COVER SHEET

39652

SEC Registration Number

MEDCO HOLDINGS, INC. AND SUBSIDIARY

(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)

09	30	17-Q		
Month	*Day*	(FormType)	*Month*	*Day*
2008			(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
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 2009**

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

4. **Medco Holdings, Inc. ("Medco")**
(formerly Mindanao Exploration and Development Corp.)
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 67**

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.

2009-Third Quarter Financial Highlights

Consolidated revenues for the third quarter of 2009 decreased by 27% compared to the previous year's third quarter figure. Consolidated revenues for this quarter consisted mainly of fees and other commissions (46%), interest income from short-term placements (19%), and other income (34%).

The decline in the consolidated revenues was mainly due to the smaller unrealized foreign exchange gain of only P51,864 from the revaluation of US and Hong Kong Dollar placements booked during the quarter versus the P2.3 million recorded during the comparable quarter of last year. This was because the US and Hong Kong dollar exchange rates for this quarter appreciated vis-à-vis the peso by 0.23% only relative to the December 31, 2008 rates. On the other hand, the said foreign currencies gained against the peso by 13% as of September 30, 2008 compared to the December 31, 2007 exchange rates.

Consolidated expenses, on the other hand, decreased by approximately 25% relative to the previous year's second quarter. The expenses for this quarter were comprised of salaries and wages (40%), representation (19%), professional fees (12%), occupancy (8%), Utilities (4%), and other expenses (17%).

The decrease in the consolidated expenses was mainly due to the non-incurrence of interest expense during this quarter as there was no outstanding bank loan anymore. In the third quarter of last year, interest expenses accounted for 21% of the total expenses.

With respect to the balance sheet as at the end of the quarter under review, there was no significant change in the total assets as compared to the previous year. The decrease in the loans and receivables account resulted from the collection of interest receivable from deposit placements which was accrued as at the end of December 31, 2008. On the other hand, the transactions from related parties, net of the due to and due from, increased due to the advances obtained from the affiliates for working capital requirements. On the liabilities side, accounts payable and accrued expenses decreased by 22% due to the payment of liabilities accrued as of December 31, 2008.

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, 2009 consisted of P50.6 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.

2008-Third Quarter Financial Highlights

Consolidated revenues for the third quarter of 2008 declined by 3% compared to last year's third quarter figure. During the quarter under review, revenues consisted of fees and other commissions (33%), unrealized foreign exchange gain (29%), interest income from short-term placements (19%), dividend income (13%), and other income (6%).

The unrealized foreign exchange gain amounting to P2.3 million this quarter resulted from the revaluation of Hong Kong dollar placements of the Company's subsidiary. The exchange rate at the end of the third quarter of 2008 went up to P6.0413 to a Hong Kong dollar compared to the P5.3078 exchange rate as of the end of December 31, 2007. Last year's figure for the same quarter reflected an unrealized foreign exchange loss of P1.8 million.

In spite of the gain from the foreign exchange transactions, we still noted a decline in the consolidated revenues. The decrease was mainly due to the decline in the interest income account which resulted from the reduction in the deposit placements of the Company's subsidiary due to withdrawals for its working capital requirement and the reduction in the interest rate earned by its dollar-denominated deposits.

Consolidated expenses, on the other hand, decreased by approximately 23% relative to the previous year's third quarter. The expenses for this quarter were composed of salaries and wages (32%), interest expense (21%), representation & entertainment (15%), professional fees (9%) and other expenses (23%).

The major components of expenses decreased substantially in the quarter under review compared to last year's comparative period. Salaries & wages decreased by 19%, representation & entertainment went down by 27%, and interest expense declined by 15%. This was the result of the cost-cutting measures which the Company has been implementing continuously in recent years.

With respect to the balance sheet as at the end of the third quarter of 2008, there was no significant change in the total assets as compared to the previous year. The decrease in the loans and receivables account resulted from the collection of interest receivable from deposit placement which was accrued on December 31, 2007. On the liabilities side, the due to affiliate account also decreased by approximately P3 million, or 3%, due to the payment made for the pre-operating expenses of the newly created companies of Lippo China Resources. On the other hand, the accounts payable and accrued expenses account went up by 22% because of the funds borrowed for the Company's 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, 2008 consisted of P55 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.

