

**COVER SHEET**

0 0 0 0 0 0 0 2 9 6

SEC Registration No.

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

E Q U I T I E S C O R P .

(Company's Full Name)

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

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

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

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

820

Total No. of Stockholders

Total Amount of Borrowings

Php 984,328,922

Domestic

-

Foreign

To be accomplished by SEC Personnel concerned

File Number

\_\_\_\_\_

LCU

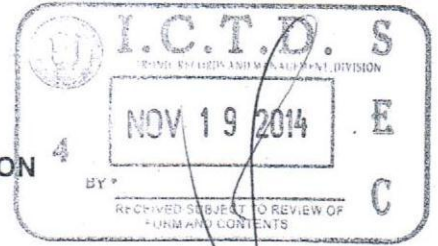
Document I.D.

\_\_\_\_\_

Cashier

S T A M P S

Remarks = pls. Use black ink for scanning purposes



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended .....September 30, 2014
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. 22<sup>nd</sup> 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	P984,328,922

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 [  ] No [  ]

## 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

Unaudited Income Statement

<i>Income Statement</i>	<b>Amounts in P'000</b>			
	<b>Jul – Sept 2014</b>	Jul – Sept 2013	<b>Jan – Sept 2014</b>	Jan – Sept 2013
Sales and services	<b>P 26,938</b>	P 29,272	<b>P 80,814</b>	P 87,817
Cost of sales and services	<b>( 9,058)</b>	(7,745)	<b>(27,173)</b>	(23,236)
Gross profit	<b>17,880</b>	21,527	<b>53,641</b>	64,581
Expenses	<b>(18,172)</b>	(20,530)	<b>(54,517)</b>	(61,591)
Net Income (Loss)	<b>(292)</b>	997	<b>(875)</b>	2,990
Earnings (Loss) Per Share	<b>(P 0.001)</b>	P 0.003	<b>(P 0.003)</b>	P 0.010

Unaudited Balance Sheet

<i>Balance Sheet</i>	<b>Amounts in P'000</b>		
	<b>Sept. 30, 2014</b>	<b>Sept. 30, 2013</b>	<b>Dec. 31, 2013</b>
Current assets	1,111,356	1,067,144	1,071,686
Noncurrent assets	15,029	16,631	12,613
<b>Total Assets</b>	<b>1,126,385</b>	<b>1,083,775</b>	<b>1,084,299</b>
Current liabilities	1,025,724	977,187	978,757
Noncurrent liabilities	5,541	6,916	5,572
<b>Total Liabilities</b>	<b>1,031,265</b>	<b>984,103</b>	<b>984,329</b>
Stockholder's Equity	95,120	99,672	99,970
<b>Total Liabilities and Stockholder's Equity</b>	<b>1,126,385</b>	<b>1,083,775</b>	<b>1,084,299</b>

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

The 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.

## a) Key Performance Indicators

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

### Metro Alliance

Metro Alliance's key performance indicators include the following:

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

The financial ratios of Metro Alliance are not stable due to its significant investment on the Petrochemical Project.

Metro Alliance parent company financial statements registered unaudited net loss of (P874,817) for the third quarter of 2014 as compared to the third quarter of 2013, net income amounts to P2.9 million due to MCLSI's decrease in lease contracts and aggravated further by its unfavorable cost.

The decrease in net income (or the incurrance of net loss in 2014) resulted to the increase in loss per share and loss on average equity.

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

Performance indicator	Sept 30 2014	Dec 31 2013	Sept 30 2013
Net income (loss) - in millions Php	(874,817)	(3,972,297)	2,990,485
Income (loss) per share (in Php)	(0.003)	(0.013)	0.010
Income (loss) on average equity (In Php)	(0.009)	(0.040)	0.030
Debt to total assets	0.912	0.908	0.908
Debt to equity	10.433	9.876	9.846

### MCLSI Logistics, Inc.

MCLSI's key performance indicators include the following:

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

The decrease in MCLSI's gross profit resulted mainly from the termination of some contracts. With the decrease in operating income, net profit margin, return on assets and return on equity decreased. Current ratio decreased due to the increase in accruals and other payables. In addition, turnover of receivables resulted to a slower collections compared to last year.

Comparative analysis of MCLSI's key performance indicators follows:

Performance indicator	Sept 30 2014	Dec 31 2013	Sept 30 2013
<b>Profitability</b>			
a. Gross profit margin	0.664	0.163	0.735
b. Net profit margin	(0.011)	(0.032)	0.034
c. Return on assets	(0.001)	(0.004)	0.003
d. Return in equity	(0.009)	(0.004)	0.030
<b>Liquidity</b>			
a. Current ratio	1.083	1.095	1.092
b. Receivables turnover	1.128	1.653	1.263
c. Days' sales in receivables	323	221	289

Consumer Products Distribution Services, Inc. (CPDSI), FEZ-EAC Holdings, Inc.(FEZ-EAC),  
Zuellig Distributors, Inc. (ZDI) and Asia Healthcare, Inc. (AHI)

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

## **b) Changes in Operating Results**

### Net Income and Earnings (Loss) Per Share

The Group registered a consolidated net loss of P0.2 million for the 3<sup>rd</sup> quarter of 2014 against net income of P0.9 million for the 3<sup>rd</sup> quarter of 2013 or a decrease of P1.1 million or 122%. Earnings (loss) per share are (P0.001) for the 3<sup>rd</sup> quarter of 2014 and P0.003 for the 3<sup>rd</sup> quarter of 2013. Since certain subsidiaries have ceased operations, MCLSI is the only subsidiary that contributed to the revenue of the Group. The decrease is due to net effect of reduction or termination of MCLSI's lease and logistics contracts amounting to P7.8 million, fixed expenses incurred by non-operating subsidiaries such as depreciation expense of remaining fixed assets, personnel cost, professional fees (legal fee for pending cases and retainer fee of stock transfer agent), etc.

### Sales and Services

The Group registered gross service revenue of P26.9 million and P29.3 million for the quarters ended September 30, 2014 and 2013. The decrease in revenue of P2.4 million or 8% for the 3<sup>rd</sup> quarter of 2014 is due to reduction or termination of some of MCLSI's lease and logistics contracts.

### Cost of Sales and Services

Total cost of sales and services for the quarters ended September 30, 2014 and 2013 amounted to P9.1 million and P7.7 million, respectively. The increase of P1.4 million or 18% is due to higher cost of delivery of products and services such as fluctuations in oil prices used by delivery trucks and electricity rates, security services and maintenance cost of warehouse facilities. With lower lease and logistics contracts, fixed expenses are still incurred contributing to the higher cost for the 3<sup>rd</sup> quarter of 2014.

### Operating Expenses

Total operating expenses of the Group for the 3<sup>rd</sup> quarter of 2014 amounted to P18.2 million as compared to P20.5 million for the 3<sup>rd</sup> quarter of 2013 or a decrease of P2.3 million or 11%. The decrease is net effect of decrease in personnel cost (P.5 million), professional fees (P0.9 million), depreciation expense since some of the fixed assets already reached their useful life last year and general and administrative expenses (P0.9 million).

### Other income (expenses)

Other income (charges) for the quarters ended September 30, 2014 and 2013 amounted to (P19,640) and (P29,615), respectively or a decrease of P9,975 or 34%. The account pertains to net balance from finance cost, interest income and dividend income. A lesser finance cost was recorded for the 3<sup>rd</sup> quarter of 2014.

## **c) Changes in Financial Conditions**

### Assets

**Cash and cash equivalents** for the 3<sup>rd</sup> quarter of 2014 and 2013 and as of December 31, 2013 amounted to P22.5 million, P22.6 million and P14.4 million, respectively. Business operations are usual for both quarters of 2014 and 2013, thus level of cash is almost the same. The increase by P8.1 million or 56% as of 3<sup>rd</sup> quarter of 2014 is net effect of collection of receivables (P8.6 million), payment of advances to related parties (P1.4 million), and advances to Polymax for its working capital requirements (P0.1 million).

**Receivables** amounted to P67.3 million as of 3<sup>rd</sup> quarter of 2014, P75.9 million as of December 31, 2014 and P65.5 million as of 3<sup>rd</sup> quarter of 2013 (net of allowance for doubtful accounts of P10.3 million in 3<sup>rd</sup> quarter of 2014 and December 31, 2013 and P8.6 million as of September 30, 2013). Trade and other receivables went up by P1.8 million in 3<sup>rd</sup> quarter of 2014 as compared to 3<sup>rd</sup> quarter of 2013 due to the net effect of increase of trade receivables (P7.9 million), decrease in due from affiliates (P5.3 million), increase of in other receivables (P1 million) and additional provision for doubtful accounts (P1.8 million). The decrease of P8.5 million in 3<sup>rd</sup> quarter of 2014 as against December 31, 2013 is due to net effect of increase in trade receivables (P1.5 million) and decrease in other receivables (P10 million). Other receivables represent non-interest bearing receivables from third party business partners of Polymax that are subject to liquidation and advances to related parties. The Group reviews the carrying amount of receivables at each balance sheet date to reduce the balance to their estimated recoverable amounts.

**Prepaid expenses and other current assets** amounts to P27.4 million, P21 million and P23.4 million as of the 3<sup>rd</sup> quarter of 2014, December 31, 2013 and September 30, 2013 (net of allowance for probable losses of P14 million for all periods). The increase by P3.9 million in 3<sup>rd</sup> quarter of 2014 as against the 3<sup>rd</sup> quarter of 2013 is net effect of increase in creditable withholding taxes (P4.9 million), decrease in input taxes (P0.2 million), decrease in refundable deposits ( P0.2 million) and decrease in other prepayments (P0.6 million).

The increase of P6.4 million in 3<sup>rd</sup> quarter of 2014 as against December 31, 2013 is due to net effect of increase in creditable withholding taxes (P4 million), increase in input tax (P0.8 million) and increase in other prepayments (P1.5 million). The Group reviews the carrying amount at each balance sheet to reduce the balance to their estimated recoverable amounts.

**Asset held for sale** amounting to P960.4 million, P960.3 million and P955.6 million as of September 30, 2014, December 31, 2013 and September 30, 2013 (which constitute 89% respectively of the Group's total assets as said periods) represents advances to Polymax, the Group's special purpose entity incorporated in British Virgin Island solely for the purpose

of acquiring the petrochemical plant of NPC Alliance Corporation (NPCA). The increase of P4.8 million and P0.1 million in 3<sup>rd</sup> quarter of 2014 as against 3<sup>rd</sup> quarter of 2013 and December 31, 2013, respectively, pertains to additional advances in relation to the expenses of Polymax for its pending litigation and outstanding loan from outside parties and past due liabilities.

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

**Available-for-sale-investments** amounted to P6 million in September 30, 2014 and December 31, 2013 and P7.9 million in September 30, 2013. This account includes shares of stocks owned in publicly listed companies. The P1.9 million decrease in 3<sup>rd</sup> quarter pertains to decline in the value of shares of stock in the market. The fair value of these shares has been determined directly by reference to published prices in the active market.

**Property, plant and equipment** amounted to P4.3 million, P1.9 million and P2.3 million in September 30, 2014, December 31, 2013 and September 30, 2013, respectively. Net increase in property, plant and equipment in 3<sup>rd</sup> quarter of 2014 as against 3<sup>rd</sup> quarter of 2013 by P2 million pertains decrease in depreciation charge for the quarter of P0.8 due to property and equipment that was fully depreciated in 2013 and increase in additional acquisitions of transportation and office equipment of MCLSI amounting to P1.4 million. The increase in 3<sup>rd</sup> quarter of 2014 as against December 31, 2013 by P2.4 million is due to MCLSI additional acquisition of transportation equipment in 3<sup>rd</sup> quarter of 2014. The Group has no outstanding contractual commitments to acquire certain property and equipment as of December 31, 2013 and 2012. In 2013 and 2012, the Group carried out a review of the recoverable amounts of its property and equipment. The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

## Liabilities

### *Current Liabilities*

**Accounts payable and accrued expenses** for the quarter ended September 30, 2014, December 31, 2013 and September 30, 2013 amounted to P437 million, P426 million and P419 million, respectively. Trade payables are noninterest bearing and have credit terms of 30 to 60 days. Accrued expense and other liabilities mainly include accruals for manufacturing and operating expenses, other taxes payable, advances from customers and provisions for liabilities arising in the ordinary conduct of business, which are either pending decision by government authorities or are being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, adequate provisions have been made to cover tax and other liabilities that may arise as a result of an adverse decision that may be rendered.

The increase for the 3<sup>rd</sup> quarter of 2014 against 3<sup>rd</sup> quarter of 2013 by P18 million or 4% is mainly due to (a) MAHEC recognition of finance costs on its loan for the petrochemical project (which were passed on to Polymax) and accrual of its fixed expenses such as legal and audit fee and administrative expenses; (b) MCLSI trade payables arising from its trucking and warehousing operations.

