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SECURITIES AND EXCHANGE COMMISSION

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Received From : Head Office

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Doc Source

Company Information

SEC Registration No. PW00000296
Company Name METRO ALLIANCE HOLDINGS & EQUITIES CORP.
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 111202014002144
Document Type 17-A (FORM 11-A:AANU)
Document Code 17-A
Period Covered December 31, 2011
No. of Days Late 0
Department CFD
Remarks

COVER SHEET

0 0 0 0 0 0 0 2 9 6

SEC Registration No.

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

(Company's Full Name)

3 5 T H F L R O N E C O R P O R A T E C E N T R E

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

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

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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

826

Total No. of Stockholders

Total Amount of Borrowings

Php978,338,486

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

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

1. For the fiscal year ended DECEMBER 31, 2011
 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	984,328,922
 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 of 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.

The Group's last audited consolidated financial statements were for the year ended December 31, 2006. Due to uncertainties surrounding the acquisition transactions of the Bataan petrochemical plant, as discussed in succeeding paragraphs, the scope of the 2007-2013 audit was completed by the independent auditors and the reports were approved by the Board of Directors on October 10, 2014.

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:

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

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

Mabuhay Vinyl Corporation (MVC)

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

Non-operating Subsidiaries

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

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

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

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

Bankruptcy, receivership and similar proceedings

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

Material reclassification, merger consolidation or purchase

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

(2) Business of Metro Alliance

(a) Description of Registrant

(i) Principal products and services

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

Principal products or services of its subsidiaries MCLSI:

MCLSI

MCLSI provides contract Logistics and Supply Chain Management Services to meet the business needs of major companies in the Philippines. Contract logistics and supply chain management services include third party warehousing and distribution, consultancy and project management services to multinational and local companies which include Rustans Supermarkets, Inc. (RSI), Johnson & Johnson (Phil.), Inc. (J & J), Interphil Laboratories, Inc. (ILI), and Zuellig Pharma Corporation (ZPC), ZPC – Repacking (ZPC-R) and Bayer Animal Health (Phils.) (BAH). Revenue contribution of each principal for the year 2011 is as follows:

Principal	Service Income (millions)	% to Total
RSI	42.16	29%
J&J	39.25	27%
ZPC	33.44	23%
ILI	15.99	11%
ZPC-R	8.72	6%
BAH	5.82	4%
Total	145.38	100%

(ii) Export sales

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

(iii) Distribution Methods of the Products

MCLSI

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

(iv) Publicly-announced new product or service.

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

(v) Competition

MCLSI

MCLSI is part of the GAC group. GAC is a leading international shipping services and transportation company, operating in the Middle East, Eastern Mediterranean, 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 MCLSI at a very competitive rates both domestically and around the region. MCLSI's main competitors include IDS Logistics, DHL-Exel, Shenker, Fast Services, Agility (formerly Geologistics) and Air 21. The quality of MCLSI's services compared to their competitors is extremely difficult to determine. However, the fact that MCLSI has been able to secure new contracts with new principals as well additional contracts with existing principals is indicative that service levels are satisfactory.

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

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

(vii) Dependence on one or few major customers

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

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

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

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

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

(x) Government approval of principal products or services

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

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

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

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

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

(xiii) Costs and effects of compliance with environmental laws

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

(xiv) Total Number of Full Time-Employees (as of December 31, 2011):

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.

MCLSI

	<i>Rank and File</i>	<i>Supervisors</i>	<i>Managers and up</i>	<i>Total</i>
Operations	167	12	4	183
Administrative	4	2	5	11
Total	171	14	9	194

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.

MCLSI

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

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

(b) Additional Requirements as to Certain Issues or Issuers

Not Applicable

Item 2. Properties

Description of Property

Metro Alliance

Metro Alliance leases a 40 square meter office space located at the 35th Floor, One Corporate Centre, Dona Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City where it transferred last 2010 from its registered principal office address at 22nd Floor Citibank Tower, 8741 Paseo de Roxas, Makati City. 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.

MCLSI

MCLSI leases 9,154 square meters of warehouse space located in Paranaque City for its principal, Johnson & Johnson. Lease rental is approximately Php400,000.00 per month. Lease term is co-terminus with the company's service contract with the principal. For its services to Rustans and Shopwise, the company maintains a lease arrangement with JM Processing & Freezing Services Inc. for the use of its cold storage facilities located in Faraday Makati City. Lease rate is on a per cubic meter of space occupied. The other warehouses for its other principals are either owned or leased by the respective principals.

Starting in January 2012, MCLSI sub-leases 88 square meters of office space at Unit 2002 Antel Corporate Center Valero St. Makati City at a lease rental of P63,000 per month. Initial term of the lease is for two years and was renewed for one year when it expired in January 2014. Current lease is set to expire on January 31, 2015 and will be renewed for another year. To expedite its services to Rustans and Shopwise, the company also leases an 18.7 square meters of office space with Polar Bear Freezing and Storage Corporation located at Bagumbayan Taguig City. The term of the lease is one year starting in May 2013 and renewable annually.

MCLSI also leases six battery and electrical forklifts and 5 units hand pallet for its warehouses in Parañaque and Cebu. Total monthly rentals are P256,000 and P5,600 respectively. Lease term is for one year, renewable at the option of both parties. Details of the lease are as follows:

Warehouse Equipment	Location	Monthly Lease (in Php)	Lease Term
Hand pallet (2 units)	Parañaque City	5,600	December 1, 2010 to December 31, 2011
Hand pallet (3 units)	Cebu City	5,600	September 1, 2010 to September 30, 2011
Shinko Battery Operated Forklift (2 units)	Parañaque City	26,992	December 1, 2010 to December 31, 2011
Shinko Battery Operated Forklift complete with attachments and accessories (2 units)	Cebu City	114,504	December 8, 2010 to December 31, 2011
Shinko Battery Operated Forklift complete with attachments and accessories (2 units)	Cebu City	114,504	March 31, 2010 to March 31, 2011

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 of 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
2011	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-
2010	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-
2009	First Quarter	-	-	-	-
	Second Quarter	-	-	-	-
	Third Quarter	-	-	-	-
	Fourth Quarter	-	-	-	-

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

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

(2) Holders

a) There are 306,122,449 shares outstanding: 183,673,470 shares are Class "A" and 122,448,979 shares are Class "B". As of December 31, 2011, 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, 2011 are as follows:

	Stockholder's Name	Number of Shares		Percentage to Total
		Class A	Class B	
1	Creston Global Limited		5,678,388	18.42
2	PCD Nominee Corporation (Filipino)	16,190,768	26,779,182	14.04
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	Kenstar Industrial Corp.	2,312,331		0.76
14	PCD Nominee Corporation (Non-Filipino)		2,030,952	0.66
15	Nancy Saw		1,846,500	0.60
16	Tin Fu Or Trajano		820,000	0.27
17	Severin Haselmann		730,000	0.24
18	CTBC TA#5-C184; Zuellig Corp.	684,829		0.22
19	UBP Capital Corporation	645,000		0.21
20	Rexlon T. Gatchalian	600,000		0.20
	Others	9,562,486	55,802,793	5.40
	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, 2011. 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, MCLSI, 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 of which, is possible investment in mining industry. The Group has three options 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 entry of new investor by way of capital infusion amounting to P893,879,511 thus diluting the existing shareholders by 75%. This option will result to a new book value per share (Php 0.84 per share), the best option to meet the capital build up.
- 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 P2.18 million in 2011 as against 35,351 net loss in 2010. The increase in net loss in 2011 by P2.15 million is due to the loss on sale of available-for-sale. Interests and bank charges on the loans obtained for the petrochemical project were passed on to Polymax Worldwide Limited and included in the Advances to Polymax Worldwide Limited account in the parent company balance sheets.

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

Performance indicator	December 31	
	2011	2010
Earnings (loss) per share (in Php)	(7.148)	(1.155)
Return (loss) on average equity	(8.427)	(0.016)
Debt to total assets ratio	0.899	0.885
Debt to equity ratio	8.972	7.713

MCLSI

MCLSI’s key performance indicators include the following:

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

The decrease in MCLSI’s gross profit and net profit margins resulted mainly from the lower sales for the year and a significant increase in its personnel and other costs that are directly attributable to the operations.

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

Current ratio decreased due to the decrease in trade receivable and due to affiliates.

Comparative analysis of MCLSI’s key performance indicators follows:

Performance indicator	December 31	
	2011	2010
<u>Profitability</u>		
a. Gross profit margin	0.182	0.191
b. Net profit margin	(0.117)	0.013
c. Return on assets	(0.337)	1.859
d. Return in equity	(0.641)	0.016
<u>Liquidity</u>		
a. Current ratio	0.986	1.078
b. Receivables turnover	1.44	2.223
c. Days’ sales in receivables	253	164

CPDSI, FEZ-EAC, ZDI and AHI

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

Financial Highlights

The following companies are included in Metro Alliance consolidated financial statement: MCLSI, CPDSI, FEZ-EAC, ZDI and AHI. The 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, 2011 and 2010:

Balance Sheet	As of December 31 (In Php'000)		
	2011	2010	2009
Current assets	1,032,797	1,037,841	P 1,022,353,153
Noncurrent assets	58,411	52,956	86,236,327
Total Assets	1,091,208	1,090,797	1,108,589,480
Current liabilities	972,795	962,283	973,538,377
Noncurrent liabilities	5,543	3,319	1,904,062
Total Liabilities	978,339	965,602	975,442,439
Stockholder's Equity	112,869	125,195	133,147,041
Total Liabilities and Stockholder's Equity	1,091,208	1,090,797	1,108,589,480

Income Statement	As of December 31 (In Php'000)		
	2011	2010	2009
Sales and services	P 145,377	P 160,653	P 95,378
Cost of sales and services	(118,849)	(129,894)	77,984
Gross profit	26,528	30,759	17,394
Expenses	(47,079)	(27,533)	(29,689)
Net Income (Loss) Before Tax	(20,551)	3,226	(12,295)
Income Tax – Current	(592)	(714)	(441)
Deferred	1,504	(484)	1,763
Net Income (Loss) After Tax	(19,639)	2,028	(10,973)
Earnings (Loss) Per Share	(P 0.064)	P 0.007	(P 0.03)

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

CHANGES IN OPERATING RESULTS

2011 COMPARED TO 2010

Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net loss of P19 million in 2011 as against net loss of P2.4 million. Earnings (loss) per share for 2011 and 2010 are P0.0642 and P(0.008), respectively. The increase in net loss is due to termination of contract of leases and lower dividend and interest income for the year.

Sales and Services

The Group registered gross service revenue of P145 million and P160 million for the years ended December 31, 2011 and 2010. The decrease in revenue of P15 million or 9.4% in 2011 is due to cancellation or cease of service contracts on its logistics and warehousing operations.

Cost of Sales and Services And Operating Expenses

Total cost and operating expenses amount to P167 million and P164 million for the years 2011 and 2010 respectively. The increase of P3 million is due to 8% increase in personnel cost, higher depreciation and taxes fee for the year.

Other income

Other income (charges) for the years 2011 and 2010 amounted to P2.6 million and P3.8 million, respectively or a decrease of P1 million or 32.5%. The decrease represents decline in dividends received during 2011.

CHANGES IN FINANCIAL CONDITION

2011 COMPARED TO 2010

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

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

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

The remaining 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 2011 and 2010 amounted to P7 million and P11 million, respectively. The decrease by P3.8 million or 34.2% in 2011 is net effect of lower sales in financial asset and the increase in other cost and operating expenses.

Receivables amounted to P94.5 million in 2011 and P 107.3 million in 2010 (net of allowance for doubtful accounts of P8.1 million and P4.2 million as of December 31, 2011 and 2010). Trade and other receivables went down by P10.5 million due to the net effect of decrease in credit sales from MCLSI operations, decrease in other receivables (P1.7 million) and additional provision for doubtful accounts of P3.96 million in 2011. Other receivables represent non-interest bearing receivables from third party business partners of Polymax that are subject to liquidation and advances to related parties. The Group reviews the carrying amount of receivables at each balance sheet date to reduce the balance to their estimated recoverable amounts.

Prepaid expenses and other current assets amounts to P18.06 million in 2011 and P15.86 million in 2010 (net of allowance for probable losses of P14 million for both years 2012 and 2011). In 2011, the increase by P2.2 million is net effect of increase in creditable withholding taxes (P2.54 million), increase in input taxes (P0.43 million) and decrease in refundable deposits (P0.08 million). The Group reviews the carrying amount at each balance sheet to reduce the balance to their estimated recoverable amounts.

Asset held for sale amounting to P954.6 million and P937.3 million as of December 31, 2011 and 2010 (which constitute 84% and 86% of the Group's total assets as of December 31, 2011 and 2010, respectively) represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Island solely for the purpose of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA). The increase of P17 million in 2011 pertains to additional advances in relation to the expenses of Polymax for its pending litigation and outstanding loan from outside parties and past due liabilities.

On March 18, 2006 and September 20, 2006, 40% and 20%, respectively, of Polymax's interest in NPCA was sold. Thereafter management decided to discontinue operations and cease operating as a going concern. The remaining 40% interest which is for sale is valued at P900 million, which is the estimated recoverable amount from the sale of investment. The realization of the Company's advances to Polymax and the settlement of Polymax's past due liabilities for which the Company is jointly and severally liable, 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 major stockholders of the Company in favor of the Company.

Available-for-sale-investments amounted to P47.9 million in 2011 and P40.6 million in 2010. This account includes shares of stocks owned in publicly listed companies. The P7.3 million increase in 2011 pertains to investments fair value adjustment. The fair value of these shares has been determined directly by reference to published

prices in the active market. Accumulated AFS reserve amounted to P11 million and P8 million as of December 31, 2011 and 2010.

Property, plant and equipment amounted to P2,568,166 million in 2011 and P5,418,963 million in 2010. Net reduction of property, plant and equipment in 2011 by P2,850,797 pertains to higher depreciation charges due to the P2.5 million acquisition on the previous year. Transportation equipment of MCLSI with a carrying value of P581,187 as of December 31, 2011 has been pledged to fulfill collateral requirements of the loan.

Other non-current assets for the years 2011 and 2010 amounted to nil and P0.4 million, respectively. Other non-current assets pertain mainly to MCLSI's security and rental deposits on various leased properties. These lease contracts expire in 2012.

Liabilities

Current Liabilities

Accounts payable and accrued expenses for the years 2011 and 2010 amounted to P391 million and P400 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered.

The decrease for year 2011 by P9 million or 0.2% is mainly due to settlement of accrual of its fixed expenses such as legal and audit fee and administrative expenses; and MCLSI trade payables arising from its trucking and warehousing operations.

Due to related parties for the years 2011 and 2010 amounted to P581 million and P561 million, respectively. The Group, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Group did not provide nor received any guarantee on its transaction with related parties. The increase of P20 million in 2011 pertains to Metro Alliance additional advances. Significant portion of these advances were used to finance its planned acquisition of petrochemical plant in prior years.

Loans payable (current and long term) amounted to P654,668 in 2011 and P627,204 in 2010. The account pertains to MCLSI's two loan agreements entered last July 21, 2009 for a total principal amount of P988,800 covering the acquisition of transportation equipment. The loan is payable monthly with interest at 19% per annum up to July 30, 2014 for the (first contract) and August 22, 2014 (for the second contract).

Accrued retirement benefit cost amounted to P5.2 million in 2011 and 2.6 million in 2010. MAHEC and MCLSI has unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date. The increase of P2.6 million or 100% is due to higher provision for retirement benefit for 2011.

(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.

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 or acceleration of an obligation.

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

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

(iv) Commitment For Capital Expenditures

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

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

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

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

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

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

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

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

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

Item 7. Financial Statements

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

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

Information on Independent Accountant and other Related Matters

(1) External Audit Fees and Services

- (a) Audit and related fees for Metro Alliance is P300,000 for years 2012 and 2011 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 2011 and 2010.
- (c) Other fees – there were no other fees paid for the years 2011 and 2010.
- (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	74	Filipino	Chairman of the Board and President
James B. Palit-Ang	49	Filipino	Director/Treasurer
Lamberto B. Mercado, Jr.	48	Filipino	Director
Rogelio D. Garcia	75	Filipino	Independent Director
Reno I. Magadia	43	Filipino	Director
Ricardo M. Dela Torre	71	Filipino	Independent Director
Nestor S. Romulo	68	Filipino	Director/Corporate Secretary

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

<p>James B. Palit-Ang Director/Treasurer Filipino 50 years old B.S.B.A., Accounting Philippine School of Business Administration</p>	<p>Present: MAHEC Noble Arch Realty & Construction Corp. Crisanta Realty and Development Corp. Philippine Estates Corporation East Asia Oil and Mining Companies</p> <p>Previous: DMI Construction</p>	<p>Director and Treasurer Chairman and President since 2010</p> <p>Chairman and President since 2008</p> <p>Director since 2010 Chairman & CEO since 2005</p> <p>Chief Operations Officer 2003-2004</p>
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<p>Lamberto B. Mercado, Jr. Director Filipino 49 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 since 1998</p> <p>Deputy Administrator for Administration, 1997-98</p>
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<p>Rogelio D. Garcia Independent Director Filipino 76 years old Bachelor of Laws (LLB) University of the Philippines 1961</p>	<p>Present: MAHEC Garco Pacific Consultants</p> <p>Previous: ConyBio Philippines, Inc. NIR Placement Center Inc.</p>	<p>Director since 2003 Chief Executive Officer since 1993</p> <p>Chief Executive Officer, 1997- 2000 Executive Consultant, 1998-2000</p>
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<p>Ricardo M. Dela Torre Independent Director Filipino 72 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. Metro Combined Logistics Solutions, Inc.</p> <p>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>Reno I. Magadia Director Filipino 44 years old BA, TV and Radio Broadcasting California State University, Los Angeles Master's Degree – Business Administration Pepperdine University, Los Angeles, California</p>	<p>Present: MAHEC Metro Combined Logistics Solutions, Inc. (formerly GAC Logistics, Inc.). Misons Industrial & Development Corp.</p> <p>Previous: Mercator Filter Manufacturing Corp. Papa Securities Corp.</p>	<p>Director since 2006 Managing Director since Nov. 2011</p> <p>Managing Director</p> <p>Vice President, 1996-2003 Head Portfolio Manager, 1993-1996</p>
<p>Nestor S. Romulo Corporate Secretary Filipino 69 years old Bachelor of Laws (LLB) University of the Phils., 1970 Lawyer - 1971</p>	<p>Present: Metro Alliance Holdings & Equities Corp. Winbank (Savings Bank) Westmont Investment Corp Wincorp Securities Romulo, Serrano and Camello Law Offices Reyno, Tiu, Domingo and Santos Law Offices JP Consultancy Resources and Management, Inc. JMP Development Corp. Margarita Properties, Inc. Zuellig Distributors Inc. Asia Healthcare, Inc. FEZ-EAC Holdings, Inc.</p> <p>Previous: EPCIB PCIB</p>	<p>Corporate Secretary since February 2004 Chairman of the Board Chairman of the Board Director</p> <p>Partner</p> <p>Consultant</p> <p>Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary Corporate Secretary</p> <p>Consultant, 1999-2000 VP and Head, Legal Services Group, 1995-1999</p>

(2) Significant Employees

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

(3) Family Relationships

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

(4) Involvement in Certain Legal Proceedings

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

Item 10. Executive Compensation

(1) Summary Compensation Table – Annual Compensation

The following table lists the names of the Corporation's Directors and Executive Officers Annual Compensation for the two most recent years including the estimated compensation for year 2012. 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	2012	-	-	-
		2011	-	-	-
		2010	-	-	-
2	James B. Palit-Ang Treasurer	2012	-	-	-
		2011	-	-	-
		2010	-	-	-
3	Nestor S. Romulo Corporate Secretary and Legal Counsel	2012	-	-	600,000
		2011	-	-	600,000
		2010	-	-	600,000
4	Other directors	2012	-	-	-
		2011	-	-	-
		2010	-	-	-
5	All directors and Officers as a Group unnamed	2012	-	-	600,000
		2011	-	-	600,000
		2010	-	-	600,000

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

(2) Compensation of Directors

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

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

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

(4) Warrants and Options Outstanding: Repricing

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2011, 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	42,969,950	14.04%
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	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%
Class B 9,503,908					

* Person designated to exercise investment power over the equity

(2) Security Ownership of Management

As of December 31, 2011, the security ownership of individual directors, executive officers and nominees of Metro Alliance is as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	%
Common–Class A	Renato B. Magadia	125,010 / Direct	Filipino	0.041
Common–Class A	Reno I. Magadia	100 / Direct	Filipino	0.000
Common–Class A	Nestor S. Romulo	1 / Direct	Filipino	0.000
Common–Class A	James B. Palit-Ang	1 / Direct	Filipino	0.000
Common–Class A	Lamberto B. Mercado, Jr.	1 / Direct	Filipino	0.000
Common–Class A	Rogelio D. Garcia	1 / Direct	Filipino	0.000
Common–Class A	Ricardo M. Dela Torre	1 / Direct	Filipino	0.000
Total		125,115		

(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

Metro Alliance significant transactions with related parties include the following:

- a. The amounts due from affiliates are unsecured and noninterest bearing advances, which have no definite repayment terms.

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

- b. Payables for shared operating expenses

- GAC, an operating subsidiary, is billed by a Gulf Agency Company Limited, stockholder for its share in marketing and information technology services. Total expense included in other expenses (Note 17) amounted to P6,266,531 in 2011, P3,418,157 in 2010 and P3,267,378 in 2009. In 2011 and 2009, GAC borrowed from the stockholder amounting to P5,815,704 and P4,645,000, respectively, to be used in carrying out its operations. The outstanding payable included in due to related parties amounted to

P22,624,458 and P12,303,615 as of December 31, 2011 and 2010, 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 (Notes 16 and 17) amounted to P348,919 in 2011, P549,667 in 2010 and P475,135 in 2009. GAC has outstanding payable of P158,109 and P205,351 as of December 31, 2011 and 2010, respectively.

c. Loan payable

Loan payable of P27 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 P39.4 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 as 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 10) as full payment of the P27.4 million outstanding obligations (inclusive of interest) of the Parent Company.

d. Accounts with related parties

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

	Amount of Transactions		Outstanding	
	Increase (Decrease)		Receivable/Payable	
	2011	2010	2011	2010
Asset Held For Sale				
Advances to Polymax (special purpose entity)	P9,342,850	P6,818,061	P946,620,679	P937,277,829
Due from Related Parties				
The Wellex Group, Inc.	P -	P -	P8,401,000	P8,401,000
Others	-	-	293,487	293,487
	P -	P -	P8,694,487	P8,694,487
Due to Related Parties				
<i>Under Common Control</i>				
The Wellex Group, Inc.	P5,151,129	P6,353,050	P16,692,965	P11,541,836
Waterfront Philippines, Inc.	4,228,738	13,503,443	355,318,271	351,089,533
Acesite (Phils.) Hotel Corp.	-	-	6,239,733	6,239,733
Wellex Mining Corp.	225,000	-	225,000	-
Gulf Agency Company Limited	22,468,305	-	22,468,305	-
GAC Shipping & Cargo System (Phils.), Inc.	(47,242)	12,305,570	158,109	12,305,570
Stockholders	-	(10,426,767)	181,753,940	181,753,940
Others	(259,921)	259,921	(1,735,692)	(1,475,771)
	P31,766,009	P21,993,217	P581,120,631	P561,454,841
Accrued Finance Charges				
WPI	(P2,532,575)	(P9,274,705)	P6,761,313	P4,228,738
	(P2,532,575)	(P9,274,705)	P6,761,313	P4,228,738

(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).
- (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 2011 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, 2011 and 2010
- Statements of Income for each of the three years ended December 31, 2011 and 2010
- Statements of Changes in Equity for each of the three years ended December 31, 2011 and 2010
- Statements of Cash Flows for each the three years ended December 31, 2011 and 2010
- 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, 2011
- 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 2011:

Report Date: January 27, 2011

Postponement of 2011 Annual Stockholders' Meeting (ASM) from March 4, 2011 to October 28, 2011 at 2:00 in the afternoon at One Café, 6th Floor One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City. All stockholders of record as of September 25, 2011 are entitled to participate in said Annual Stockholders' Meeting.

Further postponed the 2010, 2009, 2008 and 2007 Annual Stockholders' Meeting (ASM) from March 4, 2011 to October 28, 2011 at 2:00 in the afternoon at One Café, 6th Floor One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City. All stockholders of record as of September 25, 2011 are entitled to participate in said Annual Stockholders' Meeting.

The postponement of the annual stockholders' meetings is due to the delayed completion of the 2007, 2008, 2009 and 2010 audited consolidated financial statements that resulted from the unresolved complicated legal and accounting issued between Polymax Worldwide Limited and NPC Alliance Corporation, companies both related to Metro Alliance Holdings & Equities Corp. The Corporation is exerting all efforts to settle all the legal disputes which it optimistically expects to achieve very soon.

Report Date: February 21, 2011

The Corporation respectfully reports that on January 7, 2011, Mr. Renato B. Magadia, Chairman of the Board, wrote a letter addressed to Director Benito Cataran of SEC Company registration and Monitoring Department informing that:

- a. Effective January 3, 2011, business address of Metro Alliance Holdings & Equities Corp. with SEC Registration No. 296 will be changed from 22nd Floor Citibank Tower, 8741 Paseo de Roxas, Makati City to 35th Floor One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City.
- b. Also, the the new contact numbers are 706-7888 and telefax 706-5982/5979

Report Date: September 23, 2011

Postponement of 2011 Annual Stockholders' Meeting (ASM) from October 28, 2011 to May 25, 2012 at 2:00 in the afternoon at One Café, 6th Floor One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City. All stockholders of record as of April 20, 2012 are entitled to participate in said Annual Stockholders' Meeting.

Further postponed the 2010, 2009, 2008 and 2007 Annual Stockholders' Meeting (ASM) from October 28, 2011 to May 25, 2012 at 2:00 in the afternoon at One Café, 6th Floor One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City. All stockholders of record as of April 20, 2012 are entitled to participate in said Annual Stockholders' Meeting.

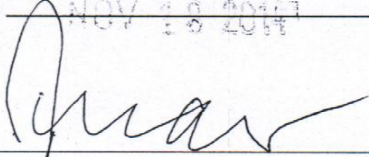
The postponement of the annual stockholders' meetings is due to the delayed completion of the 2007, 2008, 2009 and 2010 audited consolidated financial statements that resulted from the unresolved complicated legal and accounting issued between Polymax Worldwide Limited and NPC Alliance Corporation, companies both related to Metro Alliance Holdings & Equities Corp. The Corporation is exerting all efforts to settle all the legal disputes which it optimistically expects to achieve very soon.

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.

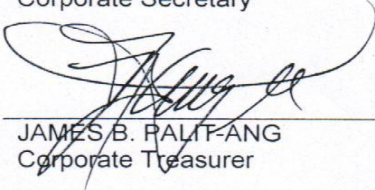
By:



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



NESTOR S. ROMULO
Corporate Secretary



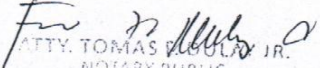
JAMES B. PALIT-ANG
Corporate Treasurer

NOV 18 2014
SUBSCRIBED AND SWORN to before me this _____ 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. 148
Page No. 59
Book No. 290
Series of 290

NOTARY PUBLIC

ATTY. TOMAS P. MULA JR.
NOTARY PUBLIC
Until December 31, 2014
A. NOTARY #, NP-061-2014-2015
P. # 19278301-02 / 01-07-14 Q.C.
P. # 19073 CY-2014 Q.C.
L. # 15583/03/13-62
P. # 19275916
Add. 99 Legaspi St, Proj. 4 Q.C.
MCLE EXEMPTED # 000838

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 - 1 1

FORM TYPE

Any day in May

Month Day Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

826

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

Valdes Abad & Associates

certified public accountants

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

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valdes.abad.associates@gmail.com

Associate firm of
gmn
international

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 year ended December 31, 2011; included in this Form 17-A, and have issued our report thereon dated October 10, 2014. Our audit was 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.