Furthermore, aside from those cited above, 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. The Company is also not aware of any events that will cause a material change in the relationship between costs and revenues.

Assessment of Financial Risk Exposure

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is closely coordinated with its Board of Directors, and is focused on ensuring that short to medium-term cash requirements are met on time and in minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not engage in the trading of financial assets for speculative purposes nor does it write options. The significant financial risks to which the Company is exposed to are described as follow:

Currency Risk

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates mainly arise from its U.S and Hong Kong Dollar denominated bank deposits.

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

Interest Rate Risk

The Company is exposed to interest rate risk on its bank placements and loans payable which are subject to variable interest rates. It tracks interest rate movements and makes adjustments in the mix of its financial assets and liabilities as deemed necessary.

Liquidity Risk

The Company's management sees to it that maturing funds are available to service scheduled cash outlays and that a minimum level of borrowing facilities is in place to cover its contingent needs.

Credit Risk

With respect to credit risk arising from financial assets of the Company, which are comprised of cash and receivables, in case of default of the counterparty, the maximum exposure is equal to the carrying amount of the instruments. The Company regularly monitors the financial position and credit standing of its counterparties and incorporates this information into its credit risk controls.

Disclosure for Financial Instruments

As of September 30, 2008, the financial instruments included in the balance sheets are the loans and receivables account and available-for-sale financial assets.

Loans and Receivables- P3,519, 413 or 0.7% of the total assets

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 Company places money with a counterparty with no intention of trading the receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is an objective evidence that the Company will not be able to collect all amounts due from it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

Available-for-sale Financial Assets- P32,809,061 or 7% of the total assets

This account is composed primarily of an 18.18% investment in shares of Manila Exposition Complex, Inc. (MECI) and a 10% investment in I-Mart corporation with costs amounting to P31,268,750 and 45,000,000, respectively. These investments were previously reported in the balance sheet using the equity method but were subsequently reclassified as Available-for-Sale Financial Asset in 2005 as a result of the adoption of PAS 39.

In 2004, the Company provided a 100% allowance for impairment loss amounting to P45 million on its investment in I-Mart Corporation as a result of the latter's cessation of business.

All financial assets within this category are initially recognized at fair value plus transaction costs and subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the income statement when they are sold or when the investment is impaired.

In the case of impairment, the cumulative loss previously recognized directly in equity is transferred to the income statement. On the other hand, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in income statement, the impairment loss is reversed through the income statement.

The Company has no investment in foreign securities as at September 30, 2008.

2007-Third Quarter Financial Highlights

Consolidated revenues for the nine months ending on September 30, 2007 decreased by 27% relative to last year's comparable period. During the period under review, the revenue account mainly consisted of fees and other commissions (32%), interest income from short-term placements (27%), and other income (41%). On the other hand, last year's revenue account for the comparable period was composed of interest income from short-term placements (56%), fees and other commissions (30%), and other income (14%).

The decrease in the consolidated revenues was mainly due to the 65% decline in the interest income account. The decline in interest income resulted from the reduction in deposit placements of the Company's subsidiary to fund its acquisition of equity shares in Export and Industry Bank, Inc. (EIB). In May 2006, the subsidiary purchased an additional 1,464,285,600 EIB common shares which increased its ownership interest in the investee bank from 0.92% to 7.84%. On the other hand, the other income account increased significantly by 114% because of the cash dividend received by the Company from its affiliate company.

Consolidated expenses also decreased by approximately 23% versus last year's comparable period. During the period under the review, expenses were comprised of salaries & wages (30%), interest expense (19%), representation & entertainment (16%), and other various expenses (35%).

Due mainly to the cost cutting measures implemented by the Company, the major expense accounts decreased during the period under review. The salaries & wages account decreased by 25%, representation & entertainment expenses were reduced by 27% and interest expense declined by 12%.

Apart from the accounts mentioned above, there was no significant movement in the other expense components.