**Due to related parties** for the 3<sup>rd</sup> quarter of 2014, December 2013 and September 30, 2013 amounted to P551 million, P553 million and P552 million, respectively. The Group, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Group did not provide nor received any guarantee on its transaction with related parties. The decrease of P1 million in 3<sup>rd</sup> quarter of 2014 as against the 3<sup>rd</sup> quarter of 2013 and decrease of P2 million as against the end of 2013 pertains to Metro Alliance settlement of advances and offsetting of receivables and payables among the Group. Significant portion of these advances were used to finance its planned acquisition of petrochemical plant in prior years.

**Loans payable (current and long term)** amounted to P3.6 million, P0.1 million and P4.9 million for the period ended September 30, 2014, December 31, 2013 and September 30, 2013, respectively. The account balance for 3<sup>rd</sup> quarter of 2013 pertains to MCLSI's loan agreements entered last July 21, 2009 for a total principal amount of P988,800 covering the acquisition of transportation equipment. The loan is payable monthly with interest at 19% per annum up to July 30, 2014 for the (first contract) and August 22, 2014 (for the second contract).

Two loan contracts were entered again by MCLSI last September 18, 2014 for the acquisition of machinery and transportation equipment. The loan is payable monthly with interest at 19% per annum up to September 30, 2019. The loans are collateralized by transportation equipment with carrying value of P63,448 and P138,432 as of September 30, 2014 and 2013.

**Accrued retirement benefit cost** amounted to P5.5 million as of September 30, 2014 and P6.7 million as of September 30, 2013. 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 decrease of P1.2 million or 18% is due to payment made on retired employees as of the 3<sup>rd</sup> quarter of 2014 and loss incurred from retirement plan. The Group expects no contributions are to be made yet in the future years out of the defined benefit plan obligation.

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

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

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

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

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

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

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

On the same date, the Company, NPCI and PIIC entered into a Guaranteed and Indemnity agreement whereby the Company irrevocably and unconditionally guaranteed the prompt performance and observance by Polymax and the payment on demand by Polymax of all moneys, obligations and liabilities which are now or at any time after the execution of the agreement become due from or owing or incurred by Polymax under or in connection with any of the SPA and the Shareholders' Agreement. The Company also guaranteed that it

shall be liable for Polymax's obligations, as if it were a principal debtor, if Polymax's obligations are no longer recoverable from Polymax.

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

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

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

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

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

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

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

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

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

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

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

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

#### Legal case

Case Title	: <b>Metro Alliance vs. Commissioner of Internal Revenue</b>
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 O 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 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> 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 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> 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 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Quarter Reports (SEC Form 17-Q). As of this report, final amount for all the penalties that accrue cannot be determined. The Company believes that it made provisions sufficient enough to cover the contingent liability.

Case Title : **Metro Alliance vs The Philippine Stock Exchange (“PSE”)**  
Factual basis : The Company has an outstanding obligation to the PSE in the amount of P2,450,000 as of March 21, 2014 for the repeated violations of the rules and regulations of the PSE starting May 2007 until December 2012.

The case was related to the same violation the Company has with the SEC where it also required submitting structured reports such as Annual and Quarterly Report from 2007 until 2012. (Please refer to preceding paragraph for the discussion of the Company's inability to file such reports). The PSE suspend the trading of the Company last May 2007.

Relief Sought : The Company has made provisions on its financial statement sufficient enough to cover such liability.

**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**

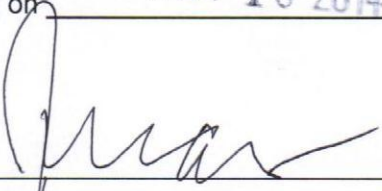
The financial condition or results of operations is not affected by any seasonal change.

**SIGNATURES**

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

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

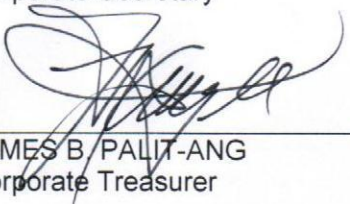
By:



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



NESTOR S. ROMULO  
Corporate Secretary



JAMES B. PALIT-ANG  
Corporate Treasurer

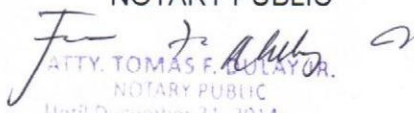
NOV 18 2014

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_, affiants exhibiting to me their Tax Identification No. as follows:

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

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

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

**NOTARY PUBLIC**  
  
ATTY. TOMAS F. DELALIZA  
NOTARY PUBLIC  
Until December 31, 2014  
Agriculture #, NP-061-2014-2015  
PCHR 9042/18301 02 /01-07-14 Q.C.  
ISPR 915073 CY-2014 Q.C.  
Roll No. 16583/03/13-61  
TIN# 210775616

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

**“Annex A.1”**

	30-Sept-2014 Unaudited	30-Sept-2013 Unaudited	31-Dec-2013 Audited
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	22,544,241	22,646,183	14,448,429
Receivables - net	67,338,707	65,487,078	75,886,415
Prepaid expenses and other current assets	27,396,683	23,378,061	21,061,390
Assets held for sale	960,441,200	955,632,447	960,289,978
<b>Total Current Assets</b>	<b>1,077,720,831</b>	<b>1,067,143,770</b>	<b>1,071,686,212</b>
<b>Noncurrent Assets</b>			
Available-for sale-investments	6,133,013	7,930,131	6,133,013
Property, plant and equipment – net	4,284,389	2,279,898	1,869,689
Deferred income tax assets - net	4,609,820	6,393,200	4,609,814
<b>Total Noncurrent Assets</b>	<b>15,027,222</b>	<b>16,630,229</b>	<b>12,612,516</b>
<b>TOTAL ASSETS</b>	<b>1,092,748,053</b>	<b>1,083,746,999</b>	<b>1,084,298,728</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts Payable and accrued expenses	437,038,602	419,366,178	426,184,246
Due to related parties	551,024,226	552,982,658	552,393,772
Loans Payable – Current portion	3,567,650	4,838,560	179,415
<b>Total Current Liabilities</b>	<b>991,630,478</b>	<b>977,187,396</b>	<b>978,757,433</b>
<b>Noncurrent Liabilities</b>			
Accrued retirement benefit costs	5,540,655	6,774,936	5,571,489
Loans payable – net of current portion	–	140,344	–
<b>Total Noncurrent Liabilities</b>	<b>5,540,655</b>	<b>6,915,280</b>	<b>5,571,489</b>
<b>Total Liabilities</b>	<b>997,171,133</b>	<b>984,102,677</b>	<b>984,328,922</b>
<b>Stockholders' Equity</b>			
Attributable to the equity interest of the Parent Company	88,010,756	92,450,522	93,415,357
Minority Interest	7,566,164	7,193,799	6,554,449
<b>Total Stockholders' Equity</b>	<b>95,576,920</b>	<b>99,644,321</b>	<b>99,969,806</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>1,092,748,053</b>	<b>1,083,746,999</b>	<b>1,084,298,728</b>

*(The accompanying notes are integral part of these financial statements)*

**METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

**“Annex A.2”**

	<b>Unaudited</b>			
	<b>Jul – Sept 2014</b>	<b>Jul – Sept 2013</b>	<b>Jan. – Sept 2014</b>	<b>Jan. – Sept 2013</b>
<b>NET SALES</b>				
Services	<b>26,938,395</b>	29,272,352	<b>80,813,888</b>	87,817,057
<b>COST OF SALES AND SERVICES</b>	<b>( 9,057,372)</b>	( 7,745,503)	<b>(27,172,115)</b>	(23,236,509)
<b>GROSS PROFIT</b>	<b>17,881,023</b>	21,526,849	<b>53,641,773</b>	64,580,548
Expenses	<b>(18,165,650)</b>	(20,520,149)	<b>(54,496,949)</b>	(61,560,447)
Finance cost	<b>( 6,980)</b>	( 10,506)	<b>( 20,939)</b>	( 31,518)
Other income	<b>433</b>	634	<b>1,298</b>	1,903
<b>LOSS BEFORE INCOME TAX</b>	<b>( 291,174)</b>	996,828	<b>( 874,817)</b>	2,990,486
<b>PROVISION FOR INCOME TAX</b>				
Current	–	–	–	–
Deferred	–	–	–	–
<b>NET INCOME (LOSS)</b>	<b>( 291,174)</b>	996,828	<b>( 874,817)</b>	2,990,486
<b>Net income (loss) attributable to:</b>				
Equity holders of the parent company	<b>( 634,187)</b>	( 176,469)	<b>(1,902,561)</b>	(529,408)
Minority interests	<b>343,013</b>	1,173,297	<b>1,027,744</b>	3,519,894
	<b>( 291,174)</b>	996,828	<b>( 874,817)</b>	2,990,486
<b>Basic/Diluted Loss Per Share</b>				
Net loss for the year attributable to the Equity holders of the Parent Company*	<b>(P 0.001)</b>	P 0.003	<b>(P 0.003)</b>	(P 0.010)

\*Based on the weighted average number of shares of 306,122,449

*(The accompanying notes are integral part of these financial statements)*

**METRO ALLIANCE HOLDINGS & EQUITIES CORP. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

“Annex A.3”

	Unaudited September 30 2014	Unaudited September 30 2013	Audited December 31 2013
<b>CASH FROM OPERATING ACTIVITIES</b>			
Loss before income tax and discontinued operations	(P 874,817)	P 2,990,486	(P 3,713,423)
Adjustments for:			
Provision for doubtful accounts	–	–	1,739,762
Provision for retirement benefit cost	–	–	79,065
Unrealized foreign exchange gain (loss)	–	–	1,640,269
Amortization of intangible asset	–	–	1,412,513
Depreciation	929,056	1,688,795	1,088,965
Interest expense	20,939	31,518	48,960
Interest income	( 1,298)	( 1,904)	( 86,243)
Operating income (loss) before working capital changes:	73,880	4,708,895	2,209,868
Decrease (increase) in receivables	8,547,708	8,081,272	(2,318,065)
Decrease (increase) in prepaid expense and other current assets	(6,335,293)	4,500,927	(2,184,256)
Increase (decrease) in accounts payable and accrued expense	7,336,287	14,081,344	39,325,581
Cash generated (used in) operations	9,622,582	31,372,438	37,033,128
Income tax paid	–	–	(2,047,198)
Net cash flows provided (used in) operating activities	9,622,582	31,372,438	34,985,930
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest received	1,298	1,904	86,243
Decrease (increase) in assets held for sale	( 151,222)	989,381	(5,646,911)
Advances from (to) related parties	(1,369,552)	(21,093,435)	(21,682,321)
Acquisition of property and equipment	(3,343,756)	( 1,921,688)	( 911,648)
Net cash flows provided by (used in) investing activities	(4,863,232)	(22,023,838)	(27,814,706)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from (payment of):			
Long-term debt (including current portion)	3,388,235	4,611,300	( 188,189)
Accrued benefit cost	( 30,834)	651,072	( 552,375)
Interest expense paid	( 20,939)	( 31,518)	( 48,960)
Net cash flows provided by (used in) financing activities	3,336,462	5,230,854	( 789,524)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>8,095,812</b>	<b>14,579,454</b>	<b>6,381,700</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>14,448,429</b>	<b>8,066,729</b>	<b>8,066,729</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>P22,544,241</b>	<b>P22,646,183</b>	<b>P14,448,429</b>

*(The accompanying notes are integral part of these financial statements)*

## UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Quarter Ended September 30

	2014	2013
<b>ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>		
<b>Capital Stock</b> - 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	<b>306,122,449</b>	306,122,449
<b>Additional Paid-in Capital</b>	<b>3,571,921</b>	3,571,921
<b>Deficit</b>		
Balance at beginning of the year	<b>(220,976,762)</b>	(216,084,073)
Net loss	<b>( 874,817)</b>	2,990,486
Balance at end of the period	<b>(221,851,579)</b>	(213,093,587)
<b>Other Reserves:</b>		
Revaluation reserve on available-for-sale financial assets	<b>892,234</b>	(2,681,119)
Remeasurement Gain (Loss) on Retirement Plan	<b>( 724,269)</b>	(1,469,142)
	<b>167,965</b>	(4,150,261)
<b>EQUITY ATTRIBUTABLE TO HOLDERS OF PARENT COMPANY</b>	<b>88,010,756</b>	92,450,522
<b>MINORITY INTERESTS</b>	<b>7,566,164</b>	7,193,799
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>95,576,920</b>	99,644,321

*(The accompanying notes are integral part of these financial statements)*

---

**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	
	Sept 30 2014	Dec 31 2013
Operating subsidiaries:		
Metro Combined Logistics Solutions, Inc. (MCLSI) (Formerly: GAC Logistics, Inc)	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 2013*

Starting January 1, 2013, the Group adopted the following new and amended PAS and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC):

- 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. Adoption of this standard is reflected in the statement of comprehensive income.
- 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. Adoption of this standard resulted in the inclusion of additional disclosures in the separate financial statements (Note 19).

- PFRS 13, *Fair Value Measurement*. PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

The Group has assessed that the application of PFRS has not materially impacted the fair value measurements of the Group. Adoption of this standard resulted in the inclusion of additional disclosures in the separate financial statements (Note 22).

#### *Annual Improvements to PFRSs (2009-2011 cycle)*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the separate financial statements of the Group, except the following set out below.

- 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. As a result, the Group has included comparative information in respect of the opening statement of financial position as at January 1, 2012 since there is a retrospective application of an accounting policy.

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*. The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*.

#### *Effective 2014*

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

#### *Effective in 2015*

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

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

- 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. The amendments are effective for annual periods beginning on or after *July 1, 2014* and are applied retrospectively.

#### Financial Assets and Liabilities

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

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

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

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

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

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

#### Financial Assets

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

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

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

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

The Group has no financial assets at FVPL as of September 30, 2014 and December 31, 2013.

*Cash.* Cash includes cash on hand and in banks.

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

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

*HTM Investments.* HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the 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 statements of comprehensive income when the HTM investments are derecognized or impaired, as well as through the amortization process.

The Group has no HTM investments as of September 30, 2014 and December 31, 2013.

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

The Group's investments in equity securities included under the "AFS Investments" account are classified under this category.

#### Financial Liabilities

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

The Group has no derivative liabilities as of September 30, 2014 and December 31, 2013.

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

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

Included in this category are the Group's accounts payable and accrued expenses, due to related parties and loans 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 comprehensive income.

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

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

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

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

profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

#### Classification of Financial Instruments between Debt and Equity

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

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

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

#### Offsetting Financial Instruments

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

#### 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. Cost also includes: (a) interest and other financing charges on borrowed funds used to finance the acquisition of property and equipment to the extent incurred during the period of installation and construction; and (b) asset retirement obligation specifically for property and equipment installed/constructed on the leased properties. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

	Number of Years
Machinery and equipment	3-10
Office furniture, fixtures and equipment	2-5
Leasehold improvements	5 years or lease term, whichever is shorter

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

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

#### Revenue

Revenue is recognized to the extent that 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.

#### Operating Leases

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

*Group as Lessee.* 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 statements of comprehensive 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. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

#### Retirement Benefits Costs

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

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

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

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

The net retirement benefits assets recognized by MCLSI 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 Transaction 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 statements of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

##### *Current Tax*

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

##### *Deferred Tax*

Deferred income tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences

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

#### Related Parties

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

#### 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

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

#### 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 of ₱10.4 million and ₱8.6 million as of September 30, 2014 and 2013, respectively), amounted to ₱67.3 million and ₱65.5 million as of September 30, 2014 and 2013, respectively (see Note 7).

Creditable withholding taxes and input taxes, included under "Prepaid expenses and other current assets" in the consolidated balance sheets, totaling ₱41.5 million and ₱37.5 million as of September 31, 2014 and 2013, respectively, are covered with allowance for doubtful accounts of ₱14.1 million as of September 30, 2014 and 2013.

Advances to Polymax (under assets held for sale) amounting to ₱960.4 million and ₱955.6 million as of September 30, 2014 and 2013, respectively, constitute 85% of the Group's total assets as at September 30, 2014 and 2013. 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 (see Note 10), 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 value of equipment based on factors that include asset utilization, internal technical evaluation, technological changes, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of equipment would increase depreciation expense, while an increase in the estimated useful lives would decrease depreciation expense.

As of September 30, 2014 and 2013, property and equipment, net of accumulated depreciation, amounted to ₱4.3 million and ₱2.3 million, respectively (see Note 11). Total depreciation expense charged to operations amounted to ₱0.9 million, ₱1.1 million and ₱1.6 million for the period ended September 30, 2014, December 31, 2013 and September 30, 2013, respectively (see Notes 16 and 17).

#### Impairment of Noncurrent Nonfinancial Assets

The Group assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash generating unit to which the asset belongs. Management believes that there was no indication of impairment on property and equipment as of September 30, 2014 and 2013.

#### 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 ₱6 million, ₱7.8 million and ₱6.1 million as of September 30, 2014, December 31, 2013 and September 30, 2013, respectively (see Note 10).

#### 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 ₱4.6 million and ₱6.4 million as of September 30, 2014 and 2013, respectively (see Note 18).

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 (see Note 18).

#### *Retirement benefits*

The determination of the obligation and cost of retirement benefits is dependent on certain assumptions used by the actuary in calculating such amounts. These assumptions are describe in Note 19 to the consolidated financial statements and include, among others, discount rates, salary increase rates and expected rates of return on plan assets. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations.

The accrued retirement benefit costs amounted to ₱5.5 million and ₱6.8 million as of September 30, 2014 and 2013, respectively (see Note 19).

#### *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 (See Notes 12 and 20).

---

#### 4. Cash and Cash Equivalents

	Sept 30, 2014	Dec 31, 2013	Sept 30, 2013
Cash on hand	₱ 76,000	₱ 76,000	₱ 76,000
Cash in banks	22,468,241	14,372,429	22,570,183
	<u>₱ 22,544,241</u>	<u>₱14,448,429</u>	<u>₱ 22,646,183</u>

As of September 30, 2014, December 31, 2013 and September 30, 2013, US Dollar denominated cash, as stated in Philippine Peso amounted to ₱24,150, ₱23,849 and ₱23,258.

Cash in banks earn interest at the respective bank deposit rates. Interest income from banks amounted to ₱1,298 in September 30, 2014, ₱1,136 in 2013 and ₱970 in September 30, 2013.

---

#### 5. Receivables

	Sept 30 2014	Dec 31 2013	Sept 30 2013
Trade	₱33,176,510	₱31,695,567	₱25,262,892
Due from affiliates (Note 14)	11,094,487	11,094,487	16,362,908
Others	33,461,450	43,490,101	32,515,256
	<u>77,732,447</u>	<u>86,280,155</u>	<u>74,141,056</u>
Less allowance for doubtful accounts	(10,393,740)	(10,393,740)	(8,653,978)
	<u>₱67,338,707</u>	<u>₱75,886,415</u>	<u>₱65,487,078</u>

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 Note 22. 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 2014	Dec 31 2013	Sept 30 2013
Creditable withholding taxes	₱26,551,461	₱22,527,742	₱21,643,975
Input taxes	9,741,167	8,942,359	9,856,944
Refundable deposits	713,285	713,285	883,598
Prepayments and others	<u>4,518,250</u>	<u>3,005,503</u>	<u>5,121,025</u>
	<u>41,524,163</u>	<u>35,188,871</u>	<u>37,505,542</u>
Less allowance for probable losses	14,127,481	14,127,481	14,127,481
	<u>₱27,396,682</u>	<u>₱21,061,390</u>	<u>₱23,378,061</u>

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 P960.4 million, P960.3 million and P955.6 million as of September 30, 2014, December 31, 2013 and September 30, 2013 (which constitute 89% respectively of the Group's total assets as of September 30, 2014, December 31, 2013 and September 30, 2013, 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.

Condensed unaudited financial information of Polymax as of September 30, 2014, December 31, 2013 and September 30, 2013 prepared on the liquidation basis of accounting (where assets are stated at estimated recoverable value and all known liabilities are recognized) is shown in the table below.

	Sept 30 2014	Dec 31 2013	Sept 30 2013
<b>Assets</b>			
Assets held for sale	P900,000,000	P900,000,000	P900,000,000
Due from related parties	485,685,120	485,685,120	485,685,120
<b>Total assets</b>	<b>1,385,685,120</b>	<b>1,385,685,120</b>	<b>1,385,685,120</b>
<b>Liabilities</b>			
Liabilities related to assets held for sale	994,668,446	994,668,446	993,637,892
Due to Metro Alliance Holdings and Equities Corp.	960,441,200	960,289,978	955,632,447
Other payable	49,030,000	49,030,000	49,030,000
<b>Total liabilities</b>	<b>2,004,139,646</b>	<b>2,003,988,424</b>	<b>1,998,300,339</b>
<b>Net equity</b>	<b>(P618,454,526)</b>	<b>(P618,303,304)</b>	<b>(P612,615,219)</b>

Assets held for sale pertains to the estimated recoverable value of Polymax's 40% interest in NPCA.

Liabilities related to assets held for sale pertain to past due liabilities which were obtained to finance the acquisition of 100% ownership interest in NPCA. The Company is jointly and severally liable with Polymax with respect to these past due liabilities.

## 8. Available-for-sale Investments

	Sept 30 2014	Dec 31 2013	Sept 30 2013
Listed	P6,133,013	P6,133,013	P7,930,131
Unlisted	—	—	—
	<b>P6,133,013</b>	<b>P6,133,013</b>	<b>P7,930,131</b>

Accumulated AFS reserve amounted to P892,234, P2,362,050 and (P2,681,119) as of September 30, 2014, December 31, 2013 and September 30, 2013.

## 9. Property and Equipment - At Cost

### September 30, 2014

	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Total
<b>Cost</b>				
Balances at beginning of year	₱1,078,126	₱18,684,425	₱15,186,664	<b>₱34,949,215</b>
Additions		2,557,822	785,934	<b>3,343,756</b>
Balances at end of year	₱1,078,126	₱21,242,247	₱15,972,598	<b>₱38,292,971</b>
<b>Accumulated Depreciation and Impairment Loss</b>				
Balances at beginning of year	1,078,126	18,122,433	13,878,967	<b>33,079,526</b>
Depreciation	–	670,291	258,765	<b>929,056</b>
Balances at end of year	1,078,126	18,792,724	14,137,732	<b>34,008,582</b>
<b>Net book value</b>	<b>₱ –</b>	<b>₱ 2,449,523</b>	<b>₱ 1,834,866</b>	<b>₱ 4,284,389</b>

### September 30, 2013

	Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Total
<b>Cost</b>				
Balances at beginning of year	₱1,078,126	₱18,339,405	₱14,620,035	₱34,037,566
Additions	–	1,345,182	576,506	1,921,688
Balances at end of year	₱1,078,126	₱ 19,684,587	₱15,196,541	₱35,959,254
<b>Accumulated Depreciation and Impairment Loss</b>				
Balances at beginning of year	₱1,078,126	₱17,540,750	₱13,371,685	₱31,990,561
Depreciation	–	884,656	804,139	1,688,795
Balances at end of year	1,078,126	18,425,406	14,175,824	33,679,356
<b>Net book value</b>	<b>₱ –</b>	<b>₱ 1,259,181</b>	<b>₱ 1,020,717</b>	<b>₱ 2,279,898</b>

Transportation equipment of MCLSI with a carrying value of ₱63,448 and ₱138,432 as of September 30, 2014 and 2013, respectively, has been pledged to fulfill collateral requirements of the loan (see Note 13). The loan was fully settled as of September 30, 2014.

The Group has no outstanding contractual commitments to acquire certain property and equipment as of September 30, 2014 and 2013.

In 2014 and 2013, the Group carried out a review of the recoverable amounts of its property and equipment.

The Group has determined that there is no indication that an impairment loss has occurred on its property and equipment.

---

## 10. Accounts Payable and Accrued Expenses

Details of this account are shown below.

	<b>Sept 30 2014</b>	Dec 31 2013	Sept 30 2013
Accrued expenses	<b>₱368,680,009</b>	₱353,844,337	₱356,362,127
Trade payables	<b>47,113,347</b>	28,625,491	40,745,328
Accrued finance charges – related party	<b>7,188,162</b>	7,034,470	6,921,918
Other liabilities	<b>14,057,084</b>	36,679,948	15,336,805
	<b>₱437,038,602</b>	₱426,184,246	₱419,366,178

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

On July 21, 2009, MCLSI entered into two loan agreements for a total principal amount of ₱ 988,800 covering the acquisition of transportation equipment. The loan is payable monthly with interest at 19% per annum up to July 30, 2014 (for the first contract) and August 22, 2014 (for the second contract). Another loan was entered by MCLSI on September 18, 2014 for the acquisition of machinery and equipment. The loan is payable monthly with interest at 19% per annum up to September 30, 2019.

Movements of loans payable are as follows:

	<b>Sept 30 2014</b>	Dec 31 2013	Sept 30 2013
Balance at beginning of year	₱ 179,415	₱ 367,604	₱ 367,604
Additions	3,567,650	–	4,799,489
Payments	(179,415)	(188,189)	(188,189)
	<b>₱3,567,650</b>	₱ 179,415	₱4,978,904

The two loans are collateralized by transportation equipment with carrying value of ₱63,448 and ₱138,432 as of September 30, 2014 and 2013, respectively (see Note 11).

## 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:

Related Party	Category	Period	Amount/ Volume of Transactions	Receivables (Payables)	Terms	Conditions
<u>Entity with significance influence over the entity</u>						
Polymax	Non-interest bearing under asset held for sale (Note 6)	12/31/13	₱5,646,912	₱960,289,978	Non-interest bearing	Unsecured; not impaired
		<b>09/30/14</b>	<b>151,222</b>	<b>960,441,200</b>		
<u>Associates (entities under common control)</u>						
The Wellex Group, Inc.	Non-interest bearing due from related parties	12/31/13	–	5,768,422	Non-interest bearing	Unsecured; not impaired
		09/30/14	<b>(913,668)</b>	<b>4,854,754</b>		
Waterfront Philippines, Inc.	Non-interest bearing due to related parties	12/31/13	7,034,470	(368,976,125)	Non-interest bearing	Unsecured; not impaired
		<b>09/30/14</b>	<b>–</b>	<b>(368,976,125)</b>		
Acesite (Phils.) Hotel Corporation	Non-interest bearing due to related parties	12/31/13	–	6,239,733	Non-interest bearing	Unsecured; not impaired
		<b>09/30/14</b>	<b>–</b>	<b>6,239,733</b>		
<u>Other related parties</u>						
Stockholder	Non-interest bearing due to related parties	12/31/13	–	(181,753,940)	Non-interest bearing	Unsecured; not impaired
		<b>09/30/14</b>	<b>–</b>	<b>(181,753,940)</b>		
Others	Non-interest bearing due to related parties	12/31/13	(21,682,321)	( 1,663,707)	Non-interest bearing	Unsecured; not impaired
		<b>09/30/14</b>	<b>(1,369,566)</b>	<b>( 294,141)</b>		

### 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 2014	Dec 31 2013	Sept 30 2013
Short-term employee benefits	₱7,327,540	₱6,577,210	₱7,685,211
Retirement benefits (Note 16)	954,256	954,256	1,078,248
	<b>₱8,281,796</b>	<b>₱7,531,466</b>	<b>₱8,763,459</b>

In the stockholder's meeting of MCLSI held on May 30, 2012, it was resolved that each director shall be paid a reasonable per diem in the amount of ₱3,000 for every meeting attended beginning May 30, 2012.

Per diem of directors of MCLSI amounted to ₱21,434 and ₱15,750 as of September 30, 2014 and 2013, respectively.

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 September 30, 2014 and 2013 consists of the following common shares:

Class "A" – ₱1 par value		
Authorized – 720,000,000 shares		
Issued and Outstanding – 183, 673,470 shares		
Number of equity holders – 676 in 2013 and 2012		₱183,673,470
Class "B" – ₱1 par value		
Authorized – 480,000,000 shares		
Issued and Outstanding – 122,448,979 shares		
Number of equity holders – 421 in 2013 and 2012		₱122,448,979
		<u>₱306,122,449</u>

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

- b. On July 25, 2003, the Group's stockholders approved the increase in authorized capital stock from ₱1.2 billion consisting of 1.2 billion shares to ₱5.0 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 2014	Dec 31 2013	Sept 30 2013
Personnel costs	₱12,491,823	₱47,541,272	₱10,682,509
Rent and utilities (Note 20)	4,662,273	17,743,639	3,986,990
Transportation and Travel	4,886,843	18,598,302	4,179,033
Outside services	1,605,856	6,111,552	1,373,264
Security services	185,252	705,030	154,420
Communication and office supplies	522,143	1,987,168	446,516
Depreciation (Note 11)	139,458	530,749	119,259
Repairs and maintenance	21,575	82,111	18,450
Others	2,656,892	10,111,576	2,272,068
	<u>₱27,172,115</u>	<u>₱103,411,399</u>	<u>₱23,236,509</u>

---

### 15. Expenses

Details of this account are shown below.

	Sept 30 2014	Sept 30 2013
Salaries, wages and employee		
Benefits	₱32,703,508	₱37,180,291
General and administrative expenses	10,078,734	11,557,071
Rent and utilities	1,199,467	1,365,287
Depreciation (Note 11)	789,598	1,569,536
Taxes and licenses	49,073	42,456
Professional fee	881,071	831,071
Others	8,795,318	9,014,555
	<u>₱54,496,769</u>	<u>₱61,560,267</u>

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.

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

The assumptions used to determine retirement benefits costs for the Group for the years ended December 31, 2013, and 2012 are as follows:

	2013	2012	2011
Discount rate	5.78%	6.88%	9%
Salary increase rate	5%	5%	10%
Expected rate of return on plan assets*	5%	5%	6%

*\*The expected rate of return on plan assets assumed at a range of 5% was based on a reputable fund trustee's indicative yield rate for a risk portfolio similar to that of the fund with consideration of the fund's past performance.*

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

	Sept 30 2014	Dec 31 2013	Sept 30 2013
Current service cost	P –	P4,762,327	P –
Interest cost on benefit obligation	–	360,048	–
Net actuarial loss recognized	–	–	–
Expected return on plan assets	–	–	–
Total retirement expense	P –	P5,122,375	P –

---

## 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. The lease contract for warehouse provided for prepaid rent and rental security deposits equivalent to one month rental P 354,640.

At reporting date, the MCLSI had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Sept 30 2014
Within one year	P5,556,000
After one year but not more than five years	
	<b>P5,619,000</b>

Rental are distributed as follows:

Cost of services	P 4,662,273
Operating expense	1,199,467
Rental expense for the year	<b>P 5,861,740</b>

During the year, the Company entered into a new lease contact for its office space. The term of the contact is one (1) year, commencing on February 1, 2014 and ending on January 31, 2015, renewable subject to terms and conditions as may be mutually agreed upon. The contract also provided for prepaid rent and rental security deposits equivalent to two months rental of P134,820.00 representing one month deposit and one month advance rental. The advance rental shall be applied to the first month of lease term. Deposit shall be non-interest bearing and shall apply to whatever valid claims in case of the pre-termination of the lease term.

## 18. Logistics Agreements

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

## 19. Financial Assets and Financial Liabilities

The following table summarizes the carrying and fair values of the Group's financial assets and financial liabilities as of September 30, 2014 and December 31, 2013:

	September 30 2014		December 31 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	<b>P22,544,241</b>	<b>P22,544,241</b>	P14,448,429	P14,448,429
Receivables	<b>67,338,707</b>	<b>67,338,707</b>	75,886,416	75,886,416
AFS investments	<b>6,133,013</b>	<b>6,133,013</b>	6,133,013	6,133,013
Refundable deposits (included in "Other noncurrent assets")	<b>713,285</b>	<b>713,285</b>	713,285	713,285
	<b>P96,729,246</b>	<b>P96,729,246</b>	P97,181,143	P97,181,143
<b>Financial Liabilities</b>				
Accounts payable and accrued expenses*	<b>P237,444,414</b>	<b>P237,444,414</b>	P226,590,058	226,590,058
Due to affiliates	<b>551,024,226</b>	<b>551,024,226</b>	552,393,772	552,393,772
Loans payable	<b>3,567,650</b>	<b>3,567,650</b>	179,415	179,415
	<b>P792,036,290</b>	<b>P792,036,290</b>	P779,163,245	P779,163,245

\*Excluding payable to government agencies and reserve for contingencies which are not considered as financial liabilities

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

### *Current Financial Assets and Financial Liabilities*

Due to the short-term nature of the transactions, the carrying values of cash, receivables, loans payable, due to affiliates, accounts payable and accrued expenses approximate their fair values.

### *AFS Investments*

The fair values of publicly traded instruments and similar investments are based on quoted bid prices.

### *Long-term Debt*

The carrying value approximate the fair value, which is determined to be present value of future cash flows using the prevailing market rate as the discount rate.

### *Refundable Deposits*

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

## **20. 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, accoaccrued 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.

The sensitivity to reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P986 and P1,794 as of September 30, 2014 and December 31, 2013. A 1% decrease in the interest rate would have had the equal but opposite effect.

The following table sets out the principal amount, by maturity, of the Group's loans payable that are exposed to interest rate risk:

	<b>Sept 30 2014</b>	Dec 31 2013
Within 1 year	<b>P 713,530</b>	P179,415
1 - 4 years	<b>2,944,120</b>	–
	<b>P 3,657,650</b>	P179,415

### *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.

	<b>September 30 2014</b>			
	<b>On Demand</b>	<b>Within 1 Year</b>	<b>More than 1 Year</b>	<b>Total</b>
Cash and cash equivalents	<b>P22,544,241</b>	P –	P –	<b>P22,544,241</b>
Receivables	–	<b>33,176,510</b>	<b>34,162,197</b>	<b>67,338,707</b>
Refundable deposits	–	<b>713,285</b>	–	<b>713,285</b>
	<b>22,544,241</b>	<b>33,889,795</b>	<b>34,162,197</b>	<b>90,596,233</b>
AFS financial assets	–	–	<b>6,133,013</b>	<b>6,133,013</b>
	<b>P22,544,241</b>	<b>P33,889,795</b>	<b>P40,295,210</b>	<b>P96,729,246</b>
Due to related parties	P –	P –	P551,024,226	<b>P551,024,226</b>
Accrued expenses and other current liabilities	–	39,333,474	397,705,128	<b>437,038,602</b>
Loans payable	–	713,530	2,854,120	<b>3,567,650</b>
	<b>P –</b>	<b>P40,047,004</b>	<b>P951,583,474</b>	<b>P991,630,478</b>

December 31 2013

	On Demand	Within 1 Year	More than 1 Year	Total
Cash and cash equivalents	₱14,448,429	₱ –	₱ –	₱14,448,429
Receivables	–	31,753,232	44,133,183	75,886,415
Refundable deposits	–	713,285	–	713,285
	14,448,429	32,466,517	44,133,183	91,048,129
AFS financial assets	–	–	6,133,013	6,133,013
	₱14,448,429	₱32,466,517	₱50,266,196	₱97,181,142
Due to related parties	₱ –	₱ –	₱552,393,772	₱552,393,772
Accrued expenses and other current liabilities	–	39,097,798	387,086,448	426,184,246
Loans payable	–	179,415	–	179,415
	₱ –	₱39,277,213	₱939,480,220	₱978,757,433

*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.

Financial information on the Company's maximum exposure to credit risk as of September 30, 2014 and December 31, 2013, without considering the effects of collaterals and other risk mitigation techniques are presented below. (see next page)

	September 30 2014	December 31 2013
Cash and cash equivalents	₱ 22,544,241	₱ 14,448,429
Receivables	67,338,707	75,886,415
Refundable deposits	713,285	713,285
	₱90,596,233	₱ 91,048,129

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

**September 30 2014**

	High Grade	Medium Grade	Past due but not impaired	Total
Cash and cash equivalents	₱22,544,241	₱ –	₱ –	₱22,544,241
Receivables	17,508,064	15,668,446	34,162,197	67,338,707
Refundable deposits	713,285	–	–	713,285
	₱40,765,590	₱15,668,963	₱34,162,197	₱90,596,233

December 31 2013

	High Grade	Medium Grade	Past due but not impaired	Total
Cash and cash equivalents	₱14,448,429	₱ –	₱ –	₱14,448,429
Receivables	19,488,604	12,264,628	44,133,183	75,886,415
Refundable deposits	713,285	–	–	713,285
	₱34,650,318	₱12,264,628	₱44,133,183	₱91,048,129

---

## 21. 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 December 31, 2008, 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.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loan to total equity. Interest-bearing loan includes all short-term and long-term loans. The Group's interest-bearing loans amounted to P3,567,650, P179,415 and P4,838,560 as of September 30, 2014, December 31 and September 30, 2013, respectively. The Group's total equity attribute to equity holders of the Parent Company as at September 30, 2014, December 31 and September 30, 2013 amounted to P88 million, P92.4 million and P93.4 million, respectively.

---

## 22. 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 ₱42.0 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 September 30, 2014, 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  
SEPTEMBER 30, 2014**

	<b>September 30 2014</b>	September 30 2013	December 31 2013
<b>Profitability ratios:</b>			
Return on assets	<b>(0.08%)</b>	0.28%	(0.37%)
Return on equity	<b>(0.92%)</b>	0.30%	(3.97%)
Net profit margin	<b>(1.08%)</b>	3.41%	(3.22%)
<b>Solvency and liquidity ratios:</b>			
Current ratio	<b>108.68%</b>	109.21%	109.49%
Debt to equity ratio	<b>1043.32%</b>	987.62%	984.63%
Quick ratio	<b>105.92%</b>	106.81%	107.34%
Cash-flow liquidity ratio	<b>8.34%</b>	8.26%	8.43%
<b>Financial leverage ratio:</b>			
Asset to equity ratio	<b>1143.32%</b>	1087.62%	1084.63%
Debt to asset ratio	<b>91.25%</b>	90.81%	90.78%
Interest rate coverage ratio	<b>(40.78%)</b>	93.88%	(63.82%)

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

As of September 30, 2014

in Php '000s

---

Principal/Customer	Credit Terms	Total	Amount				
			Current	1-30	31-60	61-90	Over 90
<b><i>MCLSI Logistics</i></b>							
Rustans Supermarkets	30 days	12,806	1,067	3,913	3,913	3,913	–
Johnson & Johnson	30	6,512	543	5,969	–	–	–
Zuellig Pharma Corp.	60	6,118	510	2,804	2,804	–	–
Interphil Laboratories Inc.	30	3,240	270	990	990	990	–
ZPC Repacking	60	2,418	201	616	616	–	985
Bayer Animal Health (Phils)	30	1,598	533	533	532	–	–
Others	60	484	–	–	–	–	484
		<b>33,176</b>	<b>3,124</b>	<b>14,825</b>	<b>8,855</b>	<b>4,903</b>	<b>1,469</b>

---