgage over the said transportation equipment.

12. Related Party Transactions

The significant transactions with related parties are as follows:

a. Past due bank loans and accrued interest (Note 6)

In 2007, past due bank loans and accrued interest totaling ₱866.7 million at the end of 2006, which were obtained to partially finance the acquisition by Polymax of 100% interest in NPCA, were unilaterally transferred and applied against advances made to Polymax to reflect the economic substance of the loan and acquisition transactions, instead of merely their legal forms.

b. Write-off of outstanding balances with related parties (Note 8)

Investments in and advances to non-operating subsidiaries totaling ₱768.4 million (net of amounts due to these subsidiaries of ₱290.9 million as of December 31, 2007) were determined to have no future economic benefit and were written-off in 2007.

c. Management consultancy agreement

The agreement, which is for an initial period of five years up to March 31, 2004, is with a stockholder whereby the Parent Company pays the amount mutually agreed upon based on the nature of services rendered. On April 1, 2004, a new agreement was signed for an indefinite term until terminated by either party by giving six months prior written notice. Management fees charged to operations amounted to ₱6 million annually from 2004. In 2007, the management agreement was terminated and the unpaid management fee as of December 31, 2006 totaling ₱16.1 million was waived and extinguished by the stockholder in 2007.

Accounts with related parties

The outstanding balances pertaining to the Parent Company's transactions with related parties follow:

	2008	2007
<u>Advances to</u>		
Polymax (special purpose entity) – under asset held for sale (Note 6)	₱915,555,752	₱902,232,308
<u>Advances to</u>		
CPDSI (subsidiary) (Note 8)	₱242,213	₱3,691,81
<u>Due to related parties</u>		
<i>Entities under common control</i>		
Waterfront Philippines, Inc. (WPI)	₱324,602,010	₱303,497,205
Acesite (Phils.) Hotel Corporation	6,057,993	5,971,374
The Wellex Group, Inc.	17,630	–
<i>Stockholders</i>	181,753,940	181,753,940
	₱512,431,573	₱491,222,519
<u>Accrued finance charges (Note 10)</u>		
WPI	₱12,984,080	₱23,104,804
MVC	401,500	401,500
	₱13,385,580	₱23,506,304
<u>Loan payable</u>		
MVC	₱27,000,000	₱27,000,000

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

Loan payable of ₱27 million as of December 31, 2008 and 2007 pertains to the remaining balance of the Parent Company's loan obligations from MVC, a former subsidiary, which is the subject of a Memorandum of Agreement (MOA) executed by the parties on January 28, 2005. The MOA provides, among others, that the Parent Company's 36 million MVC shares of stock shall be assigned or transferred to MVC in payment of the Parent Company's loan obligations to MVC amounting to ₱39.4 million, inclusive of interest. By virtue of a Dacion en Pago executed by the Parent Company and MVC in 2006, the Parent Company assigned, transferred and conveyed its rights, interest and participation to 9 million shares in favor of MVC in partial payment of the Parent Company's loans and interest. Subsequently on January 29, 2010, the Parent Company and MVC executed a Deed of Assignment with respect to these remaining 27 million shares (presented as AFS investments in Note 7) as full payment of the ₱27.4 million outstanding obligations (inclusive of interest) of the Parent Company.

Compensation of Key Management Personnel

The Parent Company has no compensation of key management personnel in 2008 and 2007.

13. Capital Stock

- a. The Group's capital stock as of December 31, 2008 and 2007 consists of the following common shares:

Class "A" – ₱1 par value		
Authorized – 720,000,000 shares		
Issued and outstanding – 183,673,470 shares		
Number of equity holders – 676 in 2008 and 2007		₱183,673,470
Class "B" – ₱1 par value		
Authorized – 480,000,000 shares		
Issued and outstanding – 122,448,979 shares		
Number of equity holders – 421 in 2008 and 2007		122,448,979
		<u>₱306,122,449</u>

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

- b. On July 25, 2003, the Group's stockholders approved the increase in authorized capital stock from ₱1.2 billion consisting of 1.2 billion shares to ₱5 billion consisting of 5 billion shares, both with par value of ₱1 per share. The increase was held in abeyance because of the dispute in the acquisition of the Petrochemical Project, which was finally settled in 2013 as discussed in Note 2. After final settlement of the dispute, management has decided to pursue the said increase in authorized capital stock.

14. General and Administrative Expenses

The details of general and administrative expenses are shown below.

	2008	2007
Entertainment, amusement and recreation	₱1,819,167	₱1,731,551
Professional fees	1,651,428	2,001,437
Personnel costs	997,237	989,693
Rent and utilities	391,680	391,680
Depreciation (Note 9)	93,166	294,315
Others	1,576,036	1,606,071
	<u>₱6,528,714</u>	<u>₱7,014,747</u>

Others mainly include penalties and surcharges.