As to the balance sheet, there was no significant movement in the total assets amount as at the end of third quarter as compared to the end of last year. However, there were significant movements in its components, particularly in the cash and cash equivalents and other asset accounts. The changes resulted from the reclassification of the short-term investment that amounted to P45.4 from the other asset account, where it was booked in 2006, to the cash and cash equivalent account in 2007.

The increase in the liabilities account, particularly the accounts payable and accrued expenses account, resulted from the additional advances obtained by the Company for its working capital requirements.

There were also 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, 2007 consisted of P61.7 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.

Furthermore, aside from those cited above, 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. The Company is also not aware of any events that will cause a material change in the relationship between costs and revenues.

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.	**MA. LOURDES B. BATHAN**
President	**Principal Accounting Officer**

Second Quarter Top Five (5) Performance Indicators
September 30, 2009, 2008 and 2007

		Medco Holdings, Inc. (Consolidated)			Medco Asia Investment Corp (Major Subsidiary)		
		2009	2008	2007	2009	2008	2007
1. Revenue Growth	Revenue Y1-Y0 / Revenue Y0	-27.44%	-2.65%	-26.47%	-17.92%	40.23%	-43.81%
2. Net Loss Growth	Net Loss Y1-Y0 / Net Loss Y0	-24.47%	-24.47%	-23.21%	52.89%	-84.19%	-10.22%
3. Return on Equity	Net Income / Ave. Stockholders' Equity	-2.86%	-3.75%	-4.64%	-0.52%	-0.33%	-2.09%
4.Current Ratio	Current Assets / Current Liabilities	0.28x	0.96x	0.62x	10.23x	10.97x	0.72x
5. Debt-to-Equity- Ratio	Total Liabilities / Stockholders' Equity	0.70x	1.96x	1.94x	0.30x	0.37x	.035x

Note:

Y1= Current year

Y0= Previous year

MEDCO HOLDINGS, INC. AND SUBSIDIARY

Financial Statements
September 30, 2009 and 2008

MEDCO HOLDINGS, INC. AND SUBSIDIARY
Consolidated Balance Sheets
September 30, 2009 and December 31, 2008

		2009		(Audited) 2008
ASSETS				
Cash and cash equivalents (Note 7)	P	50,640,625	P	55,788,802
Available-for-Sale Investments (Note 8)		31,651,923		32,049,925
Loans and receivables - net (Note 9)		317,753		906,635
Due from related parties (Note 13)		696,818		209,371
Equity Investment- net (Note 10)		366,881,400		366,881,400
Other Assets (Note 11)		7,743,016		7,261,024
TOTAL ASSETS	P	**457,931,535**	P	**463,097,157**
LIABILITIES AND EQUITY				
LIABILITIES				
Accounts Payable and Accrued Expenses (Note 12)	P	4,218,897	P	5,430,737
Due to related parties (Note 13)		185,085,352		184,070,426
		189,304,249		189,501,163
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		(597,152)		(597,152)
Deficit		(572,464,268)		(568,097,304)
Total equity attributable to equityholders of the parent		152,437,492		156,804,456
Minority interest		116,189,794		116,791,538
		268,627,286		273,595,994
TOTAL LIABILITIES AND EQUITY	P	**457,931,535**	P	**463,097,157**

MEDCO HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS (DEFICIT)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008

	JULY TO SEPTEMBER		JANUARY TO SEPTEMBER	
	2009	2008	2009	2008
REVENUES	P 2,071,340	P 2,606,449	P 5,639,602	P 7,772,315
EXPENSES	3,410,830	4,614,378	10,601,812	14,186,817
LOSS BEFORE MINORITY SHARE IN NET INCOME	(1,339,490)	(2,007,929)	(4,962,210)	(6,414,502)
MINORITY SHARE IN NET INCOME	(63,739)	48,285	(601,744)	(393,581)
LOSS BEFORE FINAL TAX	(1,275,751)	(2,056,214)	(4,360,466)	(6,020,921)
LESS: PROVISION FOR TAX	(6,495)	-	(6,495)	-
NET LOSS	(1,282,246)	(2,056,214)	(4,366,961)	(6,020,921)
DEFICIT AT BEGINNING OF YEAR/QUARTER	(571,182,022)	(562,856,838)	(568,097,307)	(558,892,131)
DEFICIT AT END OF QUARTER	P **(572,464,268)**	P **(564,913,052)**	P **(572,464,268)**	P **(564,913,052)**
LOSS PER SHARE	P (0.0018)	P (0.0029)	P (0.0062)	P (0.0086)

