COVER SHEET

3	9	6	5	2

SEC Registration Number

MEDCO HOLDINGS, INC.

(Company's Full Name)

31st Floor, Rufino Pacific Tower,
6784 Ayala Avenue, Makati City

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

Dionisio E. Carpio, Jr.
(Contact Person)

811-0465
(Company Telephone Number)

1 2 **3 1**
Month *Day*
(Fiscal Year)

Definitive
SEC Form 20-IS
(Form Type)

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20 – IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [**X**] Definitive Information Statement

2. Name of Registrant as specified in its charter: **Medco Holdings, Inc.**

3. Province, country or other jurisdiction of incorporation or organization
   Metro Manila, Philippines

4. SEC Identification Number: **39652**

5. BIR Tax Identification Code: **004-844-938**

6. Address of principal office — Postal Code
   31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue
   Makati City, Metro Manila, Philippines — **1229**

7. Registrant's telephone number, including area code: **(632) 811-0465 to 66**

8. Date, time and place of the meeting of security holders
   November 23, 2016 at 10:00 a.m. at Brasserie 21, 21st Floor Security Bank Centre, 6766 Ayala Avenue, Makati City

9. Approximate date on which the Information Statement is first to be sent or given to security holders – November 2, 2016

10. In case of proxy Solicitations: (**Not applicable)**

11. Securities registered pursuant to Section 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	**700,000,000 shares**

12. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes __**x**__ No _____

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    The entire outstanding capital stock of the Company of 700,000,000 common shares are listed on the First Board of the Philippine Stock Exchange.

MEDCO HOLDINGS, INC.

Notice of Annual Meeting of Stockholders

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of the Stockholders of Medco Holdings, Inc. (the "Corporation") which will be held on November 23, 2016, Wednesday at 10:00 a.m. at Brasserie 21, 21st Floor Security Bank Centre, 6766 Ayala Avenue, Makati City. The agenda for the meeting is as follows:

I. Call to Order
II. Certification of Notices and Quorum
III. Approval of the minutes of the annual meeting of stockholders held on December 15, 2015;
IV. Approval of the Annual Report and the Audited Financial Statements as of December 31, 2015;
V. Approval and Ratification of the acts, contracts, investments and resolutions of the Board and management of the Corporation since the last annual meeting on December 15, 2015;
VI. Election of the members of the Board of Directors for the year 2016;
VII. Re-appointment of Punongbayan & Araullo, the Philippine representative of Grant Thornton International, as external auditors of the Corporation for the year 2016;
VIII. Other matters.

Only stockholders of record in the books of the Corporation at the close of business on October 24, 2016 will be entitled to vote at the meeting. A list of stockholders entitled to vote will be available for inspection at the offices of the Corporation at the 31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, Metro Manila, Philippines, on November 2, 2016, at least fifteen (15) days prior to the Annual Meeting.

Medco Holdings, Inc.
By:

PAULINE C. TAN
Assistant Corporate Secretary

Makati City, Philippines, October 13, 2016
REGISTRATION OF STOCKHOLDERS WILL START AT 9:00 A.M.

WE ARE NOT ASKING YOU FOR A PROXY AND
YOU ARE REQUESTED NOT TO SEND US A PROXY.

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

(a) The Annual Meeting of the stockholders of Medco Holdings, Inc. (the "Corporation") shall be held on:

Date : November 23, 2016
Time: 10:00 a.m.
Place: Brasserie 21, 21st Floor Security Bank Centre, 6766 Ayala Avenue, Makati City

The complete mailing address of the principal office of the Corporation is as follows:

31st Floor, Rufino Pacific Tower,
6784 Ayala Avenue, Makati City,
Metro Manila, Philippines

(b) Copies of this Information Statement will be sent or given to the stockholders on or about November 2, 2016.

Item 2. Dissenters' Right of Appraisal

Under Section 42 and 81 of the Corporation Code, the following are the instances when a stockholder may exercise his appraisal right:

1. In case the Company decides to invest its funds in another corporation or business outside of its primary purpose;

2. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

3. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets of the Company; and

4. In case of merger or consolidation.

In order that a dissenting stockholder may exercise his appraisal right, such dissenting stockholder must have voted against the proposed corporate action at the annual meeting. Within thirty (30) days after the date of the annual meeting at which meeting such stockholder voted against the corporate action, the dissenting stockholder shall make a written demand on the Company for the fair value of his shares which shall be agreed upon by the dissenting stockholder and the Company. If the proposed corporate action is implemented, the Company shall pay the dissenting stockholder upon surrendering the certificates of stock representing his shares, the fair value of said shares on the day prior to the date on which the vote was taken. If the dissenting stockholder and the Company cannot agree on the fair value of the shares within sixty (60) days from the date of stockholders' approval of the corporate action, then the determination of the fair value of the shares shall be determined by three (3) disinterested persons, one

(1) of whom shall be named by the dissenting stockholder, one (1) by the Company and a third to be named by the two (2) already chosen. The findings of the majority of the appraisers shall be final and their award shall be paid by the Company within thirty (30) days after such award is made. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 81 to 86 of the Corporation Code.

There are no matters in the agenda of the meeting to be held on 23 November 2016 that will give rise to the possible exercise by the shareholders of the right of appraisal.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(a) None of the following persons have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon:

(1) A person who has been a director or officer of the Corporation at any time since the beginning of the last fiscal year;

(2) A nominee for election as a director of the Corporation; and

(3) An associate of any of the foregoing persons.

(b) No director of the Corporation has informed the Corporation in writing that he intends to oppose any action to be taken by the Corporation at the Annual Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Outstanding Shares

There are 700,000,000 issued and outstanding common shares as of October 24, 2016. Each share is entitled to one (1) vote. The Corporation has only one (1) class of security.

(b) Record Date and Share Ownership

Only stockholders of record in the books of the Corporation at the close of business on, October 24, 2016 (the "Record Date") is entitled to vote at the Annual Meeting. Presence in person or by proxy of stockholders owning a majority of the issued and outstanding common shares as of the Record Date will be required for a quorum.

(c) Cumulative Voting

Pursuant to the Corporation Code, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock issued and outstanding as of the Record Date, in his own name in the stock and transfer book of the Corporation; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the number of directors to be elected. The formula may be stated as follows: Number of shares held on Record Date x number of directors to be elected = Total votes that may be cast. This right to cumulative voting is expressly recognized in Article V of Section 8 of the Amended By-Laws of the Corporation.

(d) (1) Security Ownership of Certain Record and Beneficial Owners as of September 30, 2016.

	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of ownership
Common	Citivest Asia Limited C/o Room 2301, Tower One, Lippo Centre, 89 Queensway Hong Kong (Parent Company of the Issuer)	Citivest Asia Limited C/o Room 2301, Tower One, Lippo Centre, 89 Queensway Hong Kong (Parent Company of the Issuer)	Foreign	322,314,874	46.05%
Common	PCD Nominee Corp. Makati Stock Exchange Bldg., Ayala Avenue Makati City (No Relationship with Issuer)	Various beneficial owners, each having less than 5%	Filipino/ Others	235,938,156	33.7055%

Mr. Dionisio E. Carpio, Jr. will vote for the shares held by Citivest Asia Limited in the forthcoming Annual Stockholders' Meeting.

(2) Security Ownership of Management

To the extent known to the Board of Directors, as of September 30, 2016, there is no security beneficial ownership of Management, other than the shares held for their own account by the following directors:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Ownership
Common Stock	Dionisio E. Carpio, Jr.	1,000	(direct)	Filipino	Nil
Common Stock	Edna D. Reyes	50,000	(direct)	Filipino	Nil
Common Stock	Dionisio E. Carpio, Jr.	8	(nominee)	Filipino	Nil
Common Stock	Solomon R. B. Castro	11	(nominee)	Filipino	Nil
Common Stock	Pauline C. Tan	1	(nominee)	Filipino	Nil
Common Stock	Caly D. Ang	1	(nominee)	Filipino	Nil
Common Stock	Pedro M. Cadavida, Jr.	1	(nominee)	Filipino	Nil
Common	Bobby Cheng Sai Chong	1	(nominee)	British	Nil

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Ownership
Stock					
	TOTAL	51,023			

Such nominee shares are held by them as nominees for and on behalf of Citivest Asia Limited.

(3) Voting Trust Holders of Five Percent (5%) Or More

None.

(4) Changes in Control

At present, there are no arrangements which may result in a change in control of the Corporation.

Item 5. Directors and Executive Officers

(a) (1) Directors and Positions Held/Business Experience for the Last Five (5) Years

The current members of the Corporation's Board of Directors together with a description of their other positions held and business experience for the last five years are enumerated as follows:

BOBBY CHENG SAI CHONG, British, aged sixty-seven (67), has been a director of the Corporation since September 18, 2006 and has been appointed as the Chairman of the Board of Directors on July 23, 2009. He has more than thirty (30) years experience in banking and finance. He attended the Barnard College in Hong Kong and took up a course in Commerce and Finance.

DIONISIO E. CARPIO, JR., Filipino, aged seventy (70), has been a director of the Corporation since 1998 and its President from September 2006 up to present. He was the treasurer of the Corporation from 1998 to 2006. He is the senior vice resident, treasurer and director of Medco Asia Investment Corporation since September 1, 1997 up to present. He is currently also a director of Manila Exposition Complex, Inc.. Before joining MAIC in 1995, he was connected with Far East Bank and Trust Company. Mr. Carpio holds a Bachelor of Science degree in Mechanical Engineering from the De La Salle University and a Masters degree in Business Management from the Asian Institute of Management. He has more than thirty-six (36) years experience in commercial, investment and trust banking, as well as line management.

CALY D. ANG, Filipino, aged sixty-nine (69), has been a director of the Corporation and of MAIC since 1995. She has been an independent director of the Corporation and of MAIC since 2006. She is the president and general manager of Multi-World Philippines International, Inc. from 1989 up to the present and a director and president of Concord World Properties, Inc. from 1991 to the present. She graduated from Adamson University, Manila obtaining a Bachelor of Science degree in Commerce in 1969 and a MBA from the same institution in 1971.

SOLOMON R. B. CASTRO, Filipino, aged forty-eight (48), has been a director of the Corporation since 1998 to the present. He has been an independent director since 2002. He was the corporate secretary and vice president-legal counsel of MAIC (then Lippo Asia Investment Corp.) from May 1997 to August 1998. He is the managing director and senior advisor of CFP Strategic Transaction Advisors, Inc. since 2010. He is also an infrastructure transaction specialist for the International Finance Corporation, the private sector arm of the World Bank Group, since 2008. Mr. Castro is a member of the Philippine bar. He holds a Bachelor of Science degree in Business

Administration and a Bachelor of Laws degree from the University of the Philippines. He also has a Master of Laws degree from Cornell University, New York. His practice areas include public-private partnerships, project finance, banking, securities regulation, mergers and acquisitions, and general corporate law.

EDNA D. REYES, Filipino, aged sixty-nine (69), has been a director of the Corporation since 2000 and was its Treasurer between 2006 and 2007. She is also the Chairperson of the Board of MAIC. She has more than thirty (30) years experience in banking, particularly in international and correspondent banking as well as foreign operations. She has a Bachelor of Science degree in Commerce from the University of Santo Tomas.

PAULINE C. TAN, Filipino, aged forty-seven (47), has been a director of the Corporation since 2009. She has been the treasurer and compliance officer of the Corporation since September 20, 2007. She worked in The HongKong Chinese Bank, Limited in 1994. She was a director of Lippo Securities, Inc. and of MAIC from 1995 to 1999 and of Manila Exposition Complex, Inc. from 1995 to 2000 and from 2012 to the present. She was also the Managing Director of Sun Hung Kai Securities Philippines, Inc. from 1999 to June 2000. She has a Bachelor of Arts degree in Mass Communication from St. Scholastica's College.

PEDRO M. CADAVIDA, JR., Filipino, aged sixty-eight (68), was elected as director during the stockholders' meeting held on December 15, 2014. He has more than thirty (30) years of experience in banking, finance and line management. He holds a Bachelor of Science in Commerce (Major in Accounting) degree, a Masters degree in Business Management and a Doctorate degree in Commerce (Business Management) from the University of Sto. Tomas (UST). He also regularly conducts lectures on Financial Management, Management Accounting as well as Banking in UST and other prestigious local universities and colleges.

All of the incumbent directors stand for re-election to the Board of Directors.

(2) Procedure for the Nomination and Election of Directors, including Independent Directors

In compliance with SRC Rule 38, the Manual of Corporate Governance of the Corporation provides the following guidelines on the nomination and election of directors, including independent directors:

a. The Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the following qualifications and disqualifications:

Qualifications:

- Holder of at least one (1) share of stock of the Corporation;
- He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- He shall be at least twenty one (21) years old;
- He shall have proven to possess integrity and probity; and
- He shall be assiduous.

Disqualifications:

- Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;
- Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the SRC, the Corporation Code, or any other law administered by the

SEC or Bangko Sentral ng Pilipinas ("BSP"), or any rule, regulation or order of the SEC or BSP;

- Any person judicially declared to be insolvent;
- Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
- Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

b. Any of the following shall be a ground for the temporary disqualification of a director:

- Refusal to fully disclose the extent of his business interest as required under the SRC and the implementing Rules and Regulations thereof. This qualification shall be in effect as long as his refusal persists;
- Absence or non-participation for whatever reason/s for more than 50% of all meetings, both regular and special, of the Board of Directors during the incumbency, or any twelve (12)-month period during said incumbency. In view of the modern technology, however, attendance at Board meetings through teleconference or videoconference will be allowed. This disqualification applies for purposes of the succeeding election;
- Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- Being under preventive suspension by the Corporation;
- If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director; or
- Conviction that has not yet become final referred to in the grounds for disqualification of directors.

c. The Nomination Committee shall consider the following guidelines in the determination of the number of directorships for the Board:

- The nature of the business of the corporations which he is a director;
- Age of the director;
- Number of directorships/active memberships and officerships in other corporations or organizations; and
- Possible conflict of interest.

The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

The amendment of the Company's By-Laws to incorporate the provisions of SRC Rule 38, as amended, was approved by the SEC on September 12, 2007.

The members of the Nomination Committee are Mr. Solomon R. B Castro (Chairman), Edna D. Reyes and Mr. Bobby Cheng Sai Chong.

The following were nominated by Mr. Dionisio E. Carpio, Jr., an incumbent director and officer of the Corporation, and determined by the Nomination Committee to be qualified to constitute the Final List of Candidates:

<u>Nominees for Regular Directors</u>

1. Mr. Dionisio E. Carpio, Jr.
2. Mr. Bobby Cheng Sai Chong
3. Ms. Edna D. Reyes

4. Ms. Pauline C. Tan
5. Mr. Pedro M. Cadavida, Jr.

Nominees for Independent Directors

1. Ms. Caly D. Ang
2. Mr. Solomon R. B. Castro

The nominees for directors as listed above are incumbent directors of the Corporation inclusive of the independent directors.

Other than being a fellow director and an officer of the Corporation, Mr. Dionisio E. Carpio, Jr. does not have any relationship with the nominated independent directors, Ms. Caly D. Ang and Mr. Solomon R.B. Castro.

Mr. Solomon R. B. Castro has been an independent director since 2002. Ms. Caly D. Ang has been an independent director since 2006. Both Mr. Castro and Ms. Ang possess all the qualifications and none of the disqualifications of an independent director.

The members of the Board of Directors to be elected at the Annual Meeting shall serve for a term of one (1) year or until their successors shall have been elected and qualified.

(3) Executive Officers

The following are the principal officers of the Corporation:

Chairman of the Board	Bobby Cheng Sai Chong
President and Corporate Information Officer	Dionisio E. Carpio, Jr.
Corporate Secretary	Alex Erlito S. Fider
Treasurer and Assistant Corporate Secretary	Pauline C. Tan

In addition to those already shown above, the following is description of the other positions held by the remaining principal officers and their business experience for the last five years:

ALEX ERLITO S. FIDER, Filipino, aged sixty-three (63), is the corporate secretary of the Corporation. He has been the corporate secretary since 2003 up to the present. He is a member of the Philippine Bar and the Managing Partner in Picazo Buyco Tan Fider & Santos. As an economics and law graduate of the University of the Philippines, he has many years of law practice in commercial, securities, civil, and public utilities law having served as lead counsel for various private and publicly held companies in a wide array of transactions involving corporate finance, acquisition, securities offering, debt restructuring and real estate development. He undertook studies in urban and regional planning and strategic business economics. He is a Fellow of the Philippine Institute of Corporate Directors.

(4) Significant Employees

There are no other employees who are expected by the Corporation to make a significant contribution to its business. Moreover, the business of the Corporation is not highly dependent on the services of certain key personnel.

(5) Family Relationship

None.

(6) Involvement in Certain Legal Proceedings

Based on their individual responses after due inquiry as of date hereof, none of the following events occurred with respect to any of the foregoing nominees and executive officers during the past five (5) years up to the latest date that would be material to an evaluation of their ability or integrity to act as directors or executive officers of the Corporation, except as otherwise provided below:

(a) Any bankruptcy petition filed by or against any business of which the nominee was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time. Exception: On April 26, 2012, Export and Industry Bank, Inc. ("EIB), pursuant to Monetary Board ("MB") Resolution No. 686 dated 26 April 2012, was ordered closed by MB of the Bangko Sentral ng Pilipinas ("BSP") and was placed under the receivership of the Philippine Deposit Insurance Corporation. Mr. Bobby Cheng Sai Chong was a Senior Vice-President of EIB up to 30 September 2011.

(b) Any conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the nominee's involvement in any type of business, securities, commodities or banking activities; and

(d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

As of date, there are no material pending legal proceedings to which the registrant or any of its subsidiaries or affiliates is a party.

(7) Certain Relationships and Related During the Last Two (2) Years

Please refer to Note 14 of the Notes to the Financial Statements (Annex "A")

The Corporation and its subsidiary, in the ordinary course of business, grant to and obtain advances from certain affiliated companies. In addition, Medco Asia Investment Corp. also leases its office space from affiliate Capital Place International Limited for a period one year with an annual rental P1,219,384.32 for the year ended December 31, 2015.

(b) Others

No one has resigned or declined to stand for re-election to the Board of Directors since the last stockholders' meeting due to any disagreement with the Corporation on any matter relating to the Corporation's operations, policies or practices.

The Board of Directors has no reason to believe that any of the said nominees will be unwilling or unable to serve if elected as a director. Each director shall serve until the next annual meeting of the stockholders or, in case of vacancy due to resignation, until his successor is elected or appointed. The candidates for election as directors at the Annual Meeting who receive the highest number of affirmative votes will be elected.

Item 6. Compensation of Directors and Executive Officers

(a) Annual Compensation of the Top Executive Officers of the Corporation

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Dionisio E. Carpio, Jr.	2014	None	None	P45,000
(President)	2015	None	None	P45,000
	2016 (Estimated)	None	None	P45,000
Pauline C. Tan	2014	P2,340,000	None	P45,000
(Treasurer and Compliance Officer)	2015	P2,340,000	None	P45,000
	2016 (Estimated)	P2,340,000	None	P45,000
Ma. Lourdes B. Bathan(Corporate information officer)	2014	P65,000	None	None
All Top Executive	2014	P2,405,000	None	P272,000
Officers and	2015	P2,340,000	None	P315,000
Directors as a group[2]	2016 (Estimated)	P2,340,000	None	P315,000

[1]Compensation of Ms. Bathan up to her resignation on January 31, 2014.
[2] As of date, the Company only has two (2) employees.

Notes:
1. The aforementioned Other Annual Compensation consists only *per diems* given to directors.
2. Each Director receives *per diems* of P2,000 for each board meeting.
3. The Corporate Secretary does not receive a salary but his law firm is paid a professional retainer fee.

(b) Compensation of Directors

Since the dates of their election, except for *per diems,* the Directors have served without compensation. Except for *per diems,* the Directors did not receive any other amount or form of compensation for committee participation or special assignments.

The Amended By-laws of the Corporation does not provide for compensation for the directors. As of the date of this Information Statement, no standard arrangements have been made in respect of director compensation. For the ensuing year, the Corporation does not foresee payment of compensation for directors, except reasonable *per diems* annually for each director. The Corporation, however, does not discount the possibility that director compensation other than reasonable *per diems* may be given in the future.

Pursuant to Article VI, Section 8 of the Amended By-Laws of the Corporation, such compensation may be fixed by the directors with the approval of a majority of the stockholders and will in no case exceed 10% of the net income before income tax of the Corporation for the preceding year.

(c) Employment Contracts

There are no formal employment contracts between the Corporation and its executive officers and other officers. The terms and conditions of their employment are governed by applicable laws.

(d) Warrants and Options Outstanding

There are no outstanding warrants and options held by the Corporation's directors, executive officers and other officers.

Item 7. Appointment of Independent Public Accountants

Eight years ago, Punongbayan & Araullo, the Philippine representative of Grant Thornton International, was appointed as the new external auditor of the Corporation.

The re-appointment of Punongbayan & Araullo, the current independent auditor for the Corporation for the current year, represented by Mr. Jessie C. Carpio, the partner–in-charge, will require the affirmative vote of a majority of the common shares of the Corporation present or represented and entitled to vote at the Annual Meeting. SEC Memorandum Circular No. 8, Series of 2003 and SEC Rule 68 (3) (b) (iv) require the rotation of the external auditor every five (5) years and the two-year cooling off period in the re-engagement of the same signing partner or individual auditor. At this time, there is no need to replace or rotate the current independent auditor, Mr. Jessie C. Carpio of Punongbayan & Araullo. The Company has complied with the two-year cooling off period.

The appointment of the partner-in-charge will be in compliance with SEC Rule 68, Paragraph 3(b)(iv) on the requirement on the rotation of external auditors.

A representative of the external auditor is expected to be present at the Annual Meeting and will have an opportunity to make a statement if he or she so desires. The representative will also be available to respond to appropriate questions from the stockholders.

During the past three (3) fiscal years, there have been no disagreements with the independent auditors on accounting and financial disclosures.

External Audit Fees

In compliance with Memorandum Circular No. 14, Series of 2004, the following matters on the external audit fees are reported:

(a) Audit and Audit-Related Fees

The aggregate fees billed for the professional services rendered by Punongbayan & Araullo amounted to P665,500 in 2015 for the regular audit of the Corporation's annual financial statements in connection with the statutory and regulatory filings of the Corporation.

The aggregate fees billed for the professional services rendered by Punongbayan & Araullo amounted to P693,220 in 2014 for the regular audit of the Corporation's annual financial statements in connection with the statutory and regulatory filings of the Corporation.

The aggregate fees billed for the professional services rendered by Punongbayan & Araullo amounted to P658,900 in 2013 for the regular audit of the Corporation's annual financial statements in connection with the statutory and regulatory filings of the Corporation.

There was no other assurance or related services rendered for tax accounting, compliance, advice, planning and any other form of tax services.

(b) Tax Fees

For the last 2 fiscal years, the Corporation did not engage the services of an external auditor for tax-related services.

(c) All Other Fees

For the last 2 fiscal years, the Corporation did not engage the services of an external auditor for products and services other than the regular annual auditing services.

(d) Audit Committee's Approval Policies and Procedures

The Audit Committee meets with the external auditor to plan and discuss the matters to be audited including any accounting issues. The draft of the audited financial statements must be approved by the Audit Committee before the same is finalized by the external auditor.

In selecting the external auditor, the Audit Committee evaluates the integrity and competence of the proposed external auditor and limits its selection to SEC-accredited external auditors only.

Under the Corporation's Manual of Corporate Governance, the audit committee shall be composed of at least three (3) members of the Board, one (1) of whom shall be an independent director. The chairman of this Committee should be an independent director. Each member shall have adequate understanding at least or competence at most of the Corporation's financial management systems and environment.

The Audit Committee has the following duties and responsibilities:

1. Check all financial reports against its compliance with pertinent accounting standards, including regulatory requirements.
2. Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.
3. Pre-approve all audit plans, scope and frequency one (1) month before the conduct of the external audit.
4. Perform direct interface functions with the external auditors.
5. Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
    a. Definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standards (IAS) compliant.
    b. An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
6. Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation through a step-by-step procedures and policies handbook that will be used by the entire organization.

The members of the Audit Committee of the Corporation are Ms. Caly D. Ang (Chairman), Mr. Dionisio E. Carpio, Jr. (Member), and Ms. Edna D. Reyes (Member).

Item 8. Compensation Plans
Not Applicable

Item 9. Authorization or Issuance of Securities Other than for Exchange
Not Applicable
.

Item 10. Modification or Exchange of Securities
Not Applicable

Item 11. Financial and Other Information

Please find attached a copy of the financial statements of the Corporation as of 31 December 2015 and management's discussion and analysis and plan of operation.

Representatives of Punongbayan & Araullo, the principal accountants for the current year and for the most recently completed fiscal year, are expected to be present at the annual meeting. They will have an opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters
Not Applicable

Item 13. Acquisition or Disposition of Property
Not Applicable

Item 14. Restatement of Accounts
Not Applicable

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The following reports/minutes shall be submitted for approval/ratification:

Approval of Minutes of the Annual Meeting of the Stockholders held last December 15, 2015

The Minutes of the Annual Meeting of the stockholders of the Corporation held on December 15, 2015 will be presented for approval of the stockholders. Such action on the part of the stockholders will not constitute approval or disapproval of the matters referred to in the Minutes since the stockholders' approval and action on those items have already been obtained in those meetings and subsequently carried out.

The Minutes and related records are available for inspection by any stockholder at the office of the Corporation at any reasonable hour during business hours. Copies of the Minutes and other records may be furnished upon written request at the stockholder's expense. In addition, copies of the Minutes shall be distributed among the stockholders present in the Annual Meeting for their review and consideration.

The Minutes of the Annual Meeting of the stockholders held on December 15, 2015 pertain to the following matters:

a. Approval of the minutes of the annual meeting of stockholders held on December 15, 2014;
b. Approval of the Annual Report and the Audited Financial Statements as of December 31, 2014;
c. Approval and ratification of the acts, contracts, investments and resolutions of the Board and management of the Corporation since the last annual meeting on June 28, 2014;
d. Election of the following members of the Board of Directors for the year 2015;
    i. Mr. Dionisio E. Carpio, Jr.
    ii. Ms. Edna D. Reyes
    iii. Mrs. Caly D. Ang (independent director)
    iv. Mr. Solomon R. B. Castro (independent director)
    v. Mr. Bobby Cheng Sai Chong.
    vii. Ms. Pauline C. Tan

vii. Mr. Pedro M. Cadavida, Jr.

e. Appointment of Punongbayan & Araullo, the Philippine representative of Grant Thornton International, as external auditors of the Corporation for the year 2015.

Approval of the Annual Report and Audited Financial Statements for 2015

The 2015 Management Report and the Audited Financial Statements of the Corporation for the period ended December 31, 2015 together with the accompanying notes to financial statements prepared by Punongbayan & Araullo (collectively, the "Financial Statements") will be submitted for approval of the stockholders at the Annual Meeting.

The information and representations in the Financial Statements are the responsibility of the Management of the Corporation. The Financial Statements have been prepared in conformity with generally accepted accounting principles. The Board of Directors reviewed the Financial Statements before their submission for approval to the stockholders. Punongbayan & Araullo had examined the Financial Statements in accordance with generally accepted auditing standards and had expressed their opinion on the fairness of the presentation in their report to the Board of Directors and stockholders of the Corporation.

Approval of the Management Report and the Financial Statements for 2015 requires the affirmative vote of a majority of the votes cast at the Annual Meeting by the stockholders entitled to vote thereon.

Ratification of All Acts, Contracts, Investments and Resolutions of the Board of Directors and Management since the last Annual Meeting

The stockholders shall consider the approval and ratification of all the significant acts, contracts, investments and resolutions of the Board of Directors and Management since the date of the last annual meeting, December 15, 2015.

April 1, 2016	Approval of the Audited Financial Statement for the year ended December 31, 2015
October 10, 2016	Setting the date of the Annual Stockholders' Meeting on December 15, 2015 and Approval of the Agenda for the said Stockholders' Meeting.

There were no other significant acts, contracts or investments of the Board of Directors other than those done in the regular course of the business of the Corporation.

Item 16. Matters Not Required to be Submitted
Not Applicable

Item 17. Amendment of Charter, Bylaws or Other Documents
Not Applicable

Item 18. Other Proposed Action
Not Applicable

Item 19. Voting Procedures

The voting procedure will be the same as in the previous years. Stockholders of record as of October 24, 2016 may vote at the scheduled stockholders' meeting. Registration of stockholders and proxies attending the meeting will open at 9:00 a.m. on November 23, 2016.

In case of balloting, only stockholders and proxies who have previously registered will be given ballots. The ballots will be distributed at the registration desks. Upon being given a ballot, a stockholder/proxy should sign the stockholder/proxy registration list beside his/her signature placed earlier during registration.

After casting his/her vote, the stockholder/proxy may place his/her ballot inside any of the ballot boxes clearly marked as such and located at designated areas at the place of the meeting. Stockholders/proxies will be given a sufficient period of time to vote. Thereafter, auditors will proceed to collect the ballot boxes and canvass the votes.

All questions and elections shall be decided by majority vote of the stockholders present and in proxy and entitled to vote thereat.

The following matters require the following votes:

Subject Matter	**Votes Required**
Reappointment of Punongbayan & Araullo	Majority of the votes cast
Ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management	Majority of the votes cast
Approval of Minutes of the Annual Stockholders' Meeting	Majority of the votes cast
Subject Matter	**Votes Required**
Approval of the Financial Accounts	Majority of the votes cast
Election of Directors	The top seven (7) nominees with the most number of votes are elected

Attached herewith are copies of the Management Report of the Company (Annex "A"); the Audited Financial Statements of the Company for the years December 31, 2015 and December 31, 2014 (Annex "B"); and the unaudited interim financial statements of the Company as of September 30, 2016 (Annex "C").

A FREE COPY OF THE CORPORATION'S ANNUAL REPORT ON SEC FORM 17-A WILL BE MADE AVAILABLE UPON WRITTEN REQUEST ADDRESSED TO MS. PAULINE C. TAN WITH OFFICE ADDRESS AT THE 31ST FLOOR, RUFINO PACIFIC TOWER, 6784 AYALA AVENUE, MAKATI CITY, METRO MANILA, PHILIPPINES. HOWEVER, A REASONABLE FEE SHALL BE CHARGED FOR THE REPRODUCTION OF EXHIBITS THEREOF.

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 the City of Makati on October 27, 2016.

MEDCO HOLDINGS, INC.
By:

Dionisio E. Carpio, Jr.
President

MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2015, 2014, AND 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis should be read in conjunction with the section on "Brief Description of the General Nature and Scope of Business of Medco Holdings, Inc. and Its Subsidiary" of this Report, the Audited Financial Statements and the related Notes to Financial Statements.

Plan of Operation

The Corporation incurred recurring net losses of P6,497,816, P10,332,891 and P17,712,779 on a consolidated basis for the years ended December 31, 2015, 2014 and 2013, respectively. The Corporation also reported deficits of P866,070,729 and P862,051,550 as of December 31, 2015 and 2014, respectively. Despite having incurred such deficits, management believes that the Corporation will be able to turnaround and achieve positive operations in future years.

As at December 31, 2015, the equity attributable to the stockholders of the parent Corporation, as stated in the balance sheets, has resulted to a capital deficiency amounting to P142,216,760 on a consolidated basis.

As soon as practicable, the Corporation will implement the recapitalization plan that was approved by its stockholders on June 28, 2013 and which involves the following:

1. Decrease in authorized capital from P700 million divided into 700 million shares to P7 million divided into 700 million shares by reducing par value per MED share from P1.00 to P0.01, the amendment of the Seventh Article of the Articles of Incorporation of the Corporation for this purpose and the use of the additional paid-in capital thereby created, in addition to the current additional paid-in capital balance, to reduce the Corporation's deficit;

2. Increase in authorized capital from P7 million divided into 700 million shares with par value of P0.01 per share to P470 million divided into 47 billion shares with par value of P0.01 per share and the amendment of the Seventh Article of the Articles of Incorporation of the Corporation for this purpose;

3. Issuance in a private placement of up to 11.77 billion shares out of the increase in authorized capital stock at an issue price of Php0.01 per share, or at par value, to such persons as the Board of Directors may determine;

To implement the foregoing recapitalization transactions, the private placement participants will enter into subscription agreements with the Corporation within this year and remit their cash injections to the Corporation totaling approximately P117.6 million as deposits for their respective future subscriptions of MED shares. Thereupon, the Corporation will submit its respective applications to the Securities and Exchange Commission (SEC) to obtain the SEC's approval for the proposed decrease in its authorized capital, its capital restructuring transactions and the proposed increase in its authorized capital. The Corporation will concurrently submit its application with the PSE for the listing of the newly-issued shares.

Upon obtaining the SEC's approval on the proposed increase in the authorized capital of the Corporation, the Corporation will reclassify the aforementioned subscription deposits to paid-in capital thereby completing its recapitalization. The Corporation will utilize the proceeds of the said recapitalization to partially pay-off its existing debts and to augment its working capital.

The Corporation is confident that it can satisfy its cash requirements not only in the next twelve (12) months but also on a long- term basis. Its liquid assets on a consolidated basis, which as at December 31, 2015 consisted of P1.63 million of cash and cash equivalents. In case the Corporation has any unforeseen cash requirement that cannot be met by its internal sources, its external sources of liquidity would consist of, among others, advances from its affiliate companies and/or major shareholders.

As of December 31, 2015, there were two (2) employees of the Corporation. One is a clerical employee and the other is an administrative personnel. The Company does not anticipate any increase in the number of its employees within the ensuing twelve (12) months.

Management's Discussion and Analysis

Results of Operations for the years ended December 31, 2015, 2014 and 2013

2015

Total consolidated revenues for the year ended 2015 increased by approximately 96% compared to the previous year. Consolidated revenues for this year consisted mainly of dividend income (99.76%), interest income from short-term placement and bank deposits (0.20%) and foreign exchange gain (0.04%).

The increase in consolidated revenues was mainly due to the increase in dividend income. Interest income contracted because of the substantial reduction in deposit placements due to withdrawals for the Corporation's working capital requirements.

On the other hand, total consolidated expenses decreased by approximately by 7% compared to the prior year. The expenses for this year were composed of employee benefits (57%), occupancy (12%), professional fees (8%), representation (5%), and other expenses (18%).

The decrease in the 2015 consolidated expenses relative to 2014 was mainly due to the lower membership fees & dues and utilities expenses paid by the Corporation's subsidiary, MAIC, as a result of the agreement between MAIC and its lessor, CPIL, that the monthly lease rate effective on July 1, 2015 up to May 31, 2016 shall be inclusive of the said charges. In previous years, these charges were being charged to MAIC.

Other components of expenses, such as representation, communication, taxes & licenses, employee benefits as well as other expenses posted a decrease in the year under review. This was the result of the Corporation's continuing cost-cutting measures.

2014

Total consolidated revenues for the year ended 2014 increased by approximately 87% compared to the previous year. Consolidated revenues for this year consisted mainly of dividend income (98%) and interest income from short-term placement and bank deposits (2%).

The increase in consolidated revenues was mainly due to the increase in dividend income. Interest income contracted because of the substantial reduction in deposit placements due to withdrawals for the Corporation's working capital requirements.

On the other hand, total consolidated expenses decreased by approximately 31% compared to the prior year. The expenses for this year were composed of employee benefits (55%), occupancy (11%), professional fees (8%), representation (6%), membership fees and dues (5%) and other expenses (15%).

The decrease in the 2014 consolidated expenses relative to 2013 was due mainly to a lesser impairment loss recognized this year, which is 97% smaller than last year's impairment Loss. Last year's impairment loss consisted largely of the outstanding amount of creditable withholding tax of the corporation's subsidiary, Medco Asia Investment Corp. (MAIC) amounting to P3.1 million and the Corporation's input VAT amounting to P1.01 million.

Other components of expenses, such as taxes and licenses, foreign exchange loss, representation, finance costs, professional and management fees, as well as other expenses posted a decrease in the year under review. This was the result of the Corporation's continuing cost-cutting measures.

2013

Total consolidated revenues for the year ended 2013 increased by approximately 0.4% compared to the previous year. Consolidated revenues for this year consisted mainly of dividend income (92%) and interest income from short-term placement (8%).

The increase in consolidated revenues was mainly due to the increase in dividend income. Interest income contracted because of the substantial reduction in deposit placements due to withdrawals for the Corporation's working capital requirements.

On the other hand, total consolidated expenses decreased by approximately by 31% compared to the prior year. The expenses for this year were composed of employee benefits (42%), impairment losses (21%), occupancy (8%), professional fees (7%), representation (6%), and other expenses (16%).

The increase in the 2013 consolidated expenses relative to 2012 was mainly due to the provision for the impairment loss on the outstanding amount of creditable withholding tax of the Corporation's subsidiary (MAIC) amounting to P3.1 million and on the Corporation's input VAT amounting to P1.01 million pending the availability of offsetting tax liabilities.

Other components of expenses, such as foreign exchange loss, representation, membership fees and dues, as well as other expenses posted a decrease in the year under review. This was the result of the Corporation's continuing cost-cutting measures.

Financial Condition and Changes in Financial Condition

2015

As to the balance sheet as at the end of this year, total assets decreased by 11% compared to the previous year. Total assets were composed of available-for-sale investments (87%), cash and cash equivalents (5%), due from related parties and receivables (7%), and other assets (1%).

The decline in the cash and cash equivalents account was due to the withdrawals in the deposit placement that were used for the Corporation's working capital requirements and the payment of certain liabilities such as the withholding taxes and other payables.

On the liabilities side, there was no significant change as compared to the prior year. The increase in the due to related parties account was due to the advances obtained for working capital requirements and purposes.

As at December 31, 2015, the total shareholders' fund of the Corporation on a consolidated basis resulted in a capital deficiency of P142.2 million.

2014

As to the balance sheet as at the end of this year, total assets decreased by 8% compared to the previous year. Total assets were mainly composed of available-for-sale investments (77%), cash and cash equivalents (13%), due from affiliates and other receivables (9%) and other assets (1%).

The decline in the cash and cash equivalents account was due to the withdrawals in the deposit placement that were used for the Corporation's working capital requirements and the payment of certain liabilities such as the retirement benefit obligation and accrued expenses.

On the other hand, the increase in the due to related parties account was due to the advances obtained for working capital requirements and purposes.

As at December 31, 2014, the total shareholders' fund of the Corporation on a consolidated basis resulted in a capital deficiency of P138.2 million.

2013

As to the balance sheet as at the end of this year, total assets decreased by 16% compared to the previous year. Total assets were mainly composed of available-for-sale investments (71%), cash and cash equivalents (21%), due from affiliates and other receivables (7%) and other assets (1%).
As discussed in the foregoing results of operations for 2013, the decline in the total assets was mainly due to the recognition of impairment losses for the outstanding amount of the Corporation's input VAT and for MAIC's outstanding amount of creditable withholding tax.

The decline in the cash and cash equivalent account was due to the withdrawals in the deposit placements that were used for the Corporation's working capital requirements and the payment of certain liabilities such as the retirement benefit obligation and accounts payable and accrued expenses.

On the other hand, the increase in the due to related parties account was due to the advances obtained for working capital requirements and purposes.

As at December 31, 2013, the total shareholders' fund of the Corporation on a consolidated basis resulted in a capital deficiency of P131.4 million (as restated).

Results of Operations for the Second Quarter ended September 30, 2016, 2015 and 2014

2016 - Third Quarter Financial Highlights

Total consolidated revenues for the quarter ended 30 September 2016 showed no significant change compared to the previous year's third quarter figure. Consolidated revenues for this period consisted mainly of dividend income (99.90%) and interest income from bank deposits (0.10%).

Consolidated expenses decreased by 5% compared to the same quarter of last year. The expenses for this period comprised of salaries and wages (62%), occupancy (15%), representation (6%), professional fee (6%), and other expenses (11%). The decrease in the consolidated expenses was due to the decline in the communication expenses which decreased by 25% as compared to last year's third quarter. Also, no utilities expense and membership fees and dues were incurred during this quarter unlike in the previous year's third quarter. Other than these, there was no significant movement in the other expense components.

As to the balance sheet as at the end of this quarter, there was no significant change in the total assets amount compared to the end of last year. The slight decrease in the total assets was brought about by the decrease in the cash and cash equivalents account due to withdrawals for the company's working capital requirements. On the liabilities side, accounts payable and accrued expenses, likewise, decreased by 22% due to the payment of liabilities accrued as at December 31, 2015.

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons during the reporting period.

The Company is not aware of any trends, events or uncertainties that would materially affect its liquidity and its operations as a whole. Likewise, the Company does not anticipate any liquidity problem within the next twelve (12) months. The Company has no default or breach of any note, loan, lease or other indebtedness or financing arrangement. There are also no past due trade payables.

The Company's internal sources of short-term and long-term liquidity are its liquid assets and those of its subsidiary, which as at September 30, 2016 consisted of P0.5 million of cash and cash equivalents. Its external sources of liquidity would consist of, among others, advances from its affiliate companies or major shareholders.

2015 - Third Quarter Financial Highlights

Total consolidated revenues for the quarter ended 30 September 2015 increased by 25% compared to the same period of the previous year. Consolidated revenues for this period consisted of dividend income (99.66%) and interest income from short term placements and bank deposits (.34%). The increase in the revenue account was mainly due to a higher amount of cash dividend received from Manila Exposition Complex, Inc.

On the other hand, there was no significant change in the consolidated expenses compared to the same quarter of last year. The expenses for this period were composed of salaries and wages (59%), occupancy (14%), representation (6%), professional fee (5%) and other expenses (16%).

As to the balance sheet as at the end of this quarter, total assets decreased by 10% compared to the end of last year. This decrease was due mainly to the decrease in the cash & cash equivalents account due to the withdrawals in bank deposits and short term placements for the Company's working capital requirements. There was no significant change noted in the total liabilities.

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons during the reporting period.

The Company is not aware of any trends, events or uncertainties that would materially affect its liquidity and its operations as a whole. The Company does not also anticipate any liquidity problem within the next twelve (12) months. The Company has no default or breach of any note, loan, lease or other indebtedness or financing arrangement. There are also no past due trade payables.

The Company's internal sources of short-term and long-term liquidity are its liquid assets and those of its subsidiaries, which as at September 30, 2015 consisted of P.9 million of cash and cash equivalents. Its external sources of liquidity would consist of, among others, advances from its affiliate companies or major shareholders.

2014 - Third Quarter Financial Highlights

Total consolidated revenues for the quarter ended 30 September 2014 increased substantially compared to the same period of the previous year. Consolidated revenues for this period consisted mainly of dividend income. The increase in the revenue account was due to the cash dividend received from Manila Exposition Complex, Inc. Cash dividend income comprised 99.80% of this year's third quarter revenues while interest income from short term placement and deposits comprised 0.20%.

On the other hand, total consolidated expenses for the third quarter of 2014 decreased by 19.70% compared to last year's third quarter. The expenses for this quarter were composed of salaries and wages (56%), occupancy (14%), representation (6%), professional fees (5%), utilities expense (5%) and other expenses (14%). The decrease was mainly due to the decrease in the salaries and wages and representation expense accounts. Other than these, there was no significant movement in the expense components.

As to the balance sheet as at the end of this quarter, total assets decreased by 6% as compared to the end of last year. The decrease in total assets was brought about by the decrease in the cash and cash equivalents account due to withdrawals for the company's working capital requirements. Total liabilities increased by 1.67% due to additional advances from affiliates. These advances were also used for working capital requirement.

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons during the reporting period.

The Company is not aware of any trends, events or uncertainties that would materially affect its liquidity and its operations as a whole. The Company does not also anticipate any liquidity problem within the next twelve (12) months. The Company has no default or breach of any note, loan, lease or other indebtedness or financing arrangement. There are also no past due trade payables.

The Company's internal sources of short-term and long-term liquidity are its liquid assets and those of its subsidiaries, which as at September 30, 2014 consisted of P6.23 million of cash and cash equivalents and short-term investment. Its external sources of liquidity would consist of advances from its affiliate companies or major shareholders.

Prospects for 2016

The year 2016 will likely be a good year as growth in the country's economy this year is expected to be better than the positive GDP performance exhibited last year. Likewise, local business sentiment perception of the Philippines as an investment venue is expected to remain favorable. Given such continuing favorable outlook in the local investment environment, the Corporation plans to already implement its recapitalization plan within this year.

Key Variable and Other Qualitative and Quantitative Factors

The Corporation's internal sources of short-term and long-term liquidity are its liquid assets and those of its subsidiaries, which as at December 31, 2015 consisted of P1.63 million of cash and cash equivalents. Its external sources of liquidity would consist of advances from its affiliate companies and/or major shareholders.

There are no events that will trigger direct or contingent obligation that is material to the Corporation, including any default or acceleration of an obligation.

There are also no material off-balance sheets transactions, arrangements, obligations (including contingent obligation), and other relationships of the Corporation with unconsolidated entities or other persons created during the period.

Furthermore, there were no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. Aside from those already mentioned above, the Corporation is also not aware of any events that will cause a material change in the relationship between the costs and revenues.

The top five (5) performance indicators of the Corporation and its subsidiary, MAIC, are as follows:

a. Revenue Growth- This measures how fast the Corporation's business is expanding. The ratio shows the annualized rate of increase (or decrease) of the Corporation's revenues.

b. Net Income Growth- Similar to revenue growth, this ratio is an indicator of the rate of growth of the Corporation's bottom line figure.

c. Return on Equity- For an investor who wants to have an indication of his investment returns, this ratio provides such a measure.

d. Current Ratio- This ratio measures the Corporation's ability to pay its currently maturing obligations.

e. Debt-to-Equity Ratio- This ratio offers a method of assessing the Corporation's financial health and gauging the balance sheet durability.

<u>The Top Five (5) Performance Indicators of the Corporation and its subsidiary, MAIC, for the period ended September 30, 2016, 2015, and 2014 are presented below:</u>

Top Five (5) Performance Indicators
September 30, 2016, 2015 and 2014

		Medco Holdings, Inc. (Consolidated)			Medco Asia Investment Corp (Major Subsidiary)		
		2016	2015	2014	2016	2015	2014
1. Revenue Growth	Revenue Y1-Y0 / Revenue Y0	-0.13%	25.18%	2,457.63%	11.88%	-15.49%	1.62%
2. Net Income Growth*	Net Income Y1-Y0 / Net Income Y0	NA	NA	NA	NA	NA	NA
3. Return on Equity**	Net Income / Average Stockholders' Equity	NA	NA	NA	NA	NA	NA
4. Current Ratio	Current Assets / Current Liabilities	0.02x	0.02x	0.05x	0.02x	0.03x	0.035x
5. Debt-to-Equity- Ratio**	Total Liabilities / Stockholders' Equity	NA	NA	NA	NA	NA	NA

* Losses
** Capital Deficiency in 2016, 2015 and 2014

Note:
Y1= Current year
Y0= Previous year

<u>The top five (5) performance indicators of the Corporation and its subsidiary, MAIC, for the past three (3) fiscal years are presented below:</u>

Top Five (5) Performance Indicators

December 31, 2015, 2014 and 2013

		Medco Holdings, Inc. (Consolidated)			Medco Asia Investment Corp (Major Subsidiary)		
		2015	2014	2013	2015	2014	2013
1. Revenue Growth	Revenue Y1-Y0 / Revenue Y0	96%	87%	0.45%	-31.20%	85.40%	-99.69%
2. Net Income Growth*	Net Loss Y1-Y0 / Net Loss Y0	NA	NA	NA	NA	NA	NA
3. Return on Equity**	Net Income / Ave. Stockholders' Equity	NA	NA	NA	NA	NA	NA
4.Current Ratio	Current Assets / Current Liabilities	0.02x	0.04x	0.06x	0.02x	0.03x	0.05x
5. Debt-to-Equity- Ratio**	Total Liabilities / Stockholders' Equity	NA	NA	NA	NA	NA	NA

* Losses

** Capital Deficiency in 2015, 2014 and 2013

Note:

Y1= Current year

Y0= Previous year

BRIEF DESCRIPTION OF THE GENERAL NATURE AND SCOPE OF BUSINESS OF MEDCO HOLDINGS, INC. AND ITS SUBSIDIARY

Medco Holdings, Inc. ("MHI" or "MED" or the "Corporation")

Medco Holdings, Inc. ("MHI" or "MED" or the "Corporation") is an investment holding company listed on the Philippine Stock Exchange ("PSE"). It was incorporated in the Philippines on October 23, 1969 as the Mindanao Exploration & Development Corporation and adopted its current name in 1995.

In May 1995, the Lippo Group through Citivest Asia Limited ("Citivest") acquired approximately 67% of the outstanding capital stock of the Corporation. In 1997, Citivest purchased additional MED shares which increased its equity stake to 70.67%. The Lippo Group is a major Asia Pacific business conglomerate principally involved in investment holding, property investment, property development, hotel operation, food business, property management, project management, mineral exploration, extraction and processing, fund management, underwriting, corporate finance, securities broking, securities investment, treasury investment, money lending, banking and other related financial services. It has operating units and representative offices in major Asian countries. Citivest is a corporation organized under the laws of the British Virgin Islands and is a wholly-owned subsidiary of Lippo China Resources Limited (formerly Hongkong China Limited) ("LCR"), an investment holding company listed on The Stock Exchange of Hong Kong Limited. LCR's subsidiaries and associates are mainly engaged in investment holding, property investment, property development, food business, property management, mineral exploration, extraction and processing, securities investment, treasury investment and money lending.

Prior to the Lippo Group's acquisition of a majority interest in the Corporation, MHI was engaged in mineral exploration and development. With the entry of the Lippo Group in the middle of fiscal 1995, the Corporation embarked on a major corporate shift that resulted in its transformation into an investment holding company. In line with the change in its primary business purpose, the Corporation had previously sold all its rights, titles, interests including all liabilities and obligations in its mining lease contracts and operating agreements to South Seas Oil & Mineral Exploration Development Co., Inc.

Thereafter, the Corporation has been engaged in investment holding activities. It does not produce or sell any product, or render any service. At present, its investment portfolio is composed of holdings in companies involved in financial services and trade development (operation of exhibition halls and conference facilities).

In December 2005, Citivest divested a portion of its shareholdings in the Corporation thereby reducing its equity stake to approximately 46%.

Details of the principal subsidiary and affiliated companies and their activities as at December 31, 2015 are as follows:

Name	Place of incorporation	Fully paid-up common share capital	Percentage of direct equity ownership of MHI	Principal Activities
Medco Asia Investment Corp.	Philippines	₱269,250,000	64.54%	Investment banking

Name	Place of incorporation	Fully paid-up common share capital	Percentage of direct equity ownership of MHI	Principal Activities
Export & Industry Bank, Inc (In receivership)	Philippines	₱4,734,452,540	2.45%	Commercial banking
Manila Exposition Complex, Inc.	Philippines	₱165,000,000	18.18%	Exhibition hall operation

Medco Asia Investment Corp. ("MAIC")

In June 1996, the Corporation acquired an equity interest in MAIC (then named Lippo Asia Investment Corp.) a Philippine investment house. At present, MAIC has an authorized capital stock of P400 million and a paid-up capital of P269.25 million. Up of 2010, MAIC was duly licensed by the Securities and Exchange Commission (SEC) to engage in investment banking activities such as securities trading, debt and equity underwriting, private placements, structured finance and corporate financial advisory services.

On August 27, 1999, its board of directors and stockholders approved the change in MAIC's name from Lippo Asia Investment Corp. to Medco Asia Investment Corp. The change in corporate name was approved by the Securities and Exchange Commission on November 18, 1999.

On November 12, 1999, the Corporation remitted P 50.5 million to MAIC representing its deposit for an additional subscription of common shares of MAIC. This additional investment was made to enable MAIC to comply with the capital build-up program for investment houses. The approval of the SEC for the infusion of additional capital was granted on March 29, 2000, thereby raising the Corporation's equity stake in MAIC to 64.54%.

On 10 August 2010, MAIC filed with the SEC a request for the voluntary cancellation of its investment house license. MAIC has been somewhat inactive in the securities underwriting business and such inactivity is expected to continue indefinitely. MAIC also recognized an allowance for impairment loss on its investment in common shares of Export and Industry Bank, Inc., which comprised almost 79% of its total assets as of December 31, 2010. Such impairment had resulted in MAIC's inability to maintain the capital requirement for investment houses under the Investment Houses Law. On 9 December 2010, MAIC surrendered the original copy of its Investment House license to the SEC to comply with the condition precedent set by the SEC then for the issuance of the clearance for the cessation of its operations as an Investment House. As of this writing, MAIC has not yet received the SEC's formal approval on its request.

Export & Industry Bank, Inc. ("Exportbank")- (In receivership)

Exportbank was engaged in the business of commercial banking and of trust and funds management, and exercised all the powers of a commercial bank, a trust company and a corporation in general, as provided for under the General Banking Act, as amended, the rules and regulations of the Bangko Sentral ng Pilipinas, the Corporation Code of the Philippines and other applicable laws.

In May 2001, Exportbank signed an agreement with the major stockholders of Urban Bank, Inc. (UBI) and Urbancorp Investments, Inc. (UII) for the rehabilitation of UBI and UII through a merger with Exportbank. UBI, a commercial bank, was reopened as a result of the said merger with Exportbank. The merger of Exportbank, UBI and UII, with UBI as the surviving entity, took effect on February 1, 2002, whereupon the name of UBI was immediately changed to Export and Industry Bank, Inc.. Thereafter, the Corporation's interest in Exportbank decreased from 29.83% to 17.49%.

On October 1, 2003, Exportbank listed 2.73 Billion common shares with a par value of PHP 1.00 in the Philippine Stock Exchange (PSE). This was done simultaneously with the lifting of the suspension of trading of Urban Bank shares as approved by the PSE. Shares formerly traded with stock symbol URB were since then traded under the new stock symbol EIB.

On May 25, 2005, pursuant to Section 17 (c) of Republic Act (RA) No. 3591, as amended, PDIC approved the grant of further assistance to Exportbank under the Memorandum of Agreement dated December 29, 2005 (the "Agreement"), anchored on the requirements of a new capital infusion in Exportbank of at least Php3.0 billion from major stockholders and the sale of a pool of assets consisting of UBI and UII non-performing assets (NPAs) with a gross book value of Php10.0 Billion. These NPAs were to be sold for a total consideration of Php3.0 Billion, together with the provision for other financial assistance in the form of (a) ten-year income support mechanism pegged to a principal amount of Php7.0 Billion or 70% of the balance of the Php10.0 Billion gross book value of the asset pool, under which the liability to the PDIC will be charged an interest rate of 1% and the government securities in which the proceeds of such liability will be invested in and which will be pledged with the PDIC to secure the liability will earn market rates of interest for the bank, and (b) a ten-year subordinated debt amounting to Php2.0 Billion qualified as tier 2 capital at an interest of 1% for the first five years and 5% for the last five years, subject to a provision that would require the bank to pay more interest in the event that the cumulative income for the ten years that the debt is outstanding exceed the agreed amount that was projected for that period. On May 26, 2005, the BSP likewise approved the grant of said rehabilitation assistance and certain regulatory relief, such as, among others, (1) the staggered booking of the write off of deferred income tax and goodwill accounts totaling Php1.8 Billion over 10 years; (2) the staggered booking over 15 years of the write-off of taxes and other related expenses in connection with the sale of said NPAs, under a programmed amortization with provision for acceleration; (3) the staggered booking of losses on sale of the said NPAs over 15 years, likewise under a programmed amortization with provision for acceleration.

Pursuant to the foregoing Agreement with PDIC, the major shareholders infused additional equity in two tranches: first in the last semester of 2005 and then in 2006, that brought the cumulative new capital infusion to Php3.0 Billion, which was primarily aimed at strengthening the bank's capital base to meet the new requirements of the PAS 39 and other international accounting standards that were being implemented by the BSP. Likewise in 2006, all of the bank's then-outstanding preferred shares were converted into common shares. Furthermore, the sale of the UBI/UII NPAs was effected in 2006 and this enabled Exportbank to significantly reduce its NPA ratio and improve its profitability. With the completion of the above transactions, including the new capital infusion, Exportbank achieved a stronger statement of condition and a risk-based adequacy ratio that was well within the BSP prescribed ratio for commercial banks.

As result of the foregoing new capital infusion in Exportbank and the concurrent conversion of the bank's outstanding preferred shares into common shares, the Corporation's direct equity interest in Exportbank got diluted and decreased from 17.49% to 2.45%.

Then, in the later part of 2009, Exportbank started discussions with various prospective investors for the purpose of further augmenting the bank's capital as well as exploring other related viable options with such investors along those lines, On July 16, 2010, the BSP granted its approval-in-principle on the proposed sale to Banco de Oro Universal Bank, Inc. (BDO) of all of Exportbank assets in consideration for BDO's assumption of all of Exportbank liabilities, including all of its deposit liabilities, subject to the execution of appropriate documentation and the fulfillment of certain closing conditions. On September 20, 2010, the Exportbank shareholders approved the proposed transaction with BDO.

On April 13, 2011, PDIC approved the proposed transaction, subject to the execution of definitive documentation and the fulfillment of certain closing conditions, including the final approval of the BSP Monetary Board.

On April 26, 2012, the Monetary Board, in its Resolution No. 686 dated 26 April 2012, decided to prohibit the Export and Industry Bank, Inc., from doing business in the Philippines and to place its assets and affairs under receivership pursuant to Section 30 of Republic Act (R.A.) No. 7653 (The New Central Bank Act). The Philippine Deposit Insurance Corporation has been designated as Receiver of the aforementioned commercial bank.

Other Affiliate

Manila Exposition Complex, Inc. is not a significant affiliate of the Corporation.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

1. External Audit Fees and Services

   Please refer to the discussion in pages 13 to 14 of the 20-IS.

2. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

   Please refer to the discussion in page 13 of the 20-IS.

COMPLIANCE ON THE CORPORATE GOVERNANCE

a. Evaluation System established by the Corporation to measure or determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance.

The Corporation has accomplished and submitted its Corporate Governance Self-Rating Form ("CG-SRF") to the SEC. The Corporation reviews the specific policies and regulations on the CG-SRF and determines whether it fully complies with it. Any deviation is immediately discussed among the members of the management. As of this date, the Corporation has sufficiently complied with its Manual on Corporate Governance. There has been no deviation from the Manual on Corporate Governance. At the end of each fiscal year, the Corporation submits a certification of the attendance of its directors in meetings of the Board of Directors with such attendance having consistently complied with regulatory requirements.

b. Measures being undertaken by the Corporation to fully comply with the adopted leading practices on good corporate governance.

To strictly observe and implement the provisions of its Manual of Corporate Governance, the following penalties are imposed, after notice and hearing, on the Corporation's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of the Manual of Corporate Governance:

- In case of first violation, the subject person shall be reprimanded.
- Suspension from office shall be imposed in case of second violation.
- The duration of the suspension shall depend on the gravity of the violation.
- For third violation, the maximum penalty of removal from office shall be imposed.

The commission of a third violation of the Manual of Corporate Governance by any member of the board of the Corporation or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.

The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

c. Any deviation from the Corporation's Manual of Corporate Governance. Including a disclosure of the name and position of the persons involved and sanctions imposed on said individual.

As of this date, the Corporation has sufficiently complied with its Manual on Corporate Governance. There has been no deviation from the Manual on Corporate Governance.

d. Any plan to improve corporate governance of the Corporation.

The Corporation accomplishes and submits its Corporate Governance Self-Rating Form ("CG-SRF") to the SEC annually. The Corporation reviews the specific policies and regulations on the CG-SRF and determines whether it fully complies with it. Any deviation is immediately discussed among the members of the management.

MARKET PRICE AND DIVIDENDS ON THE
CORPORATION'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

(1) Market Information

The Corporation's common shares are listed and traded on the PSE.

The high and low price for the first, second, and third quarters of 2016:

1st Quarter		2nd Quarter		3rd Quarter	
High	Low	High	Low	High	Low
P0.65	P0.40	P0.74	P0.51	P1.58	P0.51

The high and low prices for each quarter of 2015 were as follows:

1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
High	Low	High	Low	High	Low	High	Low
P0.68	P0.42	P0.52	P0.39	P0.84	P0.36	P0.73	P0.47

The high and low price for each quarter of 2014 were as follows:

1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
High	Low	High	Low	High	Low	High	Low
P0.31	P0.18	P0.44	P0.23	P1.01	P0.31	P0.85	P0.38

The closing price of the Company's shares as of 25 October 2016, the latest practicable trading date, is P0.86.

(2) Holders

Based on the records of the Corporation's stock transfer office, Philippine Stock Transfer, Inc., as at October 24, 2016, there were 676 holders of the common stock of the Corporation. Below are the names of the top 20 shareholders and the number of shares and the percentage of total shares outstanding held by each stockholder.

	Name	**No. of Shares Held**	**% of Total**
1.	Citivest Asia Limited	322,314,874	46.0450%
2.	PCD Nominee Corp.	236,288,156	33.7555%
3.	Clariwealth Investment Limited	34,500,000	4.9286%
4.	Green Target Limited	34,500,000	4.9286%
5.	Sinojade Limited	34,500,000	4.9286%
6.	Suncentury Asia Limited	34,500,000	4.9286%
7.	Gatchalian, Rexlon	1,000,000	0.1429%
8.	Rodrigo, Raul	1,000,000	0.1429%
9.	Lo, Eduardo	394,000	0.0563%
10.	Ibardolaza, Marita	100,000	0.0143%
11.	Chong, Lilian	50,000	0.0071%
12.	Bautista, Emmanuel T. &/or Bernardita P. Bautista	40,000	0.0057%
13.	Uy, Arturo &/or Arnel Uy	40,000	0.0057%
14.	Guevara, Anna Georgina	23,000	0.0033%
15.	Cua, Henry	20,000	0.0029%
16.	Libertad Development Corp.	20,000	0.0029%
17.	Ong, Lyn	20,000	0.0029%
18.	Ramos, Angela	20,000	0.0029%
19.	Avis, Jose T.	19,000	0.0027%
20.	Cua, Bernice Yang	10,011	0.0014%

As at September 30, 2016, the number of shares held by the public was 377,634,103 shares and the public ownership level of the Company is at 53.947%.

(3) Dividends

No cash dividends have been declared by the Corporation on its common stock for the last 10 years. The Corporation Code of the Philippines provides that dividends may only be declared out of unrestricted retained earnings. The directors will consider dividend payments after taking into account such factors as the Corporation's cash flow, future expansion plans and prevailing bank interest rates.

(4) Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

There were no sales of any unregistered securities of the Corporation within the past three years.

ANNEX" B "

Medco Holdings, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Medco Holdings, Inc. and Subsidiaries** (the Group), is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2015, 2014 and 2013 in accordance with Philippine Financial Reporting Standards (PFRS), including the following additional supplemental information attached therein:

a. Supplementary Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68;
b. Reconciliation of Deficits Available for Dividend Declaration;
c. Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2015; and,
d. Map Showing the Relationship Between and Among the Company and its Related Entities.

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

The Board of Directors reviews and approves the financial statements, and the additional supplementary information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Sai Chong Cheng
Chairman of the Board
TIN 911-812-692

Dionisio E. Carpio, Jr.
President
TIN 115-321-387

Pauline C. Tan
Treasurer
TIN 100-666-150

Signed this 1st day of April 2016

31/F Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, 1229, Philippines
Tels.: (632) 811-04-65 to 67 Fax (632) 811-0521

SUBSCRIBED AND SWORN to before me this _____ day of APR 1 3 2016 at CITY OF MAKATI, affiant exhibiting to me their SSS /Passport Numbers as follow:

Sai Chong Cheng	752019881	July 9, 2008/United Kingdom of Great Britain and Northern Ireland
Dionisio E. Carpio, Jr.	03-1710841-7	Manila, Philippines
Pauline C. Tan	33-0293610-9	Manila, Philippines

Doc. No. 202
Page No. 46
Book No. XXVII
Series of 2016

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2016
IBP No. 656155-Lifetime Member
MCLE Compliance No. V-0005934
Appointment No. M-38-(2015-2016)
PTR No. 5323504 Jan. 4, 2016
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

P&A
Grant Thornton
An instinct for growth™

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506
grantthornton.com.ph

Report of Independent Certified Public Accountants to Accompany Income Tax Return

The Board of Directors and Stockholders
Medco Holdings, Inc.
31st Floor, Rufino Pacific Tower
6784 Ayala Avenue, Makati City

We have audited the financial statements of Medco Holdings, Inc. for the year ended December 31, 2015, on which we have rendered the attached report dated April 1, 2016.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

PUNONGBAYAN & ARAULLO

By: **Jessie C. Carpio**
Partner

CPA Reg. No. 0057831
TIN 109-227-789
PTR No. 5321720, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 0011-AR-4 (until Aug. 5, 2018)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-6-2014 (until Aug. 5, 2017)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 1, 2016

P&A
Grant Thornton
An instinct for growth™

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506
grantthornton.com.ph

Report of Independent Auditors

The Board of Directors and Stockholders
Medco Holdings, Inc. and Subsidiaries
31st Floor, Rufino Pacific Tower
6784 Ayala Avenue, Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of Medco Holdings, Inc. and Subsidiaries (the Group), and Medco Holdings, Inc. (the Parent Company), which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in capital deficiency and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
REVENUE DISTRICT OFFICE NO. 47
EAST MAKATI
RECEIVED
APR 13 2016

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Medco Holdings, Inc. and Subsidiaries and of Medco Holdings, Inc. as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the Group incurred net losses of P6,497,816 in 2015, P10,332,891 in 2014 and P17,712,779 in 2013. The Parent Company earned net profit of P584,004 in 2015 while it incurred net losses of P2,775,070 in 2014 and P6,416,089 in 2013, which are mainly due to impairment losses and operating expenses incurred during those years. Consequently, the Group reported capital deficiency of P172,930,777 and P166,513,251 as at December 31, 2015 and 2014, respectively, and the Parent Company reported capital deficiency of P85,640,578 and P86,467,463 as at December 31, 2015 and 2014, respectively. These conditions indicate the existence of a material uncertainty which casts significant doubt about the Group's ability to continue as a going concern. To address this material uncertainty, the Group's management, in coordination with its major stockholders, is finalizing the recapitalization of the Group as its initial step. In the meantime, to ensure that the Group will continue as a going concern, its major stockholders has committed to continue providing financial support to the Group until its financial condition and performance improves and it becomes self-sustaining again. We have performed audit procedures to evaluate management's plans as to the likelihood to improve the Group's financial situation and its feasibility under the circumstances. The accompanying financial statements have been prepared assuming that the Group will continue as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities which may result from the outcome of this material uncertainty.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2015 required by the Bureau of Internal Revenue as disclosed in Note 22 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Jessie C. Carpio
Partner

CPA Reg. No. 0057831
TIN 109-227-789
PTR No. 5321720, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 0011-AR-4 (until Aug. 5, 2018)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-6-2014 (until Aug. 5, 2017)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 1, 2016

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	Consolidated 2015	Consolidated 2014	Parent Company 2015	Parent Company 2014
ASSETS					
CASH AND CASH EQUIVALENTS	7	P 1,625,167	P 5,221,902	P 1,410,465	P 5,072,184
AVAILABLE-FOR-SALE FINANCIAL ASSETS - Net	8	31,293,500	31,293,500	31,268,750	31,268,750
RECEIVABLES - Net	9	508,957	529,323	464,550	464,975
DUE FROM RELATED PARTIES	14	1,979,296	2,892,194	4,502,000	2,000
OTHER ASSETS	11	477,012	478,362	4,050	5,400
TOTAL ASSETS		P 35,883,932	P 40,415,281	P 37,649,815	P 36,813,309
LIABILITIES AND CAPITAL DEFICIENCY					
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	12	P 2,447,790	P 2,361,165	P 435,140	P 477,482
DUE TO RELATED PARTIES	14	203,135,879	201,701,845	120,750,527	120,750,527
POST-EMPLOYMENT BENEFIT OBLIGATION	15	3,231,040	2,865,522	2,104,726	2,052,763
Total Liabilities		208,814,709	206,928,532	123,290,393	123,280,772
CAPITAL DEFICIENCY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	6	(142,216,760)	(138,220,964)	(85,640,578)	(86,467,463)
NON-CONTROLLING INTEREST		(30,714,017)	(28,292,287)	-	-
Total Capital Deficiency		(172,930,777)	(166,513,251)	(85,640,578)	(86,467,463)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY		P 35,883,932	P 40,415,281	P 37,649,815	P 36,813,309

See Notes to Financial Statements.

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	Consolidated 2015	Consolidated 2014	Consolidated 2013	Parent Company 2015	Parent Company 2014	Parent Company 2013
REVENUES							
Dividends	8	P 6,000,000	P 3,000,000	P 1,500,000	6,000,000	P 3,000,000	P 1,500,000
Interest	7	11,763	61,425	139,039	11,358	60,836	137,025
Foreign exchange gain		2,968	203	-	2,968	203	-
		6,014,731	3,061,628	1,639,039	6,014,326	3,061,039	1,637,025
EXPENSES							
Employee benefits	15	7,144,075	7,333,143	8,111,524	2,956,983	3,185,941	4,155,583
Occupancy	14	1,531,384	1,531,384	1,531,384	312,000	312,000	312,000
Professional and management fees		1,008,762	1,083,192	1,290,339	649,750	638,500	704,012
Representation		674,764	762,237	1,202,790	264,325	358,195	523,146
Membership fees and dues		427,210	644,354	621,839	258,050	263,050	255,050
Communication		274,452	304,940	327,532	42,919	76,169	80,595
Transportation		224,126	209,985	227,640	224,126	209,985	224,985
Finance cost	15	138,819	190,153	296,900	99,970	155,245	147,103
Impairment losses	11	136,433	133,507	4,117,907	136,433	133,507	1,012,996
Foreign exchange losses		75,835	4,909	267,911	-	-	174,311
Taxes and licenses	22	35,270	68,143	321,675	28,469	26,211	18,835
Others	13	839,088	1,116,295	1,008,391	463,049	465,147	418,915
		12,510,218	13,382,242	19,325,832	5,428,074	5,823,950	8,027,531
PROFIT (LOSS) BEFORE TAX		(6,495,487)	(10,320,614)	(17,686,793)	586,252	(2,762,911)	(6,390,506)
TAX EXPENSE	16	2,329	12,277	25,986	2,248	12,159	25,583
NET PROFIT (LOSS)		(6,497,816)	(10,332,891)	(17,712,779)	584,004	(2,775,070)	(6,416,089)
OTHER COMPREHENSIVE INCOME (LOSS)							
Item that will not be reclassified subsequently to profit or loss							
Remeasurements of post-employment defined benefit obligation	15	80,290	831,882	118,296	242,881	952,143	(500,135)
TOTAL COMPREHENSIVE INCOME (LOSS)		(P 6,417,526)	(P 9,501,009)	(P 17,594,483)	P 826,885	(P 1,822,927)	(P 6,916,224)
Net Loss Attributable to:							
Shareholders of the Parent Company		P 4,019,179	P 7,687,654	P 13,758,937	P -	P -	P -
Non-controlling interest		2,478,637	2,645,237	3,953,842	-	-	-
		P 6,497,816	P 10,332,891	P 17,712,779	P -	P -	P -
Total Comprehensive Loss Attributable to:							
Shareholders of the Parent Company		P 3,995,796	P 6,813,681	P 13,857,092	P -	P -	P -
Non-controlling interest		2,421,730	2,687,328	3,737,391	-	-	-
		P 6,417,526	P 9,501,009	P 17,594,483	P -	P -	P -
Earnings (Loss) Per Share Attributable to the Shareholders of the Parent Company - Basic and Diluted	17	(P 0.01)	(P 0.01)	(P 0.02)	P 0.001	(P 0.004)	(P 0.009)

See Notes to Financial Statements.

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

		Consolidated							
		Attributable to the Shareholders of the Parent Company							
				Revaluation Reserves					
	Notes	Capital Stock	Additional Paid-in Capital	Net Unrealized Gains (Losses) on Available-for-sale Financial Assets	Accumulated Actuarial Losses	Deficit	Total Attributable to Shareholders of the Parent Company	Non-controlling Interest	Capital Deficiency
Balance at January 1, 2015	8, 15	P 700,000,000	P 25,498,912	P 252	(P 1,668,578)	(P 862,051,550)	(P 138,220,964)	(P 28,292,287)	(P 166,513,251)
Total comprehensive income (loss)		-	-	-	23,383	(4,019,179)	(3,995,796)	(2,421,730)	(6,417,526)
Balance at December 31, 2015	6	P 700,000,000	P 25,498,912	P 252	(P 1,645,195)	(P 866,070,729)	(P 142,216,760)	(P 30,714,017)	(P 172,930,777)
Balance at January 1, 2014	8, 15	P 700,000,000	P 25,498,912	P 252	(P 2,542,551)	(P 854,363,896)	(P 131,407,283)	(P 25,604,959)	(P 157,012,242)
Total comprehensive income (loss)		-	-	-	873,973	(7,687,654)	(6,813,681)	(2,687,328)	(9,501,009)
Balance at December 31, 2014	6	P 700,000,000	P 25,498,912	P 252	(P 1,668,578)	(P 862,051,550)	(P 138,220,964)	(P 28,292,287)	(P 166,513,251)
Balance at January 1, 2013		P 700,000,000	P 25,498,912	P 252	(P 2,444,396)	(P 840,604,959)	(P 117,550,191)	(P 21,867,568)	(P 139,417,759)
Total comprehensive income (loss)	8, 15	-	-	-	(98,155)	(13,758,937)	(13,857,092)	(3,737,391)	(17,594,483)
Balance at December 31, 2013	6	P 700,000,000	P 25,498,912	P 252	(P 2,542,551)	(P 854,363,896)	(P 131,407,283)	(P 25,604,959)	(P 157,012,242)

See Notes to Financial Statements.

MEDCO HOLDINGS, INC.
STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

		Parent Company				
	Note	Capital Stock	Additional Paid-in Capital	Revaluation Reserves	Deficit	Capital Deficiency
Balance at January 1, 2015		P 700,000,000	P 25,498,912	(P 1,844,823)	(P 810,121,552)	(P 86,467,463)
Total comprehensive income		-	-	242,881	584,004	826,885
Balance at December 31, 2015	6	**P 700,000,000**	**P 25,498,912**	**(P 1,601,942)**	**(P 809,537,548)**	**(P 85,640,578)**
Balance at January 1, 2014		P 700,000,000	P 25,498,912	(P 2,796,966)	(P 807,346,482)	(P 84,644,536)
Total comprehensive income (loss)		-	-	952,143	(2,775,070)	(1,822,927)
Balance at December 31, 2014	6	P 700,000,000	P 25,498,912	(P 1,844,823)	(P 810,121,552)	(P 86,467,463)
Balance at January 1, 2013		P 700,000,000	P 25,498,912	(P 2,296,831)	(P 800,930,393)	(P 77,728,312)
Total comprehensive loss		-	-	(500,135)	(6,416,089)	(6,916,224)
Balance at December 31, 2013	6	P 700,000,000	P 25,498,912	(P 2,796,966)	(P 807,346,482)	(P 84,644,536)

See Notes to Financial Statements.

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	Consolidated 2015	Consolidated 2014	Consolidated 2013	Parent Company 2015	Parent Company 2014	Parent Company 2013
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit (loss) before tax		(P 6,495,487)	(P 10,320,614)	(P 17,686,793)	P 586,252	(P 2,762,911)	(P 6,390,506)
Adjustments for:							
Impairment losses	11	136,433	133,507	4,117,907	136,433	133,507	1,012,996
Interest income	7	(11,763)	(61,425)	(139,039)	(11,358)	(60,836)	(137,025)
Unrealized foreign exchange loss (gain)		1,941	4,706	267,911	(2,968)	(203)	174,311
Operating loss before working capital changes		(6,368,876)	(10,243,826)	(13,440,014)	708,359	(2,690,443)	(5,340,224)
Decrease (increase) in receivables		20,366	(95,865)	(158,755)	425	(99,562)	(115,145)
Decrease (increase) in due from related parties		912,898	(60,435)	(229,902)	(4,500,000)	-	1,000,000
Increase in other assets		(135,083)	(121,315)	(161,181)	(135,083)	(138,907)	-
Increase (decrease) in accounts payable and accrued expenses		81,716	221,679	(100,579)	(42,342)	174,670	(285,612)
Increase (decrease) in post benefit obligation		445,808	(105,658)	(1,102,331)	294,844	(100,000)	115,719
Cash used in operations		(5,043,171)	(10,405,420)	(15,192,762)	(3,673,797)	(2,854,242)	(4,625,262)
Interest received		11,763	61,425	139,039	11,358	60,836	137,025
Cash paid for income taxes		(2,329)	(12,277)	(25,986)	(2,248)	(12,159)	(25,583)
Net Cash Used in Operating Activities		(5,033,737)	(10,356,272)	(15,079,709)	(3,664,687)	(2,805,565)	(4,513,820)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from advances obtained from related parties	14	2,450,000	6,500,000	10,207,772	-	-	-
Repayments of amounts due to related parties	14	(1,015,966)	-	(39,030)	-	-	(37,282)
Net Cash From (Used in) Financing Activities		1,434,034	6,500,000	10,168,742	-	-	(37,282)
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		2,968	203	(174,311)	2,968	203	(174,311)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,596,735)	(3,856,069)	(5,085,278)	(3,661,719)	(2,805,362)	(4,725,413)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		5,221,902	9,077,971	14,163,249	5,072,184	7,877,546	12,602,959
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 1,625,167	P 5,221,902	P 9,077,971	P 1,410,465	P 5,072,184	P 7,877,546

See Notes to Financial Statements.

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

Medco Holdings, Inc. (MHI or the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on April 11, 1995. The Parent Company currently conducts business as an investment holding company. Its shares of stock are publicly traded at the Philippine Stock Exchange (PSE). The Parent Company holds ownership interest in the following companies (MHI and subsidiaries are collectively referred to as the Group) as at December 31, 2015 and 2014:

	Percentage of Ownership	Notes	Nature of Business
Subsidiaries:			
Medco Asia Investment Corporation (MAIC)	64.54%		Investment house
Safeharbor Holdings, Inc. (SHI)	64.54%	(a)	Investment holding company
Outperform Holdings, Inc. (OHI)	64.54%	(a)	Investment holding company
Associate –			
Export and Industry Bank, Inc. (EIB)	10.31%	(b)	Banking institution

Notes:
(a) Indirectly owned through MAIC; dormant company
(b) Includes direct ownership of 7.86% and indirect ownership through MAIC of 2.45%; under receivership.

MHI is 46.04% owned by Citivest Asia Limited (CAL), an entity engaged in investment holding and registered in the British Virgin Islands. CAL considers MHI as one of its principal associates.

The registered office of the Parent Company and its subsidiaries, which is also their principal place of business, is located at 31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.

1.2 Status of Operations

The Group incurred net losses of P6,497,816 in 2015, P10,332,891 in 2014, and P17,712,779 in 2013. The Parent Company earned net profit of P584,004 in 2015, while it incurred net losses of P2,775,070 in 2014 and P6,416,089 in 2013, which are mainly due to impairment losses and operating expenses incurred during those years. Consequently, the Group reported capital deficiency of P172,930,777 and P166,513,251 as at December 31, 2015 and 2014, respectively, and the Parent Company reported capital deficiency of P85,640,578 and P86,467,463 as at December 31, 2015 and 2014, respectively.

As disclosed in Note 10.2, the Group recognized full allowance for impairment on the carrying amount of the investment in EIB in 2011 (the carrying amount of the Group's investment in EIB represents substantial portion of the Group's consolidated assets). EIB is currently under receivership.

The above conditions indicate the existence of a material uncertainty which casts significant doubt on the ability of the Group to continue as a going concern. To address this material uncertainty, the Parent Company's management is finalizing the recapitalization of the Group as its initial step. The proposed recapitalization plan, which includes the following, was approved by the Parent Company's stockholders on June 28, 2013 and will be implemented as soon as practicable:

(a) decrease in the authorized capital stock from P700,000,000 to P7,000,000 through a reduction in the par value per share from P1.00 to P0.01;

(b) increase in authorized capital stock from P7,000,000 to P470,000,000;

(c) private placement transactions covering the issuance of new shares to its existing shareholders and/or third parties involving a total subscription amount of P117,600,526; and,

(d) waiver of the requirement to conduct rights or public offering by a majority vote of the minority stockholders present or represented during the meeting.

In the meantime, to ensure that the Group can continue to operate as a going concern, CAL has committed to continue providing financial support to the Group until the Group's financial condition and performance improves and it becomes self-sustaining again.

The financial statements have been prepared assuming that the Group will continue as a going concern which contemplates the realization of assets and the settlement of liabilities in the normal course of business. Accordingly, the financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities which may result from the outcome of this material uncertainty.

1.3 Approval of Financial Statements

The financial statements of the Group and of the Parent Company as of and for the year ended December 31, 2015 (including the comparative financial statements as of December 31, 2014 and for the years ended December 31, 2014 and 2013) were authorized for issue by the Parent Company's Board of Directors (BOD) on April 1, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) *Statement of Compliance with Philippine Financial Reporting Standards*

The financial statements of the Group and the separate Parent Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB) and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *Presentation of Financial Statements*

The financial statements are prepared in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses and other comprehensive income in a single statement of comprehensive income.

The Group presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

The Group presented an unclassified statements of financial position as at December 31, 2015 and 2014. The details of assets and liabilities classified as to current and non-current are presented in Note 21.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 *Adoption of New and Amended PFRS*

(a) *Effective in 2015 that are Relevant to the Group*

The Group adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after July 1, 2014, for its annual reporting period beginning January 1, 2015:

PAS 19 (Amendment)	:	Employee Benefits: Defined Benefit Plans – Employee Contributions
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below are the relevant information about these amendment and improvements.

(i) PAS 19 (Amendment), *Employee Benefits: Defined Benefit Plans – Employee Contributions.* The amendment clarifies that if the amount of the contributions to defined benefit plans from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. The amendment did not have a significant impact on the Group's financial statements since the Group's defined benefit plan does not require employees or third parties to contribute to the benefit plan.

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but had no material impact on the Group's financial statements as these amendments merely clarify the existing requirements:

Annual Improvements to PFRS (2010-2012 Cycle)

- PFRS 3 (Amendment), *Business Combinations – Accounting for Contingent Consideration in a Business Combination.* The amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32, *Financial Instruments: Presentation.* It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

- PAS 24 (Amendment), *Related Party Disclosures.* The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the

Annual Improvements to PFRS (2011-2013 Cycle)

- PFRS 3, (Amendment), *Business Combinations – Scope Exceptions for Joint Ventures.* The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of any joint venture arrangement under PFRS 11, *Joint Arrangements,* in the financial statements of the joint arrangement itself.

- PFRS 13 (Amendment), *Fair Value Measurement.* The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement,* or PFRS 9, *Financial Instruments,* regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

(b) Effective in 2015 that are not Relevant to the Group

The following annual improvements to PFRS are mandatory for accounting periods beginning on or after July 1, 2014 but are not relevant to the Group's financial statements:

PFRS (2010-2012 Cycle)		
PFRS 2 (Amendment)	:	Share-based Payment – Definition of Vesting Condition
PFRS 8 (Amendment)	:	Operating Segments – Aggregation of Operating Segments, and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets
PAS 16 and PAS 38 (Amendment)	:	Property, Plant and Equipment and Intangible Assets Method – Proportionate Restatement of Accumulated Depreciation and Amortization
PFRS (2011-2013 Cycle)		
PAS 40 (Amendment)	:	Investment Property – Clarifying the Interrelationship Between PFRS 3 and PAS 40

(c) Effective Subsequent to 2015 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in the succeeding pages in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements.

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply

Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 27 (Amendment), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective from January 1, 2016). This amendment introduces a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9. As of the end of the reporting period, the Group has no plan to change the accounting policy for its investments in its subsidiaries and an associate.

(iii) PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. This amendment permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(iv) PFRS 10 (Amendment), *Consolidated Financial Statements*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. In December 2015, the IASB deferred the mandatory effective date of these amendments (i.e. from January 2016) indefinitely.

(v) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Group does not expect to implement and adopt PFRS 9 (2014) until its effective date. In addition, management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(vi) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1,2016). Among the improvements, the following amendments are relevant to the Group but management does not expect these to have material impact on the Group's financial statements:

- PFRS 7 (Amendment), *Financial Instruments – Disclosures.* The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

- PAS 19 (Amendment), *Employee Benefits.* The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

2.3 Basis of Consolidation and Investments in Subsidiaries and an Associate

The Parent Company obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries, as disclosed in Note 1.1, after the elimination of all intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investment in subsidiaries and an associate and non-controlling interest as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when (i) it has power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity, and, (iii) it has the ability to affect those returns through its power over the entity.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Parent Company, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.8).

(b) *Investment in an Associate*

An associate is an entity over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investment in an associate is initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in an associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associate are credited or charged against Equity in Net Earnings (Losses) of an Associate account in profit or loss.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.14).

Changes resulting from other comprehensive income of the associate recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

(c) *Transactions with Non-controlling Interests*

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Parent Company ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Parent Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Non-controlling interests represent the interests not held by the Parent Company in MAIC.

The Parent Company holds interest in various subsidiaries and in an associate as presented in Note 10.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32. All other non-derivative financial instruments are treated as debt instruments.

(a) *Classification and Measurement of Financial Assets*

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: FVTPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date . All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the two categories of financial assets is as follows:

(i) *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 arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents and Receivables in the statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(ii) *AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Other Non-current Financial Assets account in the statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Group's AFS financial assets include equity securities, corporate bonds and gold club shares.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(b) *Impairment of Financial Assets*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Company recognizes impairment loss based on the category of financial assets as follows:

(i) *Carried at Amortized Cost – Loans and Receivables*

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

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 (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

(ii) *Carried at Fair Value – AFS Financial Assets*

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) Items of Income and Expense Related to Financial Assets

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs account in the statement of profit or loss.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Other Assets

Other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.6 Financial Liabilities

Financial liabilities, which include accounts payable and accrued expenses (except tax-related liabilities) and due to related parties, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the statement of comprehensive income.

Trade and other payables and due to related parties are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.7 *Offsetting Financial Instruments*

Financial assets and financial liabilities are set-off and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.8 *Business Combinations*

Business acquisitions are accounted for using the acquisition method of accounting.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.14).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to profit or loss. For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business acquisition is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.9 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.10 Revenue and Expense Recognition

Revenue comprises revenue from rendering of services and is measured by reference to the fair value of consideration received or receivable by the Group for services rendered, excluding value-added tax (VAT) and discounts, if any.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Dividends* – Revenue is recognized when the Group's right to receive the payment is established.

(b) *Professional fees* – Revenue from rendering of professional services is recognized once the service has been substantially rendered.

(c) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Costs and expenses are recognized in profit or loss upon utilization of the goods or services or at the date they are incurred.

2.11 Leases - 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 expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.12 Foreign Currency Transactions and Translations

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.13 Segment Reporting

Operating segments, which applies only to the Group's consolidated financial statements, are reported in a manner consistent with the internal reporting provided to the Group's strategic steering committee, its chief operating decision-maker (CODM). The strategic steering committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's service lines as disclosed in Note 4, which represent the main services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All intersegment transfers, if any, are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its financial statements, except that post-employment benefit expense are not included in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.14 Impairment of Non-financial Assets

The Group's investments in an associate and goodwill and the Parent Company's investments in a subsidiary and an associate and other non-financial assets are subject to impairment testing. Goodwill, which has indefinite useful life, are tested for impairment at least annually (see also Note 2.8). All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested for impairment either individually or at cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.15 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, defined contribution plan, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for defined benefit post-employment plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bond, as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the statement of comprehensive income. Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) *Defined Benefit Contribution Plans*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity (such as the Social Security System). The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.16 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax assets are to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and 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, provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.17 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties (including transactions between MHI and its subsidiaries), regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with MHI and subsidiaries; (b) associates; (c) the Group's funded retirement plan; and, (d) individuals owning, directly or indirectly, an interest in the voting power of MHI and subsidiaries that gives them significant influence over MHI and subsidiaries and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.18 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital represents premium received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserves comprise unrealized gains and losses on fair value changes of AFS financial assets and remeasurements of defined benefit post-employment plan.

Deficit represents all current and prior period results as reported in the profit or loss section of the statement of comprehensive income.

Non-controlling interests represent the portion of net assets and profit or loss not attributable to the Parent Company's stockholders which are presented separately in the Group's consolidated statement of income and consolidated statement of comprehensive income and within equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity.

2.19 Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net profit (loss) attributable to shareholders of the Parent Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current year, if any.

Diluted loss per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings (loss) per share is equal to the basic earnings (loss) per share.

2.20 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments 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. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, management concluded that the assets, except the portion that has already been provided with allowance for impairment, are not impaired as at December 31, 2015 and 2014. Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

(b) Distinction between Operating and Finance Leases

The Group has entered in a lease agreement as lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. As at December 31, 2015 and 2014, management has determined that the current lease agreement is an operating lease.

(c) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and contingencies are discussed in Note 2.9 and relevant disclosures are presented in Note 18.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Impairment of Receivables

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties and their current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of receivables and the analysis of allowance for impairment on such financial assets are shown in Note 9.

(b) Fair Value Measurement of AFS Financial Assets

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of reporting period.

The carrying values of the Group's AFS financial assets and the amounts of fair value changes recognized in 2015 and 2014 on those assets are disclosed in Note 8.

(c) Determining Realizable Amounts of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

No deferred tax assets were recognized since the Group's management believes that it will not be able to generate sufficient taxable profit in the coming years (see Note 16).

(d) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.14). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment loss recognized on the Group's goodwill and other non-financial assets is disclosed in Note 11 while impairment losses recognized on the Investments in a Subsidiary and an Associate are discussed in Note 10.

(e) *Valuation of Post-employment Defined Benefit*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by an independent actuary in calculating such amounts. Those assumptions include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period. The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 15.2.

4. SEGMENT REPORTING

4.1 Business Segments

The Group is organized into two major business segments – investment banking and investment holding activities. In identifying its operating segments, management generally follows the Group's service lines. These are also the basis of the Group for management assessment of each unit and the basis of the Group in reporting to its strategic steering committee for its strategic decision-making activities.

(a) *Investment banking* – principally engaged in activities such as debt and equity underwriting, money market placements, structured financing and corporate financial advisory services.

(b) *Investment holding* – consists mainly of investment holding activities of the Parent Company, OHI and SHI.

4.2 *Segment Assets and Liabilities*

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, AFS financial assets and receivables, net of allowance and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

4.3 *Analysis of Segment Information*

The details of the Group's segment information, including the reconciliation to the key financial information presented in its consolidated financial statements, are as follows:

	Investment Banking	Investment Holding	Total	Elimination	Consolidated
2015					
SEGMENT RESULTS					
Revenues	P 405	P 6,014,326	P 6,014,731	P -	P 6,014,731
Expenses	7,056,096	5,454,122	12,510,218	-	12,510,218
Loss (income) before tax	7,055,691	(560,204)	6,495,487	-	6,495,487
Tax expense	81	2,248	2,329	-	2,329
Net loss (income)	P 7,055,772	(P 557,956)	P 6,497,816	P -	P 6,497,816
SEGMENT ASSETS AND LIABILITIES					
Total assets	P 2,734,118	P 39,223,172	P 41,957,290	(P 6,073,358)	P 35,883,932
Total Liabilities	P 97,597,675	P 123,290,393	P 220,888,067	(P 12,073,358)	P 208,814,709
2014					
SEGMENT RESULTS					
Revenues	P 589	P 3,061,039	P 3,061,628	P -	P 3,061,628
Expenses	7,540,192	5,842,050	13,382,242	-	13,382,242
Loss before tax	7,539,603	2,781,011	10,320,614	-	10,320,614
Tax expense	118	12,159	12,277	-	12,277
Net loss	P 7,539,721	P 2,793,170	P 10,332,891	P -	P 10,332,891
SEGMENT ASSETS AND LIABILITIES					
Total assets	P 3,662,808	P 38,412,715	P 42,075,523	(P 1,660,242)	P 40,415,281
Total liabilities	P 91,308,001	P 123,280,772	P 214,588,773	(P 7,660,241)	P 206,928,532

	Investment Banking	Investment Holding	Total	Elimination	Consolidated
2013					
SEGMENT RESULTS					
Revenues	P 2,014	P 1,637,025	P 1,639,039	P -	P 1,639,039
Expenses	11,255,565	8,070,267	19,325,832	-	19,325,832
Loss before tax	11,253,551	6,433,242	17,686,793	-	17,686,793
Tax expense	403	25,583	25,986	-	25,986
Net loss	P 11,253,954	P 6,458,825	P 17,712,779	P -	P 17,712,779
SEGMENT ASSETS AND LIABILITIES					
Total assets	P 4,656,269	P 41,131,215	P 45,787,484	(P 1,660,242)	P 44,127,242
Total liabilities	P 84,641,480	P 124,158,246	P 208,799,726	(P 7,660,242)	P 201,139,484

Currently, the Group's operation is concentrated in the Philippines; hence, it has no geographical segment.

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 19. The main types of risks are market risk, credit risk, and liquidity risk. The Group's risk management is coordinated with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

5.1 Market Risk

The Company is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates mainly arise from the Group's cash and cash equivalents and advances to and from related parties, which are primarily denominated United States (U.S.) dollars and Hong Kong (HK) dollars.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

As at December 31, 2015, the short-term exposure on foreign currency denominated financial assets, translated into Philippine pesos at the closing rate, follows:

	Consolidated		Parent Company	
	U.S. Dollar	HK Dollar	U.S. Dollar	HK Dollar
Financial assets	P 52,591	P -	P 52,591	P -
Financial liabilities	-	(1,370,269)	-	-
Short-term exposure	P 52,591	(P 1,370,269)	P 52,591	P -

As at December 31, 2014, the short-term exposure on foreign currency denominated financial assets, translated into Philippine pesos at the closing rate, follows:

	Consolidated		Parent Company	
	U.S. Dollar	HK Dollar	U.S. Dollar	HK Dollar
Financial assets	P 49,548	P -	P 49,548	P -
Financial liabilities	-	(1,294,435)	-	-
Short-term exposure	P 49,548	(P 1,294,435)	P 49,548	P -

The following table illustrates the sensitivity of profit/loss before tax with respect to reasonably possible change in foreign currency exchange rates of 52.77% in 2015 and 27.88% in 2014 for U.S. dollars against the Philippine pesos, and 52.51% in 2015 and 27.08% in 2014 for HK dollars against the Philippine pesos. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99% confidence level.

	Consolidated		Parent Company	
	2015	2014	2015	2014
PHP – U.S. dollars	P 26,146	P 13,814	P 26,146	P 13,814
PHP – HK dollars	(719,528)	(350,534)	-	-
	(P 693,382)	P 336,720	P 26,146	P 13,814

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) Interest Rate Risk

The Group monitors interest rate movements and makes adjustments on its financial assets and financial liabilities as may be deemed necessary. At December 31, 2015 and 2014, the Group is exposed to changes in market interest rates through its cash and cash equivalents which are subject to variable interest rates (see Note 7). All other financial assets and financial liabilities are noninterest-bearing.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 0.60% and +/- 1.24% for the year ended December 31, 2015 and 2014, for savings deposits and short-term placements, respectively. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

	Consolidated		Parent Company	
	2015	2014	2015	2014
Loss before tax	P 9,826	P 63,305	P 8,528	P 62,455
Capital deficiency	7,861	50,644	6,822	49,964

5.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments from granting receivables to customers including related parties and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparty, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to financial statements, as summarized below.

		Consolidated		Parent Company	
	Notes	2015	2014	2015	2014
Cash and cash equivalents	7	P 1,625,167	P 5,221,902	P 1,410,465	P 5,072,184
Receivables – net	9	508,957	529,323	464,550	464,975
Due from related parties	14	1,979,296	2,892,194	4,502,000	2,000
Security deposits	11	185,456	185,456	-	-
		P 4,298,876	P 8,828,875	P 6,377,015	P 5,539,159

None of the Group's financial assets are secured by collateral or other credit enhancements.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) Trade and Other Receivables

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

The Group's management considers that all the above financial assets that are not impaired as at the end of each of the reporting periods are of good credit quality. Also, there are no unimpaired financial assets that are past due as at December 31, 2015 and 2014

5.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

As at December 31, the Group's financial liabilities have contractual maturities of within one year as presented below.

		Consolidated		Parent Company	
	Notes	2015	2014	2015	2014
Due to related parties	14	P 203,135,879	P 201,701,845	P 120,750,527	P 120,750,527
Accounts payable and accrued expenses (excluding tax-related liabilities)	12	2,258,033	2,162,907	323,040	357,838
		P 205,393,912	P 203,864,752	P 121,073,567	P 121,108,365

Due to the Group's financial condition, related parties have not required immediate payment of the amounts due to them to enable the Group to conduct normal business operations.

6. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

6.1 Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are to ensure that the Group continues as a going concern. With the current financial condition of the Group, the management is working closely with the BOD for the recapitalization of the Group which it will then be able to use in its operating and future investing activities (see Note 1.2).

Relevant information is shown below.

	Consolidated		Parent Company	
	2015	2014	2015	2014
Total liabilities	P 208,814,709	P 206,928,532	P 123,290,393	P 123,280,772
Capital deficiency	172,930,777	166,513,251	85,640,578	86,467,463

As at December 31, 2015 and 2014, the Group is not subject to any externally imposed capital requirements.

6.2 Track Record of Registration of Securities

The Parent Company has a total authorized capital stock of P700,000,000 divided into 700,000,000 common shares with a P1 par value which are issued and outstanding as at December 31, 2015 and 2014.

On November 18, 1975, the SEC approved the listing at the PSE of the Parent Company's shares totalling 700,000,000. As at December 31, 2015, there are 681 holders of the listed shares equivalent to 100% of the Parent Company's total outstanding shares. Such listed shares closed at P0.49 per share as at December 31, 2015. The Parent Company has no other securities being offered for trading ...

7. CASH AND CASH EQUIVALENTS

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Cash on hand	P 8,000	P 8,000	P -	P -
Cash in banks	1,617,167	210,485	1,410,465	68,767
Short-term placements	-	5,003,417	-	5,003,417
	P 1,625,167	P 5,221,902	P 1,410,465	P 5,072,184

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods between 30 to 35 days and earn annual effective interest ranging from 0.75% to 1.025% in 2015, and 1.02% to 1.12% in 2014.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

AFS financial assets consisting of shares of stock are summarized below.

	Consolidated		Parent Company	
	2015	2014	2015	2014
Not quoted	P 76,292,533	P 76,292,533	P 76,268,750	P 76,268,750
Quoted	967	967	-	-
	76,293,500	76,293,500	76,268,750	76,268,750
Allowance for impairment	(45,000,000)	(45,000,000)	(45,000,000)	(45,000,000)
	P 31,293,500	P 31,293,500	P 31,268,750	P 31,268,750

The fair values of quoted AFS financial assets have been determined directly by reference to published prices in active markets, i.e., the PSE.

The investment in unquoted AFS financial assets of the Group as at December 31, 2015 and 2014 pertains to the Parent Company's investment in Manila Exposition Complex, Inc. (MEC) representing 18.18% ownership interests (P31,268,750) and investment in I-Mart Corporation representing 10% ownership interests (P45,000,000). The Parent Company provided a 100% allowance for impairment losses on its investment in I-Mart Corporation as a result of the latter's cessation of business.

The Parent Company received cash dividends amounting to P6,000,000, P3,000,000 and P1,500,000 in 2015, 2014 and 2013, respectively, from its investment in MEC. Management believes that its investments in MEC is not impaired as of December 31, 2015 and 2014.

9. RECEIVABLES

This account consists of the following:

	Consolidated 2015	Consolidated 2014	Parent Company 2015	Parent Company 2014
Accounts receivable	P 40,317,088	P 40,313,000	P 40,316,329	P 40,313,000
Advances to employees	65,315	85,992	21,667	22,344
Interest receivable	-	3,077	-	3,077
Other receivables	439,554	440,254	439,554	439,554
	40,821,957	40,842,323	40,777,550	40,777,975
Allowance for impairment	(40,313,000)	(40,313,000)	(40,313,000)	(40,313,000)
	P 508,957	P 529,323	P 464,550	P 464,975

All of the Group's receivables have been reviewed for indications of impairment. Certain receivables were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized.

10. INVESTMENTS IN A SUBSIDIARY AND AN ASSOCIATE

This account consists of the following:

	% Interest Held	Consolidated 2015	Consolidated 2014	Parent Company 2015	Parent Company 2014
Associate					
EIB	10.31%	P 860,659,849	P 860,659,849	P -	P -
	2.45%	-	-	478,380,834	478,380,834
Subsidiary					
MAIC	64.54%	-	-	199,995,929	199,995,929
		860,659,849	860,659,849	678,376,763	678,376,763
Allowance for impairment		(860,659,849)	(860,659,849)	(678,376,763)	(678,376,763)
		P -	P -	P -	P -

The place of incorporation, which is similar with the place of operation of the Parent Company's subsidiary and associate are as follows:

(a) EIB – 36th Floor, Export Bank Plaza, Don Chino Roces Avenue, corner Sen. Gil Puyat Avenue, Makati City
(b) MAIC – 31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City

10.1 Investment in a Subsidiary

The Parent Company has fully impaired the carrying value of the investment in MAIC as a result of the downturn in its business.

10.2 Investment in an Associate

EIB is considered an associate because the Parent Company has significant influence over EIB as certain members of the Parent Company's BOD are also members of the BOD of EIB.

On April 26, 2012, the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) placed EIB under receivership pursuant to Section 30 of Republic Act 7653, otherwise known as the *The New Central Bank Act*. PDIC was designated as Receiver of EIB and took over EIB on April 27, 2012. Prior to the receivership order of the BSP, EIB had been incurring losses and was in negotiations to sell its assets (with assumption by the buyer of its liabilities). These negotiations did not push through and in 2011, the Group provided full allowance for impairment on the investment.

11. OTHER ASSETS

This account consists of the following:

	Notes	Consolidated 2015	Consolidated 2014	Parent Company 2015	Parent Company 2014
Goodwill		P 4,814,856	P 4,814,856	P -	P -
Creditable withholding tax		3,104,911	3,104,911	-	-
Input taxes – net	22.1(b)	1,282,936	1,146,502	1,282,936	1,146,502
Advance rentals	14.2, 18.1	203,231	203,231	-	-
Security deposits	14.2, 18.1	185,456	185,456	-	-
Prepaid expenses		4,050	5,400	4,050	5,400
Miscellaneous		84,275	84,275	-	-
		9,679,715	9,544,631	1,286,986	1,151,902
Allowance for impairment		(9,202,703)	(9,066,269)	(1,282,936)	(1,146,502)
		P 477,012	P 478,362	P 4,050	P 5,400

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets of MAIC at the date of acquisition. In relation to the management's decision to fully impair the Parent's Company investment in MAIC, the Group also recognized full valuation allowance on its goodwill [see also Notes 3.2(d) and 10].

The Group recognized impairment losses on its creditable withholding tax and input VAT since management believes that the Group will not be able to offset such against any future tax liabilities. The amounts of impairment losses amounting to P0.1 million for both in 2015 and 2014, are presented as Impairment losses in the statements of comprehensive income.

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of the following:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Accounts payable	P 1,653,735	P 1,580,900	P -	P -
Accrued expenses	604,298	581,907	323,040	357,738
Withholding tax payable	189,757	198,258	112,100	119,644
Other payable	-	100	-	100
	P 2,447,790	P 2,361,165	P 435,140	P 477,482

Accounts payable include unpaid salaries of the Group's director as of the end of the reporting dates.

Accrued expenses primarily include unpaid professional fees as of the end of the reporting dates.

13. OTHER EXPENSES

This account consists of:

	Consolidated			Parent Company		
	2015	2014	2013	2015	2014	2013
Directors' fee	P 274,000	P 229,000	P 270,000	P 274,000	P 229,000	P 270,000
Utilities	233,736	437,443	373,845	-	-	-
Repairs and maintenance	65,528	53,591	51,710	65,528	53,591	33,482
Insurance	57,644	103,809	88,482	36,942	56,216	43,154
Machine rental	48,000	28,000	-	-	-	-
Office supplies	47,821	115,760	110,645	19,772	19,777	3,300
Training and seminar	31,900	40,800	-	31,900	40,800	-
Bank charges	50	50	150		-	-
Donations and contributions	-	-	7,200	-	-	-
Miscellaneous	80,409	107,842	106,359	34,907	65,763	68,979
	P 839,088	P 1,116,295	P 1,008,391	P 463,049	P 465,147	P 418,915

14. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent company, stockholders, subsidiaries, associate, other entities through common ownership and/or with interlocking directors, its retirement fund and key management personnel as described below.

14.1 Summary of Related Party Transactions

A summary of the Group's related party transactions as of December 31, 2015 and 2014 are as follows:

	Note	Amounts of Transactions 2015	2014	2013	Outstanding Balances 2015	2014
Parent of major stockholder –						
Cash advances obtained - net	14.4	P -	P -	(P 1,000)	P 64,243,546	P 64,243,546
Related parties under common ownership and with interlocking directors and officers:						
Lease of office space	14.2	1,531,384	1,531,384	1,531,384	-	-
Cash advances granted - net	14.3	(912,898)	60,435	229,902	1,979,296	2,892,194
Cash advances obtained	14.4	1,434,034	6,500,000	10,169,742	138,892,333	137,458,299
Key management personnel –						
Salaries and other benefits	14.5	5,915,640	5,323,160	6,117,862	-	-

A summary of the Parent Company's related party transactions as of December 31, 2015 and 2014 are as follows:

	Note	Amounts of Transactions 2015	2014	2013	Outstanding Balances 2015	2014
Subsidiary –						
Cash advances granted	14.3	P 4,500,000	P -	(P 1,000,000)	P 4,502,000	P 2,000
Related parties under common ownership and with interlocking directors and officers:						
Lease of office space	14.2	312,000	312,000	312,000	-	-
Cash advances obtained - net	14.4	-	-	114,285,284	120,750,527	120,750,527
Key management personnel –						
Salaries and other benefits	14.5	2,340,000	2,385,000	3,620,000	-	-

14.2 Lease of Office Space

The Group leases its office space from Capital Place International Limited – Philippine Branch (CPIL), a related party under common ownership of Lippo Group in Hong Kong, for a period of one year, renewable upon mutual agreement of the parties. Total rent charged to operations amounted to P1,531,384 for the Group and P312,000 for the Parent Company in each of the years presented. These are presented as Occupancy in the statements of comprehensive income. The Group does not have any outstanding liabilities arising from these transactions as at December 31, 2015 and 2014. Security deposits and advance rentals, which shall be applied against the last two months of the lease term, totalling P388,687 as at December 31, 2015 and 2014 are included as part of Security deposits and Advance rentals under Other Assets in the statements of financial position (see Note 11).

14.3 Due from Related Parties

The Group and the Parent Company grant advances to related parties for working capital requirements and other purposes. The advances are noninterest-bearing, unsecured and repayable in cash upon demand, and presented as Due from Related Parties in the statements of financial position.

This account consists of the following as of December 31:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Lead Bancfund Corp.	P 562,695	P 549,071	P -	P -
Apex Bancrights Corp.	561,544	547,920	-	-
Cardinal Bancresources, Inc.	375,378	361,754	-	-
Goldwin Bancshares, Inc.	375,196	361,572	-	-
CTC Entrepreneurs Corp.	103,483	82,158	1,000	1,000
Keytrend Technologies Phils., Inc. (KTPI)	1,000	1,000	1,000	1,000
Medco Asia Investment Corp.	-	-	4,500,000	-
Solid Payback Holdings, Inc. (SPHI)	-	505,835	-	-
Bountiful Bancresources Holdings, Inc. (BBHI)	-	482,884	-	-
	P 1,979,296	P 2,892,194	P 4,502,000	P 2,000

These entities are related parties of the Group by virtue of having interlocking directors and common executive officers. There was no impairment loss recognized with respect to amounts due from related parties based on management's assessment.

The movements in this account follow:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Balance at beginning of year	P 2,892,194	P 2,831,759	P 2,000	P 2,000
Additions	162,705	98,303	4,500,000	-
Repayments	(1,075,603)	(37,868)	-	-
Balance at end of year	P 1,979,296	P 2,892,194	P 4,502,000	P 2,000

14.4 *Due to Related Parties*

Due to related parties pertain to noninterest-bearing, unsecured cash advances from related parties for working capital requirements and other purposes. The advances are generally payable in cash upon demand.

As of December 31, this account consists of the following:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Lippo China Resources Ltd. (LCR)	P 63,227,580	P 64,243,546	P -	P -
CAL	57,831,127	57,831,127	57,831,127	57,831,127
Classic Tycoon Investment, Ltd. (CTIL)	29,884,700	29,884,700	29,884,700	29,884,700
Fair Navigator, Ltd. (FNL)	29,884,700	29,884,700	29,884,700	29,884,700
CPIL	18,950,000	16,500,000	-	-
LSI	3,150,000	3,150,000	3,150,000	3,150,000
KTPI	207,772	207,772	-	-
	P 203,135,879	P 201,701,845	P 120,750,527	P 120,750,527

In 2012, LCR assigned its receivable from the Parent Company totalling P117,600,527 to CTIL, FNL and CAL. CTIL and FNL are both related parties under common ownership; while CAL is the Parent Company's stockholder.

The movements in this account follow:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Balance at beginning of year	P 201,701,845	P 195,201,845	P 120,750,527	P 120,750,527
Additions	2,450,000	6,500,000	-	-
Repayments	(1,015,966)	-	-	-
Balance at end of year	P 203,135,879	P 201,701,845	P 120,750,527	P 120,750,527

14.5 *Key Management Personnel Compensation*

The compensation and benefits provided to key management personnel, which generally consist of short-term employee benefits, amounted to P5,915,640 in 2015, P5,323,160 in 2014, and P6,117,862 in 2013 for the Group and P2,340,000 in 2015, P2,385,000 in 2014, and P3,620,000 in 2013 for the Parent Company. These are presented as part of Employee Benefits in the statements of comprehensive income. The Group does not have any outstanding liabilities arising from these transactions as at December 31, 2015 and 2014.

14.6 *Transactions with the Retirement Fund*

The retirement fund for the defined benefit post-employment plan is administered and managed by a trustee bank. The fair value and the composition of the plan assets as of December 31, 2015 and 2014 are presented in Note 15.2.

The retirement fund neither provides any guarantee or surety for any obligation of the Parent Company nor its investments covered by any restrictions or liens.

The details of the contributions of the Parent Company and benefits paid out by the plan are presented in Note 15.2.

15. EMPLOYEE BENEFITS

15.1 Employee Benefits Expense

Details of salaries and employee benefits are presented below.

	Consolidated			Parent Company		
	2015	2014	2013	2015	2014	2013
Short-term employee benefits	P 6,837,086	P 6,914,795	P 7,753,190	P 2,762,109	P 2,877,027	P 3,890,759
Post-employment defined benefit	306,989	418,348	358,334	194,874	308,914	264,824
	P 7,144,075	P 7,333,143	P 8,111,524	P 2,956,983	P 3,185,941	P 4,155,583

15.2 Post-employment Defined Benefit

(a) *Characteristics of the Defined Benefit Plan*

The Group maintains a partially-funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's Management Committee who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 65. The plan also provides for an early retirement at age 50 with a minimum of 10 years of credited service and voluntary separation with a minimum of five years of credited service, both subject to the approval of the Group's BOD. Normal retirement benefit is an amount equivalent to 100% of the final monthly salary for every year of credited service.

(b) *Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2015 and 2014.

The amounts of post-employment benefit obligation recognized in the statements of financial position are determined as follows:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Present value of obligation	P 4,513,307	P 4,095,419	P 2,457,510	P 2,403,631
Fair value of plan assets	(1,282,267)	(1,229,897)	(352,784)	(350,868)
	P 3,231,040	P 2,865,522	P 2,104,726	P 2,052,763

The movements in the present value of the post-employment benefit obligation recognized in the books follow:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Balance at beginning of year	P 4,095,419	P 5,940,309	P 2,403,631	P 4,293,379
Current service cost	306,989	418,348	194,874	308,914
Interest cost	197,924	297,016	117,057	214,669
Remeasurements:				
Actuarial losses (gains) arising from:				
Changes in financial assumptions	(295,911)	(649,366)	(155,797)	(385,954)
Experience adjustments	208,886	(317,375)	(102,255)	(649,864)
Benefits paid	-	(1,593,513)	-	(1,377,513)
Balance at end of year	P 4,513,307	P 4,095,419	P 2,457,510	P 2,403,631

The movements in the fair value of plan assets are presented below.

	Consolidated		Parent Company	
	2015	2014	2015	2014
Balance at beginning of year	P 1,229,897	P 2,137,247	P 350,868	P 1,188,473
Interest income	59,105	106,863	17,087	59,424
Return on plan assets (excluding amounts included in net interest)	(6,735)	(134,859)	(15,171)	(83,675)
Contributions to the plan	-	714,159	-	564,159
Benefits paid	-	(1,593,513)	-	(1,377,513)
Balance at end of year	P 1,282,267	P 1,229,897	P 352,784	P 350,868

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	Consolidated		Parent Company	
	2015	2014	2015	2014
Cash and cash equivalents	P 276,772	P 402,910	P 220,421	P 272,692
Debt securities				
Philippine government bonds	359,587	203,342	103,196	28,097
Corporate bonds	594,109	621,556	-	49,766
UITF	48,086	-	28,621	-
Interest receivable	5,315	3,487	987	679
Accrued trust fees payable	(1,602)	(1,398)	(441)	(366)
Balance at end of year	P 1,282,267	P 1,229,897	P 352,784	P 350,868

The fair values of the above debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

The Group's plan assets earned a return of P52,370 in 2015 and incurred a negative return of P27,996 in 2014. The Parent Company's plan assets earned a return of P1,916 in 2015 and incurred a negative return of P24,251 in 2014.

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	Consolidated 2015	Consolidated 2014	Consolidated 2013	Parent Company 2015	Parent Company 2014	Parent Company 2013
Reported in profit or loss:						
Current service cost	P 306,989	P 418,348	P 358,334	P 194,874	P 308,914	P 264,824
Net interest expense	138,819	190,153	296,900	99,970	155,245	147,103
	P 445,808	P 608,501	P 655,234	P 294,844	P 464,159	P 411,927
Reported in other comprehensive income:						
Actuarial gains (losses) arising from changes in:						
Financial assumptions	P 295,911	P 649,366	(P 971,611)	P 155,797	P 385,954	(P 693,402)
Experience adjustments	(208,886)	317,375	352,831	102,255	649,864	140,983
Demographic assumptions	-	-	58,947	-	-	47,192
Return on plan assets (excluding amounts included in net interest expense)	(6,735)	(134,859)	678,129	(15,171)	(83,675)	5,092
	P 80,290	P 831,882	P 118,296	P 242,881	P 952,143	(P 500,135)

Current service cost is presented as part of Employee Benefits account in the statements of comprehensive income.

Net interest expense is included in the Finance Cost account in the statements of comprehensive income.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used for the Group and the Parent Company's obligation:

	2015	2014	2013
Discount rates	**5.25%**	4.87%	5.00%
Expected rate of salary increases	**4.00%**	4.00%	5.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 65 is 23 for both males and females.

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, government and corporate debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2015 and 2014:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
2015			
Discount rate	**100 basis points**	**(P 361,106)**	**P 435,041**
Salary increase rate	**100 basis points**	**436,230**	**(368,849)**
2014			
Discount rate	100 basis points	(P 369,830)	P 448,948
Salary increase rate	100 basis points	448,302	(376,445)

The sensitivity analysis in the table above is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or other debt securities) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as of December 31, 2015 and 2014 consists of government and corporate debt securities, although the Group also invests in cash and cash equivalents.

There has been no change in the Group's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P3,231,040 for the Group and P2,104,726 for the Parent Company based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 20 years' time when a significant number of current employees is expected to retire.

The Group and the Parent Company does not expect to make any contribution to the plan for the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan for the next 20 years as of December 31, 2015 and 2014 follows:

	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Within one year	**P 455,286**	P 49,374	**P 32,015**	P 29,391
More than one year but not more than five years	**557,059**	302,769	**438,303**	166,395
More than five years but not more than 10 years	**188,298**	485,931	**103,932**	395,172
More than 10 years but not more than 15 years	**331,733**	304,289	**195,845**	178,750
More than 15 years but not more than 20 years	**16,366,767**	16,855,907	**11,921,346**	12,288,886
	P 17,899,143	P 17,998,270	**P 12,691,441**	P 13,058,594

16. CURRENT AND DEFERRED TAXES

Tax expense reported in profit or loss of the Group amounted to P2,329, P12,277, and P25,986 for the years ended December 31, 2015, 2014 and 2013, respectively. On the other hand, the Parent Company's tax expense reported in profit or loss amounted to P2,248, P12,159, and P25,583 for the years ended December 31, 2015, 2014 and 2013, respectively. These amounts represent final taxes on interest income earned from cash and cash equivalents.

The reconciliation of tax on pretax loss for 2015, 2014 and 2013 computed at the applicable statutory tax rates to tax expense reported in the profit or loss section of the statements of comprehensive income is presented below.

	Consolidated			Parent Company		
	2015	2014	2013	2015	2014	2013
Tax on pretax profit (loss) at 30%	(P 1,948,646)	(P 3,096,184)	(P 5,306,038)	P 175,876	(P 828,873)	(P 1,917,152)
Adjustment for income subjected to lower tax rates	(1,200)	(6,151)	(15,726)	(1,159)	(6,092)	(15,525)
Tax effects of:						
Unrecognized deferred tax asset (DTA) on temporary differences	3,567,788	3,795,123	4,490,244	1,566,276	1,648,848	2,256,227
Nontaxable income	(1,800,000)	(900,000)	(450,000)	(1,800,000)	(900,000)	(450,000)
Nondeductible expenses	184,387	219,489	1,307,506	61,255	98,276	152,033
Tax expense	P 2,329	P 12,277	P 25,986	P 2,248	P 12,159	P 25,583

The Group did not recognize net deferred tax assets on net operating loss carry over (NOLCO) and other temporary differences since management believes that the related benefits may not be fully utilized considering the current status of operations of the Group . Details of unrecognized net deferred tax assets are as follows:

	Consolidated			
	2015		2014	
	Amount	Tax Effect	Amount	Tax Effect
NOLCO	P 37,679,625	P 11,303,888	P 39,823,937	P 11,947,181
Post-employment benefit obligation	3,231,040	969,312	2,865,522	859,657
Unamortized past service cost	1,961,686	588,506	2,263,561	679,068
Unrealized foreign currency losses-net	72,867	21,860	4,706	1,412
Unrealized gains on AFS financial assets	-	-	556	167
	P 42,945,218	P 12,883,566	P 44,958,282	P 13,487,485

	Parent Company			
	2015		2014	
	Amount	Tax Effect	Amount	Tax Effect
NOLCO	P 16,504,251	P 4,921,284	P 17,651,171	P 5,295,351
Retirement benefit obligation	2,104,726	631,418	2,052,763	615,829
Unamortized past service cost	378,633	113,590	434,997	130,499
Unrealized foreign currency losses (gains) - net	(2,968)	(890)	(203)	(61)
	P 18,984,642	P 5,665,402	P 20,138,728	P 6,041,618

The breakdown of NOLCO as at December 31, 2015, which can be claimed as deductions from future taxable income within three years from the year the taxable loss was incurred, is shown below.

Consolidated				
Year	Original Amount	Expired Balance	Remaining Balance	Valid Until
2015	P 11,379,235	P -	P 11,379,235	2018
2014	12,211,217	-	12,211,217	2017
2013	14,089,173	-	14,089,173	2016
2012	13,523,547	13,523,547	-	2015
	P 51,203,172	P 13,523,547	P 37,679,625	

Parent Company				
Year	Original Amount	Expired Balance	Remaining Balance	Valid Until
2015	P 4,848,777	P -	P 4,848,777	2018
2014	5,438,289	-	5,438,289	2017
2013	6,217,185	-	6,217,185	2016
2012	5,995,697	5,995,697	-	2015
	P 22,499,948	P 5,995,697	P 16,504,251	

The Group is subject to MCIT which is computed at 2% of gross income, as defined under the tax regulations, or RCIT whichever is higher. No MCIT and RCIT was reported since the Group does not have taxable revenues and other income for the years ended December 31, 2015, 2014 and 2013.

In 2015, 2014 and 2013, each entity in the Group opted to claim itemized deductions in computing for its income tax due.

17. BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share for the years ended December 31, 2015, 2014 and 2013 is computed as follows:

	Consolidated			Parent Company		
	2015	2014	2013	2015	2014	2013
Net profit (loss) attributable to the shareholders of Parent Company	(P 4,019,179)	(P 7,687,654)	(P 13,758,937)	P 584,004	(P 2,775,070)	(P 6,416,089)
Divided by the weighted average number outstanding shares	700,000,000	700,000,000	700,000,000	700,000,000	700,000,000	700,000,000
Basic and diluted loss per share	(P 0.01)	(P 0.01)	(P 0.02)	P 0.00	(P 0.00)	(P 0.01)

The Group has no potentially dilutive common shares as at December 31, 2015, 2014 and 2013.

18. COMMITMENTS AND CONTINGENCIES

18.1 Operating Lease Commitments

The Group is a lessee under a non-cancellable lease agreement covering certain office space. The lease is for a period of two years which may be renewed for another two years. Future minimum lease payments of the Group and of the Parent Company as of December 31, 2015 amount to P613,640 and P130,000, respectively, and P1,984,376 and P442,000, respectively, as of December 31, 2014.

In addition, the lease provides for payment of advance rental equivalent to two months' rent, inclusive of VAT, of P203,231, and security deposit of P185,456. These are presented as part of Other Assets in the statements of financial position (see Note 11).

Total rent expense from this operating lease in 2015, 2014 and 2013 amounted to P1,531,384 and P312,000 for the Group and the Parent Company, respectively. This is shown as Occupancy in the statements of comprehensive income.

18.2 Others

There are other commitments and contingencies that arise in the normal course of the Group's operations which are not reflected in the financial statements. As at December 31, 2015, management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Group's financial statements.

19. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

19.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

		Consolidated			
		2015		2014	
	Notes	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets					
Loans and receivables:					
Cash and cash equivalents	7	P 1,625,167	P 1,625,167	P 5,221,902	P 5,221,902
Receivables	9	508,957	508,957	529,323	529,323
Due from related parties	14	1,979,296	1,979,296	2,892,194	2,892,194
Security deposits	11	185,456	185,456	185,456	185,456
AFS financial assets	8	31,293,500	31,293,500	31,293,500	31,293,500
		P 35,592,376	P 35,592,376	P 40,122,375	P 40,122,375
Financial liabilities at amortized cost					
Accounts payable and accrued expenses (excluding tax-related liabilities)	12	P 2,258,033	P 2,258,033	P 2,162,907	P 2,162,907
Due to related parties	14	203,135,879	203,135,879	201,701,845	201,701,845
		P 205,393,912	P 205,393,912	P 203,864,752	P 203,864,752

		Parent Company			
		2015		2014	
	Notes	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets					
Loans and receivables:					
Cash and cash equivalents	7	P 1,410,465	P 1,410,465	P 5,072,184	P 5,072,184
Receivables	9	464,550	464,550	464,975	464,975
Due from related parties	14	4,502,000	4,502,000	2,000	2,000
AFS financial assets	8	31,268,750	31,268,750	31,268,750	31,268,750
		P 37,645,765	P 37,645,765	P 36,807,909	P 36,807,909
Financial liabilities at amortized cost					
Accounts payable and accrued expenses (excluding tax-related liabilites)	12	P 323,040	P 323,040	P 357,838	P 357,838
Due to related parties	14	120,750,527	120,750,527	120,750,527	120,750,527
		P 121,073,567	P 121,073,567	P 121,108,365	P 121,108,365

19.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by the respective BOD and stockholders of both parties or upon instruction by its major stockholders. As such, the Group's outstanding receivables from related parties amounting to P1,979,296 and P2,892,194 can be offset with the amount of outstanding liabilities to related parties of P203,135,879 and P201,701,845 and as of December 31, 2015 and 2014, respectively. In the same manner, the Parent Company's outstanding receivables from related parties amounting to P4,500,000 and P2,000 can be offset with the amount of outstanding liabilities to related parties amounting to P120,750,527 as of December 31, 2015 and 2014 (see Note 14).

20. FAIR VALUE MEASUREMENT AND DISCLOSURES

20.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

20.2 Financial Instruments Measured at Fair Value

As at the end of the reporting periods, financial assets carried at fair value pertain to AFS financial assets held by the Group representing investment in equity securities of publicly-listed companies in the PSE with quoted fair values of P967 as at December 31, 2015 and 2014, respectively, which are categorized as Level 1 (see Note 8). AFS financial assets held by the Parent Company amounting to P31,268,750 as at December 31, 2015 and 2014 are valued based on the expected cash flows of the underlying net asset because the fair value of these investments cannot be reliably determined either by reference to similar financial instruments or through valuation technique, thus, are categorized under Level 3.

The Group has no financial liabilities measured at fair value as of December 31, 2015 and 2014.

20.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below and in the succeeding page summarizes the fair value hierarchy of financial assets and financial liabilities which are not measured at fair value in the 2015 statement of financial position but for which fair value is disclosed.

	Consolidated			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 1,625,167	P -	P -	P 1,625,167
Receivables	-	-	508,957	508,957
Due from related parties	-	-	1,979,296	1,979,296
Security deposits	-	-	185,456	185,456
	P 1,625,167	P -	P 2,673,709	P 4,298,876

	Consolidated			
	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Accounts payable and accrued expenses (excluding tax-related liabilities)	P -	P -	P 2,258,033	P 2,258,033
Due to related parties	-	-	203,135,879	203,135,879
	P -	P -	P205,393,912	P 205,393,912

	Parent Company			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 1,410,465	P -	P -	P 1,410,465
Receivables	-	-	464,550	464,550
Due from related parties	-	-	4,502,000	4,502,000
	P 1,410,465	P -	P 4,966,550	P 6,377,015
Financial liabilities:				
Accounts payable and accrued expenses (excluding tax-related liabilities)	P -	P -	P 323,040	P 323,040
Due to related parties	-	-	120,750,527	120,750,527
	P -	P -	P121,073,567	P 121,073,567

The table below summarizes the fair value hierarchy of financial assets and financial liabilities which are not measured at fair value in the 2014 statement of financial position but for which fair value is disclosed.

	Consolidated			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 5,221,902	P -	P -	P 5,221,902
Receivables	-	-	529,323	529,323
Due from related parties	-	-	2,892,194	2,892,194
Security deposits	-	-	185,456	185,456
	P 5,221,902	P -	P 3,606,973	P 8,828,875
Financial liabilities:				
Accounts payable and accrued expenses (excluding tax-related liabilities)	P -	P -	P 2,162,907	P 2,162,907
Due to related parties	-	-	201,701,845	201,701,845
	P -	P -	P203,864,752	P 203,864,752

	Parent Company			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 5,072,184	P -	P -	P 5,072,184
Receivables	-	-	464,975	464,975
Due from related parties	-	-	2,000	2,000
	P 5,072,184	P -	P 466,975	P 5,539,159
Financial liabilities:				
Accounts payable and accrued expenses (excluding tax-related liabilities)	P -	P -	P 357,838	P 357,838
Due to related parties	-	-	120,750,527	120,750,527
	P -	P -	P121,108,365	P 121,108,365

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

21. CLASSIFIED STATEMENTS OF FINANCIAL POSITION

Details of assets and liabilities as to current and non-current are presented below.

	Notes	Consolidated 2015	Consolidated 2014	Parent Company 2015	Parent Company 2014
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	7	P 1,625,167	P 5,221,902	P 1,410,465	P 5,072,184
Receivables – net	9	508,957	529,323	464,550	464,975
Due from related parties	14	1,979,296	2,892,194	4,502,000	2,000
Total Current Assets		4,113,420	8,643,419	6,377,015	5,539,159
NON-CURRENT ASSET					
Available-for-sale financial assets	8	31,293,500	31,293,500	31,268,750	31,268,750
Other non-current assets – net	11	477,012	478,362	4,050	5,400
Total Non-Current Assets		31,770,512	31,771,862	31,272,800	31,274,150
TOTAL ASSETS		P 35,883,932	P 40,415,281	P 37,649,815	P 36,813,309

	Notes	Consolidated 2015	Consolidated 2014	Parent Company 2015	Parent Company 2014
LIABILITIES					
CURRENT LIABILITES					
Accounts payable and other liabilities	12	P 2,447,790	P 2,361,165	P 435,140	P 477,482
Due to related parties	14	203,135,879	201,701,845	120,750,527	120,750,527
Total Current Liabilities		205,583,669	204,063,010	121,185,667	121,228,009
NON-CURRENT LIABILITIES					
Retirement benefit obligation	15	3,231,040	2,865,522	2,104,726	2,052,763
TOTAL LIABILITIES		P 208,814,709	P 206,928,532	P 123,290,393	P 123,280,772

22. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (APPLICABLE TO THE PARENT COMPANY ONLY)

Presented below and in the succeeding pages is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information by the Parent Company is not a required disclosure under PFRS.

22.1 Requirements Under Revenue Regulations (RR) No. 15-2010

The information on taxes, duties and license fees paid or accrued by the Parent Company during the taxable year required under RR No. 15-2010 are as follows:

(a) Output VAT

The Parent Company did not declare output VAT for the year ended December 31, 2015 as it did not have any transactions in 2015 which are subject to output VAT.

(b) Input VAT

The movements of input VAT in 2015 are summarized below.

Balance at beginning of year	P	1,146,502
Current year's domestic purchases of services lodged under administrative expenses		136,434
Balance at end of year	P	1,282,936

The balance of input VAT is presented under the Other Assets account in the 2015 statement of financial position (see Note 11).

(c) Taxes on Importation

The Parent Company did not import any asset or goods for use in business in 2015.

(d) Excise Tax

The Parent Company did not have excise tax in 2015 since it did not have any transactions which are subject to excise tax.

(e) Documentary Stamp Tax (DST)

The Parent Company did not incur any DST for the year ended December 31, 2015 as it did not execute any documents, instruments, loan agreements or papers evidencing the acceptance, assignment, sale or transfer of an obligation, and any right or property during the year.

(f) Taxes and Licenses

Details taxes and licenses of the Parent Company in 2015 are shown below.

Licenses and permit fees	P	16,314
Barangay clearance		2,500
Community tax		1,155
Registration		500
	P	20,469

(g) Withholding Taxes

The total withholding taxes of the Parent Company for the year ended December 31, 2015 are shown below.

Compensation and benefits	P	718,427
Expanded		90,872
Final		11,250
	P	820,549

(h) Deficiency Tax Assessments and Tax Cases

As at December 31, 2015, the Parent Company does not have any final deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

22.2 Requirements Under RR No. 19-2011

RR No. 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions and other significant tax information to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR; hence, may not be the same as the amounts reflected in the 2015 statement of comprehensive income.

(a) *Taxable Revenues*

For the year ended December 31, 2015, the Parent Company has no taxable revenues.

(b) *Deductible Costs of Sales and Services*

The Parent Company has no deductible costs of sales and services for the year ended December 31, 2015.

(c) *Taxable Non-operating and Other Income*

The Parent Company has no taxable non-operating and other income for the year ended December 31, 2015.

(d) *Itemized Deductions*

Details itemized deductions under regular tax rate regime for the year ended December 31, 2015 are as follows:

Salaries and employee benefits	P	2,818,474
Professional fees		649,750
Occupancy		312,000
Membership fees and dues		258,050
Transportation		224,126
Repairs and maintenance		65,528
Representation		60,143
Communication		42,919
Insurance		36,942
Taxes and licenses		20,469
Miscellaneous		360,376
	P	4,848,777

P&A
Grant Thornton

An instinct for growth™

Report of Independent Auditors on Supplementary Schedules Filed Separately from the Basic Financial Statements

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506
grantthornton.com.ph

The Board of Directors and Stockholders
Medco Holdings, Inc. and Subsidiaries
31st Floor, Rufino Pacific Tower
6784 Ayala Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Medco Holdings, Inc. and Subsidiaries for the year ended December 31, 2015, on which we have rendered our report dated April 1, 2016. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Jessie C. Carpio
Partner

CPA Reg. No. 0057831
TIN 109-227-789
PTR No. 5321720, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 0011-AR-4 (until Aug. 5, 2018)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-6-2014 (until Aug. 5, 2017)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 1, 2016

MEDCO HOLDINGS, INC.

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendment to PFRS 1: Government Loans	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)* *(effective January 1, 2018)*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendment to PFRS 10: Transition Guidance	✓		
	Amendment to PFRS 10: Investment Entities	✓		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PFRS 11	Joint Arrangements	✓		
	Amendment to PFRS 11: Transition Guidance	✓		
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations* *(effective January 1, 2016)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendment to PFRS 12: Transition Guidance	✓		
	Amendment to PFRS 12: Investment Entities	✓		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts* *(effective January 1, 2016)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Disclosure Initiative* *(effective January 1, 2016)*			✓
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Bearer Plants* *(effective January 1, 2016)*			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization* *(effective January 1, 2016)*			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendment to PAS 27: Investment Entities	✓		
	Amendment to PAS 27: Equity Method in Separate Financial Statements* *(effective January 1, 2016)*	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*	✓		
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception* *(effective January 1, 2016)*	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization* *(effective January 1, 2016)*			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants* *(effective January 1, 2016)*			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**			✓
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**			✓
IFRIC 21	Levies	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**			✓

* These standards will be effective for periods subsequent to 2015 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2015

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2015
(Amounts in Philippine Pesos)

Name of issuing entity and association of each issue (i)	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at end of reporting period*	*Income received and accrued*
Anglo Philippines Holdings Corp.	504	P 968	P 968	P -
Philippine Central Depository, Inc.	228	22,800	22,800	-
Reynolds, Inc.	847	982	982	-
Manila Exposition Complex, Inc.	300,000	31,268,750	31,268,750	6,000,000
Total Available-for-sale Financial Assets		**P 31,293,500**	**P 31,293,500**	**P 6,000,000**

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2015
(Amounts in Philippine Pesos)

			Deductions		Ending Balance		
Name and designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts collected*	*Amounts written off*	*Current*	*Non-current*	*Balance at end of period*
Amounts Due from Related Parties:	P 2,892,194	P 103,069	(P 1,015,967)	P -	P 1,979,296	P -	P 1,979,296
Solid Payback Holdings, Inc.	505,835	13,624	(519,459)	-	-	-	-
Bountiful Bancresources Holdings, Inc.	482,884	13,624	(496,508)	-	-	-	-
Cardinal Bancresources, Inc.	361,754	13,624	-	-	375,378	-	375,378
Lead Bancfund Corp.	549,071	13,624	-	-	562,695	-	562,695
Apex Bancrights Corp.	547,920	13,624	-	-	561,544	-	561,544
Goldwin Bancshares, Inc.	361,572	13,624	-	-	375,196	-	375,196
CTC Entrepreneurs Corp.	82,158	21,325	-	-	103,483	-	103,483
Keytrend Technologies Phils.	1,000	-	-	-	1,000	-	1,000
Advances to Officers and Employees:							
(recorded under the Receivables account)	85,992	146,834	(167,511)	-	65,315	-	65,315
Grand Total	P 2,978,186	P 249,903	(P 1,183,478)	P -	P 2,044,611	P -	P 2,044,611

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Amounts in Philippine Pesos)

			Deductions		*Ending Balance*		
Name and designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts collected*	*Amounts written off*	*Current*	*Not current*	*Balance at end of period*

- nothing to report -

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2015
(Amounts in Philippine Pesos)

Description	*Beginning balance*	*Additions at cost*	*Charged to cost and expenses*	*Charged to other accounts*	*Other changes additions (deductions)*	*Ending balance*
\dvance rentals	P 203,231	P -	P -	P -	P -	P 203,231
;ecurity deposit	185,456	-	-	-	-	185,456
/liscellaneous	89,675	-	-	-	(1,350)	88,325
	P 478,362	-	P -	P -	(P 1,350)	P 477,012

Jote: The Group has no intangible assets as of December 31, 2015.

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2015
(Amounts in Philippine Pesos)

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption "Current portion of long-term debt" in related balance sheet*	*Amount shown under caption "Long-Term Debt" in related balance sheet*

- nothing to report -

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2015
(Amounts in Philippine Pesos)

Name of related party	*Balance at beginning of period*	*Balance at end of period*

- nothing to report -

SCHEDULE G - GUARANTEE OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2015
(Amounts in Philippine Pesos)

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

- nothing to report -

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2015

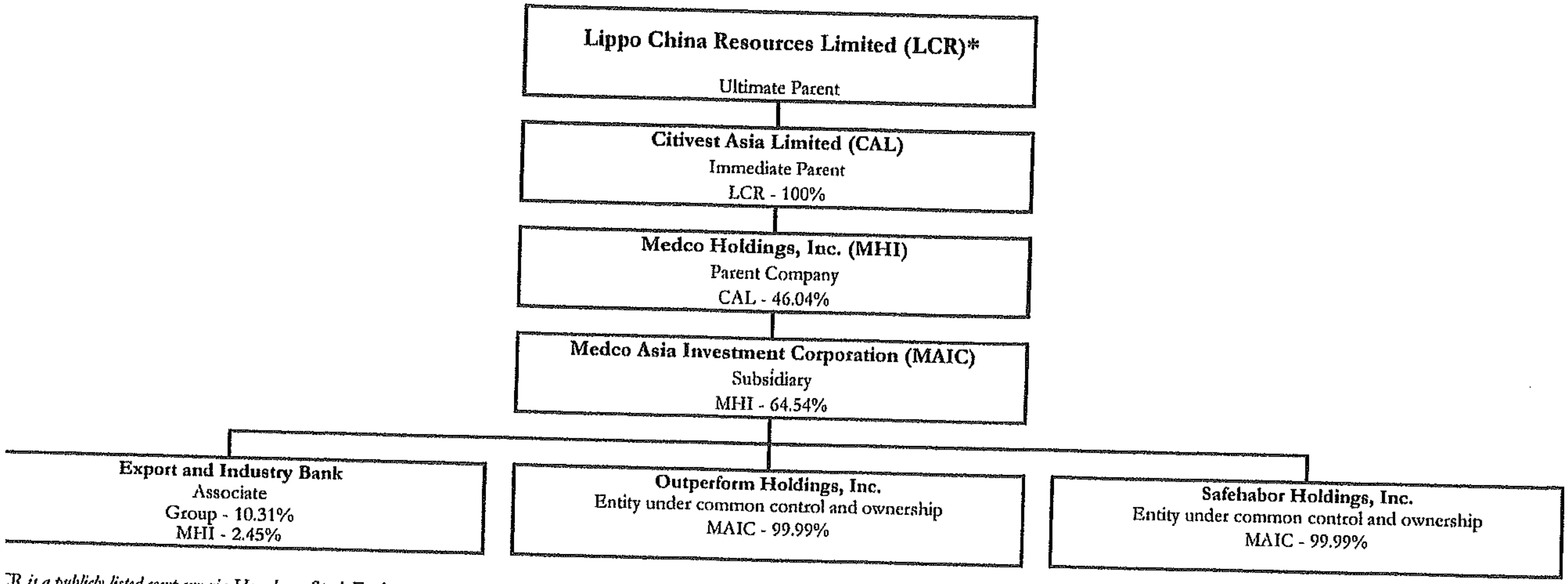
Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding under Related Balance Sheet Caption	Number of Shares. Reserved for Options, Warrants, Conversions and Other Rights	Number or Shares Held By		
				Related Parties (Parent, Affiliates)	Directors, Officers and Employees	Others
Common Shares	700,000,000	700,000,000	Not Applicable	322,314,874	51,023	377,634,103

MEDCO HOLDINGS, INC.
31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City

Reconciliation of Deficit
For the Year Ended December 31, 2015

DEFICIT AT BEGINNING OF YEAR	(P	810,121,552)
Net Income during the Year		584,004
DEFICIT AT END OF YEAR	(P	809,537,548)

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
Map Showing the Relationship Between and Among Related Entities
December 31, 2015



R is a publicly-listed company via Hongkong Stock Exchange

Top Five (5) Performance Indicators

December 31, 2015, 2014 and 2013

		Medco Holdings, Inc. (Consolidated)			Medco Asia Investment Corp (Major Subsidiary)		
		2015	2014	2013	2015	2014	2013
1. Revenue Growth	Revenue Y1-Y0 / Revenue Y0	96%	87%	0.45%	-31.20%	85.40%	-99.69%
2. Net Income Growth*	Net Loss Y1-Y0 / Net Loss Y0	NA	NA	NA	NA	NA	NA
3. Return on Equity**	Net Income / Ave. Stockholders' Equity	NA	NA	NA	NA	NA	NA
4.Current Ratio	Current Assets / Current Liabilities	0.02x	0.04x	0.06x	0.02x	0.03x	0.05x
5. Debt-to-Equity- Ratio**	Total Liabilities / Stockholders' Equity	NA	NA	NA	NA	NA	NA

* Losses

** Capital Deficiency in 2015, 2014 and 2013

Note:

Y1= Current year

Y0= Previous year

ANNEX "C"

COVER SHEET

SEC Registration Number

3	9	6	5	2						

Company Name

MEDCO HOLDINGS, INC. AND SUBSIDIARY

Principal Office (No./Street/Barangay/City/Town/Province)

31st FLOOR RUFINO PACIFIC TOWER 6784 AYALA AVENUE MAKATI CITY

Form Type: AMENDED

FORM 17-Q

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	(02) 811-0465	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
		12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Dionisio E. Carpio, Jr.	denniscarpio@medco.com.ph	(02) 811-0465	

Contact Person's Address

31st Floor Rufino Pacific Tower 6784 Ayala Avenue, Makati City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SECURITIES AND EXCHANGE COMMISSION
Metro Manila, Philippines

SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 11 OF THE REVISED SECURITIES ACT AND RSA RULE 11(a)-1(b)(2) THEREUNDER

1. For the quarterly period ended **30 September 2016**

2. SEC Identification Number **39652** 3. BIR Tax Identification No. **004-844-938**

4. **Medco Holdings, Inc.**
   Exact name of registrant as specified in its charter

5. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code

7. **31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, Metro Manila, Philippines** **1229**
   Address of principal office
   Postal Code

8. Registrant's telephone number, including area code: **(632) 811-0465 to 66**

9. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of each class	Number of shares of common stock outstanding and amount debt outstanding
Common	**700,000,000 shares**

10. Are any or all of these securities listed on the Philippine Stock Exchange. Yes [/]No [ ]

11. Check whether the registrant:

    (a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports).
    Yes [/] No [ ]

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

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

See Attachment A

Item 2. Management's Discussion and Analysis or Results of Operation.

2016 - Third Quarter Financial Highlights

Total consolidated revenues for the quarter ended 30 September 2016 showed no significant change compared to the previous year's third quarter figure. Consolidated revenues for this period consisted mainly of dividend income (99.90%) and interest income from bank deposits (0.10%).

Consolidated expenses decreased by 5% compared to the same quarter of last year. The expenses for this period comprised of salaries and wages (62%), occupancy (15%), representation (6%), professional fee (6%), and other expenses (11%). The decrease in the consolidated expenses was due to the decline in the communication expenses which decreased by 25% as compared to last year's third quarter. Also, no utilities expense and membership fees and dues were incurred during this quarter unlike in the previous year's third quarter. Other than these, there was no significant movement in the other expense components.

As to the balance sheet as at the end of this quarter, there was no significant change in the total assets amount compared to the end of last year. The slight decrease in the total assets was brought about by the decrease in the cash and cash equivalents account due to withdrawals for the company's working capital requirements. On the liabilities side, accounts payable and accrued expenses, likewise, decreased by 22% due to the payment of liabilities accrued as at December 31, 2015.

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons during the reporting period.

The Company is not aware of any trends, events or uncertainties that would materially affect its liquidity and its operations as a whole. Likewise, the Company does not anticipate any liquidity problem within the next twelve (12) months. The Company has no default or breach of any note, loan, lease or other indebtedness or financing arrangement. There are also no past due trade payables.

The Company's internal sources of short-term and long-term liquidity are its liquid assets and those of its subsidiary, which as at September 30, 2016 consisted of P0.5 million of cash and cash equivalents. Its external sources of liquidity would consist of, among others, advances from its affiliate companies or major shareholders.

2015 - Third Quarter Financial Highlights

Total consolidated revenues for the quarter ended 30 September 2015 increased by 25% compared to the same period of the previous year. Consolidated revenues for this period consisted of dividend income (99.66%) and interest income from short term placements and bank deposits (.34%). The increase in the revenue account was mainly due to a higher amount of cash dividend received from Manila Exposition Complex, Inc.

On the other hand, there was no significant change in the consolidated expenses compared to the same quarter of last year. The expenses for this period were composed of salaries and wages (59%), occupancy (14%), representation (6%), professional fee (5%) and other expenses (16%).

As to the balance sheet as at the end of this quarter, total assets decreased by 10% compared to the end of last year. This decrease was due mainly to the decrease in the cash & cash equivalents account due to the withdrawals in bank deposits and short term placements for the Company's working capital requirements. There was no significant change noted in the total liabilities.

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons during the reporting period.

The Company is not aware of any trends, events or uncertainties that would materially affect its liquidity and its operations as a whole. The Company does not also anticipate any liquidity problem within the next twelve (12) months. The Company has no default or breach of any note, loan, lease or other indebtedness or financing arrangement. There are also no past due trade payables.

The Company's internal sources of short-term and long-term liquidity are its liquid assets and those of its subsidiaries, which as at September 30, 2015 consisted of P.9 million of cash and cash equivalents. Its external sources of liquidity would consist of, among others, advances from its affiliate companies or major shareholders.

2014 - Third Quarter Financial Highlights

Total consolidated revenues for the quarter ended 30 September 2014 increased substantially compared to the same period of the previous year. Consolidated revenues for this period consisted mainly of dividend income. The increase in the revenue account was due to the cash dividend received from Manila Exposition Complex, Inc. Cash dividend income comprised 99.80% of this year's third quarter revenues while interest income from short term placement and deposits comprised 0.20%.

On the other hand, total consolidated expenses for the third quarter of 2014 decreased by 19.70% compared to last year's third quarter. The expenses for this quarter were composed of salaries and wages (56%), occupancy (14%), representation (6%), professional fees (5%), utilities expense (5%) and other expenses (14%). The decrease was mainly due to the decrease in the salaries and wages and representation expense accounts. Other than these, there was no significant movement in the expense components.

As to the balance sheet as at the end of this quarter, total assets decreased by 6% as compared to the end of last year. The decrease in total assets was brought about by the decrease in the cash and cash equivalents account due to withdrawals for the company's working capital requirements. Total liabilities increased by 1.67% due to additional advances from affiliates. These advances were also used for working capital requirement.

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons during the reporting period.

The Company is not aware of any trends, events or uncertainties that would materially affect its liquidity and its operations as a whole. The Company does not also anticipate any liquidity problem within the next twelve (12) months. The Company has no default or breach of any note, loan, lease or other indebtedness or financing arrangement. There are also no past due trade payables.

The Company's internal sources of short-term and long-term liquidity are its liquid assets and those of its subsidiaries, which as at September 30, 2014 consisted of P6.23 million of cash and cash equivalents and short-term investment. Its external sources of liquidity would consist of advances from its affiliate companies or major shareholders.

PART II - OTHER INFORMATION

Not applicable.

SIGNATURES

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

Medco Holdings, Inc.

By:

DIONISIO E. CARPIO, JR.
President

MARY ANN A. MIEL
Principal Accounting Officer

Top Five (5) Performance Indicators
September 30, 2016, 2015 and 2014

		Medco Holdings, Inc. (Consolidated)			Medco Asia Investment Corp (Major Subsidiary)		
		2016	2015	2014	2016	2015	2014
1. Revenue Growth	Revenue Y1-Y0 / Revenue Y0	-0.13%	25.18%	2,457.63%	11.88%	-15.49%	1.62%
2. Net Income Growth*	Net Income Y1-Y0 / Net Income Y0	NA	NA	NA	NA	NA	NA
3. Return on Equity**	Net Income / Average Stockholders' Equity	NA	NA	NA	NA	NA	NA
4. Current Ratio	Current Assets / Current Liabilities	0.02x	0.02x	0.05x	0.02x	0.03x	0.035x
5. Debt-to-Equity-Ratio**	Total Liabilities / Stockholders' Equity	NA	NA	NA	NA	NA	NA

* Losses
** Capital Deficiency in 2016, 2015 and 2014

Note:
Y1= Current year
Y0= Previous year

ATTACHMENT A

MEDCO HOLDINGS, INC. AND SUBSIDIARY

Financial Statements
September 30, 2016, 2015, and 2014

MEDCO HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2016 AND DECEMBER 31, 2015

		2016		(Audited) 2015
ASSETS				
Cash and cash equivalents (Note 7)	P	458,138	P	1,625,167
Available-for-Sale Financial Assets (Note 8)		31,293,500		31,293,500
Receivables - net (Note 9)		574,708		508,957
Due from related parties (Note 14)		2,119,728		1,979,296
Equity Investment- net (Note 10)		-		-
Other Assets (Note 11)		590,818		477,012
TOTAL ASSETS	P	**35,036,892**	P	**35,883,932**
LIABILITIES AND EQUITY				
LIABILITIES				
Accounts Payable and Accrued Expenses (Note 12)	P	1,916,914	P	2,447,790
Due to related parties (Note 14)		207,398,729		203,135,879
Post employment benefit obligation (Note 15)		3,231,040		3,231,040
		212,546,683		208,814,709
EQUITY				
Equity attributable to equityholders of the parent				
Capital Stock - P1 par value				
Authorized, Issued & outstanding- 700,000,000 shares		700,000,000		700,000,000
Additional paid-in capital		25,498,912		25,498,912
Fair value losses in available-for-sale financial assets		252		252
Actuarial Losses		(1,645,195)		(1,645,195)
Deficit		(869,058,915)		(866,070,729)
Total equity attributable to equityholders of the parent		(145,204,946)		(142,216,760)
Minority Interest		(32,304,845)		(30,714,017)
		(177,509,791)		(172,930,777)
TOTAL LIABILITIES AND EQUITY	P	**35,036,892**	P	**35,883,932**

MEDCO HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS (DEFICIT)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 and 2015

	JULY TO SEPTEMBER		JANUARY TO SEPTEMBER	
	2016	2015	2016	2015
REVENUES	P 1,794	P 2,146	P 3,006,242	P 3,010,285
EXPENSES	2,362,620	2,489,853	7,585,254	7,986,734
LOSS BEFORE MINORITY SHARE IN NET INCOME	(2,360,826)	(2,487,707)	(4,579,012)	(4,976,449)
MINORITY SHARE IN NET LOSS	(514,248)	(551,587)	(1,590,826)	(1,744,450)
LOSS BEFORE FINAL TAX	(1,846,578)	(1,936,120)	(2,988,186)	(3,231,999)
LESS: PROVISION FOR FINAL TAX	-	-	-	-
NET LOSS	(1,846,578)	(1,936,120)	(2,988,186)	(3,231,999)
DEFICIT AT BEGINNING OF YEAR/QUARTER (as restated)	(867,212,337)	(863,347,429)	(866,070,729)	(862,051,550)
DEFICIT AT END OF QUARTER	P **(869,058,915)**	P **(865,283,549)**	P **(869,058,915)**	P **(865,283,549)**
LOSS PER SHARE (Note 17)	P (0.0026)	P (0.0028)	P (0.0043)	P (0.0046)

MEDCO HOLDINGS, INC. AND SUBSIDIARY
STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016, 2015, and 2014

	2016	2015	2014
Capital Stock- P1par value			
Authorized, issued and outstanding- 700,000,000	P 700,000,000	P 700,000,000	P 700,000,000
Additional Paid-In Capital	25,498,912	25,498,912	25,498,912
Fair value loss in available-for-sale financial assets	252	252	252
Actuarial Losses	(1,645,195)	(1,668,578)	(2,542,551)
Deficit			
Balance, beginning of year (as restated)	(866,070,729)	(862,051,550)	(854,363,896)
Net loss	(2,988,186)	(3,231,999)	(4,140,759)
Balance, end of quarter	(869,058,915)	(865,283,549)	(858,504,655)
Total Equity Attributable to Equityholders of the Parent Company	(145,204,946)	(141,452,963)	(135,548,042)
Minority Interest	(32,304,845)	(30,036,738)	(27,433,972)
Total Equity	P (177,509,791)	P (171,489,701)	P (162,982,014)

MEDCO HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016, 2015 and 2014

	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss before tax and minority interest	P (4,579,012)	P (4,976,449)	P (5,969,772)
Adjustments for:			
Dividends	(3,000,000)	(3,000,000)	(2,400,000)
Interest income	(3,034)	(10,285)	(4,771)
Interest expense	-	-	-
Unrealized forex exchange loss(gain)	-	-	-
Decrease(increase) in:			
Receivables	(65,751)	(18,527)	(19,862)
Other assets	(113,806)	(116,453)	(104,034)
Increase (decrease) in :			
Accounts payable, accrued expenses and retirement benefit obligation	(530,877)	(526,969)	(1,089,302)
Cash provided by (used in) operating activities	(8,292,480)	(8,648,683)	(9,587,741)
Cash paid for income taxes	-	-	-
Net Cash Provided by (Used in) Operating Activities	(8,292,480)	(8,648,683)	(9,587,741)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	3,034	10,285	4,771
Dividends received	3,000,000	3,000,000	2,400,000
Decrease in available-for-sale investments	-	-	-
Net Cash Provided by Investing Activities	3,003,034	3,010,285	2,404,771
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	-	-	-
Increase in other payable	-	-	-
Net increase (decrease) of due from/to related parties	4,122,417	1,320,882	4,337,619
Net Cash Provided by (Used in) Financing Activities	4,122,417	1,320,882	4,337,619
EFFECTS OF FOREIGN EXCHANGE ON REVALUATION OF CASH AND CASH EQUIVALENTS	-	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,167,029)	(4,317,516)	(2,845,351)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,625,167	5,221,902	9,077,971
CASH AND CASH EQUIVALENTS AT END OF QUARTER	P 458,138	P 904,386	P 6,232,620

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

Medco Holdings, Inc. (MHI or the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on April 11, 1995. The Parent Company currently conducts business as an investment holding company. Its shares of stock are publicly traded at the Philippine Stock Exchange (PSE). The Parent Company holds ownership interest in the following companies (MHI and subsidiaries are collectively referred to as the Group) as at September 30, 2016 and 2015:

	Percentage of Ownership	Notes	Nature of Business
Subsidiaries:			
Medco Asia Investment Corporation (MAIC)	64.54%		Investment house
Safeharbor Holdings, Inc. (SHI)	64.54%	(a)	Investment holding company
Outperform Holdings, Inc. (OHI)	64.54%	(a)	Investment holding company
Associate –			
Export and Industry Bank, Inc. (EIB)	10.31%	(b)	Banking institution

Notes:
(a) Indirectly owned through MAIC; dormant company
(b) Includes direct ownership of 7.86% and indirect ownership through MAIC of 2.45%; under receivership.

MHI is 46.04% owned by Citivest Asia Limited (CAL), an entity engaged in investment holding and registered in the British Virgin Islands. CAL considers MHI as one of its principal associates.

The registered office of the Parent Company and its subsidiaries, which is also their principal place of business, is located at 31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.

1.2 Status of Operations

The Group incurred net losses of P2,988,186 in 2016, P3,231,999 in 2015, and P4,140,759 in 2014 while the Parent Company incurred net losses of P92,244 in 2016, P56,406 in 2015 and of P811,228 in 2014. Consequently, the Group reported capital deficiency of P177,509,791 and P172,930,777 as at September 30, 2016 and December 31, 2015, respectively, and the Parent Company reported capital deficiency of P85,732,822 and P85,640,578 as at September 30, 2016 and December 31, 2015, respectively.

As disclosed in Note 10.2, the Group recognized full allowance for impairment on the carrying amount of the investment in EIB in 2011 (the carrying amount of the Group's investment in EIB represents substantial portion of the Group's consolidated assets). EIB is currently under receivership.

The above conditions indicate the existence of a material uncertainty which casts significant doubt on the ability of the Group to continue as a going concern. To address this material uncertainty, the Parent Company's management is finalizing the recapitalization of the Group as its initial step. The proposed recapitalization plan, which includes the following, was approved by the Parent Company's stockholders on September 28, 2014 and will be implemented as soon as practicable:

(a) decrease in the authorized capital stock from P700,000,000 to P7,000,000 through a reduction in the par value per share from P1.00 to P0.01;

(b) increase in authorized capital stock from P7,000,000 to P470,000,000;

(c) private placement transactions covering the issuance of new shares to its existing shareholders and/or third parties involving a total subscription amount of P117,600,526; and,

(d) waiver of the requirement to conduct rights or public offering by a majority vote of the minority stockholders present or represented during the meeting.

In the meantime, to ensure that the Group can continue to operate as a going concern, CAL has committed to continue providing financial support to the Group until the Group's financial condition and performance improves and it becomes self-sustaining again.

The financial statements have been prepared assuming that the Group will continue as a going concern which contemplates the realization of assets and the settlement of liabilities in the normal course of business. Accordingly, the financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities which may result from the outcome of this material uncertainty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Group and the separate Parent Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB) and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *Presentation of Financial Statements*

The financial statements are prepared in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses and other comprehensive income in a single statement of comprehensive income.

The Group presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

The Group presented an unclassified statements of financial position as at September 30, 2016 and December 31, 2015.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) *Effective in 2015 that are Relevant to the Group*

The Group adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after July 1, 2015, for its annual reporting period beginning January 1, 2015:

PAS 19 (Amendment)	:	Employee Benefits: Defined Benefit Plans – Employee Contributions
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below are the relevant information about these amendment and improvements.

(i) PAS 19 (Amendment), *Employee Benefits: Defined Benefit Plans – Employee Contributions*. The amendment clarifies that if the amount of the contributions to defined benefit plans from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. The amendment did not have a significant impact on the Group's financial statements since the Group's defined benefit plan does not require employees or third parties to contribute to the benefit plan.

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but had no material impact on the Group's financial statements as these amendments merely clarify the existing requirements:

Annual Improvements to PFRS (2010-2012 Cycle)

- PFRS 3 (Amendment), *Business Combinations – Accounting for Contingent Consideration in a Business Combination*. The amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32, *Financial Instruments*: *Presentation*. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

- PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

Annual Improvements to PFRS (2011-2013 Cycle)

- PFRS 3, (Amendment), *Business Combinations – Scope Exceptions for Joint Ventures*. The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of any joint venture arrangement under PFRS 11, *Joint Arrangements*, in the financial statements of the joint arrangement itself.

- PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

(b) *Effective in 2015 that are not Relevant to the Group*

The following annual improvements to PFRS are mandatory for accounting periods beginning on or after July 1, 2014 but are not relevant to the Group's financial statements:

PFRS (2010-2012 Cycle)		
PFRS 2 (Amendment)	:	Share-based Payment – Definition of Vesting Condition
PFRS 8 (Amendment)	:	Operating Segments – Aggregation of Operating Segments, and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets
PAS 16 and PAS 38 (Amendment)	:	Property, Plant and Equipment and Intangible Assets Method – Proportionate Restatement of Accumulated Depreciation and Amortization
PFRS (2011-2014 Cycle)		
PAS 40 (Amendment)	:	Investment Property – Clarifying the Interrelationship Between PFRS 3 and PAS 40

(c) *Effective Subsequent to 2015 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in the succeeding pages in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements.

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements.

Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 27 (Amendment), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective from January 1, 2016). This amendment introduces a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9. As of the end of the reporting period, the Group has no plan to change the accounting policy for its investments in its subsidiaries and an associate.

(iii) PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. This amendment permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(iv) PFRS 10 (Amendment), *Consolidated Financial Statements,* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. In December 2015, the IASB deferred the mandatory effective date of these amendments (i.e. from January 2016) indefinitely.

(v) PFRS 9 (2015), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2015), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Group does not expect to implement and adopt PFRS 9 (2014) until its effective date. In addition, management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(vi) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1,2016). Among the improvements, the following amendments are relevant to the Group but management does not expect these to have material impact on the Group's financial statements:

- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

- PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

2.3 Basis of Consolidation and Investments in Subsidiaries and an Associate

The Parent Company obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries, as disclosed in Note 1.1, after the elimination of all intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investment in subsidiaries and an associate and non-controlling interest as follows:

(a) *Investments in Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when (i) it has power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity, and, (iii) it has the ability to affect those returns through its power over the entity.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.
The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Parent Company, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.
The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over acquisition-date fair value of identifiable net assets

acquired is recognized as goodwill. If consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.8).

(b) *Investment in an Associate*

An associate is an entity over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investment in an associate is initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in an associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associate are credited or charged against Equity in Net Earnings (Losses) of an Associate account in profit or loss.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.14).

Changes resulting from other comprehensive income of the associate recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

(c) *Transactions with Non-controlling Interests*

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Parent Company ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Parent Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Non-controlling interests represent the interests not held by the Parent Company in MAIC.

The Parent Company holds interest in various subsidiaries and in an associate as presented in Note 10.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: FVTPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date . All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the two categories of financial assets is as follows:

(i) 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 arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents and Receivables in the statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(ii) *AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Other Non-current Financial Assets account in the statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Group's AFS financial assets include equity securities, corporate bonds and gold club shares.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(b) Impairment of Financial Assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Company recognizes impairment loss based on the category of financial assets as follows:

(i) *Carried at Amortized Cost – Loans and Receivables*

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

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 (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

(ii) Carried at Fair Value – AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) Items of Income and Expense Related to Financial Assets

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs account in the statement of profit or loss.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Other Assets

Other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.6 Financial Liabilities

Financial liabilities, which include accounts payable and accrued expenses (except tax-related liabilities) and due to related parties, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the statement of comprehensive income.

Trade and other payables and due to related parties are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.7 Offsetting Financial Instruments

Financial assets and financial liabilities are set-off and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.8 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.14).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to profit or loss. For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business acquisition is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.9 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the

Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.10 Revenue and Expense Recognition

Revenue comprises revenue from rendering of services and is measured by reference to the fair value of consideration received or receivable by the Group for services rendered, excluding value-added tax (VAT) and discounts, if any.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Dividends* – Revenue is recognized when the Group's right to receive the payment is established.

(b) *Professional fees* – Revenue from rendering of professional services is recognized once the service has been substantially rendered.

(c) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Costs and expenses are recognized in profit or loss upon utilization of the goods or services or at the date they are incurred.

2.11 Leases - 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 expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.12 Foreign Currency Transactions and Translations

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.13 Segment Reporting

Operating segments, which applies only to the Group's consolidated financial statements, are reported in a manner consistent with the internal reporting provided to the Group's strategic steering committee, its chief operating decision-maker (CODM).

The strategic steering committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's service lines as disclosed in Note 4, which represent the main services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All intersegment transfers, if any, are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its financial statements, except that post-employment benefit expense are not included in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.14 Impairment of Non-financial Assets

The Group's investments in an associate and goodwill and the Parent Company's investments in a subsidiary and an associate and other non-financial assets are subject to impairment testing. Goodwill, which has indefinite useful life, are tested for impairment at least annually (see also Note 2.8). All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested for impairment either individually or at cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.15 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, defined contribution plan, and other employee benefits which are recognized as follows:

(a) *Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for defined benefit post-employment plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bond, as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the statement of comprehensive income. Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) *Defined Benefit Contribution Plans*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity (such as the Social Security System). The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.16 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax assets are to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and 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, provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.17 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties (including transactions between MHI and its subsidiaries), regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with MHI and subsidiaries; (b) associates; (c) the Group's funded retirement plan; and, (d) individuals owning, directly or indirectly, an interest in the voting power of MHI and subsidiaries that gives them significant influence over MHI and subsidiaries and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.18 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital represents premium received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserves comprise unrealized gains and losses on fair value changes of AFS financial assets and remeasurements of defined benefit post-employment plan.

Deficit represents all current and prior period results as reported in the profit or loss section of the statement of comprehensive income.

Non-controlling interests represent the portion of net assets and profit or loss not attributable to the Parent Company's stockholders which are presented separately in the Group's consolidated statement of income and consolidated statement of comprehensive income and within equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity.

2.19 Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net profit (loss) attributable to shareholders of the Parent Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current year, if any.

Diluted loss per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings (loss) per share is equal to the basic earnings (loss) per share.

2.20 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments 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. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, management concluded that the assets, except the portion that has already been provided with allowance for impairment, are not impaired as at September 30, 2016 and December 31, 2015. Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

(b) Distinction between Operating and Finance Leases

The Group has entered in a lease agreement as lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. As at September 30, 2016 and December 31, 2015, management has determined that the current lease agreement is an operating lease.

(c) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and contingencies are discussed in Note 2.9 and relevant disclosures are presented in Note 18.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Impairment of Receivables*

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties and their current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of receivables and the analysis of allowance for impairment on such financial assets are shown in Note 9.

(b) *Fair Value Measurement of AFS Financial Assets*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of reporting period.

The carrying values of the Group's AFS financial assets and the amounts of fair value changes recognized in 2016 and 2015 on those assets are disclosed in Note 8.

(c) *Determining Realizable Amounts of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

No deferred tax assets were recognized since the Group's management believes that it will not be able to generate sufficient taxable profit in the coming years.

(d) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.14). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment loss recognized on the Group's goodwill and other non-financial assets is disclosed in Note 11 while impairment losses recognized on the Investments in a Subsidiary and an Associate are discussed in Note 10.

(e) *Valuation of Post-employment Defined Benefit*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by an independent actuary in calculating such amounts. Those assumptions include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period. The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 15.2.

4. SEGMENT REPORTING

4.1 Business Segments

The Group is organized into two major business segments – investment banking and investment holding activities. In identifying its operating segments, management generally follows the Group's service lines. These are also the basis of the Group for management assessment of each unit and the basis of the Group in reporting to its strategic steering committee for its strategic decision-making activities.

(a) *Investment banking* – principally engaged in activities such as debt and equity underwriting, money market placements, structured financing and corporate financial advisory services.

(b) *Investment holding* – consists mainly of investment holding activities of the Parent Company, OHI and SHI.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, AFS financial assets and receivables, net of allowance and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

4.3 Analysis of Segment Information

The details of the Group's segment information, including the reconciliation to the key financial information presented in its consolidated financial statements, are as follows:

	2016		
	Investment Banking	Investment Holding	Total
Income:			
Investment income	P 151	P 2,883	P 3,034
Others	3,208	3,000,000	3,003,208
	3,359	3,002,883	3,006,242
Expenses	4,490,127	3,095,127	7,585,254
Operating Loss	(P 4,486,768)	(P 92,244)	(P 4,579,012)
Non-controlling interest in Net losses of subsidiary			(1,590,828)
Net Loss			(P 2,988,184)
Segment assets	P 2,827,941	P 32,208,951	P 35,036,892
Goodwill			-
Total assets			P 35,036,892
Segment liabilities	P 87,321,911	P 125,224,772	P 212,546,683

	2015		
	Investment Banking	Investment Holding	Total
Income:			
Investment Income	P 3,003	P 7,282	P 10,285
Others	-	3,000,000	3,000,000
	3,003	3,007,282	3,010,285
Expenses	4,923,046	3,063,688	7,986,734
Operating loss/(income)	P 4,920,043	P 56,406	P 4,976,449
Non-controlling interest in Net losses of subsidiary			1,744,450
Net loss			P 3,231,999
Segment assets	P 3,725,382	P 32,636,479	P 36,361,861
Segment liabilities	P 84,991,215	P 122,860,347	P 207,851,562

	2014		
	Investment Banking	Investment Holding	Total
Income:			
Investment Income	P 3,145	1,218	4,363
Others	408	2,400,000	2,400,408
	3,553	2,401,218	2,404,771
Expenses	5,162,097	3,212,446	8,374,543
Operating loss	P 5,158,544	P 811,228	P 5,969,772
Non-controlling interest in Net losses of subsidiary			(1,829,013)
Net loss			P (4,140,759)
Segment assets	P 3,616,489	P 37,894,415	P 41,510,904
Segment liabilities	P 81,142,740	P 123,350,178	P 204,492,918

Currently, the Group's operation is concentrated in the Philippines; hence, it has no geographical segment.

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk, and liquidity risk. The Group's risk management is coordinated with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

5.1 Market Risk

The Company is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates mainly arise from the Group's cash and cash equivalents and advances to and from related parties, which are primarily denominated United States (U.S.) dollars and Hong Kong (HK) dollars.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

(b) Interest Rate Risk

The Group monitors interest rate movements and makes adjustments on its financial assets and financial liabilities as may be deemed necessary. At September 30, 2016 and

December 31, 2015, the Group is exposed to changes in market interest rates through its cash and cash equivalents which are subject to variable interest rates (see Note 7). All other financial assets and financial liabilities are noninterest-bearing.

5.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments from granting receivables to customers including related parties and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparty, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to financial statements, as summarized below.

		Consolidated		Parent Company	
	Notes	**2016**	2015	**2016**	2015
Cash and cash equivalents	7	**P 458,138**	P 1,625,167	**P 323,041**	P 1,410,465
Receivables – net	9	**574,708**	508,957	**493,303**	464,550
Due from related parties	14	**2,119,728**	1,979,296	**7,285,000**	4,502,000
Security deposits	11	**185,456**	185,456	**-**	-
		P 3,338,030	P 4,298,876	**P 8,101,344**	P 6,377,015

None of the Group's financial assets are secured by collateral or other credit enhancements.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) Trade and Other Receivables

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

The Group's management considers that all the above financial assets that are not impaired as at the end of each of the reporting periods are of good credit quality. Also, there are no unimpaired financial assets that are past due as at September 30, 2016 and December 31, 2015.

5.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

As at September 30, the Group's financial liabilities have contractual maturities of within one year as presented below.

		Consolidated		Parent Company	
	Notes	**2016**	2015	**2016**	2015
Due to related parties	14	**P 207,398,729**	P 203,135,879	**P 123,063,377**	P 120,750,527
Accounts payable and accrued expenses (excluding tax-related liabilities)	12	**1,780,463**	2,258,033	**-**	323,040
		P 209,179,192	P 205,393,912	**P 123,063,377**	P 121,073,567

Due to the Group's financial condition, related parties have not required immediate payment of the amounts due to them to enable the Group to conduct normal business operations.

6. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

6.1 Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are to ensure that the Group continues as a going concern. With the current financial condition of the Group, the management is working closely with the BOD for the recapitalization of the Group which it will then be able to use in its operating and future investing activities (see Note 1.2).

Relevant information is shown below.

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Total liabilities	**P 212,546,683**	P 208,814,709	**P 125,224,772**	P 123,290,393
Capital deficiency	**177,509,791**	172,930,777	**85,732,822**	85,640,578

As at September 30, 2016 and December 31, 2015, the Group is not subject to any externally imposed capital requirements.

6.2 Track Record of Registration of Securities

The Parent Company has a total authorized capital stock of P700,000,000 divided into 700,000,000 common shares with a P1 par value which are issued and outstanding as at September 30, 2016 and December 31, 2015.

On November 18, 1975, the SEC approved the listing at the PSE of the Parent Company's shares totalling 700,000,000. As at September 30, 2016, there are 679 holders of the listed shares equivalent to 100% of the Parent Company's total outstanding shares. Such listed shares closed at P0.93 per share as at September 30, 2016. The Parent Company has no other securities being offered for trading in any stock exchange. It did not list any other securities since its first listing of its securities.

7. CASH AND CASH EQUIVALENTS

This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Cash on hand	**P 8,000**	P 8,000	**P -**	P -
Cash in banks	**450,138**	1,617,167	**323,041**	1,410,465
Short-term placements	**-**	-	**-**	-
	P 458,138	P 1,625,167	**P 323,041**	P 1,410,465

Cash in banks generally earn interest based on daily bank deposit rates.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

AFS financial assets consisting of shares of stock are summarized below.

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Not quoted	**P 76,292,533**	P 76,292,533	**P 76,268,750**	P 76,268,750
Quoted	**967**	967	**-**	-
	76,293,500	76,293,500	**76,268,750**	76,268,750
Allowance for impairment	**(45,000,000)**	(45,000,000)	**(45,000,000)**	(45,000,000)
	P 31,293,500	P 31,293,500	**P 31,268,750**	P 31,268,750

The fair values of quoted AFS financial assets have been determined directly by reference to published prices in active markets, i.e., the PSE.

The investment in unquoted AFS financial assets of the Group as at September 30, 2016 and December 31, 2015 pertains to the Parent Company's investment in Manila Exposition Complex, Inc. (MEC) representing 18.18% ownership interests (P31,268,750) and investment in I-Mart Corporation representing 10% ownership interests (P45,000,000). The Parent Company provided a 100% allowance for impairment losses on its investment in I-Mart Corporation as a result of the latter's cessation of business. Management believes that its investment in MEC is not impaired as of September 30, 2016 and December 31, 2015.

9. RECEIVABLES

This account consists of the following:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Accounts receivable	**P 40,313,000**	P 40,317,088	**P 40,313,000**	P 40,316,329
Advances to employees	**105,727**	65,315	**53,749**	21,667
Interest receivable	-	**-**	-	**-**
Other receivables	**468,981**	439,554	**439,554**	439,554
	40,887,708	40,821,957	**40,806,303**	40,777,550
Allowance for impairment	**(40,313,000)**	(40,313,000)	**(40,313,000)**	(40,313,000)
	P 574,708	P 508,957	**P 493,303**	P 464,550

All of the Group's receivables have been reviewed for indications of impairment. Certain receivables were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized.

10. INVESTMENTS IN A SUBSIDIARY AND AN ASSOCIATE

This account consists of the following:

	% Interest Held	Consolidated 2016	Consolidated 2015	Parent Company 2016	Parent Company 2015
Associate					
EIB	10.31%	**P 860,659,849**	P 860,659,849	**P -**	P -
	2.45%	**-**	-	**478,380,834**	478,380,834
Subsidiary					
MAIC	64.54%	**-**	-	**199,995,929**	199,995,929
		860,659,849	860,659,849	**678,376,763**	678,376,763
Allowance for impairment		**(860,659,849)**	(860,659,849)	**(678,376,763)**	(678,376,763)
		P -	P -	**P -**	P -

The place of incorporation, which is similar with the place of operation of the Parent Company's subsidiary and associate are as follows:

(a) EIB – 36th Floor, Export Bank Plaza, Don Chino Roces Avenue, corner Sen. Gil Puyat Avenue, Makati City
(b) MAIC – 31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City

10.1 Investment in a Subsidiary

The Parent Company has fully impaired the carrying value of the investment in MAIC as a result of the downturn in its business.

10.2 Investment in an Associate

EIB is considered an associate because the Parent Company has significant influence over EIB as certain members of the Parent Company's BOD are also members of the BOD of EIB.

On April 26, 2012, the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) placed EIB under receivership pursuant to Section 30 of Republic Act 7653, otherwise known as the *The New Central Bank Act*. PDIC was designated as Receiver of EIB and took over EIB on April 27, 2012. Prior to the receivership order of the BSP, EIB had been incurring losses and was in negotiations to sell its assets (with assumption by the buyer of its liabilities). These negotiations did not push through and in 2011, the Group provided full allowance for impairment on the investment.

11. OTHER ASSETS

This account consists of the following:

	Notes	Consolidated 2016	Consolidated 2015	Parent Company 2016	Parent Company 2015
Goodwill		**P 4,814,856**	P 4,814,856	**P -**	P -
Creditable withholding tax		**3,104,911**	3,104,911	**-**	-

Input taxes – net		**1,400,742**	1,282,936	**1,400,742**	1,282,936
Advance rentals	14.1, 18.1	**203,231**	203,231	**-**	-
Security deposits	14.1, 18.1	**181,456**	185,456	**-**	-
Prepaid expenses		**4,050**	4,050	**4,050**	4,050
Miscellaneous		**84,275**	84,275	**-**	-
		9,793,521	9,679,715	**1,404,792**	1,286,986
Allowance for impairment		**(9,202,703)**	(9,202,703)	**(1,282,936)**	(1,282,936)
		P 590,818	P 477,012	**P 121,856**	P 4,050

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets of MAIC at the date of acquisition. In relation to the management's decision to fully impair the Parent's Company investment in MAIC, the Group also recognized full valuation allowance on its goodwill [see also Notes 3.2(d) and 10].

The Group recognized impairment losses on its creditable withholding tax and input VAT since management believes that the Group will not be able to offset such against any future tax liabilities.

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of the following:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Accounts payable	**P 1,653,739**	P 1,653,735	**P -**	P -
Accrued expenses	**126,728**	604,298	**-**	323,040
Withholding tax payable	**136,447**	189,757	**56,669**	112,100
	P 1,916,914	P 2,447,790	**P 56,669**	P 435,140

Accounts payable include unpaid salaries of the Group's director as of the end of the reporting dates.

Accrued expenses primarily include unpaid professional fees as of the end of the reporting dates.

13. OTHER EXPENSES

This account consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Utilities	**P -**	P 162,857	P 228,200	**P -**	P -	P -
Office supplies	**3,330**	21,109	72,338	**2,940**	**-**	-
Insurance	**21,675**	26,017	27,213	**20,553**	24,894	26,091
Repairs and maintenance	**47,550**	14,286	7,467	**47,550**	14,286	7,467
Machine rental	**18,000**	24,000	**-**	-	**-**	-
Bank charges	**50**	50	50	**-**	-	-
Donations and contributions	**-**	-	-	**-**	-	-
Miscellaneous	**66,650**	23,967	43,101	**50,250**	14,702	28,171
	P 157,255	P 272,286	P 378,369	**P 121,293**	P 53,882	P 61,729

14. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent company, stockholders, subsidiaries, associate, other entities through common ownership and/or with interlocking directors, its retirement fund and key management personnel as described below.

14.1 Lease of Office Space

The Group leases its office space from Capital Place International Limited – Philippine Branch (CPIL), a related party under common ownership of Lippo Group in Hong Kong, for a period of one year, renewable upon mutual agreement of the parties. Total rent charged to operations amounted to P1,148,538 for the Group and P234,000 for the Parent Company in the third quarter of 2016, 2015 and 2014. These are presented as Occupancy in the statements of comprehensive income. The Group does not have any outstanding liabilities arising from these transactions as at September 30, 2016 and 2015. Security deposits and advance rentals, which shall be applied against the last two months of the lease term, totalling P384,687 as at September 30, 2016 and 2015 are included as part of Security deposits and Advance rentals under Other Assets in the statements of financial position (see Note 11).

14.2 Due from Related Parties

The Group and the Parent Company grant advances to related parties for working capital requirements and other purposes. The advances are noninterest-bearing, unsecured and repayable in cash upon demand, and presented as Due from Related Parties in the statements of financial position.

This account consists of the following as of September 30, 2016 and December 31, 2015:

	Consolidated		**Parent Company**	
	2016	2015	**2016**	2015
Lead Bancfund Corp.	**P 578,045**	P 562,695	**P -**	P -
Apex Bancrights Corp.	**576,895**	561,544	**-**	-
Cardinal Bancresources, Inc.	**389,928**	375,378	**-**	-
Goldwin Bancshares, Inc.	**389,746**	375,196	**-**	-
CTC Entrepreneurs Corp.	**125,914**	103,483	**1,000**	1,000
Keytrend Technologies Phils., Inc. (KTPI)	**1,000**	1,000	**1,000**	1,000
Medco Asia Investment Corp.	**-**	-	**7,283,000**	4,500,000
Solid Payback Holdings, Inc. (SPHI)	**14,550**	-	**-**	-
Bountiful Bancresources Holdings, Inc. (BBHI)	**14,550**	-	**-**	-
Others	**29,100**	-	**-**	-
	P 2,119,728	P 1,979,296	**P 7,285,000**	P 4,502,000

These entities are related parties of the Group by virtue of having interlocking directors and common executive officers. There was no impairment loss recognized with respect to amounts due from related parties based on management's assessment.

14.3 Due to Related Parties

Due to related parties pertain to noninterest-bearing, unsecured cash advances from related parties for working capital requirements and other purposes. The advances are generally payable in cash upon demand.

As of September 30, this account consists of the following:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
CAL	**P 121,058,707**	P 121,058,707	**P 57,831,127**	P 57,831,127
Classic Tycoon Investment, Ltd. (CTIL)	**29,884,700**	29,884,700	**29,884,700**	29,884,700
Fair Navigator, Ltd. (FNL)	**29,884,700**	29,884,700	**29,884,700**	29,884,700
CPIL	**20,900,000**	18,950,000	**-**	-
LSI	**3,150,000**	3,150,000	**3,150,000**	3,150,000
Win Joyce Limited	**2,312,850**	**-**	**2,312,850**	**-**
KTPI	**207,772**	207,772	**-**	-
	P 207,398,729	P 203,135,879	**P 123,063,377**	P 120,750,527

In 2012, LCR assigned its receivable from the Parent Company totalling P117,600,527 to CTIL, FNL and CAL. CTIL and FNL are both related parties under common ownership; while CAL is the Parent Company's stockholder.

14.4 Key Management Personnel Compensation

The compensation and benefits provided to key management personnel, which generally consist of short-term employee benefits, amounted to P4,053,905 in 2016 and 2015 for the Group, and P1,620,000 in 2016 and 2015 for the Parent Company. These are presented as part of Employee Benefits in the statements of comprehensive income. The Group does not have any outstanding liabilities arising from these transactions as at September 30, 2016 and 2015.

14.5 Transactions with the Retirement Fund

The retirement fund for the defined benefit post-employment plan is administered and managed by a trustee bank.

The retirement fund neither provides any guarantee or surety for any obligation of the Parent Company nor its investments covered by any restrictions or liens.

15. EMPLOYEE BENEFITS

15.1 Employee Benefits Expense

Details of salaries and employee benefits are presented below.

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Short-term employee benefits	**P 4,719,421**	P **4,676,969**	P 4,718,777	**P 1,811,830**	P 1,815,869	P 1,901,945
Post-employment defined benefit	**-**	**-**	-	**-**	**-**	-
	P 4,719,421	P **4,676,969**	P 4,718,777	**P 1,811,830**	P 1,815,869	P 1,901,945

15.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

The Group maintains a partially-funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's Management Committee who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 65. The plan also provides for an early retirement at age 50 with a minimum of 10 years of credited service and voluntary separation with a minimum of five years of credited service, both subject to the approval of the Group's BOD. Normal retirement benefit is an amount equivalent to 100% of the final monthly salary for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in December 31, 2015.

The amounts of post-employment benefit obligation recognized in the statements of financial position are determined as follows:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Present value of obligation	**P 4,513,307**	P 4,513,307	**P 2,457,510**	P 2,457,510
Fair value of plan assets	**(1,282,267)**	(1,282,267)	**(352,784)**	(352,784)
	P 3,231,040	P 3,231,040	**P 2,104,726**	P 2,104,726

16. CURRENT AND DEFERRED TAXES

The breakdown of NOLCO as at September 30, 2016, which can be claimed as deductions from future taxable income within three years from the year the taxable loss was incurred, is shown below.

Consolidated				
Year	**Original Amount**	**Expired Balance**	**Remaining Balance**	**Valid Until**
2015	P 11,379,235	P -	P 11,379,235	2018
2014	12,211,217	-	12,211,217	2017
2013	14,089,173	-	14,089,173	2016
2012	13,523,547	13,523,547	-	2015
	P 51,203,172	P 13,523,547	P 37,679,625	

	Parent Company			
Year	Original Amount	Expired Balance	Remaining Balance	Valid Until
2015	P 4,848,777	P -	P 4,848,777	2018
2014	5,438,289	-	5,438,289	2017
2013	6,217,185	-	6,217,185	2016
2012	5,995,697	5,995,697	-	2015
	P 22,499,948	P 5,995,697	P 16,504,251	

The Group is subject to MCIT which is computed at 2% of gross income, as defined under the tax regulations, or RCIT whichever is higher. No MCIT and RCIT were reported since the Group does not have taxable revenues and other income for the years ended September 30, 2016, 2015 and 2014.

In September 30, 2016, 2015 and 2014, each entity in the Group opted to claim itemized deductions in computing for its income tax due.

17. BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share for the quarters ended September 30, 2016, 2015 and 2014 is computed as follows:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Net profit (loss) attributable to the shareholders of Parent Company	**(P 2,988,186)**	(P 3,231,999)	(P 4,140,759)	**(P 92,244)**	(P 56,406)	(P 811,228)
Divided by the weighted average number outstanding shares	**700,000,000**	700,000,000	700,000,000	**700,000,000**	700,000,000	700,000,000
Basic and diluted loss per share	**(P 0.0043)**	(P 0.0046)	(P 0.0059)	**(P 0.0001)**	(P 0.00008)	(P 0.0012)

The Group has no potentially dilutive common shares as at September 30, 2016, 2015 and 2014.

18. COMMITMENTS AND CONTINGENCIES

18.1 Operating Lease Commitments

The Group is a lessee under a non-cancellable lease agreement covering certain office space. The lease is for a period of two years which may be renewed for another two years.

In addition, the lease provides for payment of advance rental equivalent to two months' rent, inclusive of VAT, of P203,231, and security deposit of P181,456. These are presented as part of Other Assets in the statements of financial position (see Note 11).

Total rent expense from this operating lease in September 30, 2016, 2015 and 2014 amounted to P1,148,538 and P234,000 for the Group and the Parent Company, respectively. This is shown as Occupancy in the statements of comprehensive income.

18.2 Others

There are other commitments and contingencies that arise in the normal course of the Group's operations which are not reflected in the financial statements. As at September 30, 2016, management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Group's financial statements.

MEDCO HOLDINGS, INC. and SUBSIDIARY
AGING OF ACCOUNTS RECEIVABLE
As of September 30, 2016

		NO. OF DAYS OUTSTANDING				
	AMOUNT	**1 -30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**Over 120 days**
Various	P574,708	P24,376	P37,103			P513,229