15. Income Taxes

- a. The current income tax expense represents final taxes on interest income from banks amounting to ₱925 in 2008 and ₱580 in 2007.

- b. The reconciliation of the income tax expense computed at the statutory tax rate with the income tax expense shown in the Parent Company statements of operations is as follows:

	2008	2007
Loss before income tax	(P6,498,617)	(P29,242,415)
Tax loss at statutory tax rate	(P2,274,516)	(P10,234,845)
Additions to (reduction in) income tax resulting from tax effects of:		
Expired NOLCO	9,410,060	33,865,597
Nondeductible expenses	964,308	12,464,639
Expired MCIT	384,611	56,102
Final tax on interest income	925	580
Change in unrecognized deferred income tax assets	(8,475,757)	(29,970,822)
Dividend income exempted from tax	(7,088)	(3,236,164)
Interest income subjected to final tax	(1,618)	(1,015)
Gain on disposal of subsidiary	-	(2,943,492)
	P925	P580

- c. Deferred income tax assets of P22,271,814 and P30,747,571 and as of December 31, 2008 and 2007, respectively, have not been recognized on deductible temporary difference and carry forward benefit of unused NOLCO as shown below, as management believes that the Parent Company may not have sufficient taxable profits or tax liabilities against which this temporary difference and NOLCO may be utilized.

	2008	2007
NOLCO	P63,059,394	P86,256,020
Accrued retirement benefit cost	574,360	495,295
	63,633,754	86,751,315
MCIT	-	384,611
	P63,633,754	P87,135,926

- d. NOLCO can be claimed as deduction from regular taxable income as follows:

Year Incurred	Year Expiring	2008	2007
2004	2007	P -	P96,758,848
2005	2008	26,885,885	26,885,885
2006	2009	48,160,950	48,160,950
2007	2010	11,209,185	11,209,185
2008	2011	3,689,259	-
		89,945,279	183,014,868
Less expired NOLCO		26,885,885	96,758,848
		P63,059,394	P86,256,020

MCIT may be used as credit against future income tax payable as follows:

Year Incurred	Year Expiring	2008	2007
2004	2007	P -	P56,102
2005	2008	384,611	384,611
		384,611	440,713
Less expired MCIT		384,611	56,102
		P -	P384,611

- e. On May 24, 2005, RA No. 9337 was passed into a law amending various provisions in the existing National Internal Revenue Code, initially effective July 1, 2005. Among the changes provided for in RA No. 9337, which became effective on November 1, 2005, are as follows:
- i. Increase in the corporate income tax rate from 32% to 35% with a reduction thereof to 30% starting January 1, 2009 and onwards;
 - ii. Increase in unallowable interest rate from 38% to 42% with a reduction thereof to 33% beginning January 1, 2009;
 - iii. Increase in VAT rate from 10% to 12% effective February 1, 2006 as authorized by the Philippine President pursuant to the recommendation of the Secretary of Finance; and
 - iv. Expanded scope of transactions subject to VAT.

On October 10, 2007, the Bureau of Internal Revenue issued Revenue Regulation (RR) No. 12-2007 amending certain provisions of RR No. 9-98 relative to the due date within which to pay the Minimum Corporate Income Tax (MCIT). The computation and payment of MCIT now applies to quarterly corporate income tax of companies.

16. Accrued Retirement Benefits Costs

The Parent Company's retirement benefits obligation under RA No. 7641 amounted to ₱574,360 and ₱495,295 as of December 31, 2008 and 2007, respectively. The accrued retirement benefits cost is determined based on the number of years of service rendered and compensation of a covered employee.

Movement of accrued retirement benefits cost is shown below.

	2008	2007
Present value of benefit obligation	₱495,295	₱416,260
Current service cost	79,065	79,035
Liability recognized in the balance sheet	₱574,360	₱495,295

17. Financial Assets and Financial Liabilities

The following table summarizes the carrying and fair values of the Parent Company's financial assets and financial liabilities as of December 31, 2008 and 2007.