MEDCO HOLDINGS, INC. AND SUBSIDIARY
STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009, 2008, and 2007

	2009	2008	2007
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 losses in available-for-sale financial assets	**(597,152)**	**-**	**-**
Deficit			
Balance, beginning of year	(568,097,307)	(558,892,131)	(549,837,203)
Net loss	(4,366,961)	(6,020,921)	(7,972,057)
Balance, end of quarter	**(572,464,268)**	**(564,913,052)**	**(557,809,260)**
Total equity attributable to equityholders of the parent	**P 152,437,492**	**P 160,585,860**	**P 167,689,652**

MEDCO HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009, 2008, AND 2007

	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss before tax and minority interest	P (4,962,210)	P (6,414,502)	P (10,460,751)
Adjustments for:			
Depreciation	12,075	9,996	20,114
Interest income	(1,074,416)	(1,473,765)	(2,156,821)
Interest expense	6,379	2,963,761	3,488,841
Unrealized foreign exchange loss (gain)	(52,050)	(2,284,759)	1,810,526
Decrease(increase) in:			
Receivables	588,882	1,135,176	779,228
Other assets	(500,565)	(722,861)	43,846,983
Increase (Decrease) in accounts payable and accrued expenses	(1,211,840)	5,283,154	6,733,561
Cash generated from operations	(7,193,745)	(1,503,800)	44,061,681
Cash paid for income taxes	-	-	-
Net Cash Provided by (Used in) Operating Activities	(7,193,745)	(1,503,800)	44,061,681
CASH FLOWS FROM INVESTING ACITIVITIES			
Interest received	1,074,416	1,473,765	2,156,821
Net increase in investment in subsidiary and associate	-	-	(1,999,989)
Net decrease (increase) in available-for-sale securities	398,002	-	(1,663,578)
Net Cash Provided by (Used in) Investing Activitites	1,472,418	1,473,765	(1,506,746)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	(6,379)	(2,963,761)	(3,488,841)
Net increase (decrease) in due to a related party	527,479	(3,265,167)	(380,666)
Net Cash Provided by (Used in) Financing Activities	521,100	(6,228,928)	(3,869,507)
EFFECTS OF FOREIGN EXCHANGE REVALUATION OF CASH AND CASH EQUIVALENTS	52,050	2,284,759	(1,810,526)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,148,177)	(3,974,204)	36,874,902
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	55,788,802	59,186,798	24,900,477
CASH AND CASH EQUIVALENTS AT END OF QUARTER	P 50,640,625	P 55,212,594	P 61,775,379

MEDCO HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Citivest Asia Limited)
NOTES TO FINANCIAL STATEMENTS
September 30, 2009 AND 2008
(Amounts in Philippine Pesos)

1. CORPORATE MATTERS

1.1 Incorporation and Nature of Business

Medco Holdings, Inc. (the Parent Company) is registered with the Securities and Exchange Commission (SEC) as a holding company. The Parent Company's shares of stocks are listed at the Philippine Stock Exchange. The registered office of the Parent Company and subsidiaries (the Group) is located at the 31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.

The Parent Company is 46.04% owned by Citivest Asia Limited, which is a wholly owned subsidiary of Lippo China Resources Limited (LCR or the Ultimate Parent).

The Group holds a 10.31% interest in Export and Industry Bank, Inc. (EIB) while the Parent Company holds a 64.54% interest in Medco Asia Investment Corporation (MAIC) and a 2.45% interest in EIB. MAIC was registered with the SEC on April 7, 1995 primarily to conduct business as an investment house.

Presently, MAIC holds 99.99% interests in Outperform Holdings, Inc. (OHI) and in Safeharbor Holdings, Inc. (SHI). Both OHI and SHI are registered with the SEC as holding companies and have not yet started commercial operations as of September 30, 2009.

