

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

Atty. Samuel V. Torres
Contact Person

844-16-75
Company Telephone Number

1 2 3 1
Month Day
Fiscal Year

Definitive SEC Form 20 IS

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FORM TYPE

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 Month Day
 Annual Stockholders' Meeting

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. Of Stockholders

Total Amount of Borrowings

Domestic
Foreign

To be accomplished by SEC Personnel concerned

| | | | | | | | | | |
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STAMPS

HOUSE OF INVESTMENTS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of **HOUSE OF INVESTMENTS, INC.** will be held on **Friday, July 20, 2012** at 2:30 P.M. at Rooms 527-528 Yuchengco Institute for Advanced Studies, 5th Floor, Tower II, RCBC Plaza, Ayala Avenue corner Sen. Gil J. Puyat Avenue, Makati City, Philippines.

The Agenda of the Meeting is as follows:



1. Call to Order.
2. Proof of Notice and Certification of a Quorum.
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on July 15, 2011.
4. Approval of the Management Report and the Audited Financial Statements for 2011
5. Ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, the Various Committees and the Officers of the Company during the year 2011.
6. Election of Directors for 2012-2013.
7. Appointment of independent auditors.
8. Such other business that may properly come before the meeting.
9. Adjournment.

Only stockholders of record as of June 20, 2012 are entitled to vote at said meeting or any adjournment thereof.

Should you be unable to attend the meeting in person, you may execute the necessary proxy and file the same with the office of the Corporate Secretary at 3/F, Grepalife Bldg., 219 Sen. Gil Puyat Avenue, Makati City, Philippines at least ten (10) working days before the scheduled meeting.

For your convenience in registering your attendance, please have available some form of identification such as passport, driver's license or voter's I.D.

Makati City, June 11, 2011


Samuel V. Torres
Corporate Secretary 



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
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter House of Investments, Inc.
3. Makati City, Philippines
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number 15393
5. BIR Tax Identification Code 000-463-069-000
6. 3F, Grepalife Bldg., 219 Sen. Gil J. Puyat Ave., Makati City, Phil. 1200
Address of principal office Postal Code
7. Registrant's telephone number, including area code (632) 8159636 to 38
8. Date, Time and place of the meeting of security holders
July 20, 2012, 2:30 P.M., Rooms 527-528 Yuchengco Institute for Advanced Studies, 5th
Floor, Tower II, RCBC Plaza, Ayala Avenue corner Sen. Gil J. Puyat Avenue, Makati City,
Philippines.
9. Approximate date on which the Information Statement is first to be sent or given to security holders June 22, 2012.
10. In case of Proxy Solicitations:
Name of Person Filing the Statement/Solicitor: Atty. Samuel V. Torres
Address: House of Investments, Inc., 3/F Grepalife Building, 219 Sen. Gil Puyat Avenue,
Makati City
Telephone No.: 815-96-36
11. Securities registered pursuant to Sections 8 and 12 of the Code or Section 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 Outstanding |
| Common (1.25 billion shares authorized PV ₱ 1.50) | 615,977,028 million shares |
| Preferred (2.50 billion shares authorized PV ₱ 0.40) | 1,166,196,823 million shares |

Outstanding Amount of Debt as of 12.31.11 P11.8 Billion
12. Are any or all of registrant's securities listed on a Stock Exchange?
Yes ☒ No ☐
The common stock of the Corporation is listed on the Philippine Stock Exchange, Inc.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Annual Stockholders' Meeting:

Date of meeting : July 20, 2012
Time of meeting : 2:30 pm
Place of meeting : Rooms 527-528 Yuchengco Institute for Advanced Studies
5th Floor, Tower II, RCBC Plaza
Ayala Avenue corner Sen. Gil J. Puyat Avenue
Makati City, Philippines
Approximate mailing date of this statement : June 22, 2012
Registrant's mailing address : 3/F, Grepalife Building
219 Sen. Gil J. Puyat Avenue
Makati City, Philippines

Item 2. Dissenters' Right of Appraisal

Pursuant to Section 81 of the Corporation Code of the Philippines, any stockholder of the Corporation shall have the right to dissent and demand payment of the fair value of his shares on any matter that may be acted upon such as in the following instances.

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders 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.
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and
3. In case of merger or consolidation.

There are no matters in the Agenda that may give rise to a possible exercise of appraisal right by any stockholder.

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

1. Except for Alfonso T. Yuchengco, no other current director or officer of the Company, or nominee for election as directors of the Company or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than the election to office. Alfonso T. Yuchengco owns 54.57% of the Company's preferred shares
2. No director has informed the Company in writing that he intends to oppose any action to be taken by the registrant at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Class of Voting shares as of May 31, 2012:

| | |
|------------------|----------------------|
| Common Stocks | 615,977,024 shares |
| Preferred Stocks | 1,137,041,757 shares |

Both common and preferred shares of the Company's capital stock are entitled to notice and to vote at the Annual Stockholders' Meeting. Each share is entitled to one (1) vote.

(b) Record Date **June 20, 2012**

Only stockholders of record at the close of business on **June 20, 2012** are entitled to vote at the meeting either in person or by proxy.

(c) Election of Directors and Cumulative Voting Rights

In all items for approval except election of directors, each share of stock entitles its registered owner to one (1) vote.

In case of election of Directors, each stockholder may vote the number of shares of stock standing in his own name as of the record date of the meeting for as many persons as there are directors to be elected or he may cumulate said shares and give one 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 whole number of directors to be elected.

(1) Security Ownership of Certain Record and Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners (more than 5%) as of May 31, 2012.

| <i>Title of Class</i> | <i>Name, Address of Record Owner and Relationship with Issuer</i> | <i>Name of Beneficial Owner and Relationship with Record Owner</i> | <i>Citizenship</i> | <i>No. of Shares Held</i> | <i>Percent</i> |
|------------------------------|---|---|---------------------------|----------------------------------|-----------------------|
| Common | Pan Malayan Management & Investment Corp. 48 th Flr. RCBC Plaza 6819 Ayala Ave., Makati City Affiliate | A Management & Holding company of the family of Sec. Alfonso T. Yuchengco, a director and the father of Helen Y. Dee, the Chairman, President, and CEO. Person authorized to direct voting of the share is Sec. Alfonso T. Yuchengco. | Filipino | 294,758,580 | 47.85% |
| Common | PCD Nominee Corp. G/F MSE Bldg., 6767 Ayala Ave., Makati City None | PCD Nominee Corporation is a wholly owned subsidiary of the Philippine Central Depository Inc. ("PCD"). It is the registered owner of the shares in the books of the Company's stock and transfer agent. The beneficial owners of such shares are PCD'S participants, who hold the shares on their own behalf or on behalf of their clients | Filipino | 247,903,679 | 40.25% ¹ |
| Common | PCD Nominee Corp. G/F MSE Bldg., 6767 Ayala Ave., Makati City None | Same as above. | Non-Filipino | 10,468,605 | 1.70% |

¹ The Company has no record of beneficial owners of shares lodged with PCD. None of these stockholders has shares registered in their names equivalent to more than 5% of the voting securities of the Company

| Title of Class | Name, Address of Record Owner and Relationship with Issuer | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares Held | Percent |
|-----------------------|--|---|--------------------|---------------------------|----------------|
| Preferred | Alfonso T. Yuchengco #29 Tamarind Road Forbes Park, Makati Major Stockholder | N.A. | Filipino | 620,520,718 | 54.57% |
| Preferred | Pan Malayan Management & Investment Corp. 48 th Flr. RCBC Plaza 6819 Ayala Ave., Makati Affiliate | A Management & Holding company of the family of Sec. Alfonso T. Yuchengco, a director and the father of Helen Y. Dee, the Chairman, President, and CEO. Person authorized to direct voting of the share is Sec. Alfonso T. Yuchengco. | Filipino | 426,013,514 | 37.47% |

(2) Security Ownership of Management as of May 31, 2012 (Direct and Indirect) incumbent

As per record of Rizal Commercial Banking Corporation, the Stock transfer agent, the number of shares owned by all incumbent directors, executive officers and all persons nominated or chosen to become such, as of May 31, 2012 are as follows:

| Title of Class | Name of Beneficial Owner | Amount & Nature of Beneficial Ownership | Citizenship | Percent of Class |
|-----------------------|---|--|--------------------|-------------------------|
| Common | Helen Y. Dee Chairperson/CEO/Director | 1,125,345 - direct 367,520 - indirect | Filipino | 0.0018 0.0006 |
| Common Preferred | Sec. Alfonso T. Yuchengco Director | 308,240- direct 620,520,718- direct | Filipino | 0.0005 0.5456 |
| Common | Medel T. Nera President / CEO | 5 - direct | Filipino | 0.0000 |
| Common | Yvonne S. Yuchengco Director | 90,255- indirect | Filipino | 0.0001 |
| Common | Roberto F. de Ocampo Independent Director | 5 - direct | Filipino | 0.0000 |
| Common | Wilfrido E. Sanchez Director | 5 - direct | Filipino | 0.0000 |
| Common Preferred | Isabel Caro Wilson Independent Director | 3,783,970 - direct 902,855- direct | Filipino | 0.0061 0.0008 |
| Common | Renato C. Valencia Independent Director | 1,000 - direct | Filipino | 0.0000 |
| Common | Antonino L. Alindogan Jr. Independent Director | 500 - indirect | Filipino | 0.0000 |
| Common | Francisco H. Licuanan III Independent Director | 500 - direct | Filipino | 0.0000 |
| Common | Porfirio S. de Guzman, Jr. Senior Vice President | 5,000 - direct | Filipino | 0.0001 |
| Common | Perry Y. Yu Executive Vice President | 10-direct 109-indirect | Filipino | 0.0000 0.0000 |
| Common | Jose Ma. G. Castillo III Senior Vice President-Finance/ Treasurer | None | Filipino | N.A. |
| Common | Gene C. De Jesus Senior Vice President- Car Division | None | Filipino | N.A. |

| <i>Title of Class</i> | <i>Name of Beneficial Owner</i> | <i>Amount & Nature of Beneficial Ownership</i> | <i>Citizenship</i> | <i>Percent of Class</i> |
|-----------------------|--|--|--------------------|-------------------------|
| N.A. | Alexander Anthony G. Galang Senior Vice President | None | Filipino | N.A. |
| N.A. | Godofredo C. Cualteros, Jr. Vice President | None | Filipino | N.A. |
| N.A. | Samuel V. Torres Corporate Secretary | None | Filipino | N.A. |
| N.A. | Mary Ann D. Roque Assistant Corporate Secretary | None | Filipino | N.A. |
| | Total Common | 5,677,355 | | .0092 |
| | Total Preferred | 687,652,994 | | 54.64 |

(3) Voting Trust Holders of 5% or more

There are no shareholders holding any Voting Trust Agreement or any such similar agreement.

(4) Changes in Control

There are no arrangements that may result in a change in control of the Company during the period covered by this report.

Item 5. Directors and Executive Officers

(a.) (1) Directors for 2012-2013

Following are the names, ages, positions, and period of service of all incumbent directors, executive officers, and all persons nominated or chosen to become such:

| Name | Age | Citizenship | Position | Period during which individual has served as such |
|----------------------|------------|--------------------|----------------------|--|
| Helen Y. Dee | 67 | Filipino | Chairperson | Nov. 2001 to present |
| Alfonso T. Yuchengco | 89 | Filipino | Director | September 2005 to present |
| Medel T. Nera | 57 | Filipino | President & CEO | July 2011 to present |
| Yvonne S. Yuchengco | 58 | Filipino | Director | August, 2007 to present |
| Roberto F. De Ocampo | 66 | Filipino | Independent Director | 2000 to present |

| Name | Age | Citizenship | Position | Period during which individual has served as such |
|-----------------------------|-----|-------------|--|---|
| Isabel Caro Wilson | 81 | Filipino | Independent Director | 1989 to 1992; 2001 to present |
| Wilfrido E. Sanchez | 75 | Filipino | Director | 2000 to 2008, 2009 present |
| Renato C. Valencia | 70 | Filipino | Independent Director | March 17, 2005 to present |
| Antonino L. Alindogan | 74 | Filipino | Independent Director | August 18, 2006 to present |
| Francisco H. Licuanan III | 67 | Filipino | Independent Director | March 20, 2006 to present |
| Porfirio S. de Guzman Jr. | 73 | Filipino | Senior Vice Pres. | 1993 to present |
| Jose Ma. G. Castillo III | 68 | Filipino | Senior Vice President - Finance & Treasurer | 1992 to present |
| Gene C. De Jesus | 63 | Filipino | Senior Vice President- Car Division | 2003 to present |
| Alexander Anthony G. Galang | 51 | Filipino | Senior Vice President | 2004-June, 2009, (VP) July 1, 2009 to present |
| Godofredo C. Cualteros, Jr. | 47 | Filipino | Vice President | August, 2009 to present |
| Raoul A. Villegas | 43 | Filipino | Vice President Finance & Deputy CFO | March 2011 to present |
| Jose A. Tanjangco III | 50 | Filipino | AVP-Chief Risk Officer | December, 2010 to present |
| Ma. Teresa T. Bautista | 39 | Filipino | AVP-Controller | October, 2011 to present |
| Ma. Elisa E. De Lara | 42 | Filipino | AVP-Internal Audit | January, 2011 to present |
| Samuel V. Torres | 47 | Filipino | Corporate Secretary | March 20, 2006 to present |
| Mary Ann Emily D. Roque | 39 | Filipino | Asst. Corporate Secretary | July 21, 2006 to present |

Directors, Nominees and Executive Officers with other Directorship Held in Reporting Companies and Business Experience during the past five (5) years

HI's Board of Directors (BOD) is composed of eleven (11) members elected by and from among the HI's stockholders. The Board is responsible for providing overall management and direction of HI. Board meetings are held on a regular basis or as often as required to discuss HI's operations, business strategy, policies, and other corporate matters. Write-ups below include positions currently held by the directors and executive officers, as well as positions held during the past five years.

Board of Directors

| | |
|----------------------------|--------------------------|
| Sec. Alfonso T. Yuchengco | Roberto F. de Ocampo |
| Helen Y. Dee | Francisco H. Licuanan II |
| Yvonne S. Yuchengco | Wilfrido E. Sanchez |
| Medel T. Nera | Renato C. Valencia |
| Antonino L. Alindogan, Jr. | Isabel Caro Wilson |
| Reynaldo B. Veja | |

Sec. Alfonso T. Yuchengco, 89, Filipino, was the Chairman of House of Investments, Inc. from 1984 – 1995. In September 7, 2005, he was elected as Director. He is the Honorary Chairman of Rizal Commercial Banking Corporation. He is currently the Chairman and CEO of Pan Malayan Management and Investment Corporation (PMMIC), Chairman of the Board of MICO (Holding

of the Phil., Inc.), Bantayog ng mga Bayani, Foundation Inc., Enrique T. Yuchengco, Inc., RCBC Land Inc., YGC Corporate Services, Yuchengco Museum. He is also a director of Great Pacific Life Insurance Corp., MBA -Juris Doctor (JD) dual degree program of De La Salle University Professional Schools, Inc., Graduate School of Business and Far Eastern University Institute of Law, Member of the Board of Judges and principal sponsor of the Blessed Teresa of Calcutta Awards; Chairman of the Board of Trustees of Bayanihan Folk Arts Foundation He is a Director of the International Insurance Society Inc.;

Member of the International Board of Trustees of the McLaren School of Business, University of San Francisco; Member of the Board of Overseers of the Columbia University; Member of the Board of Trustees of Alliant International University; Member of the Board of Governors of the Pacific Forum; Member of the International Advisory Board Culverhouse College of Commerce & Business Administration of the University of Alabama; Trustee Emeritus of the Asia Society, New York; Member of the Advisory Board of the Philippines-Japan Economic Cooperation Committee (PHILJEC); Director of the Philippines-Japan Society, Inc.; Member of the Advisory Board of Waseda Institute of Asia Pacific Studies; Member of the Advisory Board of the Ritsumeikan Asia Pacific University. Currently appointed by President Gloria Macapagal-Arroyo as Presidential Adviser on Foreign Affairs with Cabinet rank. He was formerly Ambassador Extraordinary & Plenipotentiary to the People's Republic of China, Japan and the United Nations.

Helen Y. Dee, 67, Filipino, has served as Chairperson of the Board of Directors, President, and CEO of HI, since November 2001. She is also the Chairman/President of HYDEE Management Resources, Inc., Grepalife Fixed Income Fund Corporation and, Grepalife Asset Management Corporation, Financial Brokers Insurance Agency, Inc.. Her other significant positions include: Chairperson & CEO of Tameena Resources, Inc., Chairperson of Rizal Commercial Banking Corporation, RCBC Savings Bank, Landev Corporation, Manila Memorial Park Cemetery, Inc., HI-Eisai Pharmaceutical, Inc., Mapua Information Technology Center, Inc., Pan Malayan Realty Corp., Director of Philippine Long Distance Telephone Co., Petro Energy Resources Corporation, South Western Cement Corporation, Seafront Resources Corporation, Malayan Insurance Co., Inc., MICO Equities, Inc., Corporation, Director and ExCom Member of Nippon Life Insurance Company of the Philippines, Inc. La Funeraria Paz, Inc., Honda Cars Philippines, Inc., Isuzu Philippines Inc., AY Holdings, Inc., Pan Malayan Express, Honda Cars Kalookan, Great Pacific Life Assurance Corp. President of Nth Millenium Foundation of the Philippines, Moira Management, Inc., Equitas Insurance Brokers, Inc., YGC Corporate Services, Inc., GPL Holdings, Trustee of Malayan Colleges Inc. and Philippine Harmonic Society, Inc., Board Member of EEI, Director and Vice Chairperson of Pan Malayan Management & Investment Corporation.

Yvonne S. Yuchengco, 58, Filipino, is the President/Director of Malayan Insurance Co. Inc., MICO Equities Inc., Chairperson/Director of RCBC Capital Corp., Philippine Integrated Advertising Agency, Inc., Treasurer/Director of Pan Malayan Management & Investment Corp., Honda Cars Kalookan. She is also the Asst. Treasurer of Enrique T. Yuchengco, Inc. and Director of, Pan Malayan Realty Corporation, Malayan Insurance (U.K.), Malayan Insurance (H.K.), Malayan International Insurance Corp., Manila Memorial Park, Great Pacific Life Assurance Corp., Petro Energy Resources, Corp., La Funeraria Paz, Inc., Malayan Colleges Inc., La Funeraria Paz Sucat, Inc., iPeople, Inc., Seafront Resources Corp., Malayan High School Science, Inc., National Reinsurance Corp. of the Phils., Yuchengco Museum Inc., Bankers Assurance Corporation and Luisita Industria Park Corp. She is also currently an Advisory Board Member of Rizal Commercial Banking Corp. and the Chairperson of o XYZ Assets Corporation.

Antonino L. Alindogan, Jr., 74, Filipino, was elected an Independent Director last August 18, 2006 vice Atty. Teodoro Q. Peña. Currently, he is also an Independent Director, Executive Committee member and Chairman of the Audit Committee of Philippine Air Lines. Independent Director/EXCOM member of RCBC, PAL Holdings Inc., ETON Properties Phil. Inc. He is presently the President of C5 Inc. and Chairman of the Board of An-Cor Holdings Inc. He was formerly a member of the Monetary Board of Bangko Sentral ng Pilipinas from 1999 to 2005; former Chairman of the Board (May 15, 2006 to July 11, 2006) and Consultant for Microfinance of the Development Bank of the Philippines from October 2005 to March 2006. He has no directorship in any related companies of House of Investments Inc.

Roberto F. de Ocampo, 66, Filipino, is the former past President of Asian Institute of Management (AIM). He is currently a member of the AIM Board of Trustees and is Chairman of the Board of Advisors of the RFO Center for Public Finance and Regional Economic Cooperation (recently designated as an ADB Regional Knowledge Hub). He is a member/Advisory Board Member of global institutions such as The Conference Board, the Trilateral Commission, the BOAO Forum of Asia and the Emerging Markets Forum. He was the Secretary of Finance and Governor, Board of Governors of World Bank and Asian Development Bank from February 1, 1994 to January 31, 1998. He was also the Chairman of APEC Finance Ministers and Asean Finance Ministers from 1997 to 1998, Chairman of Land Bank of the Philippines, Phil. Deposit Insurance Corp., Phil. Export & Foreign Loan Guarantee Corp., and Committee on Privatization from February 1, 1994 to January 31, 1998. He has no directorship in any related companies of House of Investments Inc.