	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash	₱324,953	₱324,953	₱681,482	₱681,482
Receivables	607,547	607,547	500,032	500,032
AFS investments	23,950,354	23,950,354	55,775,463	55,775,463
Advances to subsidiary	242,213	242,213	3,691,811	3,691,811
	₱25,125,067	₱25,125,067	₱60,648,788	₱60,648,788
Financial Liabilities				
Due to related parties	₱512,431,573	₱512,431,573	491,222,519	491,222,519
Accrued expenses and other current liabilities	25,475,554	25,475,554	31,270,884	31,270,884
Loan payable	27,000,000	27,000,000	27,000,000	27,000,000
Current portion of long-term debt	-	-	70,000	70,000
	₱564,907,127	₱564,907,127	₱549,563,403	₱549,563,403

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

Current Financial Assets and Financial Liabilities

Due to the short-term nature of the transactions, the carrying values of cash, receivables, advances to subsidiary, due to related parties, accrued expenses and other current liabilities, loan payable and current portion of long-term debt approximate their fair values.

AFS Investments

The fair values of AFS investments, which are publicly traded instruments, are based on quoted bid prices.

18. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments consist of cash, advances to subsidiary, AFS investments, due to related parties and loan payable. The main purpose of these financial instruments is to finance the Parent Company's operations. The Parent Company's other financial assets and financial liabilities include receivables and accrued expenses and other current liabilities, which arise directly from its operations.

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

Interest Rate Risk

The Parent Company's exposure to the risk of changes in market interest rates relates to its long-term debt that was fully paid in 2008, which principally bears floating interest rates. The interest rate risk is minimal.

Credit Risk

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

Financial information on the Parent Company's maximum exposure to credit risk as of December 31, 2008 and 2007, without considering the effects of collaterals and other risk mitigation techniques are presented below.

	2008	2007
Cash	P324,953	P681,482
Receivables	607,547	500,032
Advances to subsidiary	242,213	3,691,811
	P1,174,713	P4,873,325

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

2008

	High Grade	Medium Grade	Total	Past due but not impaired	Total
Cash	P324,953	P-	P324,953	P-	P324,953
Receivables	-	-	-	607,547	607,547
Advances to subsidiary	-	-	-	242,213	242,213
	P324,953	P-	P324,953	P849,760	P1,174,713

2007

	High Grade	Medium Grade	Total	Past due but not impaired	Total
Cash	₱681,482	₱-	₱681,482	₱ -	₱681,482
Receivables	7,500	-	7,500	492,532	500,032
Advances to subsidiary	-	-	-	3,691,811	3,691,811
	₱688,982	₱-	₱688,982	₱4,184,343	₱4,873,325

The credit quality of receivables is managed by the Parent Company using internal credit quality ratings. High grade accounts consist of receivables from debtors with good financial standing and with relatively low defaults. Past due accounts pertain to receivables which are 90 days beyond normal credit term.

Liquidity Risk

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

The Parent Company's due to related parties, accrued expenses and other current liabilities, loan payable and current portion of long-term debt are payable in less than one year.

19. Capital Management

The primary objectives of the Parent Company's capital management are to safeguard the ability of the Parent Company to continue as a going concern and to maintain a capital structure that supports its business. The Parent Company manages its capital structure in light of changes in economic conditions and in close coordination with its major stockholders and other related parties by making adjustments on payments to its related parties and issuing new shares.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Parent Company's external environment and the risks underlying the Parent Company's business, operation and industry.

The Parent Company defines capital as paid-in capital stock, additional paid-in capital and retained earnings (deficit). Other components of equity such as reserve for fluctuations in AFS investments are excluded from capital for purposes of capital management. The Parent Company monitors capital as follows:

	2008	2007
Capital stock	₱306,122,449	₱306,122,449
Additional paid-in capital	3,571,921	3,571,921
Deficit	(57,189,327)	(50,689,985)
	₱252,505,043	₱259,004,385

The Parent Company is not subject to externally-imposed capital requirements.

20. Other Matters

- a. On July 5, 2002, the Parent Company received a decision from the Court of Tax Appeals (CTA) denying the Parent Company's Petition for Review and ordering the payment of ₱83.8 million for withholding tax assessments for the taxable years 1989 to 1991. The Parent Company filed a Motion for Reconsideration on July 31, 2002 but this was subsequently

denied by the CTA. A Petition for Review was filed with the CTA on November 8, 2002, which was also denied by the CTA. The Parent Company then appealed the decision of the CTA to the Court of Appeals (CA), which likewise denied the appeal and upheld the assessment against the Parent Company. The Parent Company, through its legal counsel, filed a Motion for Reconsideration with the CA in December 2003.

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

On April 26, 2006, the Parent Company filed a Petition for Review before the CTA en banc. On March 7, 2007, the CTA en banc dismissed the Petition for lack of merit. The CTA en banc affirmed the CTA's decision granting the Motion for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue. As of October 10, 2014, the Parent Company has not received any order of Execution relative to this case. Accordingly, the related obligation is not currently determinable. Management believes, however, that the ultimate outcome of the case will not have a material effect on the consolidated financial statements.

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

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

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