1.2 Status of Operations

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 satisfaction of liabilities in the normal course of business. The Group incurred recurring net losses of P4,366,961, P6,020,921 and P7,972,057 for the third quarters ended September 30, 2009, 2008 and 2007, respectively. The Group reported deficits of P572,464,268, P564,913,052 and P557,809,260 as of September 30, 2009, 2008 and 2007, respectively. Although the Group has incurred deficit, management believes that the Group will be able to achieve positive business operations in the future. Consequently, the accompanying financial statements have been prepared assuming that the Group will continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of the Group's 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 have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council from the pronouncements issued by the International Accounting Standards Board.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These financial statements have been prepared on the historical cost basis, except for the revaluation of available-for-sale financial assets. The measurement bases are more fully described in the accounting policies that follow.

(b) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional currency, and all values represent absolute amounts except when otherwise indicated (see also Note 2.10).

2.2 Impact of New Amendments and Interpretations to Existing Standards

(a) Effective in 2008 that is Relevant to the Group

In 2008, the Group adopted Philippine Interpretation International Financial Reporting Interpretation Committee (IFRIC) 14, *Philippine Accounting Standard (PAS) 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction*, which is mandatory for accounting periods beginning on or after January 1, 2008. This Philippine Interpretation provides general guidance on how to assess the limit in PAS 19, *Employee Benefits*, on the amount of the surplus that can be recognized as an asset. It standardizes practice and ensures that entities recognize an asset in relation to a surplus on a consistent basis. The Group's adoption of this Philippine Interpretation did not materially affect its financial statements.

(b) Effective in 2008 but not Relevant to the Group

The following interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2008 but are not relevant to the Group's operations:

PAS 39 and PFRS 7 (Amendments)	:	PAS 39, Financial Instruments: Recognition and Measurements and PFRS 7, Financial Instruments: Disclosures

Philippine Interpretation IFRIC 11	:	Group and Treasury Share Transactions
Philippine Interpretation IFRIC 12	:	Service Concession Arrangements

(c) *Effective Subsequent to 2008*

There are new and amended standards and Philippine Interpretation that are effective for periods subsequent to 2008. The following new standards are relevant to the Group which the Group will apply in accordance with their transitional provisions.

PAS 1 (Revised 2007)	:	Presentation of Financial Statements
PAS 27 (Revised 2008)	:	Consolidated and Separate Financial Statements

Below is a discussion of the possible impact of the relevant amended accounting standard which the Group will apply in accordance with its transitional provisions.

PAS 1 (Revised 2007), *Presentation of Financial Statements* (effective from January 1, 2009). The amendment requires an entity to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two statements: a separate income statement and a statement of comprehensive income. The income statement shall disclose income and expense recognized in profit and loss in the same way as the current version of PAS 1. The statement of comprehensive income shall disclose profit or loss for the period, plus each component of income and expense recognized outside of profit and loss classified by nature (e.g., gains or losses on available-for-sale assets or translation differences related to foreign operations). Changes in equity arising from transactions with owners are excluded from the statement of comprehensive income (e.g., dividends and capital increase). An entity would also be required to include in its set of financial statements a statement showing its financial position (or balance sheet) at the beginning of the previous period when the entity retrospectively applies an accounting policy or makes a retrospective restatement. The Group will apply PAS 1 (Revised 2007) in its 2009 financial statements.

PAS 27 (Revised), *Consolidated and Separate Financial Statements* (effective from July 1, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the equity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group will apply this revised standard prospectively from January 1, 2010 to transaction with non-controlling interests.

2.3 Basis of Consolidation

The Group obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in the succeeding pages, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. 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 minority interest as follows:

(a) Investments in Subsidiaries and an Associate

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through voting rights.

Subsidiaries are consolidated from the date the Parent Company obtains control until such time that such control ceases.

Acquired subsidiaries are subject to the application of the purchase method for acquisitions. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Goodwill (positive) represents the excess of acquisition cost over the Group's share in the fair value of the identifiable net assets of the acquired subsidiary at the date of acquisition.

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.

The Group's investments in an associate are accounted for in these consolidated financial statements at cost, less any impairment loss. Impairment loss is provided when there is objective evidence that the investments in subsidiaries and associates will not be recovered. Such impairment loss is measured as the difference between the carrying amount of the investment and the present value of the estimated cash flows discounted at the current market rate of return for similar financial asset. The amount of the impairment loss is recognized in profit or loss. Impairment losses recognized are not reversed.

(b) Transactions with Minority Interests

The Group applies a policy of treating transactions with minority interest as transactions with parties external to the Group. Disposals of equity investments to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases of equity shares from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired in the carrying value of the net assets of the subsidiaries.

Minority interests in 2009 and 2008 represent the interests not held by the Group in MAIC.

2.4 Financial Assets

Financial assets include cash and other financial instruments. Financial assets, other than hedging instruments, are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and available-for-sale 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. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly-liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement.

The foregoing categories of financial instruments are more fully described below.

(a) Financial Assets at FVTPL

This category include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling it in the near term or if so designated by management. All derivatives fall into this category, except for those designated and effective as hedging instruments.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of fair value through profit or loss category if they are no longer held for the purpose of being sold or repurchased in the near term.

(b) *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.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses. Any change in their value is recognized in profit or loss, except for changes in fair values of reclassified financial assets under PAS 39 and PFRS 7 (Amendments). Increases in estimates of future cash receipts from such financial assets shall be recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than as an adjustment to the carrying amount of the financial asset at the date of the change in estimate. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

(c) *Held-to-maturity Investments*

This includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to maturity if the Group has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification.

Held-to-maturity investments are measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

(d) *Available-for-sale 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.

All financial assets within this category are initially recognized at fair value plus transaction costs and subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the income statement when they are sold or when the investment is impaired.

In the case of impairment, the cumulative loss previously recognized directly in equity is transferred to the income statement. If circumstances change, impairment losses on available-for-sale equity instruments are not reversed through the income statement. On the other hand, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in income statement, the impairment loss is reversed through the income statement.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

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.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2.5 Financial Liabilities

Financial liabilities include interest-bearing loans and borrowings (including accrued interest thereon), accounts payable and accrued expenses and due to related parties.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in the income statement under the caption Interest and Bank Charges.

Interest- bearing loans are raised for support of long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Accounts payable and accrued expenses and due to related parties are recognized initially at their fair value and subsequently measured at amortized cost less settlement payments.

Financial liabilities are derecognized from the balance sheet only when the obligations are extinguished either through payment, cancellation or expiration.

2.6 Provisions

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 commitment 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 balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. 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. In addition, long-term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at each balance sheet date 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.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

2.7 Equity

Capital stock is determined using the nominal value of shares that have been issued.

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

Change in fair value of available-for-sale financial assets comprise gains and losses due to the revaluation of available-for-sale financial assets.

Deficit includes all current and prior period results as disclosed in the income statement.

Minority interest pertains to the initial investment and the equity share in the income and losses of the minority stockholders.

2.8 Revenue and Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and its subsidiaries and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(a) *Commission and fees* – Revenue from professional services provided to subsidiaries of EIB is recognized as the service has been completed.

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

(c) *Dividends* – Revenue is recognized when the stockholders' right to receive the payment is established.

(d) *Rental income* – Revenue is recognized on a straight-line basis over the term of the lease (see also Note 2.9).

Costs and expenses are recognized in the income statement upon utilization of the service or at the date they are incurred.

2.9 Leases

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 the income statement on a straight-line basis over the lease term. Associated costs, such as 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.

2.10 Functional Currency and Foreign Currency Transactions

(a) *Functional and Presentation Currency*

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine pesos, which is the Group's functional presentation currency.

(b) *Transactions and Balances*

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 the income statement.

2.11 Impairment of Non-financial Assets

The Group's investments in subsidiaries and associate and goodwill are subject to impairment testing. Goodwill, which has indefinite useful life, are tested for impairment at least annually. 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 individually for impairment and some are tested at cash-generating unit level.