VALDES ABAD & ASSOCIATES

For the firm:

Felicidad A. Abad
FELICIDAD A. ABAD

Managing Partner
CPA Certificate No. 0025184
TIN No. 123-048-248-000
PTR No. 4233442- 01/08/2014
PRC – BOA Reg. No. 0314
Issued on March 6, 2013
Valid until December 31, 2015
SEC Accreditation No. 1356-A
Issued on September 19, 2013
Valid until September 18, 2016
BIR Accreditation No. 08-002126-001-2014
Issued on October 29, 2014
Valid until October 29, 2017

Makati City, Philippines
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 consolidated financial statements of **Metro Alliance Holdings & Equities Corp. and its subsidiaries**, which comprise the consolidated balance sheet as at December 31, 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 audit. We conducted our audit 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 9 were excluded from the consolidated financial statements because the entity is no longer operating as a going concern since 2007 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, 2011, and their financial performance and their cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of a Matter

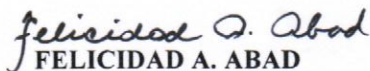
Without qualifying our opinion, we draw attention to Notes 2 and 9 to the consolidated financial statements, which indicate that the Parent Company has advances to Polymax Worldwide Limited (Polymax) of ₱946.6 million as of December 31, 2011, and on the other hand, Polymax has past due liabilities of ₱976.8 million as of December 31, 2011, 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 15b 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 years ended December 31, 2010 and 2009, were audited by other auditors whose report thereon dated October 10, 2014, expressed a qualified opinion because the account of a special purpose entity were excluded from the consolidated financial statements.

VALDES ABAD & ASSOCIATES

For the firm:


FELICIDAD A. ABAD

Managing Partner

CPA Certificate No. 0025184

TIN No. 123-048-248-000

PTR No. 4233442- 01/08/2014

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Issued on March 6, 2013

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Valid until September 18, 2016

BIR Accreditation No. 08-002126-001-2014

Issued on October 29, 2014

Valid until October 29, 2017

Makati City, Philippines

October 10, 2014

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(In Philippine Peso)

(With Comparative Figures for the Year Ended 2010)

ASSETS	Notes	December 31,	
		2011	2010
CURRENT ASSETS			
Cash	6	7,253,154	11,031,467
Receivables – net	7	60,867,289	73,672,817
Other current assets – net	8	18,055,581	15,858,677
Asset held for sale	3,9	<u>946,620,679</u>	<u>937,277,829</u>
Total Current Assets		<u>1,032,796,703</u>	<u>1,037,840,790</u>
NON-CURRENT ASSETS			
Available-for-sale investments	10	47,902,783	40,653,040
Property and equipment – net	11	2,568,166	5,418,963
Deferred tax assets – net	18	7,968,239	6,463,991
Other noncurrent assets		<u>-</u>	<u>419,720</u>
Total Non-Current Assets		<u>58,439,188</u>	<u>52,955,714</u>
TOTAL ASSETS		<u>1,091,235,891</u>	<u>1,090,796,504</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	12	391,469,229	400,655,530
Due to related parties	14	581,120,631	561,454,841
Current portion of long-term debt	13	<u>204,815</u>	<u>172,791</u>
Total Current Liabilities		<u>972,794,675</u>	<u>962,283,162</u>
NON-CURRENT LIABILITIES			
Long-term debt – net of current portion	13	449,853	627,204
Accrued retirement benefits costs	19	<u>5,186,042</u>	<u>2,690,977</u>
Total Non-Current Liabilities		<u>5,635,895</u>	<u>3,318,181</u>
EQUITY			
Equity attributable to the equity holders of the Parent Company			
Capital stock		306,122,449	306,122,449
Additional paid-in capital	25	3,571,921	3,571,921
Retained earnings (deficit)		(215,153,286)	(203,837,434)
Available-for-sale reserve		<u>16,736,304</u>	<u>9,486,562</u>
Total		<u>111,277,388</u>	<u>115,343,498</u>
Non-controlling interests		<u>1,527,933</u>	<u>9,851,663</u>
Net Equity		<u>112,805,321</u>	<u>125,195,161</u>
TOTAL LIABILITIES AND EQUITY		<u>1,091,235,891</u>	<u>1,090,796,504</u>

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In Philippine Peso)

(With Comparative Figures for Periods Ended 2010 and 2009)

For the Years Ended December 31,	Notes	2011	2010	2009
SALE OF SERVICES		145,377,482	160,652,724	95,378,398
COST OF SERVICES	16	<u>118,849,010</u>	<u>129,893,636</u>	<u>77,984,256</u>
GROSS PROFIT		26,528,472	30,759,088	17,394,142
EXPENSES	17	(49,678,835)	(35,782,873)	(34,228,364)
FINANCE COSTS	13	(46,920)	(153,912)	(118,134)
INTEREST INCOME		23,545	47,835	40,474
REALIZED FAIR VALUE GAIN ON DISPOSAL OF AVAILABLE-FOR-SALE INVESTMENT	10	-	5,940,000	-
LOSS ON DISPOSAL OF AVAILABLE-FOR-SALE INVESTMENT	10	-	(1,471,249)	-
OTHER INCOME		<u>2,622,311</u>	<u>3,887,464</u>	<u>4,616,736</u>
INCOME (LOSS) BEFORE INCOME TAX		<u>(20,551,427)</u>	<u>3,226,353</u>	<u>(12,295,146)</u>
PROVISION FOR (BENEFIT FROM) INCOME TAX	18			
Current		592,403	714,356	440,741
Deferred		<u>(1,504,248)</u>	<u>483,823</u>	<u>(1,762,747)</u>
Total		<u>(911,845)</u>	<u>1,198,179</u>	<u>(1,322,006)</u>
NET INCOME (LOSS)		(19,639,582)	2,028,174	(10,973,140)
OTHER COMPREHENSIVE INCOME				
Unrealized gain (loss) on available-for-sale investments	10	7,249,742	(4,040,054)	44,219,550
TOTAL COMPREHENSIVE INCOME (LOSS)		<u>(12,389,840)</u>	<u>(2,011,880)</u>	<u>33,246,410</u>
Net income (loss) attributable to:				
Equity holders of the Parent Company		(11,315,852)	657,947	(9,460,414)
Non-controlling interests		<u>(8,323,730)</u>	<u>1,370,227</u>	<u>(1,512,726)</u>
		<u>(19,639,582)</u>	<u>2,028,174</u>	<u>(10,973,140)</u>
Other comprehensive income (loss) attributable to equity holders of the Parent Company		7,249,742	657,947	(9,460,414)
Basic Earnings (Loss) Per Share				
Loss for the year attributable to equity holders of Parent Company	22	<u>(0.04)</u>	<u>(0.002)</u>	<u>(0.03)</u>

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In Philippine Peso)

(With Comparative Figures for the Years Ended 2010 and 2009)

	Attributable to Equity Holders of the Parent Company						Non-controlling Interests	Total Equity
	Capital Reserves			Other Reserve		Subtotal		
	Capital Stock	Additional Paid in	Retained Earnings (Deficit)	AFS Reserve				
BALANCES AS OF DECEMBER 31, 2008	306,122,449	3,571,921	(195,034,967)	(24,752,934)	89,906,469	9,994,162	99,900,631	
Net income (loss)	-	-	(9,460,414)	-	(9,460,414)	(1,512,726)	(10,973,140)	
Other comprehensive income	-	-	-	44,219,550	44,219,550	-	44,219,550	
BALANCES AS OF DECEMBER 31, 2009	306,122,449	3,571,921	(204,495,381)	19,466,616	124,665,605	8,481,436	133,147,041	
Net income (loss)	-	-	657,947	-	657,947	1,370,227	2,028,174	
Other comprehensive income	-	-	-	(4,040,054)	(4,040,054)	-	(4,040,054)	
Realized fair value gains transferred to profit and loss	-	-	-	(5,940,000)	(5,940,000)	-	(5,940,000)	
BALANCES AS OF DECEMBER 31, 2010	306,122,449	3,571,921	(203,837,434)	9,486,562	115,343,498	9,851,663	125,195,161	
Net income (loss)	-	-	(11,315,852)	-	(11,315,852)	(8,323,730)	(19,639,582)	
Other comprehensive income	-	-	-	7,249,742	7,249,742	-	7,249,742	
BALANCES AS OF DECEMBER 31, 2011	306,122,449	3,571,921	(215,153,286)	16,736,304	111,277,388	1,527,933	112,805,321	

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(In Philippine Peso)

(With Comparative Figures for Years Ended 2010 and 2009)

For the Years Ended December 31,	Notes	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		(20,551,427)	3,226,353	(12,295,146)
Adjustments for:				
Depreciation	16,17	3,930,378	2,424,671	1,538,180
Interest expense	13	46,920	153,912	118,134
Amortization of deferred lease expense	20	1,343	21,684	22,581
Dividends		(2,622,311)	(39,170)	(81,940)
Unrealized foreign exchange loss (gain)	14	(744,095)	(828,779)	261,281
Interest income		(23,545)	(47,835)	(40,474)
Loss on disposal of available-for-sale investment	10	-	1,471,249	12,574
Realized fair value gain on disposal of available-for-sale investment	10	-	(5,940,000)	-
Operating income before working capital changes		(19,962,737)	442,085	(10,464,810)
Changes in assets and liabilities:				
Receivables	7	13,549,623	(1,984,338)	7,944,731
Other current assets		(837,262)	102,038	481,652
Accounts payable and accrued expenses		(9,233,222)	(6,215,943)	(934,012)
Accrued retirement benefits costs	19	2,495,065	1,581,338	495,600
Cash generated from operations		(13,988,533)	(6,074,820)	(2,476,839)
Income taxes paid		(1,952,045)	(3,468,354)	(362,640)
Net cash flows provided by (used in) operating activities		(15,940,578)	(9,543,174)	(2,839,479)
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received		2,622,311	39,170	81,940
Decrease (increase) in other noncurrent assets		418,377	(23,152)	1,185,948
Interest received		23,545	47,835	40,474
Proceeds from sale of available-for-sale investment		-	27,401,500	399,737
Disposal of property and equipment	11	-	-	87,232
Acquisitions of:				
Asset held for sale	9	(9,342,850)	(6,818,061)	(14,904,016)
Property and equipment	11	(1,079,581)	(2,539,216)	(3,486,606)
Net cash flows provided by (used in) investing activities		(7,358,198)	18,108,076	(16,595,291)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from (payment of):				
Due to related parties	14	19,665,790	21,993,217	24,084,855
Long-term debt (including current portion)		(145,327)	(353,620)	359,069
Loan payable		-	(27,000,000)	-
Obligation under finance lease (including current portion)		-	-	(318,835)
Net cash flows provided by (used in) financing activities		19,520,463	(5,360,403)	24,125,089
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(3,778,313)	3,204,499	4,690,319
CASH AND CASH EQUIVALENTS, Beginning		11,031,467	7,826,968	3,136,649
CASH AND CASH EQUIVALENTS, Ending		7,253,154	11,031,467	7,826,968

See Notes to Consolidated Financial Statements

METRO ALLIANCE HOLDINGS & EQUITIES CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2011 and 2010

NOTE 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 has 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, 2011 were approved and authorized for issue by the Board of Directors (BOD) on October 10, 2014.

NOTE 2 - STATUS OF OPERATIONS

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. As of December 31, 2011 and 2010, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱946.6 million and ₱937.3 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 ₱976.8 million and ₱839.2 million as of December 31, 2011 and 2010, respectively, which were obtained to partially finance the acquisition of the petrochemical plant, resulting from the transfer of past due bank 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 9.

As explained in Note 9, 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 consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. As explained in Note 15b, 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 transferred to and applied against the advances made to Polymax as discussed in Note 9.

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

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

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

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

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

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

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

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

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

Subsequently on August 27, 2013, the Parent Company and Polymax entered into a Settlement Agreement with NPCI, PIIC and NAC to resolve fully and finally the dispute arising from the uncompleted acquisition transactions described above. Under the agreement, NPCI shall, among others, pay Polymax the remaining balance of the purchase price of the 60% NPCA shares, net of deductions agreed by the parties. Simultaneous with the execution of the agreement, Polymax shall also sell to NPCI an additional 20% of Polymax's interest in NPCA from the remaining 40% equity holding in NPCA 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.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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Statement of Compliance

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

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

Basis of Consolidation

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

	Percentage of Ownership	
	2011	2010
Operating subsidiaries:		
GAC Logistics, Inc. (GAC)	51	51
Non-operating subsidiaries:		
Consumer Products Distribution Services, Inc. (CPDSI)	100	100
FEZ-EAC Holdings, Inc. (FEZ-EAC)	100	100
Zuellig Distributors, Inc. (ZDI)	100	100
Asia Healthcare, Inc. (AHI)	60	60

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

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

Non-controlling Interests

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

Adoption of New Standards, Amendments to Standards and Interpretations

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

Amendments to Standards and Interpretations Adopted in 2011

Starting January 1, 2011, the Group adopted the following new and amended PAS and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC):

- 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. Adoption of this new standard has no significant impact in the related party disclosures as shown in Note 14.

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, 2012, 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 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

Cash includes cash on hand and in banks.

Financial Assets and Liabilities

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

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

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

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

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

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

Financial Assets

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

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

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or
- the assets are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

The Group has no financial assets at FVPL as of December 31, 2011 and 2010.

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

The Group's cash, receivables and refundable deposits are included in this category.

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

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

The Group has no HTM investments as of December 31, 2011 and 2010.

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 sheets. Changes in the fair value of such assets are reported in the equity section of the consolidated balance sheets 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 comprehensive income. Interest earned on holding AFS investments are recognized in the consolidated statement of comprehensive 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, 2011 and 2010.

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, due to related parties and long-term debt.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have expired;

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

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

Classification of Financial Instruments between Debt and Equity

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

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

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

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

Offsetting Financial Instruments

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

Property and Equipment

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

The initial costs of property and equipment consists its purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. Depreciation 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>
Leasehold improvements	5 or lease term, whichever is shorter
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, plant 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 Assets with Definite Useful Life

The carrying values of property 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 consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

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

Revenue

Revenue is recognized to the extent that it 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. 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.

Leases

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

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

Retirement Benefits Costs

The Parent Company and GAC provide for estimated retirement benefits to be paid under Republic Act (RA) No. 7641 to their permanent employees. GAC have 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 GAC 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 comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current Tax

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

Deferred Tax

Deferred income tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of 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 Group has no dilutive potential common shares that would require disclosure of diluted earnings per share in the consolidated statement of comprehensive income.

Segments

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

Provisions

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

passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Contingencies

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

Events After the Reporting Period

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

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Judgments

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

Consolidation of SPE

An entity is considered a SPE and included in consolidation even in cases when the Parent Company owns less than one-half or none of the SPE's equity, when the substance of the relationship between the Parent Company and the SPE indicates that the SPE is controlled by the Parent Company. Starting in 2007, Polymax, a 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 20).

Contingencies

The Group is currently involved in various legal proceedings, which are normal to its business as discussed in Note 26. 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 assets held for sale in 2011) at each balance sheet date and reduces the balance of these assets to their estimated recoverable amounts.

Provisions for probable losses amounted to ₱4 million in 2011, ₱1 million in 2010 and ₱3.9 million in 2009 (see Note 17).

Receivables (net of allowance for probable losses of ₱146.9 million and ₱142.9 million as of December 31, 2011 and 2010, respectively) amounted to ₱60.9 million and ₱73.7 million as of December 31, 2011 and 2010, respectively (see Note 7).

Creditable withholding taxes and input taxes, included under "Other current assets", totaling ₱28.9 million and ₱26.8 million as of December 31, 2011 and 2010, respectively, are provided with an allowance for probable losses of ₱14.1 million as of December 31, 2011 and 2010.

Advances to Polymax (under asset held for sale) amounting to ₱946.6 million and ₱937.3 million as of December 31, 2011 and 2010, respectively, which constitute 87% and 86% of the Group's total assets at the end of 2011 and 2010, 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 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 9.

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 value 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, 2011 and 2010, property and equipment, net of accumulated depreciation, amounted to ₱2.6 million and ₱5.4 million, respectively, and total depreciation expense charged to operations amounted to ₱3.9 million in 2011, ₱2.4 million in 2010 and ₱1.5 million in 2009 (see Note 11).

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, if it is not possible, for the cash generating unit to which the asset belongs. Management believes that there was no indication of impairment on property and equipment as of December 31, 2011 and 2010.

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 23.

Impairment of AFS Investments

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

Deferred Tax Assets

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

The recognized net deferred tax assets of GAC amounted to ₱8 million and ₱6.5 million as of December 31, 2011 and 2010, respectively (see Note 18).

The Group did not recognize deferred tax assets of the Parent Company and its non-operating subsidiaries amounting to ₱49 million and ₱49.7 million as of December 31, 2011 and 2010, respectively, as management believes that the Parent Company and its non-operating subsidiaries may not have sufficient future taxable profits available to allow utilization of these deferred income tax assets as discussed in Note 18.

Retirement Benefits

The determination of the obligation and cost of retirement benefits is dependent on certain assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 19 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 gains and losses amounted to ₱0.09 million and ₱5.2 million as of December 31, 2011 and 2010, respectively. The accrued retirement benefit costs amounted to ₱5.2 million and ₱2.7 million as of December 31, 2011 and 2010, respectively (see Note 19).

NOTE 5 - SEGMENT INFORMATION

The Group's business activities are conducted in the Philippines and it is primarily in the contract logistics and supply chain management segment in 2011 and 2010.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, other current assets, assets held for sale, available-for-sale investments, and property and equipment, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of accounts payable, wages, taxes currently payable and accrued liabilities, as well as long-term debt and payable to related parties and others.

The financial information with regard to the Group's significant business segments as of December 31, 2011 and 2010 and for the years then ended is as follows:

	Distribution and Contract Logistics	Other Businesses	Total
2011			
External Sales	₱ 145,377,482	₱ -	145,377,482
Results			
Segment result	(18,618,076)	(4,532,287)	(23,150,363)
Other income	718,602	1,880,334	2,598,936
Benefit from (provision for) income tax	912,269	(424)	911,845
Net loss	(16,987,205)	(2,652,377)	(19,639,582)
Other Information			
Segment assets	₱ 50,377,573	₱ 1,040,858,318	1,091,235,891
Segment liabilities	40,854,973	937,575,597	978,430,570
Capital expenditures	1,073,375	6,206	1,079,581
Depreciation	3,928,310	2,068	3,930,378
Noncash items other than depreciation	5,638,592	79,065	5,717,657

2010

External Sales	P	<u>160,652,724</u>	P	<u>–</u>	P	<u>160,652,724</u>
Results						
Segment result		(575,251)		(4,448,534)		(5,023,785)
Other income		4,569,422		3,680,716		8,250,138
Provision for income tax		<u>(1,197,788)</u>		<u>(391)</u>		<u>(1,198,179)</u>
Net income (loss)		<u>2,796,383</u>		<u>(768,209)</u>		<u>2,028,174</u>
Other Information						
Segment assets	P	67,001,349	P	1,023,795,155	P	1,090,796,504
Segment liabilities		40,491,544		925,109,799		965,601,343
Capital expenditures		2,539,216		–		2,539,216
Depreciation		2,407,644		17,027		2,424,671
Noncash items other than depreciation		695,178		653,715		1,348,893

2009

		<u>Distribution and Contract Logistics</u>		<u>Other Businesses</u>		<u>Total</u>
External Sales	P	<u>95,378,398</u>	P	<u>–</u>	P	<u>95,378,398</u>
Results						
Segment result		(8,588,618)		(8,245,604)		(16,834,222)
Other income		4,179,123		359,953		4,539,076
Benefit from (provision for) income tax		<u>1,322,299</u>		<u>(293)</u>		<u>1,322,006</u>
Net loss		<u>(3,087,196)</u>		<u>(7,885,944)</u>		<u>(10,973,140)</u>
Other Information						
Segment assets	P	58,160,550	P	1,050,428,930	P	1,108,589,480
Segment liabilities		34,447,128		940,995,311		975,442,439
Capital expenditures		3,486,606		–		3,486,606
Depreciation		1,517,747		20,433		1,538,180
Noncash items other than depreciation		22,581		(79,065)		(56,484)

NOTE 6 - CASH

Cash includes cash on hand and in banks amounting to P7,253,154 and P11,031,467 as of December 31, 2011 and 2010, respectively. Cash in banks earn interest at the respective bank deposit rates.

NOTE 7 - RECEIVABLES

The details of receivables are as follows:

		<u>2011</u>		<u>2010</u>
Notes	P	138,710,706	P	138,710,706
Trade		22,817,230		33,705,174
Due from related parties (Note 14)		8,694,487		8,694,487
Others		<u>37,522,380</u>		<u>35,474,619</u>
		207,744,803		216,584,986
Less allowance for probable losses		<u>146,877,514</u>		<u>142,912,169</u>
Total	P	<u>60,867,289</u>	P	<u>73,672,817</u>

The notes receivable bear interest at 3.5% per annum and is payable in 365 days on demand, subject to renewal upon mutual consent. Notes receivables are considered impaired and covered with allowance for probable losses, accordingly no interest income was recognized on this note in 2011 and 2010.

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

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

The movement in the allowance for probable losses follows:

	<u>2011</u>		<u>2010</u>
Balance at beginning of year	P 142,912,169	P	141,371,469
Provision for the year	<u>3,965,345</u>		<u>1,540,700</u>
Balance at end of year	<u>P 146,877,514</u>	P	<u>142,912,169</u>

Other receivables pertain to advances subject for liquidation.

NOTE 8 - OTHER CURRENT ASSETS

Details are as follows:

	<u>2011</u>		<u>2010</u>
Creditable withholding taxes	P 20,260,496	P	17,716,048
Input taxes	8,633,025		9,065,810
Refundable deposits (Note 20)	930,913		1,016,354
Prepayments and others	<u>2,358,628</u>		<u>2,187,946</u>
	32,183,062		29,986,158
Less allowance for probable losses	<u>14,127,481</u>		<u>14,127,481</u>
Total	<u>P 18,055,581</u>	P	<u>15,858,677</u>

NOTE 9 - ASSET HELD FOR SALE

Asset held for sale amounting to P946,620,679 and P937,277,829 as of December 31, 2011 and 2010, respectively, which constitute 87% and 86% of the Group's total assets as of December 31, 2011 and 2010, respectively, represents advances to Polymax, the Parent Company's special purpose entity incorporated in British Virgin Islands solely for the purpose of acquiring the petrochemical plant of NPCA as discussed in Note 2.

On March 18 and September 20, 2006, Polymax's interest in NPCA of 40% and 20%, respectively, was sold. Thereafter, management decided to discontinue operations, cease operating as a going concern and exclude the account of Polymax from the Group's consolidated financial statements. 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 asset for sale, for which the Company is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 40% interest in NPCA. In this regard and to ensure the recoverability of the Parent Company's advances to Polymax 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, 2011 and 2010 prepared on the liquidation basis of accounting is shown in the table below.

	<u>2011</u>	<u>2010</u>
Assets		
Assets held for sale	₱ 1,107,330,850	₱ 1,108,785,300
Due from related parties	<u>290,935,120</u>	<u>290,935,120</u>
Total assets	<u>1,398,265,970</u>	<u>1,399,720,420</u>
Liabilities		
Liabilities related to asset held for sale	976,837,893	839,245,213
Due to Metro Alliance Holdings and Equities Corp.	946,620,679	937,277,829
Other payable	<u>49,030,000</u>	<u>49,030,000</u>
Total liabilities	<u>1,972,488,572</u>	<u>1,825,553,042</u>
Capital deficiency	₱ <u>574,222,602</u>	₱ <u>425,832,622</u>

Assets held for sale of Polymax include its 40% interest in NPCA carried at ₱900 million as of December 31, 2011 and 2010.

Due from related parties of Polymax represent amount due from the Wellex Group of Companies.

Liabilities related to asset held for sale of Polymax pertain to past due liabilities, which were obtained to finance the purchase of 100% ownership interest in NPCA, and these liabilities were unilaterally transferred by the Parent Company to Polymax in 2007 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 Parent Company is jointly and severally liable with Polymax with respect to these past due liabilities.

The increase in Polymax's capital deficiency by ₱148.4 million in 2011 and ₱42.7 million in 2010 pertains to:

	(In Million)	
	<u>2011</u>	<u>2010</u>
Loss on foreclosed property of related party (used to pay liabilities of Polymax)	₱ 112.4	₱ -
Interest and penalties	34.5	28.2
Foreign exchange loss on dollar denominated assets held for sale	1.5	11.7
Other cost and expenses	<u>-</u>	<u>2.8</u>
Net loss	₱ <u>148.4</u>	₱ <u>42.7</u>

Polymax's share in the net loss of NPCA amounted to ₱211.9 million in 2011 and ₱971.5 million in 2010; however, this was not recognized in both years so that the carrying value of Polymax's investment in NPCA will not fall below its estimated recoverable amount from sale of ₱900 million.

NOTE 10 - 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 well as investments in unlisted shares as follows:

	<u>2011</u>	<u>2010</u>
At acquisition cost	₱ 31,166,478	₱ 31,166,478
Cumulative fair value gain (in equity)	<u>16,736,304</u>	<u>9,486,562</u>
Total	₱ <u>47,902,782</u>	₱ <u>40,653,040</u>

Unrealized fair value loss on AFS investments amounted to ₱7,249,742 and ₱4,040,054 in 2011 and 2010, respectively. Unrealized fair value gain in 2009 amounted to ₱44,219,550. The carrying value of these investments include accumulated unrealized gain of ₱16.7 million and ₱9.5 million as of December 31, 2011 and 2010, respectively, which are shown as available-for-sale reserve in equity section of the consolidated balance sheet.

On January 29, 2010, the Parent Company and MVC executed a Deed of Assignment with respect to 27 million shares as full payment of the outstanding obligation of the Parent Company, resulting into a loss on disposal of AFS investment of ₱1.5 million in 2010. Realized fair value gain in connection with the disposal amounting to ₱ 5.9 million was transferred to the consolidated statement of comprehensive income.

NOTE 11 - PROPERTY AND EQUIPMENT

Details of this account are as follows:

	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Total
2011				
Cost				
January 1	₱ 1,078,126	₱ 18,016,409	₱ 13,493,362	₱ 32,587,897
Acquisitions	-	134,345	945,236	1,079,581
December 31	<u>1,078,126</u>	<u>18,150,754</u>	<u>14,438,597</u>	<u>33,667,478</u>
Accumulated Depreciation				
January 1	722,524	15,092,535	11,353,875	27,168,934
Depreciation	339,042	1,895,846	1,695,490	3,930,378
December 31	<u>1,061,566</u>	<u>16,988,381</u>	<u>13,049,365</u>	<u>31,099,312</u>
Net Book Value	₱ 16,560	₱ 1,162,373	₱ 1,389,233	₱ 2,568,166
2010				
Cost				
January 1	₱ 1,078,126	₱ 16,489,001	₱ 12,481,554	₱ 30,048,681
Acquisitions	-	1,527,408	1,011,808	2,539,216
December 31	<u>1,078,126</u>	<u>18,016,409</u>	<u>13,493,362</u>	<u>32,587,897</u>
Accumulated Depreciation				
January 1	383,482	14,407,267	9,953,514	24,744,263
Depreciation	339,042	685,268	1,400,361	2,424,671
December 31	<u>722,524</u>	<u>15,092,535</u>	<u>11,353,875</u>	<u>27,168,934</u>
Net Book Value	₱ 355,602	₱ 2,923,874	₱ 2,139,487	₱ 5,418,963

GAC's transportation equipment included under "Office Furniture, Fixtures and Equipment" account with a carrying value of ₱271,920 and ₱370,800 as of December 31, 2011 and December 31, 2010, respectively, has been pledged to fulfill collateral requirements (see Note 13).

NOTE 12 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Details of this account are shown below.

	2011	2010
Trade payables	₱ 13,884,916	₱ 22,457,991
Accrued expenses	356,429,205	359,263,853
Accrued finance charges – related parties (Note 14)	6,761,313	4,228,738
Other liabilities	<u>14,393,795</u>	<u>14,704,948</u>
Total	₱ 391,469,229	₱ 400,655,530

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 statements which are recorded as part of accrued expenses, to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered.

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

Other liabilities mainly pertain to payable to government agencies.

NOTE 13 - LONG-TERM DEBT

Long-term debt represents loans obtained by GAC and is classified as follows:

	<u>2011</u>	<u>2010</u>
Current portion	P 204,815	P 172,791
Noncurrent portion	449,853	627,204
Total	<u>P 654,668</u>	<u>P 799,995</u>

On July 21, 2009, GAC entered into two loan agreements for a total principal amount of P988,800 covering the acquisition of transportation equipment (see Note 11). The loan is payable monthly with interest at 19% per annum up to July 30, 2014 (for the first contract) and August 22, 2014 (for the second contract). The two loans are collateralized by the transportation equipment with a total carrying value of P271,920 and P370,800 as of December 31, 2011 and 2010, respectively. Total interest expense recognized amounted to P46,920 in 2011, P149,906 in 2010 and P62,277 in 2009. The total outstanding balance of the loans amounted to P654,668 and P799,995 as of December 31, 2011 and 2010, respectively.

NOTE 14 - RELATED PARTY TRANSACTIONS

- a. The amounts due from affiliates are unsecured and noninterest bearing advances, which have no definite repayment terms.

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

- b. Payables for shared operating expenses

- GAC, an operating subsidiary, is billed by a Gulf Agency Company Limited, stockholder for its share in marketing and information technology services. Total expense included in other expenses (Note 17) amounted to P6,266,531 in 2011, P3,418,157 in 2010 and P3,267,378 in 2009. In 2011 and 2009, GAC borrowed from the stockholder amounting to P5,815,704 and P4,645,000, respectively, to be used in carrying out its operations. The outstanding payable included in due to related parties amounted to P22,624,458 and P12,303,615 as of December 31, 2011 and 2010, 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 (Notes 16 and 17) amounted to P348,919 in 2011, P549,667 in 2010 and P475,135 in 2009. GAC has outstanding payable of P158,109 and P205,351 as of December 31, 2011 and 2010, respectively.

- c. 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 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 as 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 10) as full payment of the ₱27.4 million outstanding obligations (inclusive of interest) of the Parent Company.

d. Compensation of key management personnel follows:

	2011	2010	2009
Short-term employee benefits	₱ 7,685,211	₱ 16,548,813	₱ 15,668,000
Retirement benefits (Note 19)	1,078,248	337,500	278,509
	<u>₱ 8,763,459</u>	<u>₱ 16,886,313</u>	<u>₱ 15,946,509</u>

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

e. Accounts with related parties

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

	Amount of Transactions		Outstanding	
	Increase (Decrease)		Receivable/Payable	
	2011	2010	2011	2010
<u>Asset Held For Sale</u>				
Advances to Polymax (special purpose entity) (Note 9)	₱ 9,342,850	₱ 6,818,061	₱ 946,620,679	₱ 937,277,829
<u>Due from Related Parties (Note 7)</u>				
The Wellex Group, Inc.	₱ -	₱ -	₱ 8,401,000	₱ 8,401,000
Others	-	-	293,487	293,487
	<u>₱ -</u>	<u>₱ -</u>	<u>₱ 8,694,487</u>	<u>₱ 8,694,487</u>
<u>Due to Related Parties</u>				
<u>Under Common Control</u>				
The Wellex Group, Inc.	₱ 5,151,129	₱ 6,353,050	₱ 16,692,965	₱ 11,541,836
Waterfront Philippines, Inc.	4,228,738	13,503,443	355,318,271	351,089,533
Acesite (Phils.) Hotel Corp.	-	-	6,239,733	6,239,733
Wellex Mining Corp.	225,000	-	225,000	-
Gulf Agency Company Limited	22,468,305	-	22,468,305	-
GAC Shipping & Cargo System (Phils.), Inc.	(47,242)	12,305,570	158,109	12,305,570
<u>Stockholders</u>	-	(10,426,767)	181,753,940	181,753,940
<u>Others</u>	(259,921)	259,921	(1,735,692)	(1,475,771)
	<u>₱ 31,766,009</u>	<u>₱ 21,993,217</u>	<u>₱ 581,120,631</u>	<u>₱ 561,454,841</u>
<u>Accrued Finance Charges (Note 12)</u>				
WPI	₱ (2,532,575)	₱ (9,274,705)	₱ 6,761,313	₱ 4,228,738
	<u>₱ (2,532,575)</u>	<u>₱ (9,274,705)</u>	<u>₱ 6,761,313</u>	<u>₱ 4,228,738</u>

NOTE 15 - CAPITAL STOCK

- a. The Group's capital stock as of December 31, 2011 and 2010 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 2011 and 2010	₱	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 2011 and 2010		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, Parent Company's management has decided to pursue the said increase in authorized capital of the Parent Company.

NOTE 16 - COST OF SERVICES

Details of this account are shown below.

	2011	2010	2009
Personnel costs (Note 19)	₱ 75,544,370	₱ 69,312,546	₱ 39,260,544
Rent and utilities (Note 20)	15,579,507	15,423,522	16,680,077
Transportation and Travel	8,911,615	18,786,556	5,808,403
Outside services	5,274,484	5,981,966	10,719,197
Security services	4,162,106	4,812,771	–
Communication and office supplies	3,630,016	3,448,955	1,521,799
Depreciation (Note 11)	1,607,469	647,167	681,164
Repairs and maintenance	151,405	231,939	276,426
Others	3,988,038	11,248,214	3,036,646
Total	₱ <u>118,849,010</u>	₱ <u>129,893,636</u>	₱ <u>77,984,256</u>

NOTE 17 - EXPENSES

Details of this account are shown below.

	2011	2010	2009
Personnel costs (Note 19)	₱ 22,847,109	₱ 20,155,623	₱ 17,253,752
Taxes and licenses	6,669,055	944,126	464,447
Provision for probable losses (Notes 7 and 8)	3,965,345	975,357	3,885,359
Professional fee	3,436,668	2,171,623	1,429,632
Transportation and travel	2,398,180	2,235,032	1,618,505
Depreciation (Note 11)	2,322,909	1,777,504	857,016
Rent and utilities (Notes 14 and 20)	2,044,972	2,072,325	1,651,006
Entertainment	1,769,764	1,876,905	1,985,301
Communication and supplies	1,090,949	933,544	1,055,901
Others (Note 14)	3,133,886	2,640,834	4,027,445

₱ 49,678,835 ₱ 35,782,873 ₱ 34,228,364

NOTE 18 - INCOME TAXES

a. The current provision for (benefit from) income tax consists of the following:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current income tax			
RCIT	₱ -	₱ -	₱ 436,784
MCIT	588,064	709,419	3,664
Final tax	4,339	4,937	293
	<u>₱ 592,403</u>	<u>₱ 714,356</u>	<u>₱ 440,741</u>
Deferred income tax	<u>(1,504,248)</u>	<u>483,823</u>	<u>(1,762,747)</u>
	<u>₱ (911,845)</u>	<u>₱ 1,198,179</u>	<u>₱ (1,322,006)</u>

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Provision for (benefit from) income tax loss at statutory tax rate	₱ (6,165,428)	₱ 967,906	₱ (3,688,544)
Tax effects of:			
Expired NOLCO applicable to:			
GAC	2,502,890	-	-
Parent Company and non-operating subsidiary	1,734,183	3,362,755	19,820,028
Expired MCIT	195,979	-	165,114
Changes in unrecognized deferred income tax assets	(597,299)	(2,234,282)	(29,915,272)
Nondeductible interest and other expenses	2,207,247	904,965	520,495
Effect of change in tax rate applicable to Parent Company and non-operating subsidiary	-	-	11,802,733
Realized fair value gain on disposal of AFS Investments	-	1,782,000	-
Interest, dividends and others	(789,417)	(21,165)	(26,560)
	<u>₱ (911,845)</u>	<u>₱ 1,198,179</u>	<u>₱ (1,322,006)</u>

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

	<u>2011</u>	<u>2010</u>
Deferred tax assets:		
NOLCO	₱ 2,841,396	₱ 3,595,698
MCIT	1,734,267	1,342,182
Allowance for probable losses	1,967,442	777,838
Accrued retirement benefits	1,312,346	587,546
Unamortized past service costs	336,016	409,361
Unrealized foreign exchange loss	79,969	-
	<u>8,271,436</u>	<u>6,712,625</u>
Deferred tax liability:		
Unrealized foreign exchange gain	(303,197)	(248,634)
Net deferred tax assets	<u>₱ 7,968,239</u>	<u>₱ 6,463,991</u>

d. Deferred tax assets of the Parent Company and non-operating subsidiaries amounting to ₱49,052,909 and ₱49,650,208 as of December 31, 2011 and 2010, respectively, have not been recognized as management believes that the Parent Company and non-operating subsidiaries may not have sufficient taxable profits or tax liabilities against which these temporary differences and NOLCO may be utilized.

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

	<u>2011</u>	<u>2010</u>
Allowance for probable losses	P 152,801,255	P 152,801,255
NOLCO	9,896,886	11,966,948
Accrued retirement benefits costs	<u>811,555</u>	<u>732,490</u>
Deferred income tax assets	P <u>163,509,696</u>	P <u>165,500,693</u>

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

<u>Year Incurred</u>	<u>Year Expiring</u>	<u>2011</u>	<u>2010</u>
2007	2010	P -	P 11,209,185
2008	2011	5,780,610	5,780,610
2009	2012	2,277,590	2,277,590
2010	2013	3,908,748	3,908,748
2011	2014	<u>3,710,548</u>	<u>-</u>
		15,677,496	23,176,133
Expired NOLCO		<u>(5,780,610)</u>	<u>(11,209,185)</u>
		P <u>9,896,886</u>	P <u>11,966,948</u>

NOTE 19 - 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 GAC fund. The accrued actuarial liability is determined according to the plan formula taking into account the years of service rendered and compensation of covered employees as of valuation date.

The following tables summarize the components of net retirement expense recognized in the consolidated statement of comprehensive income and the funding status and amounts recognized in the consolidated balance sheets. The components of retirement expense which were charged to operations are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current service cost	P 1,960,479	P 1,058,029	P 340,898
Interest cost on benefit obligation	677,831	370,147	167,954
Net actuarial loss recognized	261,497	182,352	27,902
Expected return on plan assets	<u>(4,742)</u>	<u>(29,190)</u>	<u>(34,831)</u>
Total retirement expense	P <u>2,895,065</u>	P <u>1,581,338</u>	P <u>501,923</u>

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

	<u>2011</u>	<u>2010</u>
Present value of benefit obligation	P 5,168,955	P 7,935,790
Present value of plan assets	<u>(74,997)</u>	<u>(79,028)</u>
	5,093,958	7,856,762
Unrecognized net actuarial loss (gain)	<u>92,084</u>	<u>(5,165,785)</u>
Liability recognized in the balance sheet	P <u>5,186,042</u>	P <u>2,690,977</u>

Changes in present value of retirement obligation are as follows:

	<u>2011</u>	<u>2010</u>
Present value of obligation at beginning of year	P 7,935,790	P 4,132,254
Current service cost	1,960,479	1,058,029
Interest cost on benefit obligation	677,831	370,147
Benefits paid	(407,748)	(432,269)
Actuarial loss (gain)	<u>(4,997,397)</u>	<u>2,807,629</u>
Present value of obligation at end of year	<u>P 5,168,955</u>	<u>P 7,935,790</u>

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

	<u>2011</u>	<u>2010</u>
Fair value of plan assets at beginning of year	P 79,028	P 486,504
Expected return on plan assets	4,742	29,190
Benefits paid due to resignation and retrenchment	(7,748)	(432,269)
Actuarial loss on plan assets	<u>(1,025)</u>	<u>(4,397)</u>
Fair value of plan assets at end of year	<u>P 74,997</u>	<u>P 79,028</u>
Actual return on plan assets	<u>P 3,717</u>	<u>P 24,793</u>

The major categories of plan assets are as follows:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	P 2,892	P 2,941
Investment in Unit Investment Trust Funds	<u>72,105</u>	<u>76,087</u>
	<u>P 74,997</u>	<u>P 79,028</u>

Relevant amounts for December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Present value of obligation	P 5,168,955	P 7,935,790
Fair value of plan assets	74,997	79,028
Deficit	5,093,958	7,856,762
Experience adjustment gain (loss) on:		
Benefit obligation	4,997,397	(2,807,629)
Plan assets	(1,025)	(4,397)

The assumptions used to determine retirement benefits costs for the Group for the years ended December 31, 2011, 2010 and 2009 are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Discount rate	9%	11%	17%
Salary increase rate	10%	10%	10%
Expected rate of return on plan assets	6%	6%	6%

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.

NOTE 20 - LEASES

GAC leases various warehouses and office, under various agreements with terms ranging from two to three years, renewable upon agreement of both parties. GAC also leases its office space under an operating lease agreement for a period of three years. The contract was terminated in December 2011. The minimum rental commitments under this agreement in 2010 are as follows:

Within one year	₱	4,027,319
After one year but not more than five years		<u>187,000</u>
 Total	 ₱	 <u>4,214,319</u>

Total lease expense amounted to ₱6,880,132 in 2011 and ₱9,775,436 in 2010.

NOTE 21 - 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.

NOTE 22 - BASIC EARNINGS (LOSS) PER SHARE

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net income (loss) attributable to equity holders of Parent Company	₱ <u>(11,315,853)</u> ₱	₱ 657,947 ₱	₱ (9,460,414)
Weighted average number of common shares	<u>306,122,449</u>	<u>306,122,449</u>	<u>306,122,449</u>
Basic Loss (Earnings) Per Share	₱ <u>(0.04)</u> ₱	₱ 0.002 ₱	₱ (0.03)

NOTE 23 - 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, 2011 and 2010:

	<u>2011</u>		<u>2010</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Financial Assets				
Cash	₱ 7,253,154 ₱	₱ 7,253,154 ₱	₱ 11,031,467 ₱	₱ 11,031,467
Receivables-net	60,867,289	60,867,289	73,672,817	73,672,817
AFS investments	47,902,783	47,902,783	40,653,040	40,653,040
Refundable deposits	<u>930,913</u>	<u>930,913</u>	<u>1,436,075</u>	<u>1,434,997</u>
	₱ <u>116,954,139</u> ₱	₱ <u>116,954,139</u> ₱	₱ <u>126,793,399</u> ₱	₱ <u>126,792,321</u>
Financial Liabilities				
Accounts payable and accrued expenses	₱ 40,708,275 ₱	₱ 40,708,275 ₱	₱ 40,830,997 ₱	₱ 40,830,997
Due to affiliates	581,120,631	581,120,631	561,454,841	561,454,841
Long-term debt (including current portion)	<u>654,668</u>	<u>621,340</u>	<u>799,995</u>	<u>999,278</u>
	₱ <u>622,450,246</u> ₱	₱ <u>622,450,246</u> ₱	₱ <u>603,085,833</u> ₱	₱ <u>603,285,116</u>

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

Current Financial Assets and Liabilities

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

AFS Investments

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

Long-term Debt

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

Refundable deposits and Long-term Debt

The fair values of noncurrent refundable deposits and long-term debt have been determined by discounting the expected future cash flows at prevailing interest rates.

NOTE 24 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of cash, 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 financial liabilities include receivables, refundable deposits and accounts payable and accrued expenses, which arise directly from its operations.

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

Interest Rate Risk

The Group's exposure to the risk for changes in market interest rates relates to its loans payable and long-term debt, which principally bear floating interest rates.

Credit Risk

It is the Group's policy to require all concerned related and/or third party to comply and undergo a credit verification process with emphasis on their capacity, character and willingness to pay. In addition, receivables are closely monitored so that exposure to bad debts is minimized. The Group deals only with legitimate parties. As to other financial assets of the Group like cash 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, 2011 and 2010, without considering the effects of collaterals and other risk mitigation techniques, are presented below.

	<u>2011</u>	<u>2010</u>
Cash	₱ 7,253,154	₱ 11,031,467
Receivables	60,867,289	73,672,817
Refundable deposits	<u>930,913</u>	<u>1,463,074</u>
	<u>₱ 69,051,35</u>	<u>₱ 86,167,3581</u>

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

2011

Financial assets	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	₱7,253,154	₱ -	₱ -	₱ -	₱ -	₱ -	₱7,253,154
Receivables:							
Notes	-	-	-	-	138,710,706	(138,710,706)	-
Trade	5,819,270	7,730,822	5,600,960	2,005,175	1,661,003	(1,661,003)	21,156,227
Due from related parties	8,694,487	-	-	-	-	-	8,694,487
Others	1,582,605	-	-	29,433,970	6,505,805	(6,505,805)	31,016,575
Refundable deposits	930,913	-	-	-	-	-	930,913
	₱24,280,429	₱7,730,822	₱5,600,960	₱31,439,145	₱146,877,514	(₱146,877,514)	₱69,051,356

2010

Financial assets	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	₱11,031,467	₱	₱	₱	₱	₱	₱11,031,467
Receivables:							
Trade	13,192,647	8,971,431	5,329,369	2,556,583	2,591,960	(2,591,960)	30,050,030
Due to affiliate	₱	₱	₱	8,694,487	₱	₱	8,694,487
Notes	₱	₱	₱	₱	138,282,345	(138,282,345)	₱
Others	₱	₱	₱	34,928,300	2,037,864	(2,037,864)	34,928,300
Refundable deposits	1,436,075	₱	₱	₱	₱	₱	1,436,075
	₱25,660,189	₱8,971,431	₱5,329,369	₱46,179,370	₱142,912,169	(₱142,912,169)	₱86,140,359

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.

NOTE 25 - 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 ₱654,668 and ₱799,995 as of December 31, 2011 and 2010, respectively, while the equity attributable to equity holders of the Parent Company less any reserves is shown on the table below.

	<u>2011</u>	<u>2010</u>
Capital stock	₱ 306,122,449	₱ 306,122,44
Additional paid-in-capital	3,571,921	3,571,92
Retained earnings (deficit)	<u>(215,153,286)</u>	<u>(203,837,434)</u>
	<u>₱ 94,541,084</u>	<u>₱ 105,856,93</u>

NOTE 26 - 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 P83.8 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 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 of 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 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 December 13, 2007, 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 ₱42.0 million, which the Parent Company maintains has ever been received.

On October 6, 2005, the Regional Trial Court of Tagaytay City (RTC) issued and granted the Writ of Preliminary Injunction (first injunction). As of December 13, 2007, 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 believes that its positions have legal merits and the resolution thereof will not materially affect the Group's financial position and result of operations.

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
AS AT DECEMBER 31, 2011

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	Attached
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, 2011

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		₱ – ₱7,253,154	₱7,253,154	₱23,545
AFS Financial Assets				
Mabuhay Vinyl Corp.	–	₱39,764,534	₱39,764,534	–
Waterfront Philippines, Inc.	–	7,185,000	7,185,000	–
Valley Golf Country Club Philippine Long Distance Telephone Company	–	369,100	369,100	–
Capitol Golf Club	–	308,969	308,969	–
Marlan Research Corp.	–	140,000	140,000	–
Others	–	87,500	87,500	–
		– 47,680	47,680	–
		– ₱47,902,783	₱47,902,783	–

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

Name and designation of debtor	Balance at beginning of period	Amounts (collected) /transferred	Amounts written-off	Current	Non-current	Balance at end of period
Polymax Worldwide Limited (special purpose entity)	₱937,277,829	₱9,342,850	₱ –	₱946,620,679	₱ –	₱946,620,679
The Wellex Group, Inc.	8,401,000	–	–	8,401,000	–	8,401,000
Others	–	293,487	–	293,487	–	293,487
		₱				
	₱945,678,829	9,636,337	₱ –	₱955,315,166	₱ –	₱955,315,166

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

Account	January 1, 2011	Additions	Deductions		Current	Non Current	December 31, 2011
			Amount Collected	Amount Written Off			
Due to related party - GAC Logistics, Inc	₱1,218,382	₱ -	₱ -	₱741,541	₱476,841	₱ -	₱476,841

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
-------------	-------------------	-------------------	------------------------------	---------------------------	--------------------------------------	----------------

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
Bank loans	₱988,800	₱204,815	₱449,853

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
-----------------------	--------------------------------	--------------------------

Not Applicable

Schedule G. Guarantees of Securities of Other Issuers

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

Not Applicable

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common - Class A	720,000,000	183,673,470	–	156,590,387	126,115	26,957,968
Common - Class B	480,000,000	122,448,979	–	85,139,552	22,000,000	15,309,427
	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, 2011**

The following table summarizes the effective standards and interpretations as at December 31, 2011:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2011		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements				
	Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
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 PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets			✓
PFRS 8	Operating Segments	✓		
Philippine Accounting Standards				

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS				
Effective as at December 31, 2011		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendments to PAS 39: Eligible Hedged Items			✓
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			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: 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			✓
	Amendments to Philippine Interpretations IFRIC 14: Prepayments to a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distribution of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2011		Adopted	Not Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
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			✓
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 year ended December 31, 2011.

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES

III. RECONCILIATION OF RETAINED EARNINGS AVAILABLE

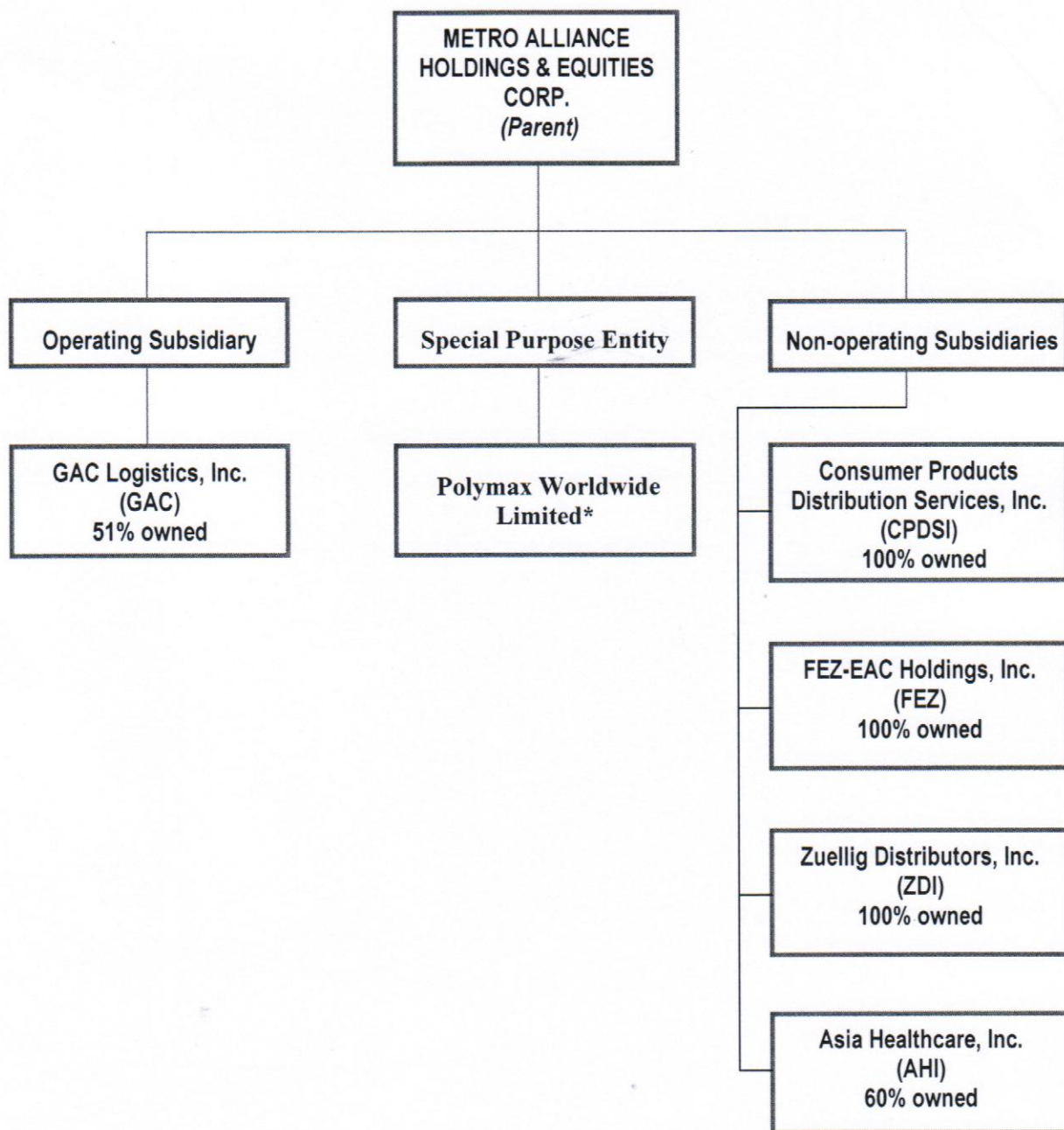
FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2011

Not Applicable*

*The Parent Company’s Retained Earnings as of December 31, 2011 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, 2011



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

METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES**V. SCHEDULE OF FINANCIAL RATIOS****FOR THE YEAR ENDED DECEMBER 31, 2011**

Financial Ratios	Description	2011	2010	2009
Current/liquidity ratio	Current assets over current liabilities	1.06	1.08	1.05
Asset to equity ratio	Total asset over total equity	9.67	8.71	8.33
Net debt to equity ratio	Interest – bearing loans and borrowings less cash and cash equivalents over total equity	(0.06)	(0.08)	(0.05)
Debt-to-equity ratio	Short-term loans over total equity	–	–	0.20
Solvency Ratio	After tax net profit plus depreciation over total liabilities	(0.02)	0.005	(0.01)
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	(438.01)	21.96	(103.08)
Gross profit margin	Gross profit over net revenues	18%	19%	18%
Net income margin	Net income over net revenues	(14%)	1%	(11.5%)

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 - 1 1

FORM TYPE

Any day in May

Month Day Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

826

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



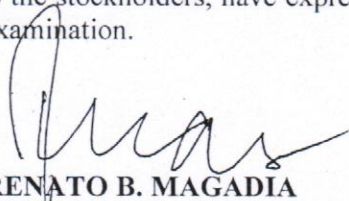
METRO ALLIANCE
HOLDINGS & EQUITIES CORP.

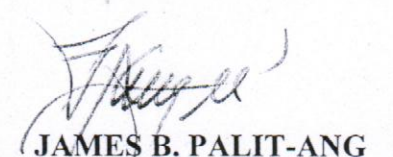
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR
FINANCIAL STATEMENTS**

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, 2011 and 2010, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

Valdes Abad & Associates and Uy, Singson, Abella & Co., CPAs, the independent auditors appointed by the stockholders for the years ended December 31, 2011 and 2010, respectively 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. 448 ;
Page No. 98 ;
Book No. I ;
Series of 2014

ATTY. ADRIAN M. ABAIGAR
COMMISSION NO. 117 (2014-2015)
NOTARY PUBLIC FOR PASIG CITY
UNTIL DECEMBER 31, 2015
35TH FLR, ONE CORPORATE CENTER
JULIA VARGAS CORNER MERALCO AVENUE
ORTIGAS CENTER, PASIG CITY
ROLL NO. 49554
PTR NO. 9847149: 1/13/14 PASIG CITY

Valdes Abad & Associates

certified public accountants

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

Telephone: (632) 892-5931-35

(632) 750-7563

Facsimile: (632) 819-1468

Email:

www.valdesabad.com

valdes.abad.associates@gmail.com

Associate firm of

gmn
international

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

The Stockholders and the Board of Directors
METRO ALLIANCE HOLDINGS & EQUITIES CORP.
22nd Floor Citibank Tower
8741 Paseo de Roxas, Makati City

We have examined the Parent Company financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.**, for the year ended December 31, 2011, on which we have rendered the attached report dated November 17, 2014.

In compliance with SRC Rule 68, we are stating that the Parent Company has seven hundred eighty five (785) stockholders owning one hundred (100) or more shares each as of December 31, 2011.

VALDES ABAD & ASSOCIATES

For the firm:

Felicidad A. Abad
FELICIDAD A. ABAD

Managing Partner

CPA Certificate No. 0025184

TIN No. 123-048-248

PTR No. 4233442 - 01/08/2014

PRC – BOA Reg. No. 0314

Issued on March 6, 2013

Valid until December 31, 2015

SEC Accreditation No. 1356-A

Issued on September 19, 2013

Valid until September 18, 2016

BIR Accreditation No. 08-002126-001-2014

Issued on October 29, 2014

Valid until October 29, 2017

Makati City, Philippines
October 10, 2014

STATEMENT OF REPRESENTATION

TO THE SECURITIES AND EXCHANGE COMMISSION:

In connection with my examination of the Parent Company financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the accounting profession and duly registered with the Board of Accountancy (BOA);
2. That said financial statements are presented in conformity with Philippine Financial Reporting Standards, in all cases where I shall express an unqualified opinion; except that in case of any departure from such principles, I shall indicate the nature of the departure, the effects thereof, and the reasons why compliance with the principles would result in a misleading statement, if such is a fact;
3. That I shall fully meet the requirements of independence as provided under the Code of Professional Ethics for CPAs;
4. That in the conduct of the audit, I shall comply with the Philippine Standards on Auditing promulgated by the Board of Accountancy; in case of any departure from such standards or any limitation in the scope of my examination, I shall indicate the nature of the departure and the extent of the limitation, the reasons therefore and the effects thereof on the expression of my opinion or which may necessitate the negation of the expression of an opinion;
5. That I shall comply with the applicable rules and regulations of the Securities and Exchange Commission in the preparation and submission of financial statements; and
6. That relative to the expression of my opinion on the said financial statements, I shall not commit any acts discreditable to the profession as provided under the Code of Professional Ethics for CPAs.

As a CPA engaged in public practice, I make these representations in my individual capacity and as a partner in the accounting firm of **VALDES ABAD & ASSOCIATES.**

VALDES ABAD & ASSOCIATES

For the firm:

Felicidad A. Abad
FELICIDAD A. ABAD
Managing Partner
CPA Certificate No. 0025184
TIN No. 123-048-248
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Makati City, Philippines
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

Report on the Parent Company Financial Statements

We have audited the accompanying Parent Company financial statements of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.**, which comprise the balance sheets as at December 31, 2011, and the statement of comprehensive income, statements of changes in equity, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Parent Company Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the Parent Company financial statements present fairly, in all material respects, the financial position of **METRO ALLIANCE HOLDINGS & EQUITIES CORP.** as of December 31, 2011, and its financial performance and its cash flows for the year 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 P946.6 million and P937.3 million as of December 31, 201 and 2010, respectively, and on the other hand, Polymax has past due liabilities of P976.8 million and P839.2 million as of December 31, 2011 and 2010, respectively, for which the Parent is jointly and severally liable. These factors may cast significant doubt about the Parent Company's ability to continue as a going concern. The realization of the Parent Company's advances to Polymax and the settlement of Polymax's past due liabilities, for which the Parent Company is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 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. 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.

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

Our audits were conducted for the purpose of forming an opinion on the basis of financial statements taken as a whole. The supplementary information for the year ended December 31, 2010 required under Revenue Regulations No. 15-2010 as disclosed in Note 20 to the Parent Company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such information is the responsibility of the management Metro Alliance Holdings & Equities Corp. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Matter

The Parent Company financial statements of **Metro Alliance Holdings & Equities Corp.** for the year ended December 31, 2010 were audited by another auditor who expressed an unqualified opinion on those statements on October 10, 2014.

VALDES ABAD & ASSOCIATES

For the firm:

Felicidad A. Abad
FELICIDAD A. ABAD

Managing Partner
CPA Certificate No. 0025184
TIN No. 123-048-248-000
PTR No. 4233442- 01/08/2014
PRC – BOA Reg. No. 0314
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Issued on October 29, 2014
Valid until October 29, 2017

Makati City, Philippines
October 10, 2014



METRO ALLIANCE HOLDINGS & EQUITIES CORP.

PARENT COMPANY BALANCE SHEETS

(In Philippine Peso)

(With Comparative Figures as of December 31, 2010)

ASSETS	Notes	December 31	
		2011	2010
CURRENT ASSETS			
Cash		538,956	181,114
Other current assets – net	5	491,938	400,745
Asset held for sale	6	<u>946,620,679</u>	<u>937,277,829</u>
Total Current Assets		<u>947,651,573</u>	<u>937,859,688</u>
NONCURRENT ASSETS			
Available-for-sale investments	7	47,810,993	40,562,440
Investment in subsidiary	8	18,640,500	18,640,500
Computer equipment – net	9	<u>4,138</u>	<u>1</u>
Total Noncurrent Assets		<u>66,455,631</u>	<u>59,202,941</u>
TOTAL ASSETS		<u>1,014,107,204</u>	<u>997,062,629</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Due to related parties	11	560,706,750	551,843,424
Accrued expenses and other current liabilities	10	<u>190,397,491</u>	<u>187,355,705</u>
Total Current Liabilities		<u>751,104,241</u>	<u>739,199,129</u>
NONCURRENT LIABILITY			
Accrued retirement benefits cost	15	<u>811,555</u>	<u>732,490</u>
EQUITY			
Capital stock	12	306,122,449	306,122,449
Additional paid-in capital		3,571,921	3,571,921
Reserve for fluctuations in available-for-sale investment	7	16,733,754	9,485,201
Deficit		<u>(64,236,716)</u>	<u>(62,048,561)</u>
Net Equity		<u>262,191,408</u>	<u>257,131,010</u>
TOTAL LIABILITIES AND NET EQUITY		<u>1,014,107,204</u>	<u>997,062,629</u>

See Notes to Parent Company Financial Statements



METRO ALLIANCE HOLDINGS & EQUITIES CORP.

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(In Philippine Peso)

(With Comparative Figures for the Period Ended December 31, 2010)

For the Years Ended December 31,	Notes	2011	2010
INCOME			
Dividends		2,584,960	13,920
Interest - net		904	788
Realized fair value gain on sale of available-for-sale investment	7	<u>-</u>	<u>5,940,000</u>
Total Income		2,585,864	5,954,708
EXPENSES			
General and administrative expenses	13	4,774,019	4,518,810
Loss on disposal of available-for-sale investment	7	<u>-</u>	<u>1,471,249</u>
Total Expenses		4,774,019	5,990,059
NET LOSS		(2,188,155)	(35,351)
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain (loss) on available-for-sale investments		7,248,553	(4,040,054)
TOTAL COMPREHENSIVE INCOME (LOSS)		5,060,398	(4,075,405)

See Notes to Parent Company Financial Statements



178/Nov 2011

METRO ALLIANCE HOLDINGS & EQUITIES CORP.
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
(In Philippine Peso)
(With Comparative Figures as of December 31, 2010)

For the Years Ended December 31,	Notes	2011	2010
CAPITAL STOCK	12		
Class "A"		183,673,470	183,673,470
Class "B"		<u>122,448,979</u>	<u>122,448,979</u>
		<u>306,122,449</u>	<u>306,122,449</u>
ADDITIONAL PAID-IN-CAPITAL		<u>3,571,921</u>	<u>3,571,921</u>
RESERVE FOR FLUCTUATIONS IN AVAILABLE- FOR-SALE INVESTMENTS	7		
Balance at beginning of year		9,485,201	19,465,255
Other comprehensive income (loss)		7,248,553	(4,040,054)
Realized fair value gain on sale of available-for-sale investment		<u>-</u>	<u>(5,940,000)</u>
Balance at end of year		<u>16,733,754</u>	<u>9,485,201</u>
DEFICIT			
Balance at beginning of year		(62,048,561)	(62,013,210)
Net loss		<u>(2,188,155)</u>	<u>(35,351)</u>
Balance at end of year		<u>(64,236,716)</u>	<u>(62,048,561)</u>
TOTAL EQUITY		<u>262,191,408</u>	<u>257,131,010</u>

See Notes to Parent Company Financial Statements



18 NOV 2014

METRO ALLIANCE HOLDINGS & EQUITIES CORP.

PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Philippine Peso)

(With Comparative Figures as of December 31, 2010)

For the years ended December 31,	Notes	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss		(2,188,155)	(35,351)
Adjustments for:			
Provision for retirement benefits	15	79,065	79,065
Depreciation	9	2,068	17,027
Dividends		(2,584,960)	(13,920)
Interest income		(904)	(788)
Realized fair value gain on disposal of AFS investment	7	-	(5,940,000)
Gain on sale of available-for-sale investment	7	-	1,471,249
Working capital adjustments:			
Decrease (increase) in:			
Receivables		-	(152,290)
Other current assets		(91,193)	-
Increase (decrease) in accrued expenses and other current liabilities		<u>3,041,786</u>	<u>(8,930,991)</u>
Net cash flows used in operating activities		<u>(1,742,293)</u>	<u>(13,505,999)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		2,584,960	13,920
Interest received		904	788
Increase in asset held for sale	6	(9,342,850)	(6,818,061)
Acquisition of computer equipment	9	(6,205)	-
Disposal of available-for-sale investment	7	-	27,401,499
Net cash flows used in (provided by) investing activities		<u>(6,763,191)</u>	20,598,146
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in amounts due to related parties	11	8,863,326	19,856,493
Payment of loan payable		-	(27,000,000)
Net cash flows provided by (used in) financing activities		<u>8,863,326</u>	<u>(7,143,507)</u>
NET INCREASE (DECREASE) IN CASH		357,842	(51,360)
CASH AT BEGINNING OF YEAR		181,114	232,474
<hr/>			
CASH AT END OF YEAR		538,956	181,114

See Notes to Parent Company Financial Statements



METRO ALLIANCE HOLDINGS & EQUITIES CORP.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

(With Comparative Figures as of December 31, 2010)

NOTE 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) or 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, 2011 were authorized for issue by the Board of Directors (BOD) on October 10, 2014.

NOTE 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, 2011 and 2010, the Parent Company has significant advances to Polymax Worldwide Limited (Polymax), a special purpose entity incorporated in British Virgin Islands, amounting to ₱946.6million and ₱937.3 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 ₱976.8 million and ₱839.2 million as of December 31, 2011 and 2010, 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.

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\$5million, which was remitted to IFC for the assignment payment, pursuant to the terms of the Agreement. On February 11, 2004, IFC confirmed that it has received the full payment for the assignment of the senior secured debt papers of BPC.

To partially finance the Parent Company's advances relating to the Petrochemical Project, the Parent Company obtained short-term loans from local banks. With the delay in the completion of the activities and the conditions required for the Petrochemical Project, the Parent Company was unable to pay the bank loans on maturity dates. As of December 31, 2006, the amounts payable to the banks totaled ₱866.7 million consisting of the outstanding principal balance of ₱378.3 million and finance charges of ₱488.4 million. In 2007, these past due liabilities were unilaterally transferred to and applied against the advances made to Polymax as discussed in Note 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 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 Parent Company, Polymax and NPC International Limited (NPCI) entered into a SPA which provided that, subject to certain conditions, including the transfer of the petrochemical plant of BPC free from encumbrances, NPCI will acquire 60% of the issued share capital of NPCA from Polymax.

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

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Amendments to Standards and Interpretations Adopted in 2011

Starting January 1, 2011, the Parent Company adopted the following new and amended PAS and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC):

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. Adoption of this new standard has no significant impact in the related party disclosures as shown in Note 11.

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, 2012 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 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. The Parent Company has assessed that the application of PFRS has not materially impacted the fair value measurements of the Parent Company. Adoption of this

standard resulted in the inclusion of additional disclosures in the Parent Company financial statements (Note 16).

- 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. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

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

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

Financial Assets

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

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

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

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

The Parent Company has no financial assets at FVPL as of December 31, 2011 and 2010.

Loans and Receivables. Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial asset at FVPL. Receivables are carried at

cost or amortized cost, less impairment in value. Amortization is determined using the effective interest method.

Cash is 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 comprehensive income when the HTM investments are derecognized or impaired, as well as through the amortization process.

The Parent Company has no HTM investments as of December 31, 2011 and 2010.

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

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

Financial Liabilities

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

The Parent Company has no derivative liabilities as of December 31, 2011 and 2010.

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

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

Included in this category are due to related parties and accrued expenses and other current liabilities.

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

Impairment of Financial Assets

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

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

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

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

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

AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in the Parent Company statement of comprehensive income, is transferred from equity to the Parent Company statement of comprehensive income. Reversals in respect of equity instruments classified as AFS are not recognized in profit or loss. 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 sheet.

Asset Held for Sale

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

Investment in Subsidiary

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

Computer Equipment

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

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

Depreciation of computer equipment is computed using the straight-line method over the estimated useful lives of three years.

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

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

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

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

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

Impairment of Non-financial Assets

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation 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 comprehensive income on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Retirement Benefits Cost

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

Foreign Currency Transactions and Translations

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

Income Tax

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

Current Tax

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

Deferred Tax

Deferred income tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of 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 benefit of unused NOLCO can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Related Parties

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

Provisions

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

Postyear-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. Postyear-end events that are not adjusting events are disclosed in the notes to the Parent Company financial statements when material.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Use of Estimates and Judgment

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 Parent Company 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 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 ₱12.9 million and ₱12.8 million as of December 31, 2011 and 2010, respectively, were provided with ₱12.4 million allowance for probable losses as of December 31, 2011 and 2010 (see Note 5).

The advances to Polymax (under asset held for sale) amounting to ₱946.6 million and ₱937.3 million as of December 31, 2011 and 2010, respectively, constitute 93% and 94% of the Parent Company's total assets at the end of 2011 and 2010, 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 (see Note 6).

Estimated Useful Life and Residual Value of Computer Equipment

The Parent Company estimated the useful life and residual value of its computer equipment based on the period over which the assets are expected to be available for use. The Parent Company reviews annually the estimated useful life and residual value of computer equipment based on factors that include asset utilization, internal technical evaluation, technological changes, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful life of computer equipment would increase depreciation expense, while an increase in the estimated useful life would decrease depreciation expense. As of December 31, 2011 and 2010, computer equipment, net of accumulated depreciation, amounted to ₱4,138 and ₱1, respectively, and total depreciation expense charged to operations amounted to ₱2,068 in 2011 and ₱17,027 in 2010 (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 values of its investment in subsidiary and computer equipment amounting to ₱18.6 million as of December 31, 2011 and 2010 are not impaired (see Notes 8 and 9).

Fair Value of Financial Asset and Financial Liabilities

The Parent Company 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, 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 the AFS investment with available market prices was determined based on quoted bid prices. AFS investments amounted to ₱47.8 million and ₱40.6 million as of December 31, 2011 and 2010, 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 and unused NOLCO totaling ₱3.1 million as of December 31, 2011 and 2010, 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 14c).

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

NOTE 5 – OTHER CURRENT ASSETS

This account consists of:

Particulars	2011	2010
Creditable withholding taxes	₱ 7,721,700	₱ 7,721,700
Input taxes	5,202,292	5,111,100
	<u>12,923,992</u>	<u>12,832,799</u>
Less allowance for probable losses	<u>(12,432,054)</u>	<u>12,432,054</u>
Total	₱ <u>491,938</u>	₱ <u>400,745</u>

NOTE 6 – ASSET HELD FOR SALE

Asset held for sale amounting to ₱946,620,679 and ₱937,277,829 as of December 31, 2011 and 2010, respectively, which constitute 93% and 94% of the Parent Company's total assets as of December 31, 2011 and 2010, respectively, represents advances to Polymax, the Parent Company's special purpose entity incorporated in British Virgin Islands solely for the purpose of acquiring the petrochemical plant of NPCA as discussed in Note 2.

On March 18 and September 20, 2006, Polymax's interest in NPCA of 40% and 20%, respectively, was sold. Thereafter management decided to discontinue operations and ceased operating as a going concern. The remaining 40% interest of Polymax in NPCA, which is for sale, is valued at ₱900 million, which is the estimated recoverable amount from the sale of the investment (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 for sale, for which the Company is jointly and severally liable, are dependent on whether sufficient cash flows can be generated from the sale of Polymax's remaining 40% interest in NPCA. In this regard and to ensure the recoverability of the Parent Company's advances to Polymax 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, 2011 and 2010 prepared on the liquidation basis of accounting is shown in the table below.

Particulars	2011	2010
Assets		
Assets held for sale	₱ 1,107,330,850	₱ 1,108,785,300
Due from related parties	<u>290,935,120</u>	<u>290,935,120</u>
Total assets	<u>1,398,265,970</u>	<u>1,399,720,420</u>
Liabilities		
Liabilities related to asset held for sale	976,837,893	839,245,213
Due to Metro Alliance Holdings and Equities Corp.	946,620,679	937,277,829
Other payable	<u>49,030,000</u>	<u>49,030,000</u>
Total liabilities	<u>1,972,488,572</u>	<u>1,825,553,042</u>
Capital deficiency	₱ <u>574,222,602</u>	₱ <u>425,832,622</u>

Assets held for sale of Polymax include its 40% interest in NPCA carried at ₱946.6 million and ₱937.3 million as of December 31, 2011 and 2010, respectively.

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

Liabilities related to asset held for sale of Polymax pertain to past due liabilities, which were obtained to finance the purchase of 100% ownership interest in NPCA, and unilaterally transferred by the Parent Company to Polymax in 2007 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 Parent Company is jointly and severally liable with Polymax with respect to these past due liabilities.

The increase in Polymax's capital deficiency by ₱148.4 million in 2011 and ₱42.7 million in 2010 pertains to:

Particulars	(In Million)	
	2011	2010
Loss on foreclosed property of related party	₱ 112.4	₱ -
Interest and penalties	34.5	28.2
Foreign exchange loss on dollar denominated assets held for sale	1.5	11.7
Other cost and expenses	-	<u>2.8</u>
Net loss	₱ <u>148.4</u>	₱ <u>42.7</u>

Polymax's share in the net loss of NPCA amounted to ₱211.9 million in 2011 and ₱971.3 million in 2010; however, this was not recognized in both years so that the carrying value of Polymax's investment in NPCA will not fall below its estimated recoverable amount from sale of ₱900 million.

NOTE 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.

Particulars	2011	2010
At acquisition cost	₱ 31,077,239	₱ 31,077,239
Cumulative fair value gain - in equity	<u>16,733,754</u>	<u>9,485,201</u>
Total	₱ <u>47,810,993</u>	₱ <u>40,562,440</u>

Unrealized gain and loss on AFS investments amounted to ₱7,248,553 in 2011 and ₱4,040,054 in 2010, respectively. The carrying value of these investments include accumulated unrealized gain of ₱16.7 million

and ₱9.5 million as of December 31, 2011 and 2010, respectively, which is deferred in Reserve for Fluctuations in Available-for-sale Investments in the stockholders' equity section of the balance sheet.

On January 29, 2010, the Parent Company and MVC executed a Deed of Assignment with respect to 27 million shares as full payment of the outstanding obligation of the Parent Company, resulting into a loss on disposal of AFS investment of ₱1.5 million in 2010. Realized fair value gain in connection with the disposal amounting to ₱5.9 million was transferred to the Parent Company's statement of comprehensive income.

NOTE 8 – INVESTMENT IN SUBSIDIARY

This account represents 51% ownership of the Parent Company in GAC Logistics, Inc. (GAC), an operating subsidiary, amounting to ₱18,640,500 as of December 31, 2011 and 2010.

Information with regard to GAC follows:

Particulars	2011	2010
Total assets	₱ 50,377,573	₱ 67,001,349
Total liabilities	<u>40,854,973</u>	<u>40,491,544</u>
Net income (loss)	₱ <u>(16,987,205)</u>	₱ <u>2,796,383</u>

NOTE 9 – COMPUTER EQUIPMENT

Movements of computer equipment are shown below.

Particulars	2011	2010
Cost		
January 1	₱ 61,300	₱ 61,300
Additions	6,205	-
December 31	<u>67,505</u>	<u>61,300</u>
Accumulated Depreciation		
January 1	61,299	44,272
Depreciation	2,068	17,027
December 31	<u>63,367</u>	<u>61,299</u>
Net Book Value	₱ <u>4,138</u>	₱ <u>1</u>

NOTE 10 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

This account consists of:

Particulars	2011	2010
Accrued expenses	₱ 183,311,917	₱ 182,796,280
Accrued finance charges - WPI (Note 11)	6,761,313	4,228,738
Other liabilities	<u>324,261</u>	<u>330,687</u>
Total	₱ <u>190,397,491</u>	₱ <u>187,355,705</u>

Other liabilities pertain to payable to government agencies.

The Parent Company has liabilities arising in the ordinary conduct of business, which are either pending decision by the government authorities or are being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, adequate provisions, which are recorded

a 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.

NOTE 11 – RELATED PARTY TRANSACTIONS

a. The amounts applicable to the Parent Company's transactions with related parties are as follows:

Particulars	Amount of Transactions Increase (Decrease)		Outstanding Receivable/Payable	
	2011	2010	2011	2010
<u>Advances (Asset Held For Sale)</u>				
Polymax (special purpose entity) (Note 6)	₱9,342,850	₱6,818,061	₱946,620,679	₱937,277,829
<u>Due to Related Parties</u>				
<i>Non-operating subsidiary</i>				
CPDSI	(₱741,541)	₱-	₱476,841	₱1,218,382
<i>Entities under common control</i>				
The Wellex Group, Inc.	5,151,129	6,353,050	16,692,965	11,541,836
Waterfront Philippines, Inc.	4,228,738	13,503,443	355,318,271	351,089,533
Acesite (Phils.) Hotel Corporation	-	-	6,239,733	6,239,733
Wellex Mining Corp	225,000	-	225,000	-
<i>Stockholders</i>	-	-	181,753,940	181,753,940
	₱8,863,326	₱19,856,493	₱560,706,750	₱551,843,424
<u>Accrued finance charges (Note 10)</u>				
WPI	₱2,532,575	(₱9,274,705)	₱6,761,313	₱4,228,738

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.

b. The Parent Company has no compensation to key management personnel in 2011 and 2010.

NOTE 12 – CAPITAL STOCK

a. The Group's capital stock as of December 31, 2011 and 2010 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 2011 and 2010	₱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 2011 and 2010	122,448,979
Total	<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. However, the increase was held in abeyance because of the dispute in the acquisition of the Petrochemical Project, which was settled in 2013 as discussed in Note 2.

NOTE 13 – GENERAL AND ADMINISTRATIVE EXPENSES

The details of general and administrative expenses are shown below.

Particulars	2011	2010
Professional fees	₱ 1,388,370	₱ 781,629
Entertainment, amusement and recreation	1,261,212	1,516,116
Personnel costs	940,019	1,340,652
Taxes and licenses	384,581	272,692
Rent and utilities	248,786	471,565
Communication and supplies	36,164	-
Depreciation (Note 9)	2,068	17,027
Others	512,819	119,129
Total	₱ 4,774,019	₱ 4,518,810

NOTE 14 – INCOME TAXES

a. The Parent Company has no current income tax expense in 2011 and 2010 since it is in a taxable loss position in both years.

b. The reconciliation of the income tax expense computed at the statutory tax rate with the income tax expense shown in the Parent Company statements of comprehensive income is as follows:

Particulars	2011	2010
Net loss	₱ (2,188,155)	₱ (35,151)
Tax loss at statutory tax rate	(656,448)	(10,605)
Additions to (reduction in) income tax resulting from tax effects of:		
Expired NOLCO	1,106,778	3,362,755
Nondeductible expenses	378,364	896,210
Dividend income exempted from tax	(775,488)	(4,176)
Change in unrecognized deferred income tax assets	(52,935)	(2,461,948)
Interest income subjected to final tax	(271)	(236)
Realized fair value gain on disposal of AFS investments	-	(1,782,000)
Total	₱ -	₱ -

c. Deferred income tax assets of ₱3,069,156 and ₱3,122,091 as of December 31, 2011 and 2010, respectively, have not been recognized on deductible temporary difference, and carryforward 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 these temporary differences and NOLCO may be utilized:

Particulars	2011	2010
NOLCO	₱ 9,418,964	₱ 9,674,481
Accrued retirement benefits cost	<u>811,555</u>	<u>732,490</u>
Total	₱ <u>10,230,519</u>	₱ <u>10,406,971</u>

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

Year Incurred	Year Expiring	2011	2010
2007	2010	₱ -	₱ 11,209,185
2008	2011	3,689,259	3,689,259
2009	2012	3,061,593	3,061,593
2010	2013	2,923,629	2,923,629
2011	2014	<u>3,433,742</u>	-
		13,108,223	20,883,666
Less expired NOLCO		<u>3,689,259</u>	<u>11,209,185</u>
Total		₱ <u>9,418,964</u>	₱ <u>9,674,481</u>

NOTE 15 – ACCRUED RETIREMENT BENEFITS COST

The Parent Company's retirement benefits obligation under RA No. 7641 amounted to ₱811,555 and ₱732,492 as of December 31, 2011 and 2010, 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.

Particulars	2011	2010
Present value of benefit obligation	₱ 732,490	₱ 653,425
Current service cost	<u>79,065</u>	<u>79,065</u>
Liability recognized in the balance sheet	₱ <u>811,555</u>	₱ <u>732,490</u>

NOTE 16 – 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, 2011 and 2010:

Particulars	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash	₱ 538,956	₱ 538,956	₱ 181,114	₱ 181,114
AFS investments	<u>47,810,993</u>	<u>47,810,993</u>	<u>40,562,440</u>	<u>40,562,440</u>
	<u>48,349,949</u>	<u>48,349,949</u>	<u>40,743,554</u>	<u>40,743,554</u>
Financial Liabilities				
Due to related parties	₱ 560,706,750	₱ 560,706,750	₱ 551,843,424	₱ 551,843,424
Accrued expenses and other current liabilities	<u>18,495,792</u>	<u>18,495,792</u>	<u>15,849,080</u>	<u>15,849,080</u>
Total	₱ <u>579,202,542</u>	₱ <u>579,202,542</u>	₱ <u>567,692,504</u>	₱ <u>567,692,504</u>

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

Current Financial Assets and Financial Liabilities

Due to the short-term nature of the transactions, the carrying values of cash, due to related parties and accrued expenses and other current liabilities approximate their fair values.

AFS Investments

The fair values of AFS investments, which are publicly traded instruments, are based on quoted bid prices.

NOTE 17 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Parent Company's principal financial instruments consist of cash, AFS investments and due to related parties. The main purpose of these financial instruments is to finance the Parent Company's operations. Other financial liabilities consist of accrued expenses and other current liabilities, which arise directly from the Parent Company's operations.

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

Credit Risk

The Parent Company's maximum exposure to credit risk pertains to cash of ₱538,956 and ₱181,114 as of December 31, 2011 and 2010, respectively. The risk on cash is minimal as the Parent Company deals only with reputable banks with strong credit ratings.

Liquidity Risk

The Parent Company's objective is to maintain a balance between flexibility and continuity of funding. However, because of past due liabilities for which the Parent Company is jointly and severally liable, the Parent Company's access to funds has been limited to those of its related parties in the form of advances. Current working capital requirements will continue to be sourced from short-term loans and advances from related parties.

The Parent Company's due to related parties and accrued expenses and other liabilities are payable in less than one year.

NOTE 18 – 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 stockholder and other related parties by making adjustments on payments to its related parties and issuing new shares.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Parent Company's external environment and the risks underlying the Parent Company's business, operation and industry.

The Parent Company defines capital as paid-in capital stock, additional paid-in capital and retained earnings (deficit). Other components of equity such as reserve for fluctuations in AFS investments are excluded from capital for purposes of capital management.

The Parent Company monitors capital as follows:

Particulars	2011	2010
Capital stock	₱ 306,122,449	₱ 306,122,449
Additional paid-in capital	3,571,921	3,571,921
Deficit	(64,236,716)	(62,048,561)
Total	₱ 245,457,654	₱ 247,645,809

The Parent Company is not subject to externally-imposed capital requirements.

NOTE 19 – 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 or 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 Parent Company financial statements.

b. On September 14, 2005, the Parent Company and a third party filed a civil action against a local bank for the imminent extra-judicial foreclosure of the properties of the third party which are used as real estate mortgage for additional loans from the local bank amounting to ₱42 million, which the Parent Company maintains has ever 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.

NOTE 20 – SUPPLEMENTARY TAX INFORMATION UNDER RR – 15- 2010

Presented below is the supplementary information which is required by the Bureau of Internal Revenue (BIR) to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and license fees paid or accrued during the year ended December 31, 2011 required under RR No. 15-2010, which became effective on December 31, 2010, are as follows:

Output VAT

The Parent Company has no sales transactions that are subject to output VAT in 2011.

Input VAT

The movements in the balance of input VAT during the year are summarized below.

Balance at beginning of year	₱	5,111,100
Current year's domestic purchases/payments during the year		91,192
Balance at end of year	₱	<u>5,202,292</u>

Other Taxes and Licenses

The details of other taxes and licenses paid and accrued are shown below.

Annual listing fee	₱	250,000
Business permit		117,526
Community tax certificate		2,000
Others		15,015
Total	₱	<u>384,581</u>

Withholding Taxes

Details of withholding taxes for the year follow:

Withholding taxes on compensation and benefits	₱	39,977
Expanded withholding taxes		41,143
Total	₱	<u>1,120</u>

Tax Contingencies

The Parent Company's deficiency tax cases are discussed in Note 19a.