

COVER SHEET

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SEC Registration No.

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

(Company's Full Name)

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

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

Atty. Nestor S. Romulo

Contact Person

(632) 706-7888

Contact Telephone No.

1 2 3 1

Fiscal Year

1 7 - Q

FORM TYPE

Any day in May

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

841

Total No. of Stockholders

Total Amount of Borrowings

Php961,607,473

Domestic

-

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended**Sept. 30, 2010**
2. Commission identification number...**296**
3. BIR Tax Identification No.....**000-130-411-000**.
4. **Metro Alliance Holdings & Equities Corp.**
Exact name of issuer as specified in its charter
5. **Philippines**
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: SEC use Only)
7. **22nd Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City** **1226**
Address of issuer's principal office Postal Code
8. **(632) 848-0848**
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 Code, or Sections 4 and 8 of the RSA

| Title of each Class | Number of shares of common stock outstanding and amount of debt outstanding |
|-------------------------|---|
| Common Class A | 183,673,470 |
| Common Class B | 122,448,979 |
| Outstanding Debt | P961,607,473 |

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

Yes [] No []

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

Philippines Stock Exchange

Common Class A and Class B

12. Indicate by check mark whether the registrant:

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

Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [**x**] No []

13. The aggregate market value of the voting stock held by non-affiliates: **P283,997,334**

14. Not applicable

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

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

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

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.

□ Results of Operations For the Quarter Ended, Sept. 30, 2010 and 2009

| | Amounts in P'000 | | |
|-------------------------------------|------------------|-----------------|---------------|
| | July-Sept. 2010 | July-Sept. 2009 | % Change |
| Sales and services | 27,421 | 27,111 | 1.14% |
| Cost of sales and services | 22,266 | 21,743 | 2.40% |
| Gross profit | 5,155 | 5,368 | -3.96% |
| Operating expenses | 12,191 | 9,647 | 26.37% |
| Other Income (Charges) | | | |
| Net Income (Loss) Before Tax | (7,036) | (4,279) | 64.43% |
| Provision for income tax | 2,111 | 1,284 | 64.43% |
| Net Income (Loss) After Tax | (9,147) | (5,563) | 64.43% |
| Loss from discontinued operations | - | - | |
| Net Loss | (9,147) | (5,563) | 64.43% |
| Net Income/(loss) Attributable to: | | | |
| Non-controlling Interests | (7,861) | (4,516) | 74.07% |
| Owners of the Parent Company | (1,286) | (1,046) | 22.86% |

Metro Alliance Holdings & Equities Corp. and Subsidiaries (the Group) reported a *Net Loss* of P9.15 million in 2010. This represents 64.43% increase from declared *Net Loss* of P5.56 million in 2009.

The increase in *Sales and Services* of 1.14% is a result of additional volume of transactions from existing clients.

As of Sept 30, 2010, except for GAC, all subsidiaries are non-operating companies.

Operating Expenses increased by 26.37% from P9.65 million to P12.19 million in 2010. This is mainly due to the increase in GAC's sales activities.

Non-controlling Interests of P7.86 million *Net loss* in 2010 represents 85.94% increase compare to 2009 *Net Loss* of P4.52 million.

□ **Balance Sheet**
As of the Quarter Ended, Sept. 30, 2010 and 2009

| | Amounts in P'000 | | % Change |
|--|------------------|----------------|----------|
| | Sept 30, 2010 | Sept. 30, 2009 | |
| Current assets | 1,028,038 | 1,005,440 | 2.25% |
| Noncurrent assets | 86,249 | 42,122 | 36.21% |
| Total Assets | 1,114,287 | 1,047,562 | 3.61% |
| Current liabilities | 988,941 | 964,276 | -0.47% |
| Noncurrent liabilities | 1,904 | 822 | 131.67% |
| Total Liabilities | 990,845 | 965,098 | -0.36% |
| Stockholder's Equity attributable to: | | | |
| Equity holders of Parent Company | 120,772 | 86,305 | 45.11% |
| Minority Interests | 2,670 | (3,840.90) | -62.66% |
| Total Liabilities and Stockholder's Equity | 1,114,287 | 1,047,562 | 3.61% |

Total *Assets* increased by 3.61% from P1.05 billion to P1.09 billion in 2010. On the other hand, total *Liabilities* decreased by 0.36% from P965.09 million to P961.61 million in 2010.

Current Assets

Current Assets increased by 2.25% from P1.01 billion to P1.03 billion in 2010.

Cash and Cash Equivalents increased by 45.30% from P6.46 million to P9.39 million in 2010 due mainly to good collections for the quarter.

Receivables increased by 3.47% from P71.44 million to P73.92 million in 2010 due to higher Sales and Service Income of 1.14% compare to 2009.

Prepaid Expenses and Other Current Assets increased by 19.11% from P11.98 million to P14.27 million in 2010 due mainly to increase in prepayments from clients.

Assets Held for Sale increased by 1.63% from P915.56 million to P930.46 million in 2010. The increase due mainly to adjustment to advances to Polymax, the Group's special purpose entity incorporated in BVI solely for the purpose of acquiring the petrochemical plant of NPCA as discussed in Note 2.

Noncurrent Assets

Available for Sale Investments increased by 50.19% from P29.76 million to P44.69 million in 2010 due mainly to the net change of fair value of investment in various shares. (see Note 8)

Property, Plant and Equipment decreased by 4.22% from P5.55 million to P5.32 million in 2010. The decrease pertains to the net effect of depreciation.

Other Noncurrent Assets decreased by 74.29% from P1.63 million to P0.42 million in 2010 brought about by 2008 year end adjustment to other non-current asset account.

Current & Noncurrent Liabilities

Accounts Payable and Accrued Expenses increased by 0.36% from P395.93 million to P397.33 million in 2010. The finance charges related to the acquisition of Petrochemical Plant were unilaterally transferred and applied against the advances made to Polymax. This is discussed in Note 10, Accounts Payable and Accrued Expenses of the Notes to Interim Consolidated Financial Statements.

Loans Payable decreased by 100% in 2010. This is discussed in detail in Note 10, Accounts Payable and Accrued Expenses and Note 11, *Loans Payable*, of the Notes to Interim Consolidated Financial Statements.

Accrued retirement benefit cost amounted to P1.11 million as of Sept. 30, 2010 and P 0.61 as of Sept. 30, 2009. 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 Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation

Equity

Total *Equity* increased by 42.97% from P84.52 million to P120.84 million in 2010 due mainly to the increase in sales and realized gain from disposal of MVC shares.

Equity Attributable to Owners of the Parent increased by 45.11% from P86.30 million to P125.24 million in 2010 due mainly to the result of net change of fair value gain of investment in shares as recognized in last quarter of 2009 financial statement. The value is carryover in 2009 balance.

Non-controlling Interests Net Loss decreased by 62.66% from P3.84 million to P1.43 million in 2010 as a result of continues increase in sales of GAC.

Key Performance Indicators

The following are the key performance indicators of the Group for the Quarter Ended Sept. 30, 2010 and 2009 and for the year Ended December 31, 2009:

| | Sept. 30, 2010 | Dec. 31, 2009 | Sept. 30, 2009 |
|------------------------------|-----------------------|----------------------|-----------------------|
| Net (loss) -in million (Php) | (9.15) | (10.97) | (5.56) |
| Earnings per Share | (0.0299) | (0.0358) | (0.0182) |
| Debt to asset Ratio | 0.89 | 0.88 | 0.92 |
| Debt to equity Ratio | 7.77 | 7.33 | 11.39 |

Net Loss decreased by 16.64% or P1.81 million compare to Dec. 31, 2009. However compare to Sept. 30, 2009, there's an increase of 64.43% or P3.58 million. This is due to increase in Operating Expenses of 26.37%.

Earnings per Share improved by P0.006 and P0.01 per share compared to Dec. 31 and Sept. 30, 2009. It represents an increase of 16.64% and a decrease of 64.17% respectively.

Debt to Asset Ratio increased by 0.01 representing 1.14% of Dec. 31, 2009. Compare to Sept. 30, 2009, there is a decrease of 0.03 or 3.70%.

Debt to Equity Ratio increased from 7.33 in Dec. 31, 2009 to 7.77 in 2010. While compare to Sept. 30, 2009, there is a decrease of 3.62 due mainly to higher increase in equity base of 46.48% as compared to 0.15% decrease in liability base.

The manner by which the Group calculates the foregoing indicators is as follows:

1. Net Income/(loss) As stated in the Results of Operation
2. Earnings per Share

$$\frac{\text{Net Income}}{\text{Weighted number of shares outstanding}}$$
3. Debt to Total Asset Ratio

$$\frac{\text{Total Liabilities}}{\text{Total Assets}}$$

4. Debt to Equity Ratio

Total Liabilities
Total Equity

Summary of Material Trends, Events and Uncertainties

Petrochemical Project

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. 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 owning 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 Case

Case Title : **Metro Alliance vs. Commissioner of Internal Revenue**
Factual basis : Assessment for deficiency withholding taxes for the years 1989, 1990 and 1991
Principal parties : Commissioner of Internal Revenue
Name of Court : Court of Appeals
Date Instituted : November 8, 2002
Status :

Metro Alliance sought a reconsideration of the assessment from the Bureau but the same was denied. This prompted Metro Alliance to file a Petition for Review with the Court of Tax Appeals, which was also denied. Metro Alliance then appealed to the Court of Appeals but the same was also denied. Metro Alliance filed a Motion for Reconsideration in December 2003. On July 9, 2004, Metro Alliance received the Court of Appeals resolution denying the Motion for Reconsideration. On July 22, 2004 Metro Alliance filed with the Court of Tax Appeals a Motion for Extension of time to file and appeal to the Supreme Court. On October 20, 2004, Metro Alliance received the resolution of the Supreme Court denying its Petition of Review for lack of reversible error. Metro Alliance filed a Motion for Reconsideration. On November 22, 2004, the Supreme Court resolved to deny the motion, as no substantial arguments were raised to warrant reconsideration thereof. The denial is final. On March 28, 2006, the Second Division of the Court of Tax Appeals (CTA) rendered a resolution on Metro Alliance's Motion for Reconsideration denying the same and holding that the Court no longer has the authority to amend or alter its decision. Pursuant to Rule 4, Section 2 of the Revised Rules of the CTA Metro Alliance filed a Petition for Review before the CTA en banc. Said Petition for Review raised several issues pertaining to the Resolutions promulgated by the Second Division of the CTA on (a) January 2, 2006, which granted CIR's Motion for Issuance of Writ of Execution; and (b) March 28, 2006, which denied Metro Alliance's Motion for Reconsideration.

Relief Sought :

Metro Alliance has sought a reconsideration of the assessment from the BIR amounting to P83,757,397.

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
Principal parties : Philippine Trust Company, et al
Name of Court : Regional Trial Court, Fourth Judicial Region
Branch 18, Tagaytay City
Date Instituted : September 14, 2005

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 Sales, plus Damages with prayer for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction. Damages sought are P1,000,000 as and by way or exemplary damages and P500,000 as and by way of attorney's fees; litigation expenses and cost of suit. The case is now pending with the Regional Trial Court of Tagaytay City, Branch 18 0 SCA No. TG-05-2519.

The case stemmed from the imminent extra-judicial foreclosure of properties covered by Transfer Certificate of Title Nos. T-35522, T-35524 and T-35552 subject to the real Estate Mortgage executed by Metro Alliance and Philippine Estate Corporation on the amount of P42,000,000 which amount was never received.

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

Relief Sought :

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.

Events that will Trigger Direct Contingent or Financial Obligation

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

Material Off-balance Sheet Transactions, Arrangements, Obligations

There are no off-balance sheet transactions, arrangements, obligations, and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.

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.

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.

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

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

Material Changes on Line Items in the Financial Statements

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

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

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

PART II – OTHER INFORMATION**(1) Market Information**

- 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 |
| 2010 | First Quarter | - | - | - | - |
| | Second Quarter | - | - | - | - |
| | Third Quarter | - | - | - | - |
| 2009 | First Quarter | - | - | - | - |
| | Second Quarter | - | - | - | - |
| | Third Quarter | - | - | - | - |
| 2008 | First Quarter | - | - | - | - |
| | Second Quarter | - | - | - | - |
| | Third Quarter | - | - | - | - |
| | Fourth Quarter | - | - | - | - |
| 2007 | First Quarter | 0.73 | 0.73 | 0.72 | 0.72 |
| | Second Quarter | - | - | - | - |
| | Third Quarter | - | - | - | - |
| | Fourth Quarter | - | - | - | - |
| 2006 | First Quarter | 0.38 | 0.23 | 0.40 | 0.38 |
| | Second Quarter | 0.40 | 0.35 | 0.38 | 0.33 |
| | Third Quarter | 0.44 | 0.40 | 0.38 | 0.36 |
| | Fourth Quarter | 0.49 | 0.49 | 0.36 | 0.36 |

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 September 30, 2010, there are 632 holders of Class "A" shares and 403 holders of Class "B" shares.

Metro Alliance's Top 20 Stockholders as of September 30, 2010 are as follows:

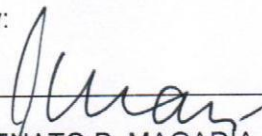
| | Stockholder's Name | Number of Shares | | Percentage to Total |
|----|---|------------------|-------------|---------------------|
| | | Class A | Class B | |
| 1 | Creston Global Limited | | 56,378,388 | 18.42 |
| 2 | PCD Nominee Corporation (Filipino) | 16,190,768 | 26,779,182 | 14.04 |
| 3 | Chesa 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 |

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 JAN 29 2015.

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 JAN 29 2015.


By:



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



NESTOR S. ROMULO
Corporate Secretary



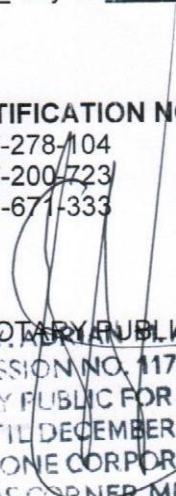
JAMES B. PALIT-ANG
Corporate Treasurer

SUBSCRIBED AND SWORN to before me this JAN 29 2015 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.
207-278-104
107-200-723
151-671-333

Doc. No. 119
Page No. 22
Book No. 8
Series of 2015


ATTEST: **NOTARY PUBLIC** BAIGAR
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
IBP NO. 956159: 1/13/14 PASIG CITY

| METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES | | "Annex A-1" | |
|--|-------------------------|-------------------------|--------------------------|
| CONSOLIDATED BALANCE SHEETS (In Php) | | | |
| | 30-Sept.-2010 | 30-Sept.-2009 | 31-Dec-09 |
| | Unaudited | Unaudited | Audited |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 9,392,362 | 6,464,006 | 7,826,968 |
| Receivables - net | 73,920,791 | 71,444,613 | 70,859,700 |
| Prepaid expenses and other current assets | 14,265,103 | 11,975,910 | 13,206,717 |
| Assets held for sale | 930,459,768 | 915,555,752 | 930,459,768 |
| Total Current Assets | 1,028,038,024 | 1,005,440,282 | 1,022,353,153 |
| Noncurrent Assets | | | |
| Available-for sale-investments | 73,565,843 | 29,758,604 | 73,565,843 |
| Property, plant and equipment – net | 5,316,865 | 5,551,286 | 5,304,418 |
| Deferred income tax assets - net | 6,947,814 | 5,185,067 | 6,947,814 |
| Other noncurrent assets | 418,252 | 1,626,781 | 418,252 |
| Total Noncurrent Assets | 86,248,774 | 42,121,738 | 86,236,327 |
| TOTAL ASSETS | Php1,114,286,798 | Php1,047,562,020 | Php 1,108,589,480 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current Liabilities | | | |
| Accounts Payable and accrued expenses | 407,152,545 | 395,925,819 | 406,717,561 |
| Liabilities under trust receipts | - | - | - |
| Due to related parties | 554,578,852 | 540,913,639 | 539,461,624 |
| Current portion of obligation under finance lease | - | - | - |
| Current portion of long-term debt | 209,192 | 436,700 | 359,192 |
| Loans Payable | 27,000,000 | 27,000,000 | 27,000,000 |
| Other current liabilities | - | - | - |
| Total Current Liabilities | 988,940,589 | 964,276,158 | 973,538,377 |
| Noncurrent Liabilities | | | |
| Accrued retirement benefit costs | 1,109,639 | 614,039 | 1,109,639 |
| Obligation under finance lease – net of current portion | - | - | - |
| Long term debt | 794,423 | 207,846 | 794,423 |
| Other noncurrent liabilities | - | - | - |
| Total Noncurrent Liabilities | 1,904,062 | 821,885 | 1,904,062 |
| Total Liabilities | 990,844,651 | 965,098,043 | 975,442,439 |
| Stockholders' Equity | | | |
| Attributable to the equity interest of the Parent Company | 120,771,859 | 86,304,879 | 124,665,605 |
| Minority Interest | 2,670,287 | (3,840,903) | 8,481,436 |
| Total Stockholders' Equity | 123,442,147 | 82,463,977 | 133,147,041 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | Php1,114,286,798 | Php1,047,562,020 | Php 1,108,589,480 |

| METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES | | | | "Annex A-2" | |
|--|--|---------------------|--------------------|---------------------|---------------------|
| CONSOLIDATED STATEMENTS OF OPERATIONS (In Php) | | | | | |
| UNAUDITED | | | | | |
| | | July to Sept. | July to Sept. | Jan. to Sept. | Jan. to Sept. |
| | | 2010 | 2009 | 2010 | 2009 |
| CONTINUING OPERATIONS | | | | | |
| NET SALES | | 27,421,289 | 27,111,310 | 104,735,413 | 77,041,901 |
| COST OF SALES AND SERVICES | | 22,266,087 | 21,743,270 | 84,669,569 | 61,739,248 |
| GROSS PROFIT | | 5,155,202 | 5,368,039 | 20,065,844 | 15,302,653 |
| Expenses | | (12,191,259) | (9,646,981) | (33,875,059) | (30,684,284) |
| Loss on disposal of AFS investment | | | | (1,471,249) | |
| Finance cost | | - | - | - | - |
| Others – net | | - | - | 5,940,000 | - |
| | | (12,191,259) | (9,646,981) | (29,406,308) | (30,684,284) |
| LOSS BEFORE INCOME TAX | | (7,036,057) | (4,278,941) | (9,340,465) | (15,381,631) |
| PROVISION FOR INCOME TAX | | | | | |
| Current | | 2,110,817 | 1,283,682 | 2,802,139 | 4,614,489 |
| Deferred | | | | | |
| LOSS FROM CONTINUING OPERATIONS | | (9,146,874) | (5,562,624) | (12,142,604) | (19,996,121) |
| LOSS FROM DISCONTINUED OPERATIONS | | - | - | - | - |
| NET LOSS | | (9,146,874) | (5,562,624) | (12,142,604) | (19,996,121) |
| Net income (loss) attributable to: | | | | | |
| Equity holders of the parent company | | (1,285,601) | (1,046,408) | 2,053,447 | (2,810,700) |
| Minority interests | | (7,861,273) | (4,516,216) | (14,196,051) | (17,185,421) |
| | | (9,146,874) | (5,562,624) | (12,142,604) | (19,996,121) |
| Basic/Diluted Loss Per Share* | | | | | |
| For loss for the period/quarter attributable to the equity holders of the Parent Company | | (0.0042) | (0.0034) | 0.0067 | (0.0092) |
| For loss from continuing operations attributable to the equity holders of the Parent Company | | (0.0299) | (0.0182) | (0.0397) | (0.0740) |
| <i>*Based on the weighted average number of shares of 306,122,449</i> | | | | | |
| <i>See accompanying Notes to Financial Statements</i> | | | | | |

| METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES | | "Annex A-3" |
|--|---------------------------------------|--------------------|
| CONSOLIDATED STATEMENTS OF CASHFLOWS (In Php) | | |
| | For the Quarter Ended Sept. 30 | |
| | 2010 | 2009 |
| CASH FROM OPERATING ACTIVITIES | | |
| Loss before income tax and discontinued operations | (9,340,465) | (17,436,654) |
| Adjustments for: | | |
| Depreciation and amortization | 1,818,503 | 1,268,999 |
| Interest expense | - | - |
| Interest income | - | - |
| Operating income (loss) before working capital changes: | (7,521,961) | (16,167,656) |
| Decrease (increase) in: | | |
| Receivables | (3,061,091) | 7,621,099 |
| Prepaid expense and other current assets | (1,058,386) | 1,790,560 |
| Assets held for sale | - | - |
| Increase (decrease) in: | | |
| Accounts payable and accrued expense | (9,385,781) | (11,607,620) |
| Loans payable | (27,000,000) | - |
| Due to affiliates | 22,700,814 | 25,536,870 |
| Customer deposits | - | - |
| Net cash provided (used in) operating activities | (25,326,405) | 7,173,253 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Acquisition of property and equipment | (1,830,950) | (3,377,061) |
| Decrease (increase) in available-for-sale investment | 28,872,749 | - |
| Decrease in obligations under finance lease | - | (318,835) |
| Decrease (increase) in other noncurrent assets | | |
| Net cash flows provided by (used in) investing activities | 27,041,799 | (3,695,896) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net payments of borrowings | (150,000) | (150,000) |
| Increase (decrease) in other current liabilities | - | - |
| Increase (decrease) in other noncurrent liabilities | - | - |
| Increase in minority interest | - | - |
| Net cash flows provided by (used in) financing activities | (150,000) | (150,000) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,565,393 | 3,327,357 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 7,826,968 | 3,136,649 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | 9,392,361 | 6,464,006 |
| <i>See accompanying Notes to Financial Statements</i> | | |

| METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES "Annex A.4" | | |
|--|---------------------------------------|-------------------|
| UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER' EQUITY | | |
| (In Php) | | |
| | For the Quarter Ended Sept. 30 | |
| | 2010 | 2009 |
| Capital Stock - P1 par value | | |
| Common shares | | |
| Class "A" | | |
| Authorized - 720,000,000 shares | | |
| Issued and outstanding - 183,673,470 shares | | |
| Class "B" | | |
| Authorized - 480,000,000 shares | | |
| Issued and outstanding - 122,449,979 shares | 306,122,449 | 306,122,449 |
| Additional Paid-in Capital | 3,571,921 | 3,571,921 |
| Available-for-sale reserve | 27,390,032 | (12,199,305) |
| Deficit | | |
| Balance at beginning of the year | (204,495,381) | (195,034,967) |
| Net loss for the year | (9,146,874) | (19,996,121) |
| Balance at end of the period | (213,642,255) | (215,031,088) |
| TOTAL STOCKHOLDERS' EQUITY | 123,442,147 | 82,463,977 |
| EQUITY ATTRIBUTABLE TO HOLDERS OF PARENT COMPANY | 120,771,859 | 86,304,879 |
| MINORITY INTEREST | 2,670,288 | (3,840,903) |
| | 123,442,147 | 82,463,976 |

1. Corporate Information

Metro Alliance Holdings & Equities Corp. (MAHEC or the Company) is incorporated in the Philippines. 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 the subsidiary engaged in the manufacture of chemicals was sold. Certain subsidiaries previously engaged in the importation and distribution of polypropylene resin and pharmacy management have ceased operations.

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

Status of Operation

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

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

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, as discussed on succeeding paragraphs, the scope of the 2007-2013 audit was completed by the independent auditors and the reports was 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 P=866.7 million, consisting of the outstanding principal balance of P=378.3 million and finance charges of P=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 P=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 P=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 P=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.

Consequently, the consolidated financial statements have been prepared assuming that the Group will continue as a going concern.

2. Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these interim consolidated financial statements are summarized below and in the succeeding pages and the same as those followed in the most recent audited financial statements, unless otherwise stated.

Basis of Preparation

The consolidated financial statements have been prepared on accrual basis using the 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 (₱), the Group's functional and presentation currency. All amounts are rounded to nearest peso except when indicated otherwise.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with PFRS. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee, the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

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 | |
|---|-------------------------|---------------------|
| | June 30 2010 | December 31 2009 |
| Operating subsidiaries: | | |
| GAC Logistics, Inc. (GACL) | 51.00 | 51.00 |
| Non-operating subsidiaries: | | |
| Consumer Products Distribution Services, Inc. (CPDSI) | 100.00 | 100.00 |
| FEZ-EAC Holdings, Inc. (FEZ-EAC) | 100.00 | 100.00 |
| Zuellig Distributors, Inc. (ZDI) | 100.00 | 100.00 |
| Asia Healthcare, Inc. (AHI) | 60.00 | 60.00 |

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

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

Minority Interests

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

Adoption of New Standards, Amendments to Standards and Interpretations

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

Amendments to Standards and Interpretations Adopted in 2008

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

Philippine Interpretation IFRIC 14, *PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, becomes effective for annual periods beginning on or after January 1, 2008. This interpretation clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. Adoption of this standard did not have a significant impact on the consolidated financial statements.

Future Changes in Accounting Policies

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

Effective 2009

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

Effective 2011

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

Effective 2013

- PFRS 10, *Consolidated Financial Statements*. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require

management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

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

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

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

Annual Improvements to PFRSs (2009-2011 Cycle)

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

Effective 2014

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*. These Amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these Amendments require disclosure of the

recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

Effective 2015

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

Annual Improvements to PFRSs (2010-2012 Cycle)

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

Cash and Cash Equivalents

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

Financial Assets and Liabilities

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

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

Subsequent to initial recognition, the Group classifies its financial assets and liabilities in the following categories: held-to-maturity (HTM) financial assets, AFS investments, FVPL financial assets and loans and receivables. The classification depends on the purpose for which the

investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

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

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

Financial Assets

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

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

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

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

The Group has no financial assets at FVPL as of June 30, 2010 and 2009.

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

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

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

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

The Group has no HTM investments as of June 30, 2010 and 2009.

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

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

Financial Liabilities

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

The Group has no derivative liabilities as of June 30, 2010 and 2009.

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, long-term debt, obligation under finance lease and loan payable.

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

Classification of Financial Instruments between Debt and Equity

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

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

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

Offsetting Financial Instruments

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

Asset Held for Sale

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

Property and Equipment

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

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

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

| | Number of Years |
|--|-----------------|
| Machinery and equipment | 3-10 |
| Office furniture, fixtures and equipment | 2-5 |

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

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

Impairment of Non-financial Asset with Definite Useful Life

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

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

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.

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of income.

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

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

Borrowing Costs

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

Retirement Benefits Costs

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

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

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

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

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

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

Foreign Currency Transactions and Translations

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

Income Tax

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

Current Tax

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

Deferred Tax

Deferred income tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carry forward tax benefits of the net operating loss carryover (NOLCO) and the excess of minimum corporate income tax (MCIT) over the regular corporate income tax. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary

differences and the carry forward benefits of unused NOLCO and MCIT can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Related Parties

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

Earnings Per Share

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

Segments

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

Provisions

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

Contingencies

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

Events After the End of Reporting Period

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

3. Critical Accounting Estimates and Judgments

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

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 if the revision affects both current and future periods.

Estimated Allowance for Doubtful Accounts and Probable Losses

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

Provision for doubtful accounts and other losses are determined at the end each balance sheet date. There are no provisions

Receivables (net of allowance for doubtful accounts), amounted to ₱75.35 million and ₱67.78 million as of June 30, 2010 and 2009, respectively (see Note 5). Decrease in figures result mainly on the loss of control in one of its subsidiaries.

Creditable withholding taxes and input taxes, included under "Prepaid expenses and other current assets" in the consolidated balance sheets, totaling ₱23.71 million and ₱24.14 million as of June 30, 2010 and 2009, respectively.

Advances to Polymax (under assets held for sale) amounting to ₱930.46 million and ₱915.56 million as of June 30, 2010 and 2009, respectively, constitute 85.59% and 87.59% of the Group's total assets as of June 30, 2010 and 2009. The realization of the Company's advances to Polymax and the settlement of the past due liabilities carried in the books of Polymax for which the Company is jointly and severally liable, is dependent on whether sufficient cash flows can be generated from the sale 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.

Estimated 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 valued 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 Sept. 30, 2010 and 2009, property and equipment, net of accumulated depreciation, amounted to ₱5.32 million and ₱5.55 million, respectively (see Note 9).

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.

Financial Assets and Financial 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 the AFS financial assets with available market prices was determined based on quoted bid prices. Any significant change in the selling price of the AFS investments may impact the consolidated financial statements. AFS financial assets amounted to ₱44.69 million and ₱ 29.76 million as of Sept. 30, 2010, and Sept. 30, 2009, respectively (see Note 8).

Impairment of AFS Financial Assets

The Group performs its impairment analysis of AFS financial assets with no quoted bid prices by considering changes in the issuer's industry and sector performances, legal and regulatory framework, technology, and other factors that affect the recoverability of the investments.

Classification of Financial Instruments

The Group 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, a financial liability or an equity instrument. The substance of financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets.

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

Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income taxes at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable (or recognizes deferred income tax assets 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 net deferred income tax assets amounted to ₱6.95 million and ₱5.19 million as of Sept.30, 2010 and 2009, respectively.

The Group did not recognize deferred income tax assets on certain deductible temporary differences and NOLCO as management believes that the Group may not have sufficient future taxable profits available to allow utilization of these deferred income tax assets.

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 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 accrued retirement benefit costs amounted to ₱1.11 million and ₱0.61 million as of Sept. 30, 2010 and 2009, respectively.

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 finance leases.

4. Cash and Cash Equivalents

| | Sept. 30,2010 | Dec 31, 2009 | Sept. 30, 2009 |
|---------------|--------------------|-------------------|--------------------|
| Cash on hand | ₱ 76,000 | ₱ 76,000 | ₱ 76,000 |
| Cash in banks | 9,316,362 | 7,750,968 | 6,388,006 |
| | ₱ 9,392,362 | ₱7,826,968 | ₱ 6,464,006 |

5. Receivables

| | Sept. 30, 2010 | Dec. 31, 2009 | Sept. 30, 2009 |
|--------------------------------------|-----------------------|----------------------|-----------------------|
| Notes | 138,710,706 | 138,710,706 | 138,282,345 |
| Trade | 30,329,563 | 29,433,533 | 27,255,202 |
| Due from related parties | 9,859,548 | 8,694,487 | 7,674,584 |
| Others | 35,392,443 | 35,392,443 | 38,414,126 |
| | 214,292,260 | 212,231,169 | 211,626,257 |
| Less allowance for doubtful accounts | (140,371,469) | (140,371,469) | (140,181,643) |
| | 73,920,791 | 70,859,700 | 71,444,614 |

Trade receivables pertain to logistics and warehouse rental receivables which are collectible monthly based on terms of the contract.

Other receivables include advances to employees and associates. The credit quality and aging to trade and other receivables are fully disclosed in the attached annexes. Provision for allowance for doubtful accounts is provided at the end of each balance sheet date. The Group's receivables are not held as collateral for its liabilities and are free from any encumbrances.

6. Prepaid Expenses and Other Current Assets

Details are as follows:

| | Sept. 30, 2010 | Dec. 31, 2009 | Sept. 30, 2009 |
|------------------------------------|-----------------------|----------------------|-----------------------|
| Creditable withholding taxes | 13,533,338 | 13,533,338 | 13,455,237 |
| Input taxes | 10,361,263 | 10,364,764 | 11,248,137 |
| Refundable deposits | 443,270 | 443,270 | 1,485,610 |
| Prepayments and others | 4,619,856 | 3,557,969 | 1,965,533 |
| | 28,957,727 | 27,899,341 | 28,154,517 |
| Less allowance for probable losses | 14,692,624 | 14,692,624 | 16,178,607 |
| | 14,265,103 | 13,206,717 | 11,975,910 |

The carrying amounts of the creditable withholding tax and input taxes are reduced to the extent that they are no longer probable that the sufficient income tax due and revenue subject to VAT, respectively, will be available to allow all or part of the creditable withholding and input taxes to be utilized.

7. Assets Held for Sale/Discontinued Operation

Asset held for sale amounting to P930.46 million, P930.46 million and P915.56 million as of Sept. 30, 2010, December 31, 2009 and Sept. 30, 2009 (which constitute 85.72%, 83.93% and 87.39% respectively of the Group's total assets as of Sept. 30, 2010, December 31, 2009 and Sept. 30, 2009 respectively) represent 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).

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 the 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 Wellex Group of Companies in favor of the Company.

8. Available-for-sale Investments

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

The movements of this account are as follows

| | Sept. 30, 2010 | Dec 31, 2009 |
|---|----------------|--------------|
| Balance at the beginning of the year | P73,565,843 | P29,758,604 |
| Disposal | (28,872,749) | (412,311) |
| Net change in fair value gain (loss) of AFS investments | - | 44,219,550 |
| Balance at the end of the period | P44,693,094 | P73,565,843 |

The movements in net unrealized gain (loss) on AFS investments are as follows:

| | Sept. 30, 2010 | Dec 31, 2009 |
|---|----------------|---------------|
| Balance at the beginning of the year | P19,466,616 | (P24,752,934) |
| Gain (loss) due to changes in fair value of AFS investments | - | 44,219,550 |
| Realized gain on disposal of AFS | (5,940,000) | |
| Balance at the end of the period | P13,526,616 | P19,466,616 |

9. Property and Equipment - At Cost

Sept. 30, 2010

| | Leasehold Improvements | Machinery and Equipment | Office Furniture, Fixtures and Equipment | Total |
|---|---------------------------|-------------------------------|--|------------------|
| Cost | | | | |
| Balances at beginning of year | 694,644 | 16,489,001 | 12,481,554 | 29,665,199 |
| Additions | - | 1,527,408 | 303,542.00 | 1,830,950 |
| Disposals/retirements | - | - | - | - |
| Balances at end of year | 694,644 | 18,016,409 | 12,785,096 | 31,496,149 |
| Accumulated Depreciation and Impairment Loss | | | | |
| Balances at beginning of year | - | 14,407,267 | 9,953,514 | 24,360,781 |
| Depreciation | - | 841,349 | 977,154 | 1,818,503 |
| Balances at end of year | - | 15,248,616 | 10,930,668 | 26,179,284 |
| Net book value | 694,644 | 2,767,793 | 1,854,428 | 5,316,865 |

10. Accounts Payable and Accrued Expenses

Details of this account are shown below.

| | Sept. 30, 2010 | Dec. 31, 2009 | Sept. 30, 2009 |
|---|--------------------|---------------|----------------|
| Accrued expenses | 359,063,481 | 354,106,127 | 345,417,463 |
| Trade payables | 21,404,921 | 17,997,332 | 20,173,539 |
| Accrued finance charges – related party | 13,904,943 | 13,904,943 | 13,385,580 |
| Other liabilities | 2,958,436 | 20,709,159 | 16,949,237 |
| | 397,331,780 | 406,717,561 | 395,925,819 |

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 made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered. 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.

11. Loans Payable

Loans payable of ₱27 million pertains to the remaining balance of the Parent Company's loan obligation from MVC, an entity that ceased to be a subsidiary in 2007, which is the subject of a MOA executed by the parties on January 2005. The MOA provide, among others, that the Parent Company's P36 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 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 27million shares (presented as AFS investment) as full payment of the P27.4million outstanding obligations(inclusive of interest) of the Parent Company. Loss on disposal of AFS investment of P1.5million pertaining to the assignment of 27 million shares was recognized in 2010.

12. Related Party Transactions

Significant transactions with related parties include the following:

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

| | Sept. 30, 2010 | Dec. 31, 2009 |
|---------------------------------|------------------|------------------|
| Asset Held for Sale | | |
| Advances to Polymax | 930,459,768 | 930,459,768 |
| Due from Related Parties | | |
| The Wellex Group, Inc. | 9,859,548 | 8,401,000 |
| Others | | 293,487 |
| | 9,859,548 | 8,694,487 |

| Due to Related Parties | | |
|--|--------------------|--------------------|
| Under Common Control | | |
| Waterfront Philippines, Inc. (WPI) | 337,586,090 | 337,586,090 |
| Acesite (Phils) Hotel Corporation | 6,239,733 | 6,239,733 |
| The Wellex Group, Inc. | 5,973,330 | 5,188,786 |
| GAC Shipping and Cargo System | - | - |
| Stockholders | 214,098,977 | 192,182,707 |
| Others | (1,735,692) | (1,735,692) |
| | 562,162,438 | 539,461,624 |
| Accrued Finance Charges (Note 10) | | |
| WPI | 13,503,443 | 13,503,443 |
| MVC | 401,500 | 401,500 |
| | 13,904,943 | 13,904,943 |
| Loans Payable (Note 11) | | |
| MVC | - | 27,000,000 |

Compensation of Key Management Personnel

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

| | Sept. 30, 2010 | Dec 31 2009 |
|------------------------------|-----------------------|--------------------|
| Short-term employee benefits | P11,261,361 | P15,668,000 |
| Retirement benefits | - | 278,509 |
| | P11,261,361 | P15,946,509 |

The compensation of key management personnel and per diem are presented in the statement of comprehensive income as part of cost of services.

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

13. Capital Stock

- a. The Group's capital stock as of Sept. 30, 2010 and 2009 consists of the following common shares:

| | | |
|---|--|---------------------|
| Class "A" – P1 par value | | |
| Authorized – 720,000,000 shares | | |
| Issued and Outstanding – 183, 673,470 shares | | |
| Number of equity holders – 676 in 2008 and 2007 | | P183,673,470 |
| Class "B" – P1 par value | | |
| Authorized – 480,000,000 shares | | |
| Issued and Outstanding – 122,448,979 shares | | |
| Number of equity holders – 421 in 2008 and 2007 | | P122,448,979 |
| | | P306,122,449 |

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 ₱5.0 billion consisting of 5.0 billion shares, both with par value of ₱1.0 per share. However the increase was held in abeyance because of the dispute in the acquisition of the Petrochemical Project, which was settled in 2007 (see Note 2).

14. Cost of Sales and Services

Details of this account are shown below.

| | Sept 30, 2010 | Dec. 31, 2009 | Sept 30, 2009 |
|-----------------------------------|----------------------|----------------------|----------------------|
| Personnel costs | 14,922,796 | 39,260,544 | 10,217,557 |
| Rent and utilities (Note 20) | 3,277,498 | 16,680,077 | 2,492,213 |
| Outside services | 1,214,339 | 10,719,197 | 3,919,818 |
| Communication and office supplies | 767,392 | 1,521,799 | 369,036 |
| Depreciation (Note 11) | 1,091,102 | 681,164 | 761,399 |
| Repairs and maintenance | 24,377 | 276,426 | 18,935 |
| Others | 968,582 | 8,845,049 | 3,964,312 |
| | 22,266,087 | 77,984,256 | 21,743,270 |

15. Expenses

Details of this account are shown below.

| | Sept 30, 2010 | Sept 30, 2009 |
|-------------------------------------|----------------------|----------------------|
| Salaries & other staff benefits | 4,973,400 | 4,188,348 |
| General and administrative expenses | 4,093,480 | 3,272,931 |
| Rent and utilities | 492,695 | 369,465 |
| Depreciation (Note 11) | 200,627 | 133,529 |
| Taxes and licenses | 407,179 | 649,507 |
| Professional fee | 344,896 | 507,599 |
| Others | 1,678,983 | 525,601 |
| | 12,191,259 | 9,646,981 |

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

16. Retirement Benefits Costs

The Company has an unfunded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. MCLSI has a funded, non-contributory defined benefit requirement plan providing retirement benefits to all its regular employees. An independent actuary, using the projected unit credit method, conducts an actuarial valuation of 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.

17. Leases

Operating leases of MCLSI relate of leases of a warehouse, renewable upon agreement of parties, and office space, both for a period of two years. Operating lease payments represent rentals payable by the MCLSI for its warehouse and office space.

18. Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist of cash, due from (to) affiliates AFS investments and loans payable. 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, accrued expenses and other current liabilities, which arise directly from its operations.

The main risk 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:

Cash Flow Interest Rate Risk

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

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.

Credit Risk

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

19. Capital Management

The primary objective of the Company's capital management is to maintain a strong credit rating and healthy capital ratios to maximize shareholders equity and for future business expansion.

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

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings. Other components of equity such as unrealized gains are excluded from capital for purposes of capital management.

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 Group's external environment and the risks underlying the Parent Company's business, operation and industry.

As of March 31, 2009, the Parent Company's authorized and issued capital stock amounted to P306 million and there were no changes from prior period.

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

20. Other Matters

- a. On July 5, 2002, the Company received a decision from the Court of Tax Appeals (CTA) denying the 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 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 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 Company. The Company, through its legal counsel, filed a Motion for Reconsideration with the CA in December 2003.

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

On April 26, 2006, the 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 Monitor for Issuance of Writ of Execution filed by the Commissioner of Internal Revenue. As of September 30, 2014, the 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 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 P42.0 million, which the 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 March 31, 2009, the case is still pending with the same court. Trial on the merits of the case has not been started as the Company, through its counsel, filed an Amended Compliant 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 Company and its legal counsel are positive that the court will sustain their position.

- c. There are also other pending legal cases against the 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 Company's financial position and result of operations.

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

As of Sept. 30, 2010

| | Sept. 30, 2010 | Sept. 30 2009 | Dec. 31, 2008 |
|---------------------------------------|---------------------------|--------------------------|--------------------------|
| Profitability ratios: | | | |
| Return on assets | -0.01% | -0.01% | -0.05% |
| Return on equity | -0.06% | -0.07% | -0.51% |
| Net profit margin | -0.26% | -0.21% | -0.79% |
| Solvency and liquidity ratios: | | | |
| Current ratio | 107% | 104% | 1.06% |
| Debt to equity ratio | 777% | 1139% | 953% |
| Quick ratio | 8.68% | 8.09% | 8.65% |
| Cash-flow liquidity ratio | -0.07 | 1.42% | -2.14% |
| Financial leverage ratio: | | | |
| Asset to equity ratio | 877% | 1239% | 1053% |
| Debt to asset ratio | 886% | 91.93% | 90.50% |
| Interest rate coverage ratio | -60.02% | -61.23% | -62.10% |

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

As of Sept. 30, 2010

in Php '000s

| Principal/Customer | Credit Terms | Total | Amount | | | | |
|---|--------------|---------------|--------------|---------------|--------------|--------------|--------------|
| | | | Current | 1-30 | 31-60 | 61-90 | Over 90 |
| <u>CPDSI</u> | | | | | | | |
| Petrochemical Corp. of Asia | 90 days | 724 | | | | | 724 |
| <u>Asia Healthcare</u> | | | | | | | |
| Philam Care | 90 days | 338 | | | | | 338 |
| <u>MCLSI Logistics (GAC Logistics)</u> | | | | | | | |
| Johnson & Johnson | 30 days | 9,803 | 2,575 | 3,800 | 1,229 | 999 | 1,200 |
| 3M Philippines | 30 days | 7,796 | 1,046 | 3,317 | 1,038 | 1,424 | 971 |
| Zuellig Pharma Corp. (ZPC) | 30 days | 8,311 | 1,725 | 3,681 | 1,121 | 1,232 | 552 |
| Others | 60 days | 4,789 | 752 | 2,046 | 582 | 1,120 | 290 |
| | | 30,699 | 6,098 | 12,844 | 3,970 | 4,774 | 3,012 |
| TOTAL TRADE RECEIVABLES | | 31,761 | 6,098 | 12,844 | 3,970 | 4,774 | 4,074 |