Francisco H. Licuanan II, 67, Filipino, was elected as an Independent Director last March 30, 2006 vice Brother Andrew Gonzalez. He is the President and CEO of Innovative Property Solutions, Inc. Chairman and CEO of Geo Estate Development Corporation and New Pacific Resources Management (SPV-AMC), Inc. Chairman, Subic Bay Metropolitan Authority, Adviser, Subic Clark Area Development (Oct. 2004-Oct. 2005) , He was formerly the President and CEO of Ayala Land Inc. and SVP, Real Estate Group of Ayala Corporation. He has no directorship in any related companies of House of Investments Inc.

Wilfrido E. Sanchez, 75, Filipino, Tax Counsel of Quiason, Makalintal, Barot, Torres and Ibarra Law Office from 1994 to present. He is the Independent Director of JVR Foundation, Inc., Kawasaki Motor Corporation, Center for Leadership & Change, Inc., Adventure International Tours, Inc., Transnational Plans, Inc., Transnational Diversified Group, Magellan Capital Holdings Corporation, Omico Corporation, Amon Trading Corporation, and Universal Robina Corporation.

Renato C. Valencia, 70, Filipino, is an Independent Director of HI. He is the Vice Chairman of Asia Pacific Network Holdings, Inc. and Habitat for Humanity Foundation Philippines. He is Co-Chairman of the e-Government Committee of Information Technology and e-Commerce Council. He is a Director of Fort Bonifacio Development Corporation, Malayan Insurance Co., Inc., Metropolitan Bank & Trust Co., Roxas and Company, and Roxas Holdings, Inc. and Grepalife Fixed Income Fund Corp. He is an independent director and also the Chairman of iPeople, Inc. which is a related company of House of Investments Inc.

Dr. Reynaldo B. Vea, 60, Filipino, has been a Director of the House of Investments since September 2011. He had an earlier stint as HI Director from July 2010 to March 2011.

He is currently the President and CEO of the Mapua Institute of Technology and the President of the following Mapua subsidiaries: Malayan Colleges Laguna, Malayan High school of Science, Mapua IT Center and Mapua Techserv. He has been a Director of Seafront Resources Group since May 2010. He was a Director of RCBC from October 2006 to January 2007 and from March 2009 to June 2011. He was a Director of the Grepalife Fixed Income Fund Corporation (GFIF) from June 2004 to September 2007 and also of the Grepalife Dollar Bond Fund (GDBF) from 2006 to September 2007. He is currently a Trustee of the AY Foundation and of the Yuchengco Center of De La Salle University. He has been a member of the UNESCO National Commission and Chairman of its Committee on Science and Technology since May 2011. He has been a member of the Philippine Fulbright Commission since June 2010. He has been a Trustee of the Philippine Association of Colleges and Universities (PACU) since July 2003.

He has been a member of the UNESCO National Commission and Chairman of its Committee on Science and Technology since May 2011. He has been a member of the Philippine Fulbright Commission since June 2010. He has been a Trustee of the Philippine Association of Colleges and Universities (PACU) since July 2003. He is currently the Chairman of the Philippine Science High School Foundation. He is a former Dean of the U.P. College of Engineering. He has a bachelor's degree in Mechanical Engineering, *magna cum laude*, from U.P., a master's degree in Naval Architecture and Marine Engineering from the Massachusetts Institute of Technology, and a Ph.D. in Engineering from the University of California at Berkeley.

Isabel Caro Wilson, 81, Filipino, the Chairman of the Board of Business Machines Corporation, Rhine Marketing Corporation, Rhine Plans, Metals Engineering Resources Corporation, Carson Corporation and Carson Holding & Development Corporation. President of Manila Polo Club. She is

also a director in Asian Cultural Council, Pandiman Philippines, House of Investments Inc. She is also the Senior Advisor for Spain and Portugal, Philippine Chamber of Commerce and Industry and Director of the Philippine Spanish Business Council. She served as Philippine Ambassador to Spain from May 1993 to November 1998. She has no directorship in any related companies of House of Investments Inc.

Medel T. Nera, 57, Filipino, was a Senior Partner, Markets Leader and Financial Services Practice Head of SyCip Gorres Velayo & Co. CPAs, (SGV). As Markets Leader, he is responsible for the initiation and implementation of the Firm's business development programs. As Financial Services Practice Head, he has overall responsibility for SGV's financial audits and advisory services for banks, insurance companies and related entities. He also serves as senior partner or directly as partner in charge on audit engagements of entities in various industries such as manufacturing, trading, construction, and educational institutions. From 2008-2010, he was the Assurance practice of Ernst and Young (a Global CPA firm) in the Far East Area covering China, Taiwan, Hongkong, Korea, Singapore, Philippines and Vietnam. Treasurer, a member of the Board of Directors of CRIBS Philippines, Member of the Board of Directors of SGV Foundation, Inc. 2009-2010, Vice-president and Member of the Board of Governors of the Management Association of the Philippines, Member, Ernst and Young Far East Area Advisory Council (2009), President, Development Dimensions International, Inc. (1999-2009), Member, IT and E-Commerce Council of the Philippines (1999-2001)

for the past five (5) years Perry Y. Uy, Porfirio S. de Guzman Jr., and Jose Ma. G. Castillo III have been officers of HI and have held the positions indicated opposite their respective names. Alexander G. Galang became Senior Vice-President last July, 2009. In August, 2009 Godofredo C. Cualteros, jr. joined the company as Vice-president of HI.

Perry Y. Uy, 68, Filipino, Executive Vice-President for more than 10 years, retired in July, 2011. He is now the President of Manila Memorial Park Cemeteries, Inc.

Porfirio S. De Guzman, Jr., 73, Filipino, Senior Vice-President for more than ten (10) years. Director of Ipeople, First Malayan Leasing & Finance Corp., Landev Corporation, Grepaland, Inc. Philippine Integrated Advertising Agency and Zamboanga Industrial Finance Corp. He is the Vice-President/Deputy CFO of Pan Malayan Management & Investment Corp., Enrique T. Yuchengco, Inc and Y Realty Corporation. He was a former partner in SyCip Gorres Velayo & Co.

Jose Ma. G. Castillo III, 69, Filipino, Senior Vice-President, Treasurer and Chief Information and Compliance Officer of House of Investments Inc. and Ipeople for more than ten (10) years. He is a Director/ Chief Finance Officer and Treasurer of Landev Corporation, Greyhounds Security Investigation Agency Corp., Mapua Information Technology Center, and Blackhounds Security and Investigation Agency Corp. He is presently the Chief Finance Officer and Treasurer of Pan Pacific Computer Center, Inc., HI-Eisai Pharmaceutical, Inc. He is a Director of Malayan College Laguna, Inc., Zamboanga Industrial Finance Corp., and Manila Memorial Park Inc. He is also the Chief Finance Officer of RCBC Realty Corp. He is the Treasurer of Malayan College Laguna, Inc. and Malayan College Inc. (MIT).

Gene C. De Jesus, 63, Filipino, Senior Vice-President/General Manager- Car Division of House of Investments, Inc. since the merger of Honda Cars Quezon City Group and Isuzu Manila, Inc. with HI in 2003 up to present. Prior to the merger he was the General Manager and Chief Executive Officer of Isuzu Manila, Inc. from 1996- 1999 and in later part of 1999 he was the General Manager of Honda Cars Quezon City Group until the merger. He became a Senior Vice President & Division Head in BA Savings Bank from 1992-1996. Vice President & Group Head Vice President in Bank of America NT & SA from 1984 to 1991, Assistant Vice President Head-Corporate Banking Group in Insular Bank of Asia & America from 1971 to 1979.

Alexander Anthony G. Galang, 51, Filipino. He was appointed as Vice-President of the Company on December 1, 2004 and now a Senior Vice-President effective July 1, 2009. Prior to joining HI, he was the Vice-President for Audit & Special projects of Anglo Asian Strategic Management Inc., the management company of the Panilio Group of Companies where he worked from 1993 to 2004. He was also previously connected with Triumph International as Regional Auditor, Senior International Corporate Auditor of International Semi-Tech Microelectronics, Inc. He was an Internal Audit Manager

of Honda Philippines, Inc., Finance Comptroller of Midas Touch Foods Corp. He worked also in SGV and Co., CPAs as Senior Auditor.

Raoul A. Villegas, 43, Filipino, was appointed as Vice President – Finance and Deputy Chief Financial Officer in March, 2011. Prior to his appointment, he was a Managing Director and Chief Financial Officer of Citadel Holdings, Inc. He was also the Director of Philippine Operations for Integreon Managed Solutions Inc. (Philippines), the multi-national knowledge process outsourcing firm under Live It Solutions of the Ayala Corporation. From 2004-2007, he was with House of Investments where he rose to Assistant Vice President and Head of Corporate Finance & Business Development.

Godofredo C. Cualteros, Jr., 47, Filipino is the Vice-President for Group Internal Audit effective August, 2009. He was connected in Shea Labagh Dobberstein CPAs, San Francisco CA, USA as Senior Audit Manager for the period May, 2008 to April, 2009. His former employers as Senior Audit Manager also were: Hein & Associates LLP, Irvine CA, Grant Thornton, Irvine CA USA. He worked also in KMG-Philippines, Ernst & Young-Brunei, Punongbayan & Araullo & Sycip Gorres & Velayo as Audit Manager.

Jose A. Tanjanco III, 50, Filipino, is Assistant Vice-President - Chief Risk Officer of House of Investments, Inc. effective December 2010. He is also currently a Director of Manila Memorial Park Cemetery, Inc. and Zamboanga Industrial Finance Corp. Prior to joining HI, he was an Associate Director of the Philippine Dealing System (PDS) Group of Companies from December 2007 to October 2010. His other previous employers include: Buenaventura Echauz & Partners Financial Services, as Associate from 2002-2006; Carlos T. Soriano, as Executive Assistant from 1995-2001; and International Container Terminal Services, Inc., as Finance Manager from 1991-1994.

Maria Teresa T. Bautista, 39, Filipino, was appointed as Assistant Vice President and Corporate Controller in October 2011. Prior to her appointment she was the Group Finance Manager of Prime Orion Philippines, Inc. She also worked for over 14 years with the Insular Life Assurance Company, where she specialized in audit, project management, and business analysis. She is a CPA, a Certified Internal Auditor, and holds a Six Sigma Green Belt.

Maria Elisa E. De Lara, 42, Filipino, joined the Company in October 2010 and was appointed as Assistant Vice President for Group Internal Audit effective January 2011. She was the Sales and Operations Management Senior Manager from February 2009 to December 2010 and the Compliance and Risk Manager from July 2008 to January 2009 of IDS (Philippines), Inc., a member of Li & Fung Group of Hong Kong. She was the Financial Controller and a Director of JDH Philippines, Inc., a member of Li & Fung Group of Hong Kong from October 2004 to June 2008. She was a Senior Audit Manager of Isla Lipana & Co., a Philippine member firm of the PwC global network from 1993-2004.

Samuel V. Torres, 47, Filipino, is the Corporate Secretary effective March 30, 2006 replacing Guia Margarita Y. Santos and currently the General Counsel / Corporate Secretary of Pan Malayan Management & Investment Corporation. His other present positions include: Corporate Secretary of iPeople, Inc., Bankard, Inc., Pacific Plans, Inc., E. T. Yuchengco, Inc., First Malayan Leasing and Finance Corporation, GPL Cebu Tower Office Condominium Corporation, GSA Air Travel, Inc., RCBC Capital Corporation, RCBC Forex Brokers Corporation, RCBC Realty Corporation, RCBC Securities, Inc., Malayan Colleges, Inc., Assistant Corporate Secretary of First Nationwide Assurance Corporation, Malayan Insurance Co., Inc., Malayan Reinsurance Corporation, Malayan Zurich Insurance Corporation, MICO Equities, Inc., and Tokio Marine Malayan Insurance Corporation, and International Counsel, South Pacific for Federal Express Corporation (March 2000 to October 2001).

Mary Ann Emily D. Roque, 39, Filipino, is the Assistant Corporate Secretary effective July 21, 2006 replacing Samuel V. Torres who assumed the position of Corporate Secretary on March 30, 2006. She is the Corporate Secretary of the Yuchengco Tower Office Condominium Corp., Orophil Stonecraft, Inc., Oro Filipino Enterprises & Development Corp., and she is also the Assistant Corporate Secretary of Bankard, Inc., iPeople, Inc., and the Assistant General Counsel of Pan Malayan Management & Investment Corp. She used to be a Legal Officer of UCPB from 2004 to 2006 and an Associate of Quasha Ancheta Peña & Nolasco Law Office from 2001 to 2003.

Nominations for Independent Directors and Procedures for Nomination

Following rules and procedures shall apply to the nomination and election of Independent Directors.

- There shall be at least two (2) independent directors. An independent director is one who is independent of management and free from business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as director, and must possess all of the qualifications, and none of the disqualifications as prescribed by the Bangko Sentral Ng Pilipinas, Securities and Exchange Commission and other regulatory authorities, from time to time.
- A Nomination Committee composed of at least three (3) members, one of whom is an independent director, shall promulgate the guidelines or criteria to govern the conduct of the nominations:
- Nomination of independent director shall be conducted by the Nomination Committee prior to the stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees and shall submit a notarized Certification on Qualification as independent director.
- The Nomination Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors;
- After the nomination, the Nominations Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required by existing and applicable rules, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, or in such other reports the Bank is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee;
- Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Directors. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
- Election of Independent Directors
 - Subject to pertinent existing rules and regulation of SEC, the conduct of the election of independent directors shall be made in accordance with the standard election procedures of the By-laws.
 - It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the stockholders' meeting.
 - Specific slots for independent directors shall not be filled up by unqualified nominees.
- Term Limits for Independent Directors

The independent director is limited to be elected only for five (5) companies within the subsidiaries/affiliates including the parent company. Independent director can serve as such for five consecutive years, six months shall be equivalent to one (1) year. After completion of the five -year service, independent director cannot be elected as such in the same company unless undergone "cooling off "period for two (2) years and can be re-elected and serve for another five (5) consecutive years but completely barred from being elected as independent director of the same company.

In case of failure of elections for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

The following were nominated to the position of directors of the Company for the year 2011-2012:

Regular Directors

- 1) Ms. Helen Y. Dee
- 2) Sec. Alfonso T. Yuchengco
- 3) Mr. Medel T. Nera
- 4) Mr. Yvonne S. Yuchengco
- 5) Mr. Wilfrido E. Sanchez
- 6) Dr. Reynaldo B. Veal

Independent Directors

- 7) Amb. Isabel Caro Wilson
- 8) Mr. Renato C. Valencia
- 9) Mr. Roberto F. de Ocampo
- 10) Mr. Antonino L. Alindogan, Jr.
- 11) Mr. Francisco H. Licuanan III

The above-mentioned nominees are all incumbent members of the Board of Directors.

The nominees for independent directors are neither officers nor employees of the Company or any of its affiliates, and do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Nomination Committee passed upon their qualifications and found no disqualifications, as provided for in the By-Laws and in accordance with SRC Rule 38.

Ms. Virginia Rances, a stockholder of the Company, who is not in anyway related to the nominees, nominated Messrs. Renato C. Valencia, Roberto F. de Ocampo, Isabel Caro Wilson, Francisco H. Licuanan III and Antonino L. Alindogan, Jr. as independent directors.

The Nomination Committee reviews and evaluates the qualifications of all persons nominated as director as well as those to be nominated to other positions requiring appointment by the Board of Directors. With respect to the independent directors, their nomination and qualification by the Nomination Committee were in compliance with the Company's By-Laws, Manual of Corporate Governance and SRC Rule 38. The directors so nominated possess all the qualifications and none of the disqualifications for independent directors.

HI amended its By-Laws last July 16, 2004 to incorporate the provisions of the Securities Regulation code with respect to independent directors.

Period in Which the Directors and Executive Officers Should Serve

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting or until their respective successors have been elected and qualified.

Officers are appointed or elected annually by the Board of Directors at its first (organizational) meeting following the Annual Meeting of Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected, appointed or shall have qualified.

Terms of Office of a Director

Pursuant to the Company By-Laws, the directors who shall be stockholders are elected annually by the stockholders for the term of one year and shall serve until the election and acceptance of their duly qualified successors.

Committee Membership of Directors (2011-2012)

Executive Committee

| | |
|---------------------|----------|
| Helen Y. Dee | Chairman |
| Medel T. Nera | Member |
| Wilfrido E. Sanchez | Member |
| Renato C. Valencia | Member |

Compensation Committee

| | |
|-----------------------|----------|
| Wilfrido E. Sanchez | Chairman |
| Renato C. Valencia | Member |
| Antonino L. Alindogan | Member |

Risk Management Committee

| | |
|-----------------------|----------|
| Antonino L. Alindogan | Chairman |
| Wilfrido E. Sanchez | Member |
| Renato C. Valencia | Member |
| Yvonne S. Yuchengco | Member |

Audit Committee

| | |
|----------------------------|----------|
| Roberto F. de Ocampo | Chairman |
| Wilfrido E. Sanchez | Member |
| Antonino L. Alindogan, Jr. | Member |

Good Governance Committee

| | |
|----------------------------|----------|
| Wilfrido E. Sanchez | Chairman |
| Renato C. Valencia | Member |
| Antonino L. Alindogan, Jr. | Member |

Nomination Committee

| | |
|--------------------------|---------------------|
| Isabel Caro Wilson | Chairman |
| Roberto F. de Ocampo | Member |
| Wilfrido E. Sanchez | Member |
| Jose Ma. G. Castillo III | (non-voting member) |

(2) Significant Employees

Other than the Directors and the Executive Officers identified in this Information Statement, there are no other significant employees.

(3) Family Relationships

Ms. Helen Y. Dee and Ms. Yvonne S. Yuchengco are the children of Amb. Alfonso T. Yuchengco. There are no other family relationships among the directors or the officers listed.

(4) Involvement in Certain Legal Proceedings

The Company is not aware and none of the directors and officers or persons nominated to become directors or officers has informed the Company of (a) any bankruptcy petition filed by or against any business of which any of its director or executive officers was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior to that time, (b) any conviction by final judgment of any director or senior executive in a criminal case domestic or foreign or being subject to a pending criminal case domestic or foreign, of any director, executive officer or person nominated to be a director, (c) any director or senior executive 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 such directors' or executive officer's involvement in any type of business securities, commodities or banking activities, (d) any executive officer or director found by a domestic or foreign court of competent jurisdiction, the Commission or other 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, which occurred during the past five (5) years up to the latest date.

Malayan Colleges Inc., a subsidiary of House of Investments, Inc. had a labor dispute concerning the alleged violation of Collective Bargaining Agreement on the faculty ranking system and salary rate computations of faculty members, Faculty Association of Mapua Institute Technology (FAMIT).

FAMIT and Management entered into a Memorandum of/Compromise Agreement regarding the payment of the amounts due to permanent faculty members of Mapua in relation to the Faculty Ranking Case last January 22, 2009. Under the agreement, Mapua shall pay the permanent faculty of Mapua Institute of Technology the total estimated amount of One Hundred Eighty Million Pesos (Php. 180,000,000.00) payable in seven (7) installments in 2009.

(5) Certain Relationships and Related Transactions

There is no director, executive officer, nominee for director, beneficial holder, or family members involved in any business transaction of the Company.

In the normal conduct of business, aside from transactions disclosed in audited financial statements Note 17 (Loans Payable) and Note 18 (Long-term Debt), other transactions with certain affiliates include share in general and administrative expenses and cash advances.

