

COVER SHEET

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S.E.C. Registration Number

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

C O R P O R A T I O N ( f o r m e r l y

F I L - E S T A T E C O R P O R A T I O N )

(Company's Full Name)

7 T H F L O O R R E N A I S S A N C E

T O W E R M E R A L C O A V E N U E

P A S I G C I T Y

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

RAMON G. JIMENEZ

Contact Person

(02) 633 - 6205

Company Telephone Number

1 2 3 1

Month Day

2014

calendar year

SEC FORM 17Q (3rd QUARTER 2014)  
FORM TYPE

0 9 3 0

Month Day

Registered/Listed  
Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/ Section

Total Amount of Borrowings

Domestic

Foreign

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

LCU

Document I.D.

Document I.D.

Cashier

Cashier

STAMPS

Remarks = pls. use black ink for scanning

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 9142 3. BIR Tax Identification No 043-000-194-408
4. Exact name of issuer as specified in its charter **METRO GLOBAL HOLDINGS CORPORATION**  
(formerly Fil-Estate Corporation)

Philippines

5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)

7th Floor Renaissance Tower,  
Meralco Avenue, Pasig City

7. Address of registrant's principal office 1600  
Postal Code

8. (02)633-6248/633-205  
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 n 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class amount	Number of shares of common stock outstanding and of debt outstanding
<u>Common stock - P 1 par value</u>	<u>2,000,000,000 shares</u>

11. Are any or all of the securities listed on the Philippine Stock Exchange?  
Yes [X] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine and Makati Stock Exchange Common shares

12. Indicate by check mark whether the registrant:

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

Yes [X] No [ ]

(b) has been subject to such filing requirements for the past 90 days.

Yes [ ] No [X]

**METRO GLOBAL HOLDINGS CORPORATION**

**BALANCE SHEETS**

**AS OF SEPTEMBER 2014**

(With Comparative Figures as of Calendar Year Ended December 31, 2013)

**ASSETS**

	September	December
	2014	2013
<b>Current Asset</b>		
Cash on hand and in banks	P 65,461	P 92,392
<b>Noncurrent Assets</b>		
Available-for-sale financial assets	1,722,144,260	1,722,825,729
	P 1,722,209,722	P 1,722,918,121

**LIABILITIES AND CAPITAL DEFICIENCY**

<b>Current Liabilities</b>		
Accrued expenses and other current liabilities	P 398,435,469	P 398,534,169
<b>Noncurrent Liabilities</b>		
Due to a stockholder	845,792,102	1,030,523,118
Due to other related parties	333,468,624	333,468,624
Total Noncurrent Liabilities	1,179,260,726	1,363,991,742
<b>TOTAL LIABILITIES</b>	<b>P 1,577,696,195</b>	<b>P 1,762,525,911</b>
<b>Capital Deficiency</b>		
Capital Stock	P 1,998,553,181	P 1,798,403,181
Additional paid-in capital	589,120,803	589,120,804
Cumulative changes in fair value of available-for-sale financial assets	5,586,938	6,268,406
Deficit	(2,448,747,396)	(2,433,400,181)
Net Capital Deficiency	144,513,527	(39,607,790)
	P 1,722,209,722	P 1,722,918,121

**METRO GLOBAL HOLDINGS CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2014**  
(With Comparative Figures for Months Ended September 30, July to September CY2013 & 2014)

	January to September		July to September	
	2014	2013	2014	2013
<b>NET LOSS FOR THE PERIOD</b>	<b>P (2,448,747,396)</b>	<b>(2,150,207)</b>	<b>P (3,676,185)</b>	<b>(386,627)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Market-To-Market Gain (Loss) on Available-For-Sale Financial Assets	0.00	0.00	0.00	0.00
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>P (2,448,747,396)</b>	<b>(2,150,207)</b>	<b>P (3,676,185)</b>	<b>(386,627)</b>

**METRO GLOBAL HOLDINGS CORPORATION**  
**STATEMENTS OF INCOME & DEFICIT**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

(With Comparative Figures for Months Ended September 30, July to September CY2013 & 2014)

	January to September		July to September	
	2014	2013	2014	2013
<b>EXPENSES</b>				
General & Administrative expenses	P (15,347,831)	P (2,150,207)	(3,677,089)	P (386,627)
Realized Forex Gain/Loss	385	(423)	824	(214)
Interest Income	232	246	80	68
<b>NET LOSS</b>	P (15,347,214)	P (2,150,383)	(3,676,185)	P (386,772)
DEFICIT AT BEGINNING OF THE QUARTER	(2,433,400,181)	(2,361,606,953)	(2,445,071,210)	(2,363,370,565)
DEFICIT AT END OF THE MONTH	P (2,448,747,396)	p (2,363,757,337)	(2,448,747,396)	P (2,363,757,337)

**\*\*Note: LOSS PER SHARE**

The computation of loss per share is as follows:

	Nine Months ended September 30		July to September	
	2014	2013	2014	2013
(a) Net Income/loss	(15,347,214)	(2,150,383)	(3,676,185)	(386,772)
(b) Weighted average number of shares outstanding	1,998,553,181	998,403,181	1,998,553,181	998,403,181
	(0.00768)	(0.00215)	(0.00184)	(0.00039)

**METRO GLOBAL HOLDINGS CORPORATION**  
**STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY**

For the nine months ended September 30

	2014	2013
<b>CAPITAL STOCK P 1 par value</b>	<b>1,998,553,181</b>	998,403,181
<b>ADDITIONAL PAID IN CAPITAL</b>	<b>589,120,803</b>	589,120,804
<b>CUMULATIVE CHANGES IN FAIR VALUE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>		
Balance at beginning of the year	5,586,938	5,675,866
Balance at end of the year	<b>5,586,938</b>	5,675,866
<b>DEFICIT</b>		
Balance beginning of the Quarter	<b>(2,433,400,181)</b>	(2,361,606,953)
Net Loss	<b>(15,347,215)</b>	(2,150,384)
<b>Balance at end of year</b>	<b>(2,443,160,458)</b>	(2,358,081,471)
	<b>144,513,527</b>	(770,557,486)

**METRO GLOBAL HOLDINGS CORPORATION**  
**STATEMENT OF CASH FLOWS**

		<b>Nine Months Ended September 30</b>	
		<b>2014</b>	<b>2013</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Loss	P	(15,347,215) P	(2,150,384)
<b>Net cash provided by operating activities</b>	<b>P</b>	<b>(15,347,215) P</b>	<b>(2,150,384)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Increase(Decrease) in Due to stockholder		(184,731,016)	2,093,310
Increase(Decrease) in Accrued Expenses & Other Liabilities		(98,700)	(39,820)
Increase(Decrease) in Capital Stock		200,150,000	
<b>Net cash from financing activities</b>	<b>P</b>	<b>15,320,284 P</b>	<b>2,053,490</b>
<b>Net Increase/Decrease in Cash</b>	<b>P</b>	<b>(26,931) P</b>	<b>(96,894)</b>
Beginning of period		92,392	163,367
<b>End of Period</b>	<b>P</b>	<b>65,461 P</b>	<b>66,473</b>

**METRO GLOBAL HOLDINGS CORPORATION**  
**(Formerly Fil-Estate Corporation)**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting and Financial Reporting Policies**

Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for the quoted equity securities included under available-for-sale (AFS) financial assets, which are carried at fair value. The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded off to nearest Peso Unit, except when otherwise indicated.

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies

The Company applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include PFRS 10, "Consolidated Financial Statements", PFRS 11, "Joint Arrangements", PAS 19, "Employee Benefits (Revised 2011)", PFRS 13, "Fair Value Measurement" and amendments to PAS 1, "Presentation of Financial Statements". In addition, the application of PFRS 12, "Disclosure of Interests in Other Entities", resulted in additional disclosures in the financial statements.

Several other amendments apply for the first time in 2013. However, they do not impact the annual financial statements of the Company.

The nature and the impact of each new standard and amendment are described below:

- Philippine Accounting Standards (PAS) 1, "Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (Amendments)" – The amendments to PAS 1 introduced a grouping of items presented in other comprehensive income. 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. The amendments affect presentation only and have no impact on the Company's financial position or performance.
- PAS 19 (Revised), "Employee Benefits" – Amendments range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The application of these amendments did not have an impact on the Company's financial position or performance.
- PAS 27 (as revised in 2011), "Separate Financial Statements" – As a consequence of the issuance of the new PFRS 10, "Consolidated Financial Statements" and PFRS 12, "Disclosure of Interests in Other Entities", what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have an impact on the Company's financial position and performance.



- PAS 28 (as revised in 2011), “Investments in Associates and Joint Ventures” – As a consequence of the issuance of the new PFRS 11, “Joint Arrangements” and PFRS 12, PAS 28 has been renamed PAS 28, “Investments in Associates and Joint Ventures”, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of the revised PAS 28 did not have an impact on the Company’s financial position and performance.
- PFRS 1, “First-time Adoption of International Financial Reporting Standards - Government Loans (Amendments)” – The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, “Accounting for Government Grants and Disclosure of Government Assistance”, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, “Financial Instruments: Recognition and Measurement”, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Company.
- PFRS 7, “Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)” – These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32 “Financial Instruments: Presentation”. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or “similar agreement”, irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  - a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  - b) The amounts that are set-off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  - c) The net amounts presented in the statement of financial position;
  - d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    - ii. Amounts related to financial collateral (including cash collateral); and
  - e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments affect disclosures only and have no significant impact on the Company’s financial position or performance.

- PFRS 10 – The standard replaced the portion of PAS 27, “Consolidated and Separate Financial Statements” that addressed the accounting for consolidated financial statements. It also included the issues raised in Standing Interpretations Committee (SIC) 12, “Consolidation - Special Purpose Entities”. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The application of this standard did not have an impact on the Company’s financial position and performance.

- PFRS 11 – The standard replaced PAS 31, “Interests in Joint Ventures” and SIC 13, “Jointly Controlled Entities - Non-Monetary Contributions by Venturers”. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The application of this standard did not have an impact on the Company’s financial position or performance.
- PFRS 12 – The standard sets out the requirements for disclosures relating to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The application of this standard did not have an impact on the Company’s financial position or performance. PFRS 12 disclosures are provided in Note 5.
- PFRS 13, “Fair Value Measurement” – The standard 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.

As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Company has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 12.

- Philippine International Financial Reporting Interpretations Committee (IFRIC) 20, “Stripping Costs in the Production Phase of a Surface Mine” – This interpretation applies to waste removal (‘stripping’) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This interpretation is not relevant to the Company.

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

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Company adopted these amendments for the current year.

- 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 Company has not included comparative information in respect to the opening statement of financial position as at January 1, 2012. The amendments affect disclosures only and have no impact on the Company’s financial position or performance.

- PAS 16, “Property, Plant and Equipment - Classification of servicing equipment” – The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have any impact on the Company’s financial position or performance.
- 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”. The application of this amendment has no impact on the Company’s financial position or performance.
- PAS 34, “Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities” – The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity’s previous annual financial statements for that reportable segment. The Company is not required or does not elect to publish interim financial reports.
- PFRS 1, “First-time Adoption of PFRS - Borrowing Costs” – The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, “Borrowing Costs”. The amendment does not apply to the Company as it is not a first-time adopter of PFRS.

#### Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the Company’s financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

- PAS 19, Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)
  - The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. 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. The application of these amendments will have no impact on the Company’s financial position or performance.
- PAS 32, “Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)” – The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and will have no impact on the Company’s financial position or performance.

- PAS 36, “Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)” – The amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. 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. The amendments affect disclosures only and will have no impact on the Company’s financial position or performance.
- PAS 39, “Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)” – The amendments are effective for annual periods beginning on or after January 1, 2014. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Company does not have any derivative transactions and thus, these amendments will have no impact on the Company’s financial position or performance.
- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27) – These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). It is not expected that this amendment would be relevant to the Company since it would not qualify to be an investment entity under PFRS 10.
- Philippine Interpretation IFRIC 21, “Levies” – The interpretation is effective for annual periods beginning on or after January 1, 2014. IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PAS 16, “Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation” – The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  - b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The Company's property and equipment are carried at cost, and thus, the amendment has no impact on the Company's financial position or performance.

- PAS 24, "Related Party Disclosures - Key Management Personnel" – The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. 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 affect disclosures only and have no impact on the Company's financial position or performance.
- PAS 38, "Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization" – The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  - b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments have no impact on the Company's financial position or performance.

- PFRS 2, "Share-based Payment - Definition of Vesting Condition" – The amendment to PFRS 2 shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment does not apply to the Company as it has no share-based payments.
- PFRS 3, "Business Combinations - Accounting for Contingent Consideration in a Business Combination" – The amendment to PFRS 3 shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment has no impact on the Company's financial position or performance.
- 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 are effective for annual periods beginning on or after

July 1, 2014 and are applied retrospectively. These 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. The amendment has no impact on the Company's financial position or performance.

- 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. The amendment will have no impact on the Company's financial position or performance.

#### Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PAS 40, "Investment Property" – This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. The amendment will have no impact on the Company's financial position or performance.
- PFRS 1, "First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'" – The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. The amendment will have no impact on the Company's financial position or performance.
- PFRS 3, "Business Combinations - Scope Exceptions for Joint Arrangements" – The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment will have no impact on the Company's financial position or performance.
- PFRS 13, "Fair Value Measurement - Portfolio Exception" – The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment will have no impact on the Company's financial position or performance.
- PFRS 9, "Financial Instruments" – PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset

may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at fair value through profit or loss (FVPL) using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, "Agreements for the Construction of Real Estate" – This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the Company's financial position or performance.

#### Financial Assets and Financial Liabilities

*Date of Recognition.* The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

*Initial Recognition.* Financial assets and financial liabilities are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial assets and financial liabilities measured at FVPL. The subsequent measurement of financial assets and financial liabilities depends on their classification.

*Determination of Fair Value and Fair Value Hierarchy.* Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial assets and financial liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value hierarchy and measurement disclosures are presented in Note 12.

*Offsetting.* Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to either 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 at gross amount in the statement of financial position.



*“Day 1” Difference.* When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a ‘Day 1’ difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference amount.

#### Financial Assets

Financial assets within the scope of PAS 39 are classified as financial assets at FVPL, loans and receivables, held-to-maturity investments (HTM), AFS financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

The Company has no financial assets designated at FVPL, HTM investments and derivatives designated as hedging instruments as at September 30, 2014 and 2013.

*Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets nor financial assets at FVPL. After initial measurement, loans and receivables are subsequently measured at amortized cost less any allowance on impairment. Amortization is determined using the EIR method. Amortized cost is calculated taking into account any discount or premium on acquisition and include fees that are integral part of the EIR and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired as well as through the amortization process. Loans and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

Classified under this category are the Company’s cash in banks as at September 30, 2014 and 2013.

*AFS Financial Assets.* AFS financial assets are non-derivative financial assets that are designated as such or do not qualify to be classified in any of the other preceding categories. AFS financial assets include equity and debt securities. Equity investments classified as AFS are those, either designated in this category or not classified in any of the other categories. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized as separate component of other comprehensive income in the cumulative change in fair value of AFS financial assets until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is recognized in profit or loss in finance costs and removed from the cumulative change in fair value of AFS financial assets.

The Company evaluated its AFS financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management’s intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to HTM is permitted only when the entity has the ability and intent

to hold until the financial asset matures accordingly.

For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

As at September 30, 2014 and 2013, AFS financial assets consist of the Company's investments in quoted equity securities currently traded in the PSE and unquoted equity securities like investments in shares of stock of MRTH I and MRTH II.

#### Financial Liabilities

Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification at initial recognition and re-evaluates this designation at every reporting date.

The Company has not designated any financial liabilities at FVPL and derivatives designated as hedging instruments as at September 30, 2014 and 2013.

Other financial liabilities pertain to financial liabilities that are not held for trading or not designated at FVPL upon the inception of the liability.

This category includes accrued expenses and other current liabilities (excluding deposits received in consideration from the Cooperation Agreement) and due to a stockholder (excluding settlement in equity shares) as at September 30, 2014 and 2013.

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

#### Impairment of Financial Assets

The Company assesses at each financial reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

*Financial Assets Carried at Cost.* If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot

be reliably measured, 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.* In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss) is removed from equity and recognized profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized as other comprehensive income.

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

#### Investment in an Associate

The Company carries its investment in Monumento Rail, where the Company has the ability to exercise significant influence since the date of acquisition, under the equity method of accounting. Under the equity method, the investment is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share in net assets of the associate, less any impairment in value. The statement of comprehensive income reflects the Company's share of the financial performance of the associate. Where there has been a change recognized directly in equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in capital deficiency.

The share of profit of associates is shown in the statement of comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interest in the subsidiaries of the associate.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal are recognized in profit or loss.

#### Impairment of Investment in an Associate

In assessing impairment of investment in an associate, the Company determines, after application of the equity method, whether it is necessary to recognize an additional impairment loss. The Company determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognizes the amount in profit or loss. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss 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 had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and 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 discounted using a current pretax rate that reflects, 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 an interest expense.

#### Equity

Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital. Subscriptions receivable becomes due and demandable upon approval of the capital call by the Company's BOD.

Deficit represents the accumulated losses incurred by the Company.

#### Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is recognized as the interest accrues, taking into account the effective interest on the asset using the EIR method.

#### Cost and Expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to stockholders. Costs and expenses are recognized in the statement of comprehensive income in the year these are incurred.

#### Borrowing Costs

Borrowing costs are generally expensed as incurred.

### Foreign Currency-denominated Transactions and Translations

Transactions denominated in foreign currency are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate at the reporting date. All differences are recognized in profit or loss in the statement of comprehensive income.

### Income Taxes

*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 the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all temporary differences and net operating loss carryover (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Loss Per Share

Loss per share is computed by dividing the net loss for the year by the weighted average number of shares outstanding during the year, with retroactive adjustments for stock dividends declared, if any.

### Business Segments

The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products.

*Segment Assets and Liabilities.* Segment assets include all operating assets used by a segment and consist principally of operating cash. Segment liabilities include all operating liabilities and consist principally of accrued expenses and other current liabilities. Segment assets and liabilities do not include AFS financial assets and borrowings, respectively.

*Inter-segment Transactions.* Segment revenue, segment expenses and segment performance include transfers among business segments. The transfers, if any, are accounted for at competitive market prices charged to unaffiliated customers for similar products.

### Contingencies

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

### Events after the Reporting Period

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

## **2. Significant Accounting Judgment and Estimate**

The Company's financial statements prepared under PFRS require management to make judgment and estimates that effect amounts reported in the financial statements and related notes. Future events may occur which will cause the judgment and assumptions used in arriving at the estimates to change. The effects of any change in judgment and estimates are reflected in the financial statements as they become reasonably determinable.

Judgment and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### Judgment

In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

*Determination of Functional Currency.* Based on the economic substance of the underlying circumstances relevant to the company, the functional currency of the Company has been determined to be the Philippine Peso. The functional currency is the currency of the primary economic environment in which the Company operates.

*Determination of Fair Value of Financial Assets and Liabilities.* Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility.

The fair value of financial assets amounted to P1,722.14 million and P1,722.82 million as at September 30, 2014 and December 31, 2013 and, respectively. The fair value of financial liabilities amounted to P398.43 million and P398.53 million as at September 30, 2014 and December 31, 2013, respectively.

*Determination of Fair Value of Financial Assets not Quoted in an Active Market.* The Company determines whether a reliable measure of fair value is available for equity investment not quoted in an active market. If a reliable measure is not available or ceases to be available, the unquoted equity investments are measured at cost.

The fair values of the Company's investments in MRTHI and MRTH II cannot be reasonably determined as the shares are unquoted nor are there any expected future cash flows in view of the sale of future distributions as discussed in Note 4 and that the investments, pursuant to the "Letter of Agreement" with FEMI, will be used to settle the Company's liability to FEMI. On December 16, 2013, the Company converted P800.0 million of its

liabilities to FEMI into equity. This resulted to the decrease in the value of the “Due to a stockholder” account which triggered the recognition of an impairment loss amounting to P49.7 million for the year ended December 31, 2013. The carrying amount of unquoted investments after impairment amounted to P1,714.0 million as at September 30, 2014 and December 31, 2013.

*Determination of Impairment of AFS Financial Assets.* The Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment. The Company treats “significant decline” when the difference between its cost and fair value is 20.0% or more and “prolonged decline” when the fair value of quoted equity securities is lower than its cost for more than 12 months. In making this judgment, the Company evaluates, among other factors, the normal volatility in share price for quoted equities.

In the case of unquoted shares, AFS financial assets are considered impaired when management believes that future cash flows generated from the investment is expected to decline significantly. The Company’s management makes significant estimates and assumptions on the future cash flows expected and the appropriate discount rate to determine if impairment exists. Impairment may also be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

There were no impairment for quoted equity securities in 2013. The carrying value of quoted equity securities amounted to P8.15 million as at September 30, 2014 and P8.83 million as at December 31, 2013.

The Company recorded an impairment loss for unquoted equity securities amounting to P49.7 million in 2013. Management believes that the carrying value of the unquoted equity securities, after the application of the proceeds from the sale of the share of the future share distributions, can be realized in the future through: a) the Company’s share in any additional variable equity rental payments (ERP) received by MRTC from DOTC in the form of a ridership bonus or sharing scheme which were not included in the future share distributions sold; b) the Company’s share in the benefits arising from the residual rights in the expansion project; and c) the Company’s put option to use the shares of stocks of MRTH I and MRTH II to pay-off its net advances from FEMI pursuant to the “Letter of Agreement”. However, upon conversion of P800.0 million of liabilities to FEMI to equity, the carrying value of the unquoted equity securities also declined. The carrying values of the unquoted equity securities amounted to P1,714.0 million as at September 30, 2014 and December 31, 2013.

#### Estimate

The key assumption concerning future and other key source of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below:

*Recognition of Deferred Tax Assets.* The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that sufficient taxable income will be generated to allow all or part of the deferred tax assets to be utilized.

Unrecognized deferred tax assets as at September 30, 2014 and December 31, 2013 amounted to P45.2 million.

### **3. Financial Risk Management Objectives and Policies**

The Company’s financial assets and liabilities are cash in banks, AFS financial assets, accrued expenses and other current liabilities and due to a stockholder. The BOD reviews and approves policies of managing each of the risks.

### Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet or settle its obligations and supporting the Company's operations and activities.

Other than accrued expenses and other current liabilities which are payable on demand, the remaining liabilities have no fixed repayment terms. The Company has the option to use its investment in MRTH I and MRTH II in payment for its outstanding advances to FEMI while the other due to related parties shall be applied against future dividends. In addition, FEMI committed not to demand payment of the amount due from the Company which therefore reduces the Company's exposure to liquidity risk.

The Company coordinates and negotiates closely with its principal stockholder to manage cash flow risks by jointly identifying new sources of cash flows through potential future investment and/or cash flow infusions in to the Company over the next five years.

### Credit Risk

Credit risk arises from the possibility of the Company incurring a loss due to the failure of the debtors to meet their contractual debt obligations.

The Company's exposure to credit risk relates primarily to its deposits from banks with good credit rating. The maximum exposure to credit risk is equivalent to the carrying amount of these cash in banks and AFS financial assets.

The Company's financial assets consisting of cash and AFS financial assets with aggregate fair values of P1,722.21 million and P1,722.92 million as at September 30, 2014 and December 31, 2013 respectively, are neither past due nor impaired.

The credit quality of these financial assets are considered high grade because of the following factors considered by management:

*Cash.* These are deposited with reputable banks that belonged to the top three banks in the Philippines and approved by management. The Company has not experienced any difficulty transacting through these banks.

*AFS Financial Assets.* Unquoted AFS financial assets are unrated while quoted AFS financial assets are assessed as high grade based on financial status of the counterparty and its current stock price performance in the market.

### Equity Price Risk

The Company is exposed to fair value changes on its AFS financial assets in listed equity securities.

The Company's policy is to maintain the risk to an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.

The following table demonstrates the sensitivity of the Company's equity to a reasonable change in market prices on December 31, 2013, with all variables held constant:

	Increase (decrease)	Effect on Equity
2013	0.78 (0.78)	P45,099 (45,099)

\*Average of percentage movement in market prices of listed AFS financial assets for a year.



#### Capital Management

The Company treats its payables to FEMI as part of the aggregate capital base. The primary objective of the Company's management is to maintain a substantial capital base sufficient to support its long-term investment and holding company mandate.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions or business directions as approved by the Company's BOD. To maintain or adjust the capital structure, the issuance of new shares and the conversion of shareholder advances into capital stock.

The Company monitors capital using a targeted gearing ratio, which is net debt divided by total capital (inclusive of payables to FEMI as part of capital base) plus net debt. The Company's policy is to keep a gearing ratio of 60.0% or lower. The Company includes within net debt, accrued expenses and other current liabilities and due to other related parties, less cash.

The Company continuously conducts an internal review its capital and financial risk management objective and policies.

#### **4. Other Information**

There was no dividend yet declared by MRTC. With regards to debt and equity securities, there were no issuances and/or repurchases incurred in the third quarter ended, September 30, 2014.

Metro Global Holdings Corporation (formerly Fil-Estate Corporation) has not made any reorganization, entered into any merger or consolidation or any business combinations. Also, the Company was not involved in any acquisition or disposal of subsidiaries and long term investments, restructurings and discontinuing operations since the last reporting period of June 30, 2014.

As of December 31, 2013 up to this quarter period reporting (September 30, 2014), no contingent liabilities or contingent assets have been declared.

### **PART 1 - FINANCIAL INFORMATION**

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

Metro Global Holdings Corporation (formerly Fil-Estate Corporation) continues to be a stakeholder of the Metro Manila Rail Transit Project through its holding company Metro Rail Transit Holdings, Inc. and its subsidiary Monumento Rail Transit Corporation.

MGHC (formerly FEC) also plans to continue its strategy in maintaining itself as a holding corporation with key investment in the form of equity interest in Metro Rail Transit Holdings (MRTH), Inc. and Metro Rail Transit Holdings II (MRTH II ). The combined investment in these two holding companies represents approximately 29% interest in the EDSA MRT Systems. The Phase 1 of the MRT Project (LRTS Phase 1) started full operation on July 15, 2000, which involved 13 stations covering the North Triangle to Taft Avenue. The operation for the next 12 months will be strictly confined to that of an investee Corporation.

The Company will continue, through its holdings in Monumento Rail to actively pursue its participation in the train system extensions (e.g. Makati Loop) and capacity extension through procurement of additional trains/vehicles.

*Equity Infusion* On March 19, 2007, the company accepted the proposal of FEMI to infuse its 30% equity ownership in Camp John Hay Development Corporation (CJHDEVCO) in exchange for up to 450 million shares of the Company at ₱1.00 par value, subject to the approval of the SEC.

On September 11, 2007, the Company signed a Deed of Assignment whereby the 30% equity ownership of FEMI in CJHDEVCO is transferred to the Company in exchange for 450.0 million shares at P1.00 par values subject to the approval of the Bases Conversion Development Authority (BCDA). The Deed of Assignment by FEMI of its equity interest in CJHDEVCO in favor of the Company was signed in 2007 in conjunction with CJHDEVCO's active discussions with certain property developers and business process outsourcing operators who intend to invest in the CJHDEVCO area. The expansion of the CJHDEVCO tourism and leisure complex in the northern resort destination of Baguio City will involve about 20 hectares of new development out of the total 247-hectare former rest and recreation facility of the United States Military. It is further expected that the profitability of CJHDEVCO will also be boosted by such investments and which, in turn, will positively affect the financial performance of the Company.

On July 1, 2008, the BCD gave its consent on the transfer made by FEMI of its 30.0% equity interest in CJH in exchange for new shares of stocks of the Company.

On April 23, 2009, the Company and FEMI (the parties) executed an Amendment to the Deed of Assignment which (a) amends the number of shares to be transferred to 1.5 million shares still representing 30.0% equity interest in CJHDEVCO, and (b) extends date of closing of transaction to June 30, 2010 or any date agreed upon by the parties in writing, in order to allow the parties to fully comply with the conditions precedent to closing as set forth in the Deed of Assignment, particularly the consent from the SEC.

On January 9, 2012, CJHDEVCO rescinded the Restructured Memorandum of Agreement it entered into with BCDA on July 1, 2008, in view of the continuing inability of BCDA to make good its one-stop shop 30-day permit issuance guaranty. CJH subsequently filed a case against BCDA for arbitration with the Philippine Dispute Resolution Center, Inc.

On March 14, 2012, the House of Representatives passed a resolution creating a technical working group aimed to assisting CJHDEVCO and BCDA in amicably resolving the dispute.

On April 12, 2012, BOD approved the deferment of the assignment, transfer and conveyance in favor of the Company, of FEMI'S 30.0% equity in CJHDEVCO until the resolution of the dispute between CJHDEVCO and BCDA.

As at September 30, 2014, the implementation of the transfer of the 30.0% equity FEMI in CJHDEVCO is still pending as the dispute between CJHDEVCO and BCDA is still under arbitration and has not yet been resolved.

**Conversion of liabilities to equity.** On January 28, 2008, the BOD approved the conversion of a portion of the liabilities to FEMI amounting to about P400.0 million into equity shares of the Company at a par value of P1.00 per share. In view of the increase in the balance of liabilities to FEMI, the amount to be converted to equity was increased to P600.0 million as approved by the BOD on April 18, 2011. The amount for conversion was further increased to P800.0 million as subsequently approved by the BOD on April 12, 2012. On December 16, 2013, the SEC approved the conversion of portion of the Company's liabilities to FEMI amounting to 800.0 million, into equity shares totalling 800.0 million shares at P1.00 par value.

On May 6, 2014, the BOD approved the request of FEMI to increase its shareholdings and further reduce its receivables from the Company through the conversion into equity of portion of its receivables amounting to P200.15 million, equivalent to 200,150,000 shares at P1.00 par value.

On September 4, 2014, the Securities and Exchange Commission has approved the Corporation's application for Confirmation of Valuation (**Annex "A"**) of the advances of P 200,150,000 as payment for the additional Subscription of Fil-Estate Management, Inc. to

200,150,000 common shares of Metro Global Holdings Corporation (formerly Fil-Estate Corporation) with par value of ₱1.00 per share.

**Infusion of certain properties.** On April 12, 2012, the Company accepted the infusion by FEMI of certain properties of Mt. Zion Memorial, Inc. (MZMI) worth ₱500.0 million shares of the Company at ₱1.00 par values. MZMI is wholly-owned subsidiary of FEMI engaged in the development of Class A memorial parks. Organized in 1999, MZMI now has twelve (12) memorial parks nationwide with a total combined saleable memorial lots aggregating 50 hectares, with an estimated value of ₱2,500.0 million. A significant amount of annual income is expected to be generated from this infusion.

As at September 30, 2014, the Company has yet to seek approval from the SEC in relation to the said transaction.

**Cooperation Agreement.** On November 12, 2010, the Company, Fil-Estate Properties, Inc. (FEPI) and FEMI (collectively termed as the “Fil-Estate Companies”) entered into a Cooperation Agreement with Metro Pacific Investment Corporation (MPIC) relating to the Fil-Estate Companies’ rights and interests in the MRT Companies. Under the Cooperation Agreement, the Fil-Estate Companies shall appoint MPIC as its attorney-in-fact in connection with the exercise of the rights and interests of the Fil-Estate Companies in the MRT Co. The completion and consummation of the transaction contemplated by the parties is subject to certain conditions, which as at September 30, 2014, has not yet occurred. As such, MPIC and Fil-Estate Companies are now discussing possible scenarios on how to implement the transactions contemplated by the parties when they entered into the Cooperation Agreement.

**Other Business Mandate.** The Company continues to pursue its new business mandate of getting involved in property projects relating to resort/leisure and entertainment facilities. A more aggressive outlook in property development is also being adopted by the Company in view of an upsurge in the business process outsourcing sector and the increase in demand for retirement and leisure homes.

The Company’s **key performance indicators (KPIs)** cannot be measured or discussed since result of operation is net loss and there is capital deficiency. The Company’s operation is strictly confined as holding company. Current ratio for 3rd quarter 2014 is 0.016% as compared to 3rd quarter of 2013 of 0.01%. You may refer to the attached table A.

The administrative, operation, finance and executive function of the Company are being handled by its parent company FEMI. FEC is not expecting to hire any employee within the next 12 months.

Cash decreased by about ₱26.9 Thousand, from ₱92 Thousand in December 2013 and ₱65 Thousand in September 2014.

There are no material changes in the AFS Financial Asset which comprised 99.99% of the total assets in 3rd Quarter of September 2014 as compared with that of the 3rd Quarter September 2013.

The decrease in the “Due to a stockholder” account of ₱184.7 Million was the net effect of the advances received from FEMI of ₱845.8 Million and the conversion of portion of the liability to FEMI amounting to ₱200,150,000 into equity shares of the company.

Decrease in Accrued Expenses account of about ₱98.7 Thousand represents adjustments of previous accruals.

Due to other related parties remain unchanged as of September 2014 as compared to September 2013.

Net Loss for 3rd quarter of 2014 of about ₱15.3 Million was brought about by the regular operating expenses of the company, including the ₱8.5 Million documentary stamp tax paid on 800M, 700M and 200.150M shares issued to FEMI .

There are no material events, trends, commitments or uncertainties known to management that would address the past and would have an impact on the liquidity and on future operation of the company in general.

There are no any material commitments for capital expenditures, nor any events that will trigger direct or contingent financial obligation that is material to the company.

No material off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons created during this 3rd quarter period.

## FINANCIAL RISK DISCLOSURE

**The significant judgments made in classifying a particular financial instrument in the fair value hierarchy.**

- ***Fair value of financial instruments***

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity. Due to the short-term nature of transactions, the fair value of cash in banks, accrued expenses and other current liabilities and due to a stockholder approximate the carrying values as at reporting date. Quoted equity securities are recorded at fair value. Fair value of unquoted equity securities for which no reliable basis for fair value measurement is available are carried at cost, less any accumulated impairment loss.

### ***Fair Value Hierarchy***

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The quoted equity securities whose fair values are determined using quoted prices in active markets (Level 1) amounted to Php10.18 million and Php8.8 million as at September 30, 2014 and December 31, 2013, respectively.

As at September 30, 2014 and December 31, 2013, the Company does not have any financial assets and financial liabilities carried at fair value that are classified under Level 2 and 3.

In September 2014 and 2013, there are no transfers among the fair value hierarchies.

A comparison of the fair values as of date of the recent interim financial report and as of date of the preceding interim period, and the amount of gain/loss recognized for each of the said periods.

- o Please refer to Quoted Equity Securities under Note 4 Available-for-Sale Financial Assets of the 2013 FS

#### Quoted Equity Securities

The changes in market value of quoted equity securities that were presented as "Change in fair value of available-for-sale financial assets" in other comprehensive income amounted to P681 thousand in September 2014 and P 1.89 million loss in December 2013.

Movement in AFS financial assets consists of:

	Sept. 2014	Dec. 2013
Acquisition cost	<b>P2,565,582</b>	<b>P2,565,582</b>
Cumulative change in fair value of AFS financial assets:		
Balance at beginning of year	<b>6,268,406</b>	8,165,669
Changes in fair value during the year	<b>(681,469)</b>	(1,897,263)
Balance at end of year	<b>5,586,937</b>	6,268,406
	<b>P8,152,519</b>	<b>P8,833,988</b>

The criteria used to determine whether the market for a financial instrument is active or inactive, as defined under PAS 39 - Financial instruments.

Determination of Fair Value of Financial Assets not Quoted in an Active Market. The Company classifies financial asset valuating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arms' length basis.

The fair values of the company's investments in MRTH I and MRTH II cannot be reasonably determines as the shares are unquoted nor were there any expected future cash flows in view of the sale of future distributions as discussed in Note 4 and that the Investments, pursuant to the option agreement as also discussed in Note 4 and the investments, pursuant to the option agreement as also discussed in Note 4, will be used to settle the Company's liability to FEMI. The carrying amount of unquoted investments amounted to P1,714 million as at September 30, 2014 and December 31, 2013.

## PART II - OTHER INFORMATION

- A. On September 8, 2014, the SEC approved the Corporation's application for Confirmation of Valuation (Annex "A") of the advances of P200,150,000 as payment for the additional subscription of Fil-Estate Management, Inc. to 200,150,000 common shares of Metro Global Holdings Corporation (formerly Fil-Estate Corporation) with par value of P1.00 per share.

Table A

Financial Ratios	Formula	3rd quarter 2014	3rd quarter 2013
a) Current Ratio	$\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$	0 .016%	0 .01%
b) Solvency Ratio	$\frac{\text{Net Profit after Tax (or NPAT) + Depreciation and amortization}}{\text{Total Liabilities}}$		
c) Debt-to-Equity Ratio	$\frac{\text{Total Debt}}{\text{Total Stockholders' Equity}}$		
d) Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$		
e) Net Profit margin	$\frac{\text{NPAT}}{\text{Net Revenues}}$		
f) Return on asset	$\frac{\text{NPAT}}{\text{Average Total Asset}}$		
g) Return on Equity	$\frac{\text{NPAT}}{\text{Average Total Stockholders' Equity}}$		



109092014002099



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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### Company Information

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Company Name METRO GLOBAL HOLDINGS CORPORATION  
Industry Classification  
Company Type Stock Corporation

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F i l - E s t a t e C o r p o r a t i o n )

(Company's Full Name)

M E Z Z A N I N E F L O O R , R E N A I S S A N C E  
T O W E R , M E R A L C O A V E , P A S I G  
(Business Address: No Street City/ Town/ Province)

ALICE ODCHIGUE-BONDOC  
Contact Person

6336205 loc. 113  
Company Telephone Number

## SEC FORM 17-C

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fiscal year

FORM TYPE

1st Thursday of March  
Month Day  
annual meeting

Listed

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/ Section

Total Amount of Borrowings  
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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Please be advised that the Securities and Exchange Commission has approved the Corporation's application for Confirmation of Valuation (**Annex "A"**) of the advances of P200,150,000.00 as payment for the additional Subscription of Fil-Estate Management, Inc. to 200,150,000 common shares of Metro Global Holdings Corporation (formerly Fil-Estate Corporation) with par value of P1.00 per share.

### SIGNATURE

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

**METRO GLOBAL HOLDINGS  
CORPORATION** (*formerly Fil-  
Estate Corporation*)  
Issuer

Date: 8 September 2014

By:

  
**ALICE ODCHIGUE-BONDOC**  
Compliance Officer



REPUBLIC OF THE PHILIPPINES  
**SECURITIES AND EXCHANGE COMMISSION**  
SFC Building, EDSA, Greenhills  
Pasig City, Metro Manila

COMPANY REG. No. 9142

**CERTIFICATE OF APPROVAL OF VALUATION**

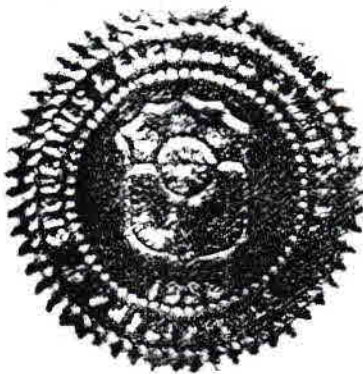
**KNOW ALL PERSONS BY THESE PRESENTS:**

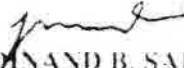
THIS IS TO CERTIFY that the valuation of the advances of P200,150,000.00 as payment for the additional subscription of 200,150,000 shares with a par value of P1.00 per share of

**METRO GLOBAL HOLDINGS CORPORATION**

was approved by the Commission pursuant to the provision of Section 62 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 4<sup>th</sup> day of September, Twenty Fourteen.



  
**FERDINAND B. SALES**  
Director


Company Registration and Monitoring Department

## SIGNATURES

Pursuant to the requirements of the Revised Securities Act, the registrants has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized

Registrant: METRO GLOBAL HOLDINGS CORPORATION  
(Formerly Fil-Estate Corporation)

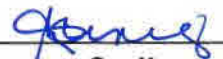
Signature and Title

  
\_\_\_\_\_  
Atty. Ferdinand T. Santos  
President

Date : November 5, 2014

Principal Financial/Accounting Officer/Controller:

Signature and Title

  
\_\_\_\_\_  
Ramon G. Jimenez  
Vice President for Accounting