The year ended balances with respect to related parties included in the financial statements, are as follows:

| | 2011 | 2010 |
|---|---------------|---------------|
| Dues from related parties | | |
| Associate (net of allowance for doubtful Accounts amounting to P38.8 million in 2011 and P7.0 million in 2010) | P 42,578,030 | P 48,393,792 |
| Entities under common control | 29,742,273 | 52,923,094 |
| Receivable from retirement fund of EEI Corp. | 528,998,464 | 474,864,665 |
| Due to related parties | | |
| Entities under common control | 58,234,792 | 139,933,397 |
| Loans payable-related bank | | |
| Entities under common control | 395,150,845 | 312,587,953 |
| Lease liability | | |
| Entities under common control | - | 133,299,378 |
| Long-term debt-related bank (including current Portion | | |
| Entities under common control | 774,000,000 | 1,054,619,940 |
| Cash and cash equivalents | | |
| Entities under common control | 1,408,649,803 | 1,574,612,020 |
| Plan assets | | |
| Entities under common control | 677,626,999 | 580,710,517 |

Item 6.1 Compensation of Directors and Executive Officers

Summary of Annual Compensation Table (In Million Pesos)

| Chief Executive Officers and Senior Executive Officers | | | | | | | | | | |
|--|--------------------------|--------|------------------|------------------------------|--------|-------|------------------------------|--------|-------|------------------------------|
| | | | 2012 Estimate | | | | 2011 | | | |
| Name | Position | Salary | Bonus | Other Annual Compensation | Salary | Bonus | Other Annual Compensation | Salary | Bonus | Other Annual Compensation |
| Helen Y. Dee | Chairperson | | | | | | | | | |
| Medel T. Nera | President/CEO | | | | | | | | | |
| Perry Y. Yu* | Executive Vice President | | | | | | | | | |
| Porfirio S. de Guzman | Senior Vice President | | | | | | | | | |
| Jose Ma. G. Castillo III | SVP-Finance/Treasurer | | | | | | | | | |
| Alexander A. G. Galang | SVP- Audit | | | | | | | | | |
| Gene C. de Jesus | SVP- Car Division | | | | | | | | | |
| Total | | 20 | - | - | 18.8 | - | - | 18.1 | - | - |
| All other Officers and Directors as a group | | | | | | | | | | |
| Godofredo Cualteros, Jr. | Vice President | | | | | | | | | |
| Raoul A. Villegas | VP-Finance | | | | | | | | | |
| Jose A. Tanjanco III | AVP-Chief Risk Officer | | | | | | | | | |
| Ma. Teresa Bautista | AVP-Controller | | | | | | | | | |
| Ma. Elisa de Lara | AVP- Internal Audit | | | | | | | | | |
| Sec. Alfonso T. Yuchengco | Director | | | | | | | | | |
| Antonino L. Alindogan, Jr. | Director | | | | | | | | | |
| Roberto F. de Ocampo | Director | | | | | | | | | |
| Francisco H. Licuanan II | Director | | | | | | | | | |
| Wilfrido E. Sanchez | Director | | | | | | | | | |
| Renato C. Valencia | Director | | | | | | | | | |
| Isabel C. Wilson | Director | | | | | | | | | |
| Total | | 18.2 | | | 15.7 | | | 10.9 | | |
| Grand Total | | 38.2 | | | 34.5 | | | 29.0 | | |
| * Perry Y. Uy retired in July, 2011 | | | | | | | | | | |

¹ The members of the Board of Directors, except those holding Management positions in HI, are entitled to P25,000 per diem for attendance in any regular and special meeting.

Item 6.2 Description of Any Standard Arrangement

None

Item 6.3 Description of Material Terms of Any Other Arrangement

None

Item 6.4 Description of the Terms and Condition of each of the following:

- Employment Contract between the Registrant and Named Executive Officers**
Executive officers are regular employees.
- Compensatory Plan or Arrangement**
No action is to be taken during the stockholders' meeting with respect to any plan pursuant to which cash or non-cash compensation maybe paid or distributed.
- Information on all Outstanding Warrants or Options held by Directors, Officers
None.

Item 6.5 If Price or Stock Warrants or Options are Adjusted or Amended

None.

Item 7. Independent Public Accountant

The principal accountants and external auditors of the Company is the accounting firm of SyCip, Gorres, Velayo & Co (SGV & Co). The same accounting firm is being recommended for re-election at the scheduled annual meeting.

Representatives of SGV & Co are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Pursuant to SRC Rule 68, Paragraph 3(b)(iv) on Rotation of External Auditors, the Company has engaged SGV & Co. as external auditor for audit year 2011 with Cyril Jasmin B. Valencia as the Partner In-charge since audit year 2008 replacing Mr. Ramon D. Dizon who was Partner In-charge for audit year 2007.

The engagement of the external auditors was favorably endorsed by the Audit Committee to the Board of Directors and ultimately submitted for approval of the stockholders.

External Audit Fees and Services

The external audit fees and services covering the Parent Company only for the year **2012 (estimated)**, 2011 and 2010 were as follows:

| | <u>Year Ended December 31, 2012</u> | <u>Year Ended December 31, 2011</u> | <u>Year Ended December 31, 2010</u> |
|--------------------|--|--|--|
| Audit Fees | <u>P 2,300,500</u> <u>(Estimated)</u> | P 2,020,005 | P 1,908,730 |
| Audit-Related Fees | | - | - |
| Tax Fees | | - | - |
| All Other Fees | | - | - |
| Total | <u>P 2,300,500</u> | P 2,020,005 | P 1,908,730 |

Audit fees covering the HI's two subsidiaries, iPeople, Inc. and EEI, are disclosed in their respective reports.

Aside from the audit of HI's Annual Financial Statements, HI has not engaged the professional services of its external auditors, SyCip, Gorres, Velayo & Company (SGV & Co.), in any other matter.

Audit services provided by SGV & Co. have been pre-approved by the Audit Committee. The Audit Committee has reviewed the extent and nature of these services to ensure that they are compatible with maintaining the independence of the external auditor.

Recent Purchase / Sale of Unregistered Securities Within Two Years

There was no sale of unregistered securities. As of May 31, 2012 there were 52,122,142 preferred shares that were converted to 20,811,450 common shares. There are 1,055,616,362 preferred shares redeemed as of May 31, 2012 also. Redemption of the preferred shares was made from funds generated from operations.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The Minutes of the previous stockholders' meeting held on July 15, 2011 and the Management Report will be submitted for stockholders approval.

Approval of the July 15, 2011 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes on the events that transpired during said meeting, such as (a) 2010 annual report and audited financial statements, (b) ratification and confirmation of the acts, resolutions and proceeding of the Board of Directors, Officers and various committees of the company during the year of review, year 2010 (c) election of Directors for 2011-2012, and (d) appointment of independent auditors.

Approval of the Management Report constitutes the ratification of the Company's performance during the previous years.

Other Proposed Action

The following matters will be submitted to a vote at the meeting:

1. Approval of the Minutes of the Annual Stockholders held on July 15, 2011.
2. Approval of the Management Report and the Audited Financial Statements for 2011
3. Election of Directors for 2012-2013.
4. Appointment of independent auditors.

Item 16. Matters not Required to be Submitted

Ratification of acts of management and of the Board of Directors referred to in the Notice of the Annual Meeting of Stockholders refers only to acts done in the ordinary course of business and operation of HI, which have been duly disclosed to the SEC and the PSE in accordance with law. Ratification is being sought in the interest of transparency and as a matter of customary practice or procedure undertaken at every annual meeting of HI stockholders.

This pertains to all acts, resolutions, proceedings and approval made by the Board of Directors, Executive Committee and Officers of the Company from the last stockholders' meeting in July 15, 2011 for the period 2011 up to the date of meeting (July 20, 2012). This includes, among others, those that include day to day operations, administration and management of the corporate affairs such as (a) designation of authorized signatories, (b) renewal of credit facilities, (c) new/additional investments, (d) declaration of cash dividends payable to preferred shareholders, (e) sale of company vehicles, (f) conversion of preferred shares to common shares, (g) acceptance of resignation and election of new members of the Board of Directors, and (h) appointment of new officers.

Copies of the minutes of the stockholders' meeting shall be given to stockholders before the start of meeting.

Item 17. Voting Procedures

At all elections of Directors, each stockholder may vote the shares registered in his name in person or by proxy for as many persons as there are Directors, or he may cumulate said shares and give one candidate as many votes, as the number of Directors to be elected multiplied by the number of his share, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, however, that the whole number of votes cast by him shall not exceed the number of shares owned by him as shown on the Company's stock transfer books multiplied by the number of Directors to be elected.


The voting procedure for election and approval of corporate action in which Stockholders' approval will be required shall be by "viva voce" unless voting by ballot is decided upon during the meeting. The methods by which vote will be counted, except in cases where voting by ballots is applicable, voting and counting shall be by "viva voce, conducted by the Corporate Secretary. If by ballot, counting shall be supervised by external auditors.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on June 20, 2012

HOUSE OF INVESTMENTS, INC.

By:



Samuel V. Torres
Corporate Secretary

MANAGEMENT REPORT

Financial and Other Information

Business Scope

HI is a management and holding company of the YGC. HI is a respected leader in project development activities and joint ventures with internationally established companies. It controls and manages companies in (1) construction and infrastructure (EEI Corp.), (2) consumer finance (Malayan Leasing and Zamboanga Industrial Finance Corporation), (3) education and information technology and education (iPeople Inc. which owns 93% of Malayan Colleges, Inc. which in turn, owns Mapua Information Technology Center, Inc., Mapua TechServ, Inc., Malayan College Laguna, Inc., Malayan High School of Sciences, Inc., San Lorenzo Ruiz Institute of Health and Sciences, Inc., Pan Pacific Computer Center, Inc., and People eServe), and (4) other services, e.g. memorial park, strategic sourcing and property management, (Manila Memorial Park Cemetery Inc., HI-Eisai Pharmaceutical, Inc., Landev Corp., Greyhounds Security & Investigation Agency, security and investigation services, La Funeraria Paz Sucat, Inc., among others). The merger with Honda Cars Quezon City, Inc., Isuzu Manila, Inc., and other companies under the umbrella of HI gave rise to the adoption of the Company's secondary purpose - the car dealership. The merger was approved last December 27, 2002 with Resolution No. 011.

The Car dealership division consists of five (5) franchised dealers for Honda cars and three (3) franchised dealers for Isuzu vehicles, which competes essentially in Metro Manila for sales and services of the said brands. The primary competitor is the Ayala dealerships for both Honda and Isuzu vehicles.

The principal source of supply for sale (vehicles and parts) is the distributor/assembler, Honda Cars Philippines, Inc. for the Honda brand and Isuzu Philippines Corp. for the Isuzu brand. The supply for both brands is governed by existing franchise agreements.

The car division is dependent on the franchise agreement. The agreements outline the authority of the Company to sell the branded vehicles and its corresponding genuine parts and accessories as well as to carry the brand trademarks.

HI's car dealerships are required to secure Department of Trade and Industry (DTI) accreditation as a Class "A", Motor Shop and Service provider and Land and Transportation Office (LTO) accreditation as Dealer of the branded vehicles. HI had not encountered difficulties or problems in securing the said accreditation.

No new products or services are in the planning stage that will require material amount of resources to be spent by HI.

HI is not dependent upon any single buyer.

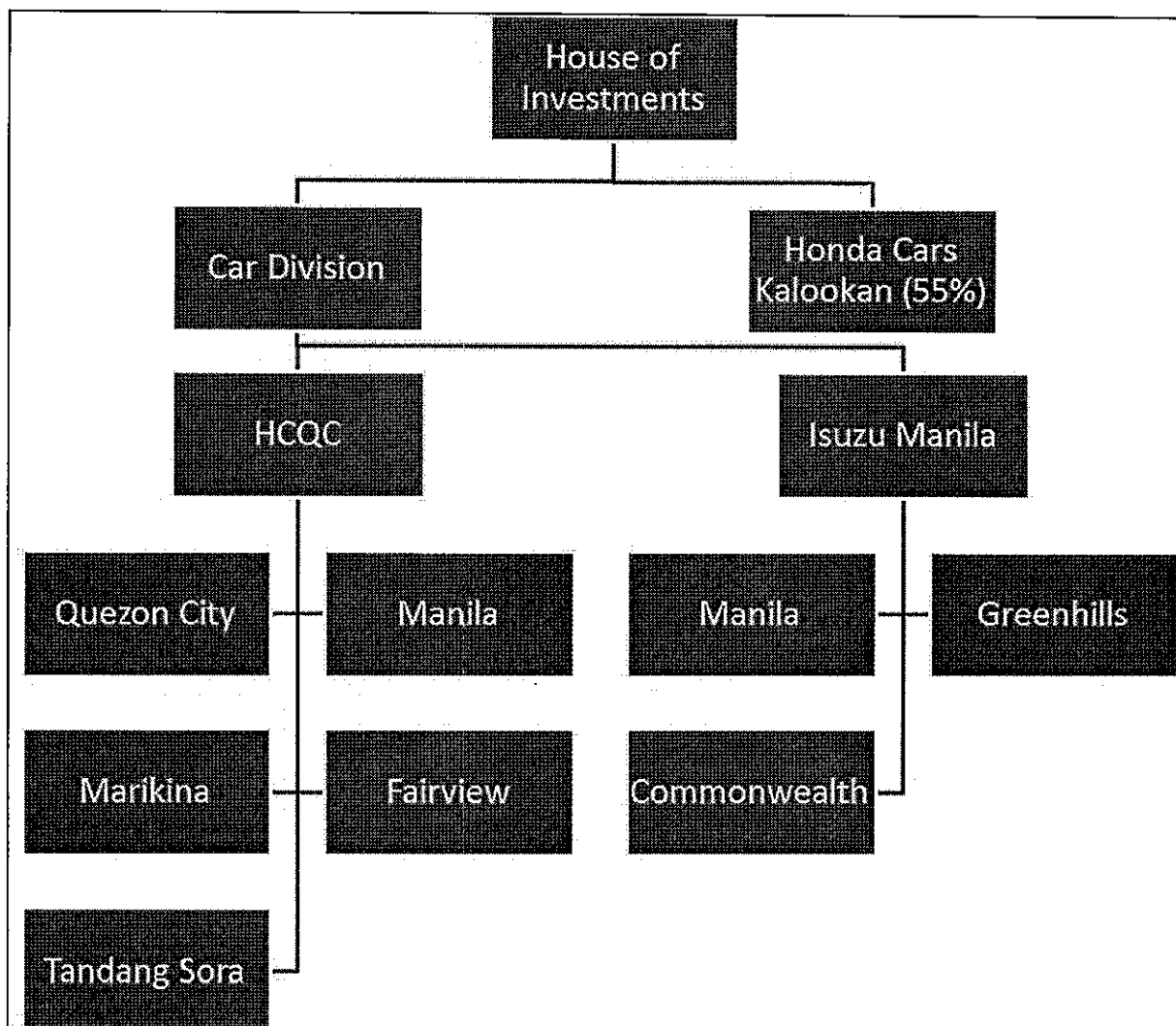
The Construction and Infrastructure segment, the Education and Information Technology segment and the Car Divisions, all contribute more than 98% to sales or revenues of HI.

There has been no significant amount of money spent on governmental activities in the last three years.

BUSINESS UNIT OPERATIONS

Car Retailing: Honda Cars Quezon City (HCQC), Isuzu Manila (IMI), and Honda Cars Kalookan, Inc. (HKI)

HI wholly owns and operates two car retailing groups: Honda Cars Quezon City (HCQC), and Isuzu Manila (IMI). Both HCQC and IMI are divisions of HI. HI also owns 55% of Honda Cars Kalookan, Inc.



HCQC has five locations: Quezon Avenue, Manila, Fairview, Marikina, and Tandang Sora. HKI has one location, on E. de los Santos Avenue in Balintawak. Taken together, HI's Honda dealership group is a significant player in the retailing of Honda cars in Metro Manila.

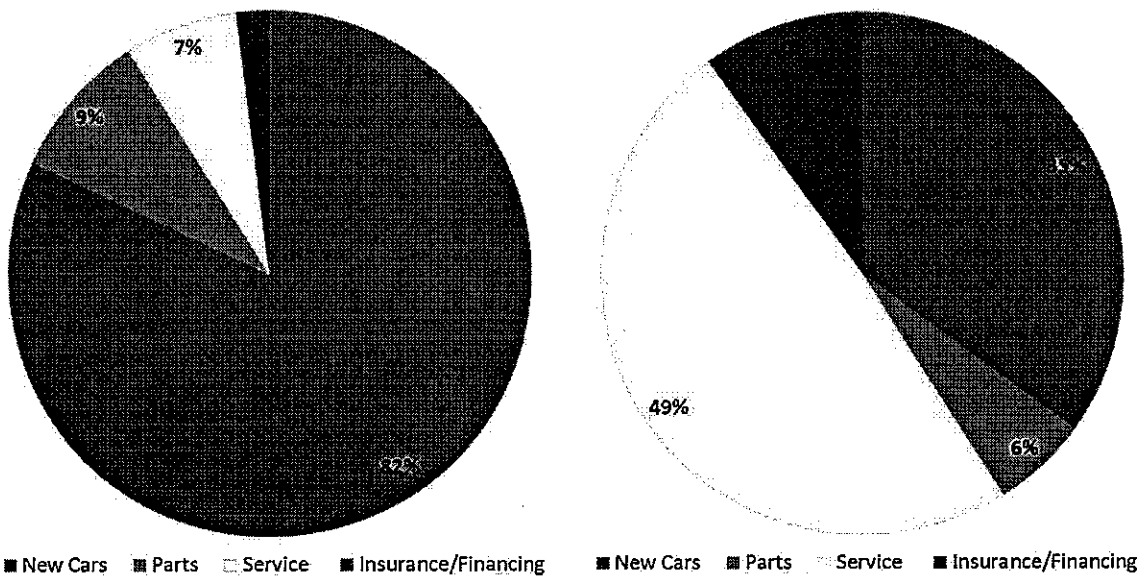
Products & Business Lines

HCQC and HKI are engaged in retailing new automobiles under the Honda brand. They also generate higher margin revenue through repair services, the sale of replacement and aftermarket parts, and the sale of third party finance and insurance products.

We believe our various income streams help to lower the impact of the cyclical nature found in the automotive sector. Revenues from higher margin service and parts sales are typically less cyclical than retail vehicle sales, and generate the largest part of our gross profit. The following graphic shows

the percentage of our retail revenues and percentage contribution to gross profit by product area in 2011:

HI Car Division – Pct Contribution to Sales HI Car Division – Pct Contribution to Gross Profit



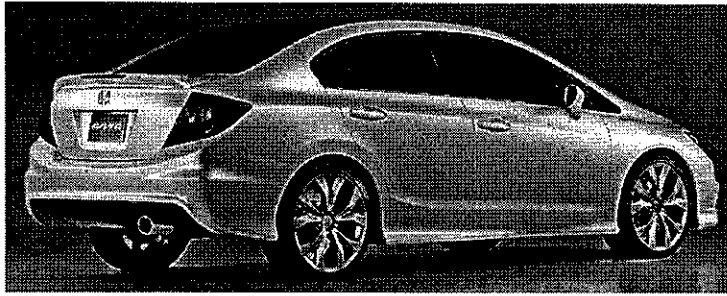
HCQC and HKI retail a vehicle line up in the passenger cars and commercial vehicle category. The following are part of the product line up:



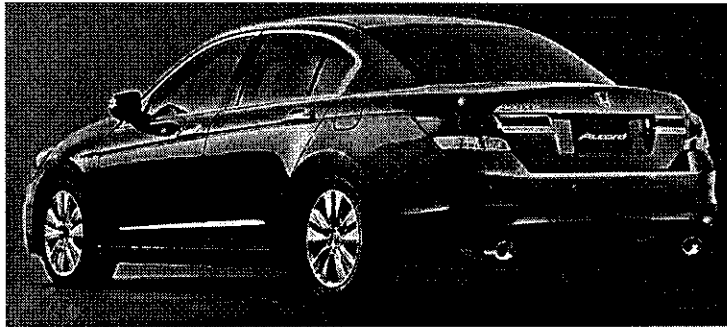
City



Jazz



Civic



Accord



CR-V

IMI has 3 locations: Manila, Greenhills, and Commonwealth Avenue. IMI represents the Isuzu automobile brand and conducts essentially the same business activities as the other members of HI's car division.

Isuzu retails a vehicle line up that competes primarily in the commercial vehicle segment. These models include:



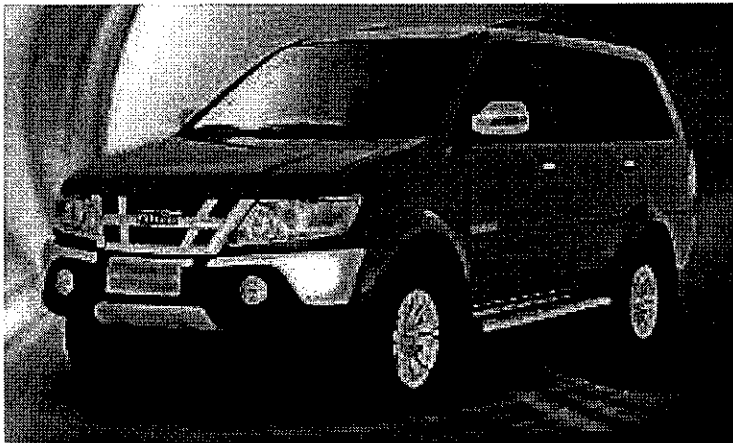
Alterra



D-MAX



Sportivo



Crosswind



Trucks and other Commercial Vehicles

New vehicle unit sales are cyclical. Changes in unit sales are driven by factors like manufacturer incentives, interest rates, fuel prices, unemployment, inflation, weather, the level of personal discretionary spending, credit availability, consumer confidence and others. Car retailers have historically been less vulnerable than car manufacturers and car parts suppliers to declines in new vehicle sales. We believe this is due to the more flexible expense structure of retailers (they don't own the factories) and their diversified revenue streams. Car manufacturers may also offer various dealer incentives which help to decrease earnings volatility for car retailers.

Risk Factors

The risks that current stockholders and prospective investors, should consider include the following:

Macro-economic conditions. The Car Division Performance is impacted by general economic conditions overall, and in particular by economic conditions in the markets in which we operate. These economic conditions include: levels of new and used vehicle sales; availability of consumer credit; changes in consumer demand; consumer confidence levels; fuel prices; personal discretionary spending levels; interest rates; and unemployment rates.

Automotive manufacturers exercise significant control over us. Our dealerships operate under a franchise agreement Honda or Isuzu. These agreements govern almost every aspect of the operation of our dealerships, and give manufacturers the discretion to terminate or not renew our franchise agreements for a variety of reasons. Without franchise agreements, we would be unable to sell new vehicles or perform manufacturer authorized warranty service. If our franchise agreement with either Honda or Isuzu were to be terminated, we would be materially affected.

Restructuring, bankruptcy or other adverse condition affecting a significant automotive manufacturer or supplier. Our success depends on the overall success of the automotive industry and in particular on the success of Honda and Isuzu. Significant adverse events, such as the reduced 2011 new vehicle production by Honda and Isuzu caused by the significant production and supply chain disruptions resulting from the earthquake and tsunami that struck Japan on March 11, 2011, or future events that interrupt vehicle or parts supply to our dealerships, would likely have a significant and adverse impact on the industry as a whole, including us, particularly if the events relate to any of the manufacturers whose franchises generate a significant percentage of our revenue.

Our business is very competitive. We generally compete with: other franchised automotive dealerships in our markets; private market buyers and sellers of used vehicles; local service and repair shops and parts retailers; and automotive manufacturers (those that own their own

dealerships). Buying decisions by consumers when shopping for a vehicle are extremely price sensitive. The level of competition in the market can lead to lower selling prices and related profits

Property loss, business interruption or other liabilities. Our business is subject to substantial risk of loss due to: the significant concentration of property values, including vehicle and parts inventories, at our operating locations; claims by employees, customers and third parties for personal injury or property damage; and fines and penalties in connection with alleged violations of regulatory requirements.

While we have insurance for many of these risks, we retain risk relating to certain of these perils and certain perils are not covered by our insurance. If we experience significant losses that are not covered by our insurance, whether due to adverse weather conditions or otherwise, or we are required to retain a significant portion of a loss, it could have a significant and adverse effect on us.

Leverage. Our debt from inventory financing exposes us to a number of risks. A significant portion of the cash flow we generate must be used to service the interest and principal payments relating to our various financial commitments. A sustained or significant decrease in our operating cash flows could lead to an inability to meet our debt service requirements.

Availability of financing. Because we finance the majority of our operating and strategic initiatives using a variety of credit facilities, we are dependent on continued availability of these sources of funds. If these agreements are terminated or we are unable to access them because of a breach of financial or operating covenants or otherwise, we will likely be materially affected.

Interest rate variability. The interest rates we are charged on a substantial portion of our debt are variable, increasing or decreasing based on changes in certain published interest rates. Increases to such interest rates would likely result in significantly higher interest expense for us, which would negatively affect our operating results. Because many of our customers finance their vehicle purchases, increased interest rates may also decrease vehicle sales, which would negatively affect our operating results.

Information Technology. Our information systems are fully integrated into our operations. If these systems go down, our business could be significantly disrupted. In addition, to the extent our systems are subject to intentional attacks or unintentional events that allow unauthorized access that disrupts our systems, our business could be significantly disrupted.

Regulatory issues. We are subject to a wide variety of regulatory activities, including: government regulations, claims and legal proceedings. Government regulations affect almost every aspect of our business, including taxation, and the treatment of our employees.

In the event of regulation restricting our ability to generate revenue from arranging financing for our customers, we could be adversely affected. We could also be susceptible to claims or related actions if we fail to operate our business in accordance with applicable laws. Claims arising out of actual or alleged violations of law which may be asserted against our dealers by individuals, through class actions, or by governmental entities in civil or criminal investigations and proceedings, may expose us to substantial monetary damages which may adversely affect us.

Environmental regulations. We are subject to a wide range of environmental laws and regulations, including those governing: discharges into the air and water; the operation and removal of storage tanks; and the use, storage and disposal of hazardous substances. In the normal course of our operations we use, generate and dispose of materials covered by these laws and regulations. We face potentially significant costs relating to claims, penalties and remediation efforts in the event of non-compliance with existing and future laws and regulations.

Accounting rules and regulations. If the Securities and Exchange Commission adopts new accounting standards governed by International Financial Reporting Standards (IFRS) such changes may significantly affect our reported financial position, earnings, and cash flows.

SIGNIFICANT SUBSIDIARIES

CONSTRUCTION: EEI Incorporated

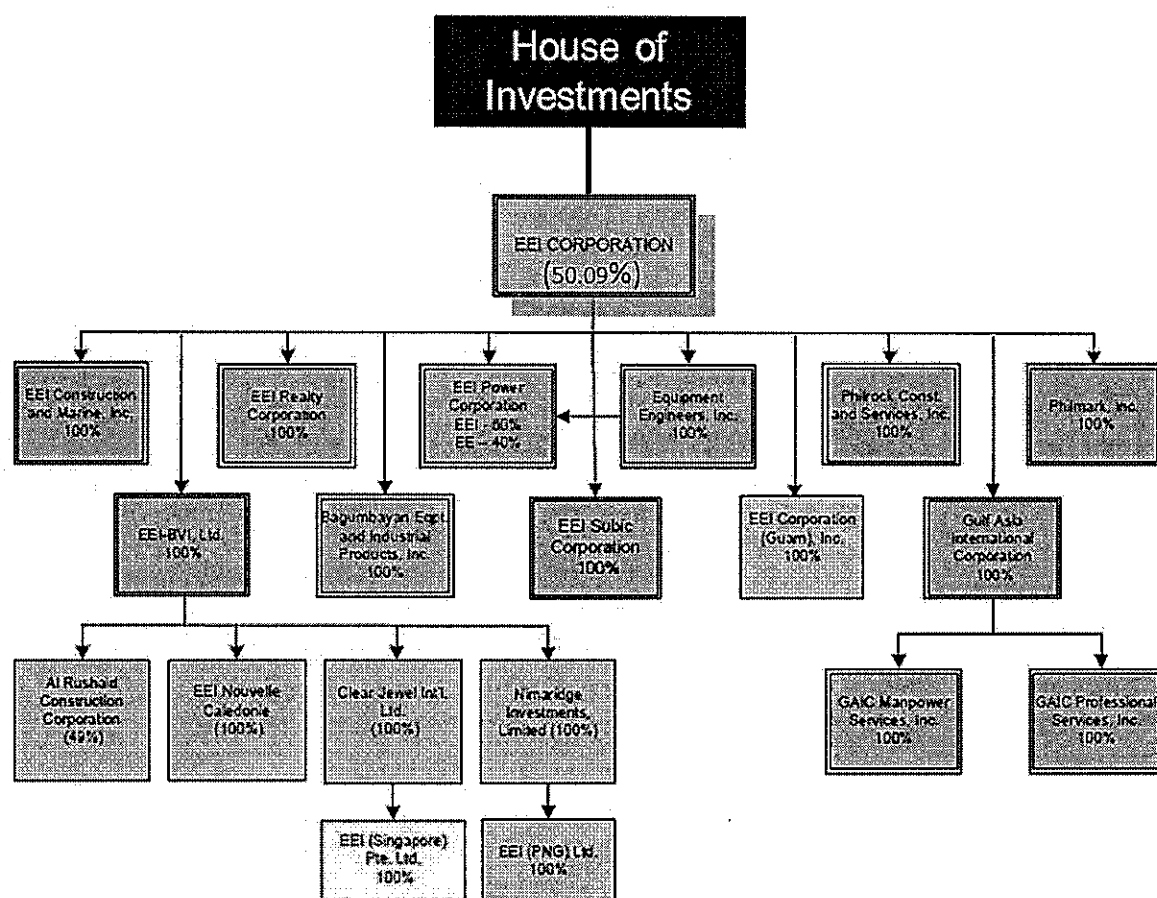
HI owns a majority stake (50.09%) in one of the largest Philippine construction and general contracting firms, EEI. EEI has international operations spanning from the Kingdom of Saudi Arabia to Africa and Asia. It is also a market leader in the domestic construction and contracting sector.

EEI has worked successfully, with a long track record of successful projects, in the following areas:

- property & building construction (high rise structures, commercial developments, hotels, industrial parks, schools, hospitals, public buildings, and others);
- heavy infrastructure (roads, bridges, seaports, airports, dams and similar structures);
- heavy industry (power plants, oil refineries, cement plants, mining projects, and other installations);
- light industry (manufacturing plants spanning semiconductors, pharmaceuticals, processed foods, automotive assembly; beverages, and similar operations)
- steel fabrication – the company has a world class steel fabrication shop in Bauan, Batangas that provides structures and assemblies for industrial installations and massive infrastructure projects.

Through various subsidiaries, EEI also runs other businesses which complement its main construction and contracting business. The company runs a construction equipment rental business. The company also runs a strong manpower placement business. The company runs a business that trades construction equipment and parts. Through a subsidiary, EEI is also increasing its involvement in power generation. EEI also has a real estate development business.

The following detail shows the overall EEI organization as it relates to House of Investments



Principal Activities

International Projects

EEI Corporation is the Philippines' most reliable construction company in the international market.

EEI has been providing overseas construction services since 1974 when it first ventured into the United Arab Emirates and the Kingdom of Saudi Arabia. Since then the company has won major contracts for large-scale industrial projects including petroleum refineries, power plants, and industrial installations in Saudi Arabia, Kuwait, Iraq, Algeria, Libya, Brunei, Qatar, Malaysia, and New Caledonia.

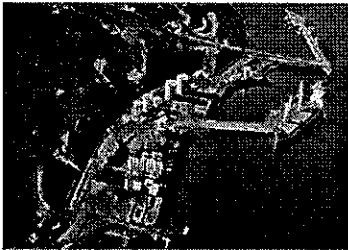
In 1983, EEI was awarded a US\$186 million subcontract work to build the Mina Abdullah Refinery in Kuwait where it deployed over 8,500 personnel and logged more than 30 million man-hours for the four-year project. Moreover, EEI was the first Philippine contractor in Kuwait that performed fire fighting and reconstruction works for the Kuwait Oil Company with the global engineering company, Bechtel, after the Gulf War in 1991. EEI deployed a Filipino contingent of over 5,000 workers.

EEI maintains its presence in some foreign markets through alliances with domestic partners. In the Kingdom of Saudi Arabia, EEI has forged a joint venture with engineering and construction giant Al-Rushaid Petroleum Investment Group of Companies and formed Al Rushaid Construction Company, Ltd. (ARCC), which has implemented numerous projects in its more than 30 years of existence.

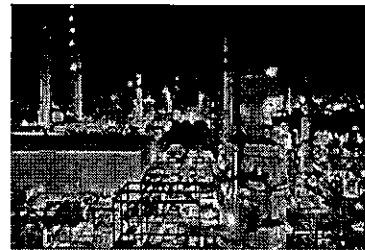
In Saudi Arabia, EEI has undertaken numerous oil and gas refinery projects, gas oil separators, desalination terminals, and tank farms for Saudi Aramco. Recently, ARCC obtained the American

Society of Mechanical Engineer (ASME) certification for Pipe Spool Fabrication Plant to apply the "NB" mark and register boiler, pressure vessels, or other pressure retaining items with the National Board in accordance with its provisions and also, authorized to use the "R" symbol for Metallic repairs and/or alterations and extended for field repairs and/or alterations.

The company has a presence in the South Pacific island state of New Caledonia. Since 2006, this subsidiary has been doing construction work in the Inco Goro Nickel Mining Plant, of which several modular plant assemblies were fabricated in the EEI Fabrication Shop in Batangas and shipped to the mining site in New Caledonia.



Goro Nickel Mining Plant



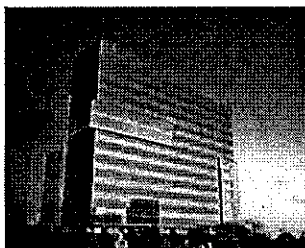
Sharq Ethylene Plant

EEI has established offices in Guam, Papua New Guinea and Singapore.

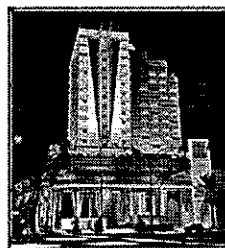
Building and Property Construction

Building and property construction are a core competency of EEI. EEI is a leader in the construction of high-rise office buildings, condominiums, hotels & serviced apartments, mixed-use commercial developments, industrial parks, factory buildings, schools, hospitals, and government facilities.

EEI has constructed many landmark structures in the Philippines.



Sun Life Financial (Philippines)



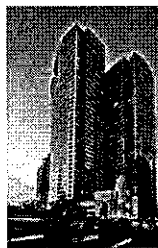
Acacia Grove Hotel



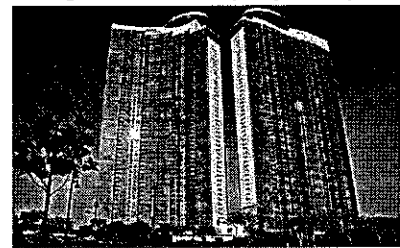
Bangko Sentral Pampanga Complex



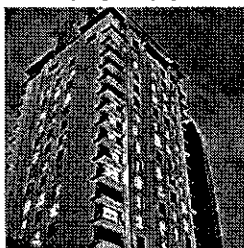
Serendra project (Ayala Land)



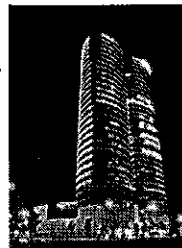
RCBC Plaza



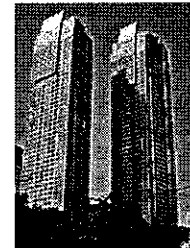
Pacific Plaza Towers



Linden Suites



Insular Life Towers



St. Francis Shangri La Place Towers

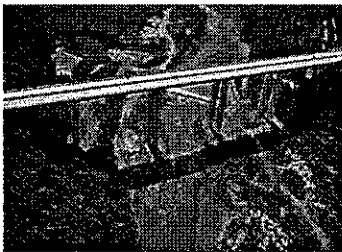
EEl continues to build on its expertise in this area. It has forged partnerships with global suppliers to acquire new technology, capabilities, and management practices used in high-rise engineering and construction.

Infrastructure

The use of basic public facilities contributes to the development of any economy. Roads and bridges that span the country, seaports and airports which serve as entry and exit points, and dams that harness water for various uses (including power generation) are all vital installations.

EEl has been a leader in building such installations. It has technology and capability to build almost any type of major infrastructure. Aside from building hundreds of kilometres of national highways across the Philippines, EEl has finished the following major projects:

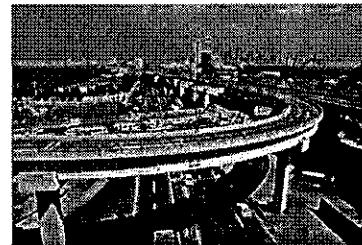
- EDSA MRT 3 rail line
- Subic Clark Tarlac Expressway
- South Luzon Expressway
- NAIA 3 Flyover project
- New Iloilo Airport
- Casecnan Irrigation Project
- Kamanava Flood Control Project
- Bohol Irrigation Project
- LRT Line 1 Expansion Project



Caulaman, Layac, & Gumain Bridge



MRT Guadalupe Bridge



NAIA Skyway

EEl is poised to contribute to major infrastructure development efforts going into the future.

Heavy Industry

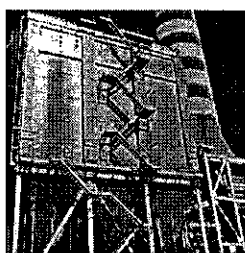
EEl is the leading provider of construction services to oil, petroleum, gas, cement, mining, and power producing companies. Having developed extensive expertise in the international market after having been a player in the Middle East since 1974, the company became a recognized leader in contracting for power and energy projects.

EEl has built civil works, done structural fabrication and erection, installed boilers, generators and turbines, and constructed balance of plant equipment and materials handling facilities.

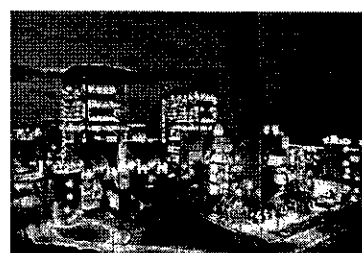
The company has completed many types of power plants: coal-fired; diesel and bunker fuel; geothermal; gas; hydroelectric; combined cycle; and nuclear. It has been a player in 40% of all construction of baseload power plants (100 MW and higher) under the Philippine government's Energy Development Program in the last decade.



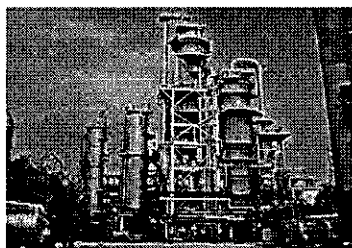
Mindanao Coal Fired Plant



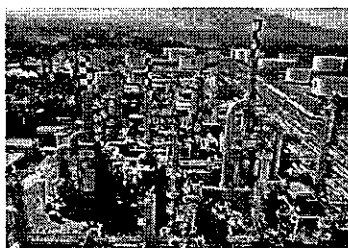
Masinloc Coal Fired Plant



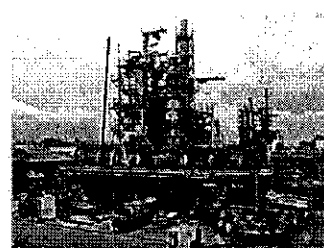
Sual Coal Fired Plant



Petron BTX



Petron FCC



Rio Tuba Nickel Plant

The top three petroleum companies in the country (Chevron, Petron, and Shell) have relied on EEI to construct their major expansion works in their respective refineries. Foster Wheeler also subcontracted pipework for the gas process train facility and equipment erection for Shell's Malampaya plant.

EEI has also built petrochemical plants. Two of its completed projects include JG Summit's Bi-Axial Polypropylene and Polyethylene Plant; and Petrocorp's Polypropylene plant. EEI also did Petron's plant expansion work in the BTX Project and Petro FCC Project.

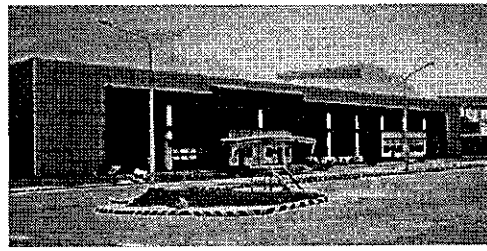
In the mining sector, EEI has done major project work for Benguet, Philex, Lepanto, Semirara, and Marinduque Mining. It has built major cement plants for such clients as Phinma, Continental Cement, Republic Cement, and Fortune Cement.

Light Industry

EEI has built a number of manufacturing installations for both Philippine and multi-national corporations. The firm has built factories for companies in the following sectors: pharmaceuticals, processed foods, automotive assembly, semiconductors, confectionery; carbonated beverages, and alcoholic beverages. EEI has done work for companies like San Miguel, Nestle, Intel, Philips Semiconductors, Ford, Isuzu, Wrigley's, and Coca Cola.



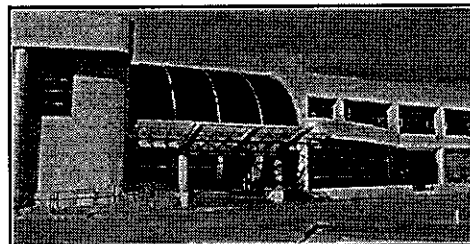
HKPC - PSPC Semiconductor Plant



San Miguel Corp - PET Plant



Jollibee Commissary



Unilab Small Volume Solids Plant

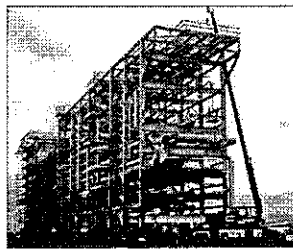
Steel Fabrication

EEl has a world-class steel fabrication shop in Bauan, Batangas. The ISO 9001:2008 certified shop is vital to the company's capability to fabricate and erect structures and assemblies for industrial and infrastructure projects.

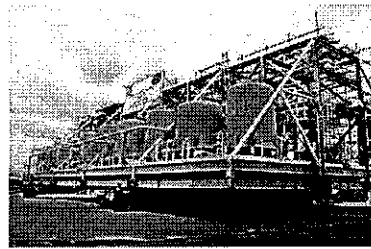
The Bauan shop has made tanks, silos, pressure vessels, drums, heat exchangers, boiler parts, and other steel structures. It has assembled these together with pumps, motors, and instrumentation equipment for the country's oil and gas plants, power plants, food and beverage plants, breweries, sugar mills, and other manufacturing installations. EEl also exports steel structures and modules to overseas projects.

The Bauan shop has an annual estimated capacity of 30,000 metric tons. It has the latest process tools and machines for bending, rolling, and welding steel. The shop also has heat treatment ovens, and blasting and painting lines. The shop also has its own power sub-station, slipways, and jetty.

In-house, non-destructive testing facilities and strict quality control procedures assures clients of the highest quality and satisfaction in fabricated steel products.



Pipe Rack Modules for Exxon Mobil Singapore Parallel Train (SPT) Project



Process Equipment Modules for Goro Nickel Project

The shop has a modular assembly facility for the fabrication and assembly of plant modules. This includes a customs bonded manufacturing warehouse, which allows duty-free entry of materials and tax-free export of finished assemblies. Over many years, the shop has assembled boilers, turbines, and power plant modules which were shipped in entire structures to customers worldwide.

EEl's Bauan shop has earned the distinction from the American Society of Mechanical Engineers (ASME) the right to stamp the ASME seal on pressure vessels, pressure piping, and power boiler parts that it fabricates and assembles. This makes it one of the leaders in the fabrication of mechanical and structural steel assemblies in the Philippines.

EDUCATION AND INFORMATION TECHNOLOGY: HI owns a majority stake in iPeople inc. iPeople inc. is the vehicle for our investments in the education and information technology sector.

EDUCATION

iPeople (together with HI) wholly owns the Malayan Colleges Inc. (MCI) which operates under the name of Mapua Institute of Technology. The Mapua Institute of Technology is widely considered to be the leading engineering and I.T. school in the country.

Mapua has a student population of about 11,000 spread across two campuses (Intramuros and Makati). It is the only engineering school in Asia that has received the prestigious accreditation from the Accreditation Board of Engineering and Technology (ABET) in the United States. This means that the graduates from those

degree programs which have received ABET accreditation are considered to have received education and training comparable to similar degree programs in the U.S. and Europe which have also received ABET accreditation.

MCI also has two other wholly-owned subsidiaries, the Malayan Colleges Laguna (MCL) and the Malayan High School of Science (MHSS).

MCL's campus is located in Cabuyao, Laguna. MCI sought to extend the Mapua brand to the south by offering programs in engineering, computer science, information technology, business, accountancy, and hotel & restaurant management to students that prefer to stay closer to home. This move has been successful as the campus now has close to 4,000 students.

MHSS is a science and math-oriented high school located in Pandacan, Manila. Modeled after similar but publicly-funded science high schools, MHSS offers a rigorous academic program geared towards graduating hard-working, mathematical and scientific-trained students that will excel in their university studies and beyond. The school is focused on optimizing student to teacher time and currently has about 200 students.

MALAYAN COLLEGES INC. (OPERATING UNDER THE NAME OF MAPUA INSTITUTE OF TECHNOLOGY)

Don Tomas Mapúa, the first registered Filipino architect, founded Mapúa Institute of Technology (MIT) on January 25, 1925. MIT has grown to be the Philippines' biggest engineering school, with at least 15 undergraduate and 18 graduate engineering programs. Mapua now offers the following courses of study:

Engineering & Sciences

- *BS Biological Engineering*
- *BS Chemical Engineering*
- *BS Chemistry*
- *BS Civil Engineering*
- *BS Computer Engineering*
- *BS Electrical Engineering*
- *BS Electronics Engineering*
- *BS Environmental & Sanitary Engineering*
- *BS Geological Science & Engineering*
- *BS Geology*
- *BS Industrial Engineering*
- *BS Manufacturing Engineering*
- *BS Materials Science & Engineering*
- *BS Mechanical Engineering*

Social Sciences

- *AB Psychology*
- *BS Psychology*
- *BS Technical Communication*

Engineering Management

- *BS Construction & Engineering Management*
- *BS Management Science and Engineering*
- *BS Service Engineering & Management*

Architecture & Design

- *BS Architecture*
- *BS Industrial Design*
- *BS Interior Design*

Information Technology

- *BS Computer Science*
- *BS Information Systems*
- *BS Information Technology*

Business & Management

- *BS Accountancy*
- *BS Business Administration*
- *BS Entrepreneurship*
- *BS Hotel & Restaurant*

Health Science

- *BS Nursing*

Management

Multimedia Arts & Sciences

- *BS Multimedia Arts & Sciences*

Graduate Studies

- *Graduate Programs*
- *Joint programs*
- *BS-MS Programs*

Continuing Education

Mapua has a student population of about 11,000 spread across two campuses (Intramuros and Makati). It is the only engineering school in Asia that has received the prestigious accreditation from the Accreditation Board of Engineering and Technology (ABET) in the United States. This means that the graduates from those degree programs which have received ABET accreditation are considered to have received education and training comparable to similar degree programs in the U.S. and Europe which have also received ABET accreditation. Not even the National University of Singapore has ABET accreditation.

VISION

The Mapúa Institute of Technology shall be a global center of excellence in education by providing instructions that are current in content and state-of-the-art in delivery; by engaging in cutting-edge, high-impact research; and by aggressively taking on present-day global concerns.

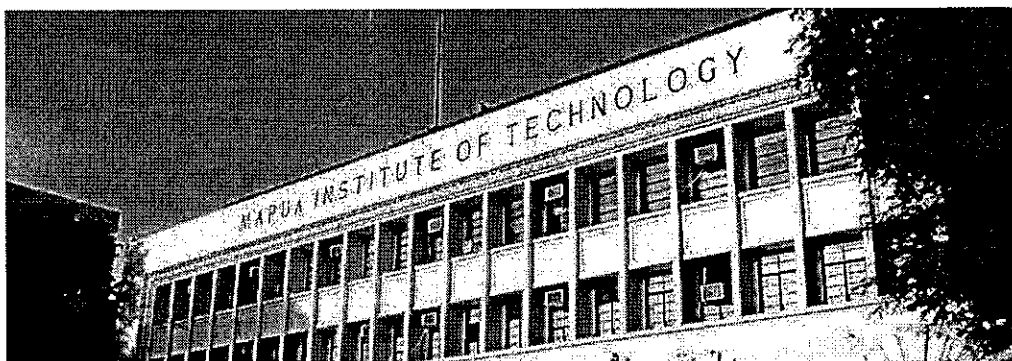
MISSION

The Mapúa Institute of Technology disseminates, generates, preserves and applies knowledge in various fields of study.

The Institute, using the most effective and efficient means, provides its students with highly relevant professional and advanced education in preparation for and furtherance of global practice.

The Institute engages in research with high socio-economic impact and reports on the results of such inquiries.

The Institute brings to bear humanity's vast store of knowledge on the problems of industry and community in order to make the Philippines and the world a better place.



Main building of The Mapua Institute of Technology

CORE VALUES

Mapúa Institute of Technology aims at the empowerment of the youth by providing education grounded on academic excellence and strength of character. Students are expected to develop the passion for mental knowledge and meritorious performance as well as the recognition of moral values as essential to growth of character. The integration of humanities and the social sciences into the technical curriculum has paved the way to the achievement of this goal.

Mapúa upholds the reinforcement of time honored values learned in school and at home directed towards the development in the student of a strong moral fiber that will contribute to his/her personal well-being as well as that of other members of society.

MAPÚA emphasizes the importance of the following core values:

- DISCIPLINE
- EXCELLENCE
- COMMITMENT
- INTEGRITY
- RELEVANCE

By ensuring that these core values are learned in the classroom and outside, MAPÚA shall have done its share in producing men and women who live fulfilled and meaningful lives.

EDUCATIONAL PHILOSOPHY

The MAPÚA INSTITUTE OF TECHNOLOGY offers its students professional and advanced scientific and engineering education with a healthy dose of the arts, letters, philosophy and social sciences to form men and women who shall possess not only technological expertise but also the human values and perspective that promote moral development.

Mapúa upholds academic excellence and social responsibility as core values.

Mapúa provides quality academic curricula that are current in content and state-of-the-art in delivery.

Mapúa provides a learning environment that encourages the exercise of creativity and the experience of discovery.

Mapúa captures the full synergy among instruction, research and extension work to heighten the learning experience of its students.

Mapúa builds linkages with industry and government in order to maintain the relevance of its academic programs and to engage in collaborative research.

GENERAL OBJECTIVES

The Institute seeks to become an international center of excellence in integrated engineering, architecture and IT education. It seeks to develop young Filipinos into highly competent engineers, architects and IT professionals in order to meet local and global human resource requirements. It seeks to generate new knowledge to heighten the nation's competitiveness in today's knowledge-based and global economy. It seeks to apply knowledge in order to make the world a better place for Filipinos and humankind.

SPECIAL OBJECTIVES

Aside from the objectives stated above, the Institute declares the following for itself:

1. Develop in the student quality values and attitudes needed to produce moral and ethical professionals.
2. Provide opportunities to develop critical thinking and sound judgment essential in the practice of one's profession.
3. Foster strong ties among the faculty, students and alumni.
4. Develop workable technologies that could tap the potentials of the country's resources.

Its enrollees account for at least 16% of the total student population in B.S. in Chemical (ChE), Civil (CE), Computer (CpE), Electrical (EE), Electronics (ECE), Environmental and Sanitary (EnSE), Industrial (IE), and Mechanical Engineering (ME) programs of the top 10 engineering schools in the country, based on Commission on Higher Education's (CHED) enrollment data.

MIT's program offerings in other fields of study have also expanded particularly in Architecture and Design, Information Technology (IT), Business and Management, Multimedia Arts and Sciences, Social Sciences, and Health Science.

MIT's efforts to continuously improve the quality of its education have been notable. For demonstrating high standards in classroom instruction, research, and extension service, CHED declared the Institute as National Center of Development for CE, CpE, CS (Computer Science), EE, ECE, IE, IT, and ME programs.

Industry partnerships have also been given more focus in the recent years by the Institute. Currently, it has tie-ups with hundreds of local and international educational institutions, organizations, and companies for its faculty development, collaborative researches, and student internships. Such efforts enabled MIT to consistently produce topnotchers in licensure examinations. On record, the Institute's board heroes have reached close to 300 since 2002.

MIT moves to fine-tune its teaching standards with a series of accreditations. The Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) affirmed the Institute's high standards in educational operations, granting Level IV accreditation to its CE program and Level III accreditation to its CpE, EE, ECE, EnSE, and IE programs.

Alongside its pursuit of academic excellence, MIT also endeavors to be part of the solution to the global issue of climate change. MIT has long been an advocate of environment conservation and engineering for the environment, beginning with the opening of its B.S. Environmental and Sanitary Engineering (EnSE) program in 1958, followed by the opening of its Master of Science in Environmental Engineering program in 2001 and Ph.D. in Environmental Engineering program in 2004. EnSE's curriculum currently includes 17 three-unit courses related to protection and conservation of and engineering for the environment.

Furthermore, the Institute has also included environmental engineering and environmental science courses in all of its engineering and non-engineering programs, respectively. MIT believes that these courses are enough introductions for all the students to understand the real situation of the environment. It is also believed that these courses are sufficient to train them to be able to design, construct, and implement sustainable solutions to environmental problems.

To complement its instruction, MIT included in its 2010–2020 initiatives the reduction of its carbon footprint. To initiate an institutional effort of carbon footprint reduction (CFR), the Institute formed a core group led by the Subject Chairperson for Chemical Engineering (ChE) Dr. Alvin R. Caparanga.

Some ChE students were commissioned to conduct an initial study to compute the Institute's total carbon footprint. Upon the presentation of results, the CFR committee convened to come up with necessary actions to be taken by the Institute to reduce its carbon footprint, which is mainly produced by its consumption of energy, water, and paper.

Together with the different schools and offices, the CFR committee has gathered best practices for the conservation of its resources. MIT has moved to replace all of its lamps with more energy-efficient ones. This will immediately be followed by the school's replacement of its air-conditioning units. The CFR group is currently in the process of setting targets and monitoring guidelines for this effort, aiming for full implementation in 2012.

Apart from its internal efforts, MIT also has extension services dedicated to address environmental concerns through education. Under its Social Orientation and Community Involvement Program (SOCIP), the Institute has conducted seminars on recycling, energy conservation, and use of renewable energy; information drive about global warming and pollution in the community; and tree-planting and clean-and-green projects in partnership with the government and non-government organizations.

MIT also has three other wholly-owned operating subsidiaries, the Malayan Colleges Laguna (MCL), Mapua Information Technology Center (MITC), and the Malayan High School of Science (MHSS).

MALAYAN COLLEGES LAGUNA

MCL's campus is located in Cabuyao, Laguna where there are several science and industrial parks. MIT sought to extend the Mapua brand to the south by offering programs in engineering, computer science, information technology, business, accountancy, and hotel & restaurant management to students that prefer to stay closer to home. This move has been successful as the campus now has close to 4,000 students.

Driven by passion for knowledge MCL seeks to meet the challenges of globalization in order to produce graduates who can exercise their skills in the global labor market. Given its excellent location, the MCL campus gives students the opportunity to train and apprentice in technology-driven companies during their academic years.

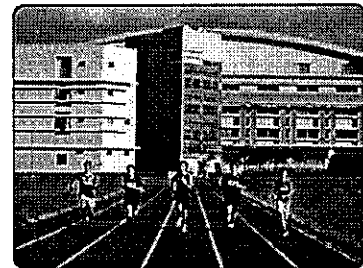
With its excellent facilities, technologically advanced and IT integrated curricula, MALAYAN COLLEGES LAGUNA is envisioned to be a center of excellence for science and technology education in Southern Luzon.



Jose Rizal Hall



Enrique T. Yuchengco Hall



Track oval & football pitch

In November 2006, the Commission on Higher Education (CHED) gave the approval for MCL to offer eight (8) programs of study in Engineering, Information Technology, and Business. This was after MCL's satisfactory compliance with the standards of the CHED's Regional Quality Assurance Team.

Three (3) colleges were established under Malayan Colleges Laguna namely the Mapua Institute of Technology at Laguna, E.T. Yuchengco College of Business at Laguna, and the College of Information Technology.

MCL MISSION

1. To educate students to have the entry-level technical competencies, soft skills and global perspective as to be the most sought-after graduates by industry worldwide.

2. To produce social wealth from the generation of new knowledge.
3. To help solve industry's and society's problems by the expert application of existing knowledge.

MCL VISION

Malayan Colleges Laguna shall be a global steeple of excellence in professional education and research.

MCL CORE VALUES

Excellence and Virtue

MALAYAN HIGH SCHOOL OF SCIENCE

MHSS is a science and math-oriented high school located in Pandacan, Manila. Modeled after similar but publicly-funded science high schools, MHSS offers a rigorous academic program geared towards graduating hard-working, mathematical and scientific-trained students that will excel in their university studies and beyond. The school is focused on optimizing student to teacher time and currently has about 200 students.

MHSS is envisioned to be a global center of excellence in secondary education with a special focus on science and technology, thus giving the same quality education that its parent school, Mapua, is known for. It has a top-notch faculty, state-of-the-art facilities, and a curriculum that will allow students to "fully express not only their scientific inclinations but also their artistic bent." At its young age, MHSS has already gained recognitions from numerous academic and non-academic events both here and abroad.



MHSS Main Entrance



MHSS Commons



Computer Laboratory



Main Building

Mission & Vision

The Malayan High School of Science shall be a global center of excellence in secondary education especially in the area of science and technology.

Program Outcomes

The Malayan High School of Science shall educate its students to have a very strong foundation in the natural sciences and the mathematics; excellent communications skills; a deep appreciation of the most important technologies of the day; an analytical mind and a creative, innovative spirit; awareness of social, global and environmental issues; love of country and humanity.

Core Values

- DISCIPLINE
- EXCELLENCE
- COMMITMENT
- INTEGRITY
- RESPONSIBILITY

MAPUA INFORMATION TECHNOLOGY CENTER (MITC)

MITC caters to professionals, career entrants and career shifters who are seeking to enhance their competencies in a short timeframe. MITC is envisioned to become a leader in non-university type education.

MITC offers a wide range of choices to make participants skilled and completely up-to-date professionals. Learning tracks are pursued in cooperation with the best practices in the industry and are geared towards developing skills with high industry demands and certifications in technologies like Cisco, Microsoft, Linux or Java.

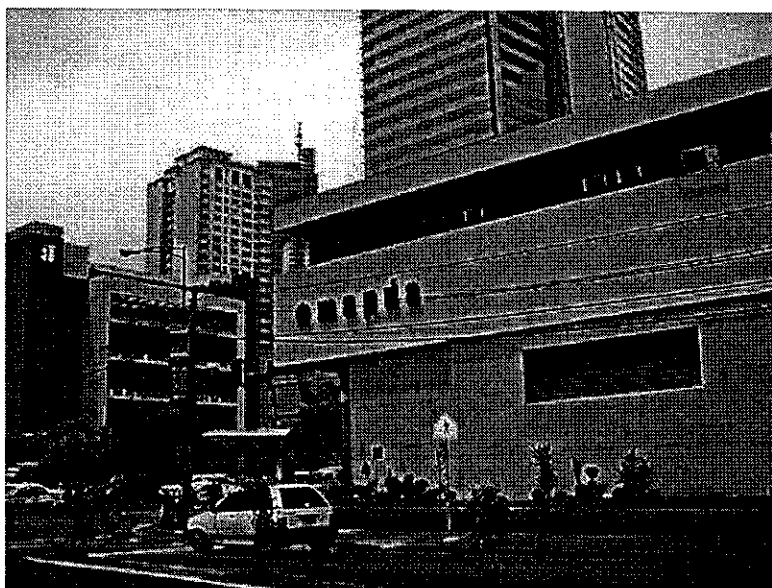
The faculty and trainers are duly-accredited and certified by global industry partners to assure clients of the finest quality training possible.

MITC provides high quality training to the following:

- High School Students
- Non-IT related graduates (Post-graduates) / Career Shifters
- Executives / Professionals

The center offers the following training modules:

- Dot Net
- CCNA Voice
- Cisco
- Custom courses
- English proficiency
- JAVA
- Office Automation
- Project Management



Mapua Makati, home of MITC

RISK FACTORS IN THE EDUCATION SECTOR

Current stockholders of IPO and prospective investors should take into account the following risk factors related to the education business.

The Commission on Higher Education (CHED) regulates our tuition increases at the university level. The CHED routinely sets maximum limits on percentage increases in tuition fees. Therefore the ability of MCI and MCL to increase tuition fees is constrained by what the CHED policy is at any given time. While miscellaneous fees are not regulated by the CHED, our schools sometimes cannot cover the cost increases of operations by raising both tuition and miscellaneous fees. The inability of our schools to increase tuition fees to cover higher operating costs may pose a risk to profits and cash flows over time.

The Department of Education (DepEd) regulates our tuition increases at the secondary level. Malayan High School of Science tuition fees are subject to maximum percentage increase guidelines issued by the DepEd.

The government K-12 program change may affect our enrolment levels. The Department of Education (DepEd) has begun a government program to increase the total number of years of education at the pre-university level to 12 years from the current 10 years. The addition of two extra years of schooling prior to the university level means that at some point, universities might end up with two academic years of no entering freshman classes.

The prospective reduction of the student population by up to 40% poses a serious short- to medium-term risk to iPeople profits and cash flows. Both Mapua and MCL can offer non-degree, supplemental courses of study to soften the effects of the K-12 program. However, these measures will not remove the entire impact of a loss of two freshman classes.

There is also an implementation risk arising from the government K-12 program. Both the DepEd and the Commission on Higher Education (CHED) are working together to harmonize the policies related to the K-12 program. In the event of a failure in implementation and coordination of policies between the two regulatory bodies, this would be a problem which will directly impact our expectations of enrolling students both at the university and secondary level. This will also impact the profits and cash flows of iPeople.

Some student families are dependent on remittances to fund tuition. A certain portion of the student population depends on family members who are overseas contract workers to pay for their tuition and miscellaneous fees. In the event that there is a serious disruption in the size and frequency of inward-bound overseas remittances due to macro-economic or micro-economic conditions beyond our control, this will have an effect on iPeople's profits and cash flows.

Students may default on promissory notes. There are some students who cannot afford to make the full payment of tuition and miscellaneous fees during an academic quarter. These students sign a promissory note and are expected to settle their accounts prior to the start of the next academic quarter.

In certain cases, students who have signed promissory notes cannot pay these notes. The schools do not aggressively pursue collection of defaulted student debt. The default rate is small. Regardless, the schools face a risk that a rise in student defaults on promissory notes would impact profits and cash flows negatively.

The schools depend on high quality faculty to teach the educational programs. To the extent that they can, the schools at both the university and secondary level recruit faculty with excellent academic credentials and teaching skills. The schools might not be able to recruit the desired faculty due to any number of factors, including mismatches between the desired compensation and offer; competing recruitment from other educational institutions; or candidates seeking opportunities abroad.

The schools also work to retain key faculty in certain academic disciplines in order to maintain continuity and reduce turnover. If recruitment and retention efforts suffer, the quality of teaching and the quality of academic programs might suffer. This might have an adverse impact on enrolment and negatively impact iPeople's profit and cash flows.

The schools are vulnerable to sudden changes in the number of matriculating students. Each entering student class has a ripple effect on school operations over the next four to five years. If an entering student class has a smaller size compared to normal student levels, the opportunity cost of not filling up an entering class will be felt by the schools over the tenure of that class of students.

A drop in profit from that entering class would be felt over the next four to five years. Conversely, the increase in profits because of an outsized entering class would be enjoyed over the next four to five years. This is precisely the reason why the Admissions Office works furiously to recruit students, with the goal of increasing the size of each entering class by a percentage greater than the rate of overall population growth.

The Mapua Institute of Technology has two unions, Faculty Association of MIT (FAMIT) and MIT Labor Union (MITLU). MIT is bound by the collective bargaining agreement (CBA) signed between it and the two unions.

MIT negotiates with each union separately. The FAMIT represents the faculty members. The MITLU represents the non-teaching staff. To the extent that unions negotiate CBA's with higher increases over time, this would negatively impact the cost structure of MIT and lower the expected value of its profit and cash flows over time.

In the event that a CBA is not negotiated successfully or there is an issue that results in labor unrest, it could have a material adverse impact on the operations of MIT.

The schools are subject to the regulation, recognition of academic programs, and accreditation procedures of both government, and self-regulating private accreditation organizations. MIT and MCL are governed and regulated by the CHED. MHSS is governed and regulated by the DepEd. In addition, MIT and MCL are also accredited by PACUCOA, the leading accreditation body in the Philippines for colleges and universities. MIT is also accredited by the Accreditation Board of Engineering & Technology (ABET).

The failure of any of our schools to pass government standards, or to meet accreditation renewal standards, may negatively impact the perception of the quality of our academic programs and facilities. If this happens we might expect our enrolment to materially decrease, which would have an adverse impact to our profits and cash flow.

We may not be able to get CHED recognition for new programs. Both MIT and MCL work actively to stay at the forefront of various academic disciplines. In the event that either one seeks to offer new courses of study, these are subject to CHED recognition.

The inability to get CHED recognition for new programs may affect the perception that MIT or MCL are not at the cutting edge of their academic fields. This would have a negative impact on enrolment.

Both MIT and MCL are subject to swings in public perception of the popularity of certain degree courses. Prospective students and their parents often latch on to degree courses that are popular at any given time (e.g. nursing). The popularity of a certain degree course in general will depend on buzz created in the press; word-of-mouth; and the experience of graduates who are able to get well-paying jobs (particularly of these jobs are located abroad).

If our schools happen to offer “buzz-worthy” courses of study we can expect large enrolment interest in these degree programs. However, if a number of students suddenly decide not to enrol in degree programs which suddenly fall out of fashion, our operations might be significantly affected. Large swings in student enrolment which are caused by shifts in perception regarding certain degree programs can have a large effect on our profitability.

The schools need capital to grow. All of our schools pursue growth opportunities, which may involve any of the following actions: building new teaching and non-teaching facilities at existing campuses; building campuses at new locations; or even buying other schools.

In order to grow, our schools will need to raise funding. This fund raising can arise from the sale of equity, selling debt securities, borrowing from existing debt facilities, or borrowing from new debt facilities.

If we sell new equity, existing stockholders may find their shareholdings diluted. If we fund expansion via borrowing, we will be subject to interest expense, which will lower expectations of profit (all things being equal).

If we increase borrowings, we will also be subject to interest rate risk (a rise in the cost of money). An increase in our negative carry will also adversely impact our profitability.

Competition among schools for greater student enrolment is fierce. We compete against an impressive array of non-profit and for-profit schools. The competitors in the elite school level bring a formidable set of resources to the battle: money, facilities, history, tradition, an active alumni base, a spirited student body, established brands, and large marketing budgets.

While Mapua has an established brand, and also has its own impressive set of resources, if it cannot respond appropriately to fierce competition for students, it will lose the battle to increase enrolment. In the event that Mapua loses the battle to increase enrolment over a period of time, this will result in lower profit expectations.

Our enrolment might drop due to any number of macro and micro factors. Families of students spend a significant portion of their budget on tuition and school related expenses. In cases where sudden economic shocks result in other expenses claiming a rising share of the family budget (for example, higher fuel prices, higher food prices) a subset of students may be forced to temporarily drop out and continue their education at a later time.

Our schools face the risk that these students might not return either because they have to permanently stop school, or they decide to transfer to another school. In the event that adverse macro-economic or micro-economic factors hit the country, our enrolment may be negatively impacted and this will have a negative effect on our profitability.

We are subject to acts of God. Our schools, like many other enterprises, are subject to adverse occurrences beyond our control, which include (but are not limited to) earthquakes, floods, and similar natural phenomena.

We believe we carry enough insurance to hedge against the monetary damages caused by these events. In the event that the damage to our facilities arising from said events are severe and our insurance is not enough to cover it, our operations and ability to return to normal conditions might be severely affected.

INFORMATION TECHNOLOGY

iPeople owns Pan Pacific Computer Center (PPCC). PPCC services the I.T. related requirements of the Yuchengco Group of Companies (YGC) and select clients.

The company operates in the following businesses:

- reselling computer hardware and peripherals
- reselling software licenses and packages; and
- providing value-added I.T. services (server hosting, document management, help-desk assistance).

RISK FACTORS

Current stockholders of iPeople and prospective investors should take into account the following risk factors related to the IT business.

Our business may be adversely impacted as a result of changes in demand. Economic and political uncertainty may adversely impact our customers' demand for our services.

Our ability to continue to develop and expand our service offerings to address emerging business demands and technological trends will impact our future growth. If we are not successful in meeting these business challenges, our results of operations and cash flows will be materially and adversely affected. Our ability to implement solutions for our customers incorporating new developments and improvements in technology which translate into productivity improvements for our customers and to develop service offerings that meet the current and prospective customers' needs are critical to our success.

The markets we serve are highly competitive. Our competitors may develop solutions or services which make our offerings obsolete. Our ability to develop and implement up to date solutions utilizing new technologies which meet evolving customer needs in consulting and systems integration and technology outsourcing markets will impact our future revenue growth and earnings.

Our competitors include large, technically competent and well capitalized companies. As a result, the markets which we serve are highly competitive. ***This competition may place downward pressure on our operating margins.*** As a result, we may not be able to maintain our current operating margins for technology outsourcing contracts extended or renewed in the future.

Any reductions in margins will require that we effectively manage our cost structure. ***If we fail to effectively manage our cost structure during periods with declining margins, our results of operations will be adversely affected.***

Our customers may experience financial difficulties or may request out-of-scope work, and we may not be able to collect our receivables, materially and adversely affecting our profitability. Our customers' financial condition may change, affecting their ability to pay their obligations and our ability to collect our fees for services rendered. While we may resort to other methods to pursue our claims or collect our receivables, these methods are expensive and time consuming and success is not guaranteed. Failure to collect our receivables or prevail on our claims would have an adverse effect on our profitability.

If we are unable to accurately estimate the cost of services and the timeline for completion of contracts, the profitability of our contracts may be materially and adversely affected. Our commercial contracts are typically awarded on a competitive basis. Our bids are based upon, among other items, the cost to provide the services. To generate an acceptable return on our investment in these contracts, we must be able to accurately estimate our costs to provide the services required by the contract and to complete the contracts in a timely manner.

Our ability to provide our customers with competitive services is dependent on our ability to attract and retain qualified personnel. Our ability to grow and provide our customers with competitive services is partially dependent on our ability to attract and retain highly motivated people with the skills to serve our customers. As we noted above, the markets we serve are highly competitive and competition for skilled employees in the technology markets is intense for both on-shore and offshore locales.

Generally our contracts contain provisions under which a customer may terminate the contract prior to completion. Early contract terminations may materially and adversely affect our revenues and profitability. Our contracts contain provisions by which customers may terminate the contract prior to completion of the term of the contract. These contracts generally allow the customer to terminate the contract for convenience upon providing written notice. We may not be able to replace the revenue and earnings from these contracts in the short-term.

Our performance on contracts, including those on which we have partnered with third parties, may be adversely affected if we or the third parties fail to deliver on commitments. If we or our partners fail to deliver services or products on time, our ability to complete the contract may be adversely affected, which may have a material and adverse impact on our revenue and profitability.

We are subject to acts of God. Like many other enterprises, PPCC is subject to adverse occurrences beyond our control, which include (but are not limited to) earthquakes, floods, and similar natural phenomena.

We believe we carry enough insurance to hedge against the monetary damages caused by these events. In the event that the damage to our facilities arising from said events are severe and our insurance is not enough to cover it, our operations and ability to return to normal conditions might be severely affected.

AFTERLIFE SERVICES: HI owns material stakes in both Manila Memorial Park Cemeteries Inc. (MMPCI) and La Funeraria Paz Sucat Inc. (LFPSI).

MMPCI is the recognized market leader in afterlife services. The company sells products to the bereaved who wish to bury their loved ones in seven memorial parks across the Philippines: Sucat, Novaliches, Dasmarinas Cavite, Bulacan, Cebu, and Davao.

MMPCI was the first to recognize the changing customs and habits related to caring for the deceased. It opened the first crematorium in the country in 1985.



Newest crematorium in Dasmariñas, Cavite memorial park



Interior shot of Dasmariñas crematorium

The firm also knows that it is important for the families of the departed to know that the memorial parks in which their loved ones rest are well maintained. This is the primary reason why MMPCI's has a separate Perpetual Care Fund (PCF) that provides the earnings to maintain all of the memorial parks. The PCF is a pillar of financial strength.

LFPSI provides mortuary services to the bereaved and their loved ones. The company is located inside the MMPCI Sucat memorial park. It is the recognized market leader for providing mortuary services in the southern metropolis.

RISK FACTORS

A discussion of the risks which affect the operations of Manila Memorial Park and La Funeraria Paz Sucat Inc. follows.

Our Perpetual Care Fund owns investments in equity securities, fixed income securities, and other vehicles which are affected by market conditions that are beyond our control. The Perpetual Care Fund generates income which is used to maintain the memorial parks and facilities. Our earnings and investment gains and losses on these securities held by the PCF are affected by financial market conditions that are beyond our control.

If the investments in our PCF experiences significant declines in subsequent years, there could be insufficient funds in the trusts to cover the costs of delivering services and merchandise or maintaining cemeteries in the future. We may be required to cover any such shortfall with cash flows from operations, which could have a material adverse effect on our financial condition, results of operations, or cash flows.

Our ability to execute our strategic plan depends on many factors, some of which are beyond our control. Our strategic plan is focused on cost management and the continued implementation of key revenue initiatives. Many of the factors that impact our ability to execute our strategic plan, such as the number of deaths and general economic conditions, are beyond our control.

We cannot give assurance that we will be able to execute any or all of our strategic plan. Failure to execute any or all of our strategic plan could have a material adverse effect on our financial condition, results of operations, or cash flows.

Changes in operating conditions, such as supply disruptions and labor disputes, could negatively impact our operations. We have a mature workforce with the commensurate fixed costs. Management continuously works to reduce fixed costs. There is always a risk that workers at the memorial parks will respond negatively to management's cost savings initiatives, and stage a labor dispute. This would have a materially negative effect on our operations, and also have a material adverse impact on our financial results.

Our inability to achieve the levels of cost savings, productivity improvements, or earnings growth anticipated by management could affect our financial performance. We operate a

mature business in a mature industry. To increase our profit margin and to drive growth in profits, we depend to a certain extent on our ability to implement productivity improvements and cost savings initiatives. If we are not able to meet our productivity and/or our cost savings targets, our performance might be negatively affected.

The mortuary and cemetery industry continues to be increasingly competitive. The mortuary and cemetery industry is characterized by a large number of locally-owned, independent operations. To compete, our mortuary and memorial parks must maintain good reputations and high professional standards, as well as offer attractive products and services at competitive prices.

In addition, we must market the Company in such a manner as to distinguish us from our competitors. We have historically experienced price competition from independent mortuary and cemetery operators, monument dealers, casket retailers, low-cost funeral providers, and other non-traditional providers of services and merchandise. If we are unable to successfully compete, our financial condition, results of operations, and cash flows could be materially adversely affected.

Unfavorable publicity could affect our reputation and business. Since our operations relate to life events involving emotional stress for our client families, our business is dependent on consumer trust and confidence. Unfavorable publicity about our business generally or in relation to any specific location could affect our reputation and consumers' trust and confidence in our products and services, thereby having an adverse impact upon our sales and financial results.

If the number of deaths in our markets declines, the number of funeral services and interments performed by us could decrease and our financial condition, results of operations, and cash flows could be materially adversely affected. We depend on a consistent mortality rate, which leads to a steady flow of business for us. To the extent that people start realizing longer life spans, this might have a negative impact on our operations and financial results.

Our funeral home and mortuary businesses are high fixed-cost businesses. Personnel costs are the largest component of our operating expenses. We must incur many of these costs regardless of the number of funeral services or interments performed. Because we cannot necessarily decrease these costs when we experience lower sales volumes, a sales decline may cause our margin percentages to decline at a greater rate than the decline in revenues.

Compliance with laws, regulations, industry standards, and customs concerning burial procedures and the handling and care of human remains is critical to the continued success of our business.

Litigation and regulatory proceedings regarding these issues could have a material adverse effect on our financial condition, results of operations, and cash flows. We are continually monitoring and reviewing our operations in an effort to ensure that we are in compliance with these laws, regulations, and standards and, where appropriate, taking appropriate corrective action.

A sudden change in the tax law, or sudden change in the interpretation of the tax law by the BIR, may have a material adverse effect on our business. MMP and LFPSI strive towards full tax compliance. However, despite being fully compliant, a sudden change in the tax law or a change in how it is interpreted may result in one or both firms having a tax exposure. Depending on the final resolution of this tax exposure, it may have a material adverse effect on our financial results.

LEASING AND CONSUMER FINANCE: HI owns First Malayan Leasing & Finance Corporation (FMLFC). FMLFC has a wholly-owned subsidiary called Malayan Rental Corporation (MRC).

FMLFC is a national provider of equipment financing solutions primarily to small and medium-sized businesses. The company finances many categories of working assets, from real property, vehicles, to industrial equipment dedicated to the construction and mining sector.

MRC provides operating leases to its customers who are also primarily small to medium-sized enterprises.

HI also owns 50% of Zamboanga Industrial Finance Corporation (ZIFC). ZIFC provides consumer finance services (personal loans, secured loans, equipment leasing) in Zamboanga City.

RISK FACTORS

FINANCING LIQUIDITY

If we cannot obtain financing, we may be unable to fund our operations. Our business requires a substantial amount of cash to operate. Our cash requirements will increase if our lease originations increase. We obtain a substantial amount of the cash required for operations through a variety of external financing sources, such as placements and borrowings using bank credit lines. A failure to renew and increase the funding availability under our existing facilities or to add new funding facilities could affect our ability to fund and originate new leases.

CREDIT RISK

If we inaccurately assess the creditworthiness of our end user customers, we may experience a higher number of lease defaults, which may restrict our access to funding and reduce our earnings. We specialize in leasing equipment to small and mid-sized businesses. Small and mid-sized businesses may be more vulnerable than large businesses to economic downturns, typically depend upon the management talents and efforts of one person or a small group of persons and often need substantial additional capital to expand or compete.

Small and mid-sized business leases, therefore, may entail a greater risk of delinquencies and defaults than leases entered into with larger leasing customers. In addition, there is typically only limited publicly available financial and other information about small and mid-sized businesses and they often do not have audited financial statements. Accordingly, in making credit decisions, our underwriting guidelines rely upon the accuracy of information about these small and mid-sized businesses obtained from the small and mid-sized business owner and/or third-party sources, such as credit reporting agencies.

If the information we obtain from small and mid-sized business owners and/or third-party sources is incorrect, our ability to make appropriate credit decisions will be impaired. If we inaccurately assess the creditworthiness of our end user customers, we may experience a higher number of lease defaults and related decreases in our earnings and profitability.

DEFAULT RISK

An increase in delinquencies or lease defaults could restrict our access to funding and could adversely affect our earnings. In addition, increasing rates of delinquencies or charge-offs could result in adverse changes in the structure and/or our cost of future financing. Any of these occurrences may cause us to experience reduced earnings.

MACRO-ECONOMIC RISK

Deteriorated economic or business conditions may lead to greater than anticipated lease defaults and credit losses, which could limit our ability to obtain additional financing and reduce our operating income.

Our operating income may be reduced by various economic factors and business conditions, including the level of economic activity in the markets in which we operate. Delinquencies and credit

losses generally increase during economic slowdowns or recessions. Because we extend credit primarily to small and mid-sized businesses, many of our customers may be particularly susceptible to economic slowdowns or recessions and may be unable to make scheduled lease payments during these periods.

Therefore, to the extent that economic activity or business conditions deteriorate, our delinquencies and credit losses may increase. Unfavorable economic conditions may also make it more difficult for us to maintain both our new lease origination volume and the credit quality of new leases at levels previously attained. Unfavorable economic conditions could also increase our funding costs or operating cost structure or limit our access to funding. Any of these events could reduce our operating income.

EXCEEDING ALLOWANCES FOR CREDIT LOSSES

If losses from leases exceed our allowance for credit losses, our operating income will be reduced or eliminated. In connection with our financing of leases, we record an allowance for credit losses to provide for estimated losses. Our allowance for credit losses is based on both qualitative and quantitative factors including, among other things, past collection experience, lease delinquency data, industry data, economic conditions and our assessment of collection risks.

Determining the appropriate level of the allowance is an inherently uncertain process and, therefore, our determination of this allowance may prove to be inadequate to cover losses in connection with our portfolio of leases. Factors that could lead to the inadequacy of our allowance may include our inability to manage collections effectively, unanticipated adverse changes in the economy or discrete events adversely affecting specific leasing customers, industries or geographic areas.

Losses in excess of our allowance for credit losses would cause us to increase our provision for credit losses, reducing or eliminating our operating income.

REGULATORY RISK

We are subject to regulatory capital adequacy guidelines, and if we fail to meet these guidelines, our business, financial condition or results of operations may be adversely affected. Under regulatory capital adequacy guidelines, and other regulatory requirements, we must meet guidelines that include quantitative measures of assets, liabilities and certain off-balance sheet items, subject to qualitative judgments by regulators regarding components, risk weightings and other factors.

If we fail to meet these minimum capital guidelines and other regulatory requirements, our business, financial condition or results of operations may be adversely affected. In addition, if we fail to maintain "well-capitalized" status under the regulatory framework, if we are deemed to be not well-managed under regulatory exam procedures or if we experience certain regulatory violations, our status as a financial holding company, our related eligibility for a streamlined review process for acquisition proposals and our ability to offer certain financial products may be compromised or impaired.

BSP POLICIES

Monetary policies and regulations of the Bangko Sentral ng Pilipinas (BSP) could adversely affect our business, financial condition and results of operations. In addition to being affected by general economic conditions, our earnings and growth are affected by the policies of the BSP. An important function of the BSP is to regulate the money supply and credit conditions.

Among the instruments used by the BSP to implement these objectives are open market operations in Philippine government securities, adjustments of the discount rate, and changes in reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits.

The monetary policies and regulations of the BSP have had a significant effect on the operating results of banks and BSP-regulated institutions like FMLFC in the past and are expected to continue to do so in the future. The effects of such policies upon our business, financial condition and results of operations cannot be predicted.

Government regulation significantly affects our business. The banking industry is heavily regulated, and such regulations are intended primarily for the protection of depositors and the Philippine Deposit Insurance Corporation funds, not shareholders. Such regulation affects lending practices, capital structure, investment practices, dividend policy and growth.

The BSP also frequently adopts changes to its regulations or changes the manner in which existing regulations are applied. Such proposed changes in laws, regulations and regulatory practices affecting the banking industry may limit the manner in which we may conduct our business. Such changes may adversely affect us, including our ability to make loans and leases, and may also result in the imposition of additional costs on us.

EXECUTION RISK

If we are unable to effectively execute our business strategy, we may suffer material operating losses. Our financial position, liquidity and results of operations depend on management's ability to execute our business strategy. Key factors involved in the execution of this strategy include achieving the desired volume of leases of suitable yield and credit quality, effectively managing those leases and obtaining appropriate funding.

Accomplishing such a result on a cost-effective basis is largely a function of our marketing capabilities, our management of the leasing process, our credit underwriting guidelines, our ability to provide competent, attentive and efficient servicing to our origination sources and our end user customers, our ability to execute effective credit risk management and collection techniques, our access to financing sources on acceptable terms and our ability to attract and retain high quality employees in all areas of our business.

Failure to manage effectively these and other factors related to our business strategy and our overall operations may cause us to suffer material operating losses.

COMPETITION

If we cannot effectively compete within the leasing industry, we may be unable to increase our revenues or maintain our current levels of operations. The leasing business is highly fragmented and competitive. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us.

A lower cost of funds could enable a competitor to offer leases with yields that are lower than those we use to price our leases, potentially forcing us to decrease our yields or lose origination volume. In addition, certain of our competitors may have higher risk tolerances or different risk assessments, which could allow them to establish more origination source and end user customer relationships and increase their market share.

If we are unable to compete effectively with our competitors, we may be unable to sustain our operations at their current levels or generate revenue growth.

RISE IN OPERATING COSTS

We may run into an economic environment characterized by a period of rapidly rising costs. These operating costs can include, but are not limited to, compensation and benefits, rent, utilities, and other major components of our operating costs.

FMLFC and MRC seek to manage costs effectively as possible. However if these cost pressures increase and the increases become semi-permanent, it would have a negative impact on our overall profitability.

INTEREST RATE RISK

If interest rates change significantly, we may be subject to higher interest costs with respect to our funding sources which may cause us to suffer material losses. Our margins could be reduced by an increase in interest rates.

The yield on our leases is fixed because the scheduled payments are fixed at the time of lease origination. When we originate or acquire leases, we base our pricing in part on the spread we expect to achieve between the yield on each lease and the effective interest rate we expect to pay when we finance the lease. Increases in interest rates during the term of a lease could narrow or eliminate the spread, or result in a negative spread.

A negative spread is an interest cost greater than the yield on the lease. If we incur a negative spread on a portion of our leases because of an adverse movement in interest rates, this will have a significant impact on our profitability.

SUCCESSION RISK

Our future success depends to a significant extent on the continued service of our senior management team. If we face turnover in certain key management and/or marketing positions, and we are unable to fill those openings in a timely manner with high calibre people, we may experience negative consequences in our operations and financial results.

RESIDUAL VALUE RISK

Failure to realize the projected value of residual interests in equipment we finance would reduce the residual value of equipment recorded as assets on our balance sheet and may reduce our operating income.

We estimate the residual value of the equipment which is recorded as an asset on our balance sheet. Realization of residual values depends on numerous factors including: the general market conditions at the time of expiration of the lease; the cost of comparable new equipment; the obsolescence of the leased equipment; any unusual or excessive wear and tear on or damage to the equipment; and the effect of any additional or amended government regulations.

Our failure to realize our recorded residual values would reduce the residual value of equipment recorded as assets on our balance sheet and may reduce our operating income.

LITIGATION

We might face the risk of litigation and regulatory investigations and actions in connection with our business activities. These matters may be difficult to assess or quantify, and their magnitude may remain unknown for substantial periods of time.

A substantial legal liability or a significant regulatory action against us could cause us to suffer significant costs and expenses and could require us to alter our business strategy and the manner in which we operate our business.

TECHNOLOGY RISK

If we experience significant telecommunications or technology downtime, our operations would be disrupted and our ability to generate operating income could be negatively impacted. Our business depends in large part on our telecommunications and information management systems.

The temporary or permanent loss of our computer systems, telecommunications equipment or software systems, through casualty or operating malfunction, could disrupt our operations and negatively impact our ability to service our customers and lead to significant declines in our operating income.

Failure to maintain the security of our information and technology networks, including personally identifiable and other information, non-compliance with our contractual or other legal obligations regarding such information could adversely affect us.

In the normal course of our business, we collect and retain significant volumes of certain types of personally identifiable and other information pertaining to our customers, stockholders and employees. The legal, regulatory and contractual environment surrounding information security and privacy is constantly evolving and companies that collect and retain such information are under increasing attack by cyber-criminals around the world.

A significant actual or potential theft, loss, fraudulent use or misuse of customer, stockholder, employee or our data by cybercrime or otherwise, non-compliance with our contractual or other legal obligations regarding such data or a violation of our privacy and security policies with respect to such data could adversely impact our reputation and could result in significant costs, fines, litigation or regulatory action against us.

FORCE MAJEURE OR ACTS OF GOD

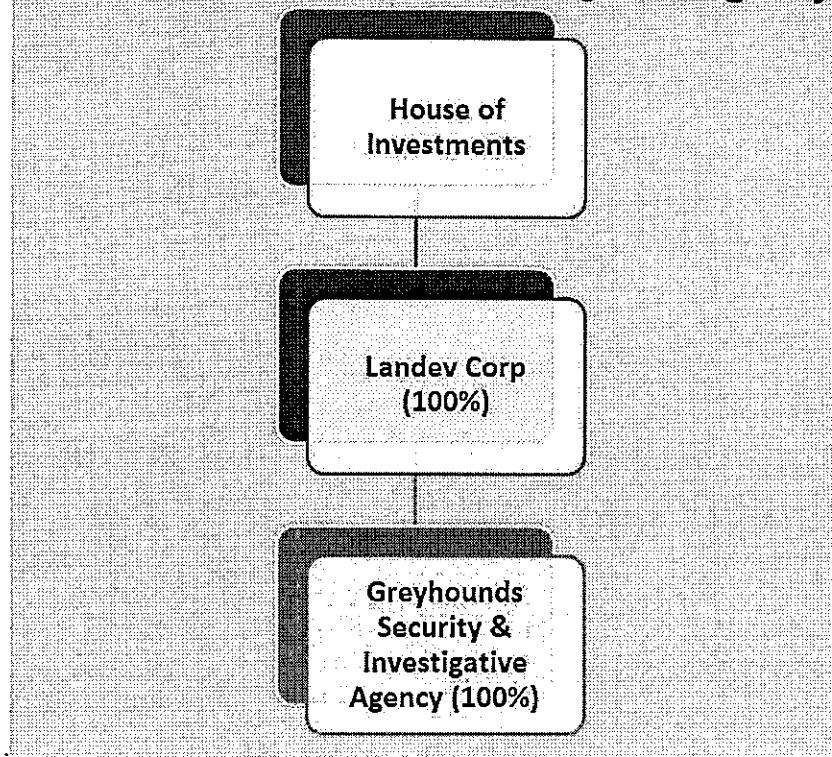
The businesses of our lessees (and the equipment they lease) are subject to events or occurrences beyond their control, and beyond our control. Examples of these events include disasters arising from adverse weather conditions. If our lessees incur substantial losses as a result of business interruption arising from adverse weather conditions or other natural occurrences, it might have an impact on our operations and profitability.

PROPERTY MANAGEMENT, PROJECT MANAGEMENT, SECURITY: HI wholly owns Landev Corporation. Landev Corporation is primarily engaged in property management and project management for the YGC. Its large contracts include:

- property management for RCBC Plaza
- property management for RCBC and RCBC Savings Bank branches nationwide
- project management for the construction of the RCBC Savings Bank Tower in Bonifacio Global City.

Landev owns a subsidiary named Greyhounds Security and Investigative Agency (GSIA). GSIA provides comprehensive security services to leading installations like RCBC Plaza, all RCBC branches, and RCBC Savings Bank branches.

HI Hierarchy: Landev Corp and Greyhounds Security & Investigative Agency



RISK FACTORS: LANDEV

GENERAL ECONOMIC CONDITIONS

The success of our business is significantly related to general economic conditions and, accordingly, our business could be harmed by an economic slowdown and downturn in commercial real estate asset values, property sales and leasing activities.

Periods of economic weakness or recession, significantly rising interest rates, declining employment levels, declining demand for commercial real estate, falling real estate values, or the public perception that any of these events may occur, may negatively affect the performance of some or all of our business lines.

These economic conditions can result in a general decline in disposition and leasing activity, as well as a general decline in the value of commercial real estate and in rents, which in turn reduces revenue from property management fees and commissions derived from property sales and leasing.

CLIENT FINANCIAL DISTRESS

If we experience defaults by multiple clients or counterparties, it could adversely affect our business. We could be adversely affected by the actions and deteriorating financial condition and results of operations of certain of our clients or counterparties if that led to losses or defaults by one or more of them, which in turn, could have a material adverse effect on our results of operations and financial condition.

Any of our clients may experience a downturn in their business that may weaken their results of operations and financial condition. As a result, a client may fail to make payments when due, become insolvent or declare bankruptcy. Any client bankruptcy or insolvency, or the failure of any client to

make payments when due, could result in material losses to our company. A client bankruptcy would delay or preclude full collection of amounts owed to us.

Additionally, certain corporate services and property management client agreements require that we advance payroll and other vendor costs on behalf of clients. If such a client were to file bankruptcy or otherwise fail, we may not be able to obtain reimbursement for those costs or for the severance obligations we would incur as a result of the loss of the client.

IMPORTANCE OF KEY PERSONNEL

Our success depends upon the retention of our senior management, as well as our ability to attract and retain qualified and experienced employees. The departure of any of our key employees or the loss of a significant number of key revenue producers, if we are unable to quickly hire and integrate qualified replacements, could cause our business, financial condition and results of operations to suffer.

In addition, the growth of our business is largely dependent upon our ability to attract and retain qualified support personnel in all areas of our business. Competition for these personnel is intense and we may not be able to successfully recruit, integrate or retain sufficiently qualified personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business and operating results could suffer.

LITIGATION RISK

We are subject to substantial litigation risks and may face significant liabilities and damage to our professional reputation as a result of litigation allegations and negative publicity.

In our property management business, we hire and supervise third-party contractors to provide construction services for our managed properties. While our role is limited to that of an agent for the owner, we may be subject to claims for construction defects or other similar actions.

COMPETITION

We have numerous significant competitors and potential future competitors, some of which may have greater financial and operational resources than we do.

We compete across a variety of business disciplines within the commercial real estate services industry, including commercial property and corporate facilities management, occupier and property/agency leasing, and property sales.

We face competition from other commercial real estate service providers, including outsourcing companies that traditionally competed in limited portions of our facilities management business and have recently expanded their offerings, in-house corporate real estate departments, and developers

Some of these firms may have greater financial resources than we do. In addition, future changes in laws could lead to the entry of other competitors. Although many of our competitors are smaller than us, some of these competitors are larger on a local or regional basis. We are also subject to competition from other large national and multinational firms that have similar service competencies to ours.

In general, there can be no assurance that we will be able to compete effectively, to maintain current fee levels or margins, or maintain or increase our market share.

TAXATION

Landev strives towards full tax compliance. However, despite being fully compliant, a sudden change in the tax law or a change in how it is interpreted may result in one or both firms having a tax exposure. Depending on the final resolution of this tax exposure, it may have a material adverse effect on our financial results.

REGULATORY RISK

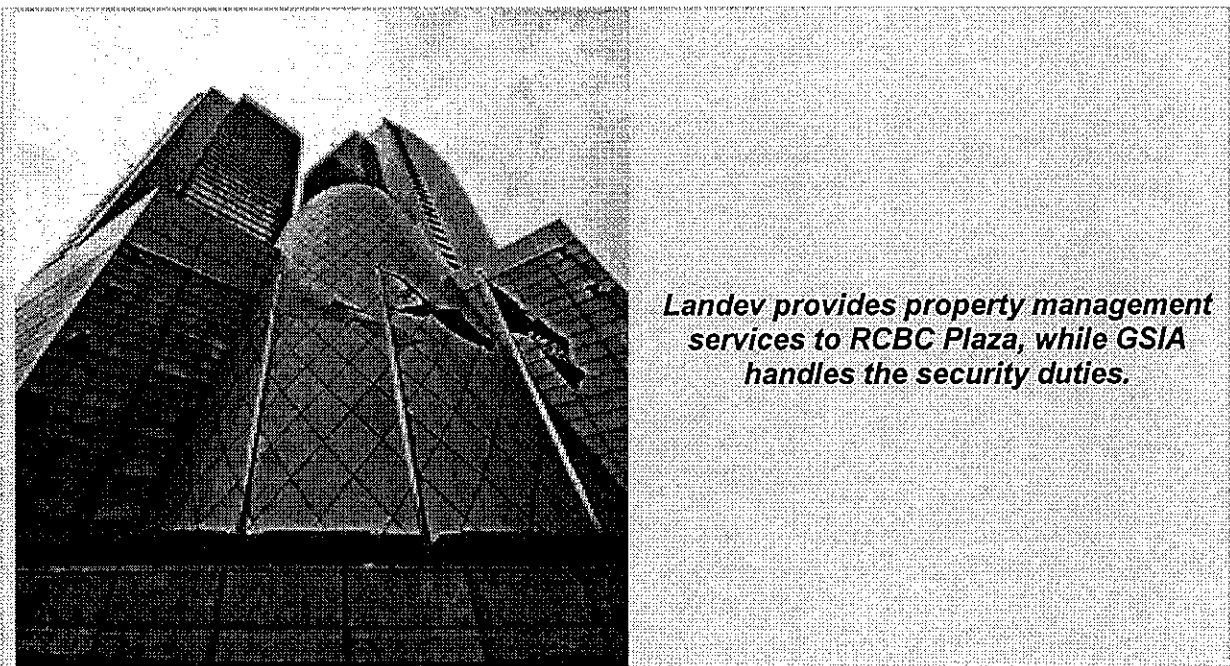
If we fail to comply with laws and regulations applicable to us in our role as a property/facility manager, we may incur significant financial penalties.

ENVIRONMENTAL LIABILITY

We may be subject to environmental liability as a result of our role as a property or facility manager or developer of real estate. Various laws and regulations impose liability on real property owners or operators for the cost of investigating, cleaning up or removing contamination caused by hazardous or toxic substances at a property.

In our role as a property or facility manager, we could be held liable as an operator for such costs. This liability may be imposed without regard to the legality of the original actions and without regard to whether we knew of, or were responsible for, the presence of the hazardous or toxic substances.

If we fail to disclose environmental issues, we could also be liable to a buyer or lessee of a property. If we incur any such liability, our business could suffer significantly as it could be difficult for us to sell such properties. Additionally, liabilities incurred to comply with more stringent future environmental requirements could adversely affect any or all of our lines of business.



RISK FACTORS: GREYHOUNDS SECURITY & INVESTIGATIVE AGENCY

Additional Financing

We believe that our existing funds, cash generated from operations, and existing sources of and access to financing are adequate to satisfy our working capital, capital expenditures and debt service requirements for the foreseeable future. However, we cannot assure you that this will be the case, and we may be required to obtain additional financing to maintain and expand our existing operations. The failure by us to obtain such financing, if needed, would have a material adverse effect upon our business, financial condition and results of operations.

Competition

Our assumptions regarding projected results depend largely upon our ability to retain substantially all of our current customers and obtain new customers. Retention is affected by several factors including, but not limited to, regulatory limitations, the quality of the services that we provide, the quality and pricing of comparable services offered by competitors and continuity of our management and non-management personnel. Our ability to gain or maintain sales, gross margins and/or employees may be limited as a result of actions by our competitors.

Service Contracts

Our largest expenses are for payroll and related taxes and employee benefits. Competitive pressures in the security services sector may prevent us from increasing our billing rates on contract anniversary or renewal dates. Our profitability will be adversely affected if, due to inflation or other causes, including increases in statutory payroll taxes, we are compelled to increase the wages, salaries and related benefits of our employees in amounts that exceed the amount that we can pass on to our customers through increased billing rates charged under our service contracts.

Liability

In many cases, our security services contracts require us to indemnify our customers or may otherwise subject us to additional liability for events occurring on customer premises. We maintain insurance programs that we believe provide appropriate coverage for certain liability risks, including personal injury, death and property damage.

Insurance may not be adequate to cover all potential claims or damages. If a plaintiff brings a successful claim against us for punitive damages in excess of our insurance coverage, then we could incur substantial liabilities that would have a material adverse effect on our business, financial condition and results of operations.

Staffing

Our business involves the labor-intensive delivery of security services. We derive our revenues through the services rendered by our employees. Our future performance depends in large part upon our ability to attract, train, motivate and retain our skilled operational and administrative staff.

The loss of the services of, or the failure to recruit, the required complement of operational and administrative staff would have a material adverse effect on our business, financial condition and results of operations, including our ability to secure and complete security service contracts.

Additionally, if we do not successfully manage our existing operational and administrative staff, we may not be able to achieve the anticipated gross margins, service quality, overtime levels and other performance measures that are important to our business, financial condition and results of operations.

Changes in Accounting Standards and Taxation Requirements

New accounting standards or pronouncements that become applicable to us and our financial statements from time to time, and changes in the interpretation of existing standards and pronouncements, could have a significant effect on our reported results for the affected periods.

We are also subject various taxes in the numerous Philippine jurisdictions from which we generate revenues. Increases in tax rates or a change in the interpretation of the tax laws may result in a downward adjustment in our business operations and performance.

Cost Management

Our ability to realize expectations will be largely dependent upon management and our ability to maintain or increase gross margins, which in turn will be determined in large part by management's ability to control our expenses.

Certain costs are not within the control of management, and margins may be adversely affected by a number of items, including litigation expenses, fees incurred in connection with extraordinary business transactions, inflation, labor unrest, increased payroll and related costs. Our business, financial condition and results of operations will be adversely affected if the costs associated with these items are greater than we anticipate.

Collection of Accounts Receivable

Our business efficiency is highly dependent on our ability to manage our working capital well. If we experience delays in collections of accounts receivable, there will be a major impact on the availability of funding for our day to day operations. Any default by one or more of our significant customers due to bankruptcy or otherwise could have a material adverse impact on our liquidity, results of operations and financial condition.

Loss of Large Customers

Our success depends in part upon retaining our large security service customers. Security services companies such as ours face the risk of losing customers as a result of the expiration or termination of a contract, or as a result of a merger or acquisition or business failure involving our large customers, or the selection by such customers of another provider of security services.

We generate a significant portion of our revenues from large security services customers. We cannot assure you that we will be able to retain all or a substantial portion of our long-term or significant customers or develop relationships with new significant customers in the future.

Loss of Key Management Personnel

Our success depends to a significant extent upon the continuing efforts and abilities of our key executive officers and senior management personnel several of whom have worked in our industry for decades. The loss or unavailability of any such key executives or senior management personnel, due to retirement, resignation or otherwise could have a material adverse effect on our business, financial condition and results of operations.

Changes in Technology

Technological change that provides alternatives to security officer services or that decrease the number of security officers required to effectively perform their services may decrease our customers' demand for our security officer services.

If such technologies become available generally for use in the industry, these technologies may be proprietary in nature and not be available for use by us in servicing our customers. Even if these technologies are available for use by us, we may not be able to successfully integrate such technologies into our business or we may be less successful in doing so than our competitors or new entrants in the industry. A decrease in the demand for our security officer services or our inability to effectively utilize such technologies may adversely affect our business, financial condition and results of operations.

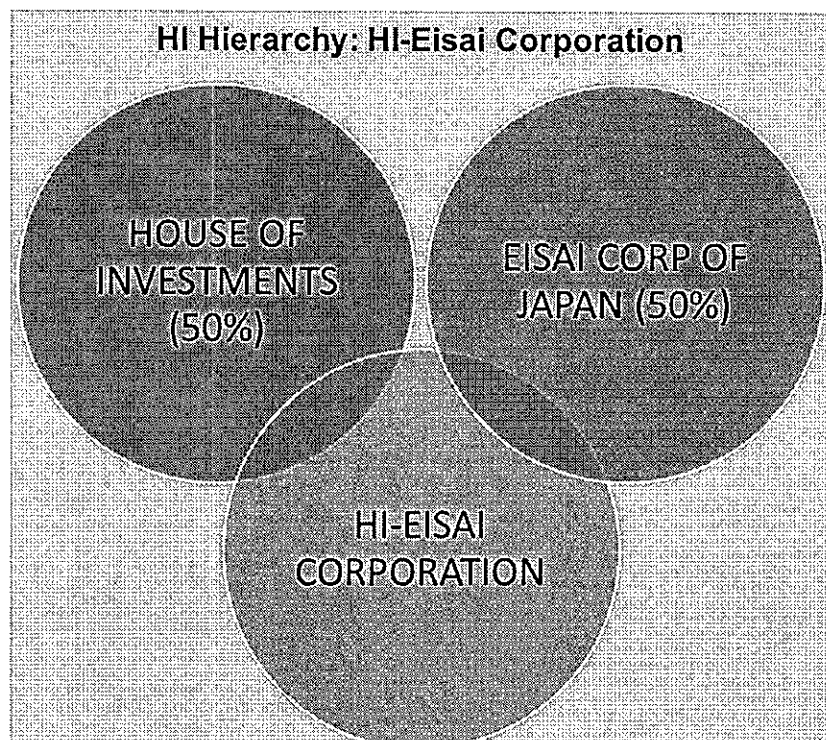
Regulation

We are subject to a large number national and local laws and regulations that apply to security agencies and their guards. Any liability we may have from our failure to comply with these regulations may materially and adversely affect our business by restricting our operations and subjecting us to potential penalties.

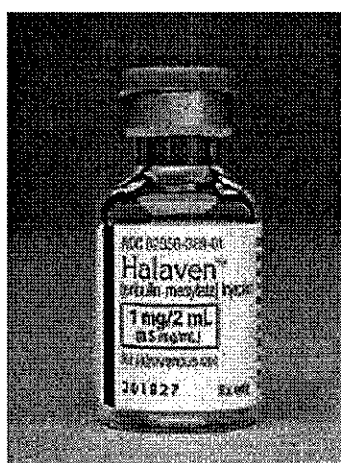
Catastrophic Events

We might be exposed to potential claims for catastrophic events, such as acts of terrorism, or based upon allegations that we failed to perform our services in accordance with contractual or industry standards. We believe we carry enough insurance coverage to cover these possible adverse events. In the event that our losses from an event are larger than our coverage, we will have a negative impact on our financial condition and performance results.

PHARMACEUTICALS: HI owns 50% of HI-Eisai Pharmaceuticals, which is a joint venture with the Eisai Company of Japan.



HI-ESAI imports pharmaceuticals from Japan which it sells in the Philippine market through established drug distributors. Its drugs are targeted towards the needs of the aged. HI-Eisai sells drugs that combat cancer, gastritis, ulcer, and Alzheimer's disease.



Eisai Company of Japan developed Halaven, a drug designed to fight metastatic breast cancer. This is distributed in the Philippines by HI-Eisai Corporation.

Source: Eisai Company Annual Report (2011)

Risk Factors

HI-Eisai Pharmaceuticals is subject to a number of risk factors. These factors could impair our growth and ability to compete or otherwise cause a material adverse effect on our business, financial position and results of operations.

Our future revenue growth and profitability are dependent upon our ability to introduce new products on a timely basis in relation to our competitors' product introductions. Our failure to do so successfully could have a material adverse effect on our market share and profitability.

Our future revenues and profitability will depend, to an extent, upon our ability to introduce new drugs from the pipeline of Eisai Corporation of Japan.

The development and commercialization process, particularly with regard to new drugs, also requires substantial time, effort and financial resources. If Eisai Corporation is not successful in commercializing any of such products on a timely basis, this might have an adverse effect on our business.

Our approved products may not achieve expected levels of market acceptance, which could have a material adverse effect on our profitability, business, financial position and results of operations. Even if we are able to obtain regulatory approvals to distribute new pharmaceutical products, generic or branded, the success of those products is dependent upon market acceptance.

Levels of market acceptance for our new products could be impacted by several factors, including but not limited to:

- the availability of alternative products from our competitors;
- the price of our products relative to that of our competitors;
- the timing of our market entry;
- the ability to market our products effectively to the retail level; and
- the acceptance of our products by government and private formularies.

Some of these factors are not within our control. Additionally, continuing studies of the proper utilization, safety and efficacy of pharmaceutical products are being conducted by the industry, government agencies and others. Such studies, which increasingly employ sophisticated methods and techniques, can call into question the utilization, safety and efficacy of previously marketed products. These situations, should they occur, could have a material adverse effect on our profitability, business, financial position and results of operations.

Our business is highly dependent upon market perceptions of us, our brands and the safety and quality of our products. Our business or brands could be subject to negative publicity, which could have a material adverse effect on our business, financial position and results of operations. Market perceptions of our business are very important to us, especially market perceptions of our brands and the safety and quality of our products.

If we, or our brands, suffer from negative publicity, or if any of our products or similar products which other companies distribute are subject to market withdrawal or recall or are proven to be, or are claimed to be, harmful to consumers, then this could have a material adverse effect on our business, financial position and results of operations.

Also, because we are dependent on market perceptions, negative publicity associated with product quality, illness or other adverse effects resulting from, or perceived to be resulting from, our products could have a material adverse impact on our business, financial position and results of operations.

The illegal distribution and sale by third parties of counterfeit versions of our products or of stolen products could have a negative impact on our reputation and a material adverse effect on our business, financial position and results of operations. The drug supply has been increasingly challenged by the vulnerability of distribution channels to illegal counterfeiting and the presence of counterfeit products in a growing number of markets.

The World Health Organization ("WHO") estimates that more than 10% of medications being sold globally are counterfeit. Third parties may illegally distribute and sell counterfeit versions of our products, which do not meet the rigorous manufacturing and testing standards that our products undergo. Counterfeit products are frequently unsafe or ineffective, and can be potentially life-threatening.

However, to distributors and users, counterfeit products may be visually indistinguishable from the authentic version. Reports of adverse reactions to counterfeit drugs or increased levels of counterfeiting could materially affect patient confidence in the authentic product. It is possible that adverse events caused by unsafe counterfeit products will mistakenly be attributed to the authentic product.

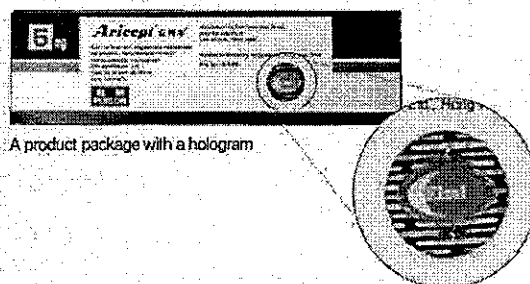
In addition, thefts of inventory at warehouses, plants or while in-transit, which are not properly stored and which are sold through unauthorized channels could adversely impact patient safety, our reputation and our business. Public loss of confidence in the integrity of pharmaceutical products as a result of counterfeiting or theft could have a material adverse effect on our business, financial position and results of operations.

Measures against counterfeit pharmaceutical products

Counterfeit pharmaceuticals are medicinal products which are deliberately and fraudulently mislabeled with respect to identity and/or source. They include products that appear in imitation packaging and which may contain no active ingredients or incorrect amounts of active ingredients, and it is very difficult to distinguish them from genuine products.

Counterfeiting has become a serious global concern, especially as more people today purchase pharmaceutical products online, although counterfeit pharmaceuticals are not commonly found in Japan. To combat illegal practices such as counterfeit pharmaceutical products, adulteration of products, and illegal distribution of products around the world, the Eisai Group established a global product security system. Under the system, the Group creates guidelines and implements countermeasures at every stage from manufacturing to sale of products. The Group has also developed a database to analyze and share cases of counterfeiting internally, while working with government agencies and relevant institutions to address this issue.

Since 2007, the Eisai Group has been implementing measures to prevent forgery using hologram labels, color-shifting ink and other packaging technologies, and has begun printing holograms on the packages of pharmaceuticals for export from Japan to Asia, the Middle East and elsewhere. Similar measures to prevent counterfeiting have been promoted as well at the Group's production sites overseas including the North Carolina Plant in the U.S., the Suzhou Plant in China, the Tainan Plant in Taiwan, and the Bogor Plant in Indonesia.



Source: Eisai Corporation Annual Report (2011)

If we or any partner fail to adequately protect or enforce our intellectual property rights, then we could lose sales to generic copies of our branded products. These risks could cause a material adverse effect on our business, financial position and results of operations. Our success, particularly in our specialty business, depends in part on our ability to obtain, maintain and enforce patents, and protect trade secrets, know-how and other proprietary information.

Our ability to commercialize any branded product successfully will largely depend upon our ability to obtain and maintain patents of sufficient scope to prevent third-parties from developing substantially equivalent products. In the absence of patent and trade secret protection, competitors may adversely affect our branded products business by independently developing and marketing substantially equivalent products.

Any challenge to, or invalidation or circumvention of, our patents or patent applications would be costly, would require significant time and attention of our management, could cause a material adverse effect on our business, financial position and results of operations. It is also possible that we

could incur substantial costs if we are required to initiate litigation against others to protect or enforce our intellectual property rights.

We face vigorous competition from other pharmaceutical manufacturers that threatens the commercial acceptance and pricing of our products. Such competition could have a material adverse effect on our business, financial position and results of operations. The pharmaceutical industry is highly competitive. We face competition from many U.S. and foreign manufacturers. Our competitors may be able to develop products and processes competitive with or superior to our own for many reasons. This could have a material adverse effect on our business, financial position and results of operations.

Movements in foreign currency exchange rates could have a material adverse effect on our business, financial position and results of operations. We import our supply of pharmaceuticals for sale, the payment of which is made in dollars. If the dollar appreciates significantly against the Philippine Peso, our cost of products for sale will increase. This poses a risk to our gross profit and overall profitability.

We have a contractual relationship with one pharmaceutical distributor. If we run into contractual disagreements which we cannot settle amicably, this may affect our ability to sell our drugs at the retail level. We maintain a distributorship agreement with Zuellig, a major drug distributor. This has been a mutually beneficial business partnership. If in the future HI-Eisai cannot maintain this relationship with Zuellig, this could result in operational issues which would interrupt the smooth distribution of our drugs down to the retail level. Such an event would have an impact on our market share, and overall profitability.

We may experience declines in the sales volume and prices of our products as the result of the dominance of our major customer in the retail pharmacy sector. All of our sales are to one drug distributor who happens to distribute our products to the dominant retail pharmacy in the Philippines. These customers represent an essential part of the distribution chain of pharmaceutical products.

This means that at the retail pharmacy level, the customer has purchasing leverage and consequently increases the pricing pressure facing our business. Any major disagreements with our distributor or our major retail pharmacy customer may have a material adverse effect on our business, financial position and results of operations.

Because the pharmaceutical industry is heavily regulated, we face significant costs and uncertainties associated with our efforts to comply with applicable regulations. Should we fail to comply, we could experience material adverse effects on our business, financial position and results of operations. The pharmaceutical industry is subject to regulation by various governmental authorities. For instance, we must comply with requirements of the BFAD (Bureau of Food and Drugs) and similar requirements of similar agencies in our other markets with respect to the quality, safety, labeling, sale, distribution, marketing, advertising, promotion and development of pharmaceutical products.

Failure to comply with regulations of the BFAD and other regulators could result in fines, unanticipated compliance expenditures, rejection or delay in approval of applications, recall or seizure of products, total or partial suspension of production and/or distribution, our inability to sell products, the return by customers of our products, suspension of the applicable regulator's review of our submissions, enforcement actions, injunctions and criminal prosecution.

Under certain circumstances, the regulators may also have the authority to revoke previously granted drug approvals. Although we have internal regulatory compliance programs and policies and have had a favorable compliance history, there is no guarantee that these programs, as currently designed, will meet regulatory agency standards in the future.

Additionally, despite our efforts at compliance, there is no guarantee that we may not be deemed to be deficient in some manner in the future. If we were deemed to be deficient in any significant way, or if

any of the noted risks occur, our business, financial position and results of operations could be materially affected.

Legislative or regulatory programs that may influence prices of pharmaceutical products could have a material adverse effect on our business, financial position and results of operations.

Financial Condition

Year 2011 vs. Year 2010

Income Statement

Consolidated revenues for 2011 was P15.48 billion, which was 0.6% higher compared to 2010 consolidated revenues of P15.392 billion. Strength in the construction and education sectors was offset by unique challenges in automobile sales during the last half of 2011.

Revenues from the sale of services jumped by 25% to end 2011 at P9.462 billion. This compares very favourably to the sales of services in 2010 of P7.597 billion. The major driver of the revenue increase in the sales of services resulted from strong take up of project revenue from EEI Corporation. EEI was very successful in winning new projects for 2011, increasing its domestic and international backlog, and bringing new projects online very quickly.

Revenues from the sale of goods dropped by 30.3%. Automobile peso sales ended 2011 at P4.232 billion, much lower compared to the P6.073 billion in sales for 2010. There were two factors that contributed to the drop in automobile sales. First, the tsunami that hit Japan and the flooding that affected Thailand during the year resulted in a major disruption in the automobile supply chain. Beginning in the second quarter of 2011, our car dealerships found themselves literally running out of stock to sell.

Second, the year on year comparison to 2010 was going to be a significant challenge in the first place. The year 2010 marked a large replacement buying cycle that was driven by significant automobile total losses resulting from Typhoon Ondoy in 2009. There was no similar event in 2011 to further catalyze automobile unit sales.

School-related revenue increased by 8% in 2011. It ended the year at P1.553 billion vs. P1.438 billion in 2010. The strength in school related revenue is directly attributable to higher average student enrolment for 2011 compared to 2010. Also, enrolled students actually took up higher subject loads which contributed to the rise in revenue.

Interest and discounts revenue rose by 9% in 2011, to end the year at P221.3 million vs. P203.9 million in 2010. Leasing revenue from First Malayan Leasing picked up from 2010 as there was higher demand from borrowers.

Dividend income fell by 88% to end 2011 at P9.16 million vs. P79.46 million in 2010. The group exited its investment in Subic Power in 2010, according to the build-operate-transfer (BOT) agreement signed with the Philippine government. Therefore there were no more dividends forthcoming from Subic Power in 2011.

Total gross profit for 2011 was P2.923 billion, or 5.1% higher than the gross profit of P2.781 billion in 2010. The slight increase in gross profit for the year was driven primarily by a big drop in cost of goods sold for 2011, due to the decline in the car dealership's operations.

Cost of services rose by 21.1% to P7.485 billion from P6.180 billion. This was mainly volume driven because EEI had a higher utilization of construction capacity in 2011 vs. 2010.

Cost of goods sold dropped by 30.9%, ending 2011 at P3.917 billion vs. P5.668 billion in 2010. All of this was substantially driven by the decrease in automobile units sold due to factors already discussed earlier.

Cost of schools and related operations finished 2011 at P794.7 million, a 4.4% increase over 2010. The rise of cost of schools and related operations was directly related to the higher enrolment of full-time students, and the higher average subject loads taken by the same students.

General and administrative expenses increased by 12.6% in 2011, rising to P1.906 billion vs. P1.693 billion the previous year. There were three main factors that drove the increase in G&A expense for 2011:

- Personnel expenses rose to P647.4 million from P575.4 million in 2010. This 12.5% increase was driven by the government-mandated minimum wage increase enacted in March of 2011. The cost increase was particularly felt at EEI and in Malayan Colleges Inc. Both companies have a sizable work force.
- EEI shouldered a casualty loss of P88.1 million. This casualty loss arose from an attack by the New People's Army on the EEI work installation at the Taganito Nickel Mine owned and run by Nickel Asia. EEI intends to protect fully its interests by filing the appropriate claims in the proper venue.
- Depreciation and amortization expense rose by 14.6% in 2011, ending the year at P291.0 million vs. P254.6 million. This was driven by EEI's acquisition of heavy construction equipment, transportation and service equipment, and setting up of new worksites due to the large amount of projects in progress.

Other income rose by 26.2% to end 2011 at P669.7 million compared to P530.5 million in 2010. The majority of the increase came from the settlement of outstanding receivables, and a one-time liquidating dividend from one of our portfolio companies.

Interest and finance charges dropped from P369.9 million in 2010 to P324.5 million in 2011. The lower interest charges reflects the lower interest rate environment in 2011. Further, the group focused for most of the year on reducing the negative carry on its borrowings by repaying down loan balances with excess cash.

Overall, pre-tax income rose by 8% to P1.740 billion from P1.609 billion. After provision for taxes on a consolidated basis, 2011 income after tax was P1.35 billion vs. P1.262 billion in 2010, an increase of 7%.

Balance Sheet: Assets

Accounts receivable rose by 19.5% to P3.926 billion in 2011 from P3.284 billion in 2010. This reflects the rise in construction projects taken up by EEI.

The current portion of loans receivable increased to P400.9 million in 2011 from P329.3 million. This reflects higher loan bookings at First Malayan Leasing & Finance Corp.

Costs and estimated earnings in excess of billings on uncompleted contracts rose by 267% in 2011, finishing the year at P1.729 billion vs. P470.9 million in 2010. This dramatic rise emphasizes the health of EEI's pipeline and its take up of project revenue and income.

Inventories dropped from P1.012 billion in 2010 to P656.8 million in 2011, a decrease of 35%. The drop in inventory arose from the lower levels of stock available for sale in the car dealership segment of the group.

Due from related parties decreased from P101.3 million in 2010, to P61.3 million in 2011, a drop of 39%.

Prepaid expenses and other current assets increased to P736 million in 2011 from P492.6 million in 2010, a rise of 49.4%. This was primarily driven by a rise in prepaid expenses, prepaid taxes, and VAT assets.

Investment properties decreased by 13.1% in 2011, ending the year at P328.2 million compared to P377.5 million in 2010. The group was able to dispose of condominium units and land held for sale.

Property, plant, and equipment at cost rose to P3.273 billion in 2011 compared to P2.524 billion in 2010. The majority of the increase was driven by EEI's acquisition of heavy construction equipment, transportation and service equipment, and setting up of new worksites due to the large amount of projects in progress.

Deferred tax assets increased in 2011 to P184.6 million from P154.9 million in 2010. This was caused by higher allowances made for doubtful accounts, and obsolete inventory. Also, the group's unrealized foreign exchange gain in 2010 swung to a foreign exchange loss in 2011, which further increased deferred taxes.

Other noncurrent assets rose in 2011 to P649.1 million from P549.3 million. This was caused by a rise in booked receivables from the EEI Retirement Fund. EEI Corp. sold land to the EEI retirement fund. The EEI retirement fund will pay this obligation over a period of seven years. Also, the HI group implemented a new Oracle financial reporting system, which started in 2011. This increased the investment in higher capitalized computer software across all of the companies within the group.

Total assets in 2011 rose to P20.02 billion from P17.2 billion in 2010, an increase of 16.4%.

Balance Sheet: Liabilities & Equity

Loans payable increased in 2011, to P4.088 billion from P3.436 billion in 2010. EEI increased its borrowings towards the end of 2011 because of new projects coming on-stream. The company had to borrow to fund its project mobilization costs.

Accounts payable and accrued expenses rose by 9.7%, to P3.201 billion in 2011 from P2.917 billion in 2010. The increase was caused by a rise in accrued salaries and wages, along with the withholding taxes payable on those wages. These accrued salaries and wages arose from the outcome of the faculty re-ranking case involving Mapua Institute of Technology and the Faculty Association of the Mapua Institute of Technology (FAMIT). Going forward, the group believes that the liability will decrease materially as the settlement of payments winds down.

The current portion of long-term debt dropped by 36% to P589.4 million in 2011 from P921.9 million in 2010. The group was able to stretch the maturity mix of its outstanding obligations.

Billings in excess of costs and estimated earnings on uncompleted contracts increased by 49% from P1.250 billion in 2010 to P1.862 billion in 2011. This reflects the continued increase in the projects managed by EEI, which are going into production.

Unearned tuition fees rose to P167.7 million from P137.3 million, a gain of 22%. The rise in unearned tuition came from the rise in the number of students taking classes at the Mapua campuses, coupled with the close of the academic period after the financial statements cut-off date.

Income tax payable ended 2011 at P207.8 million, a 65% increase from the 2010 level of P125.8 million.

Due to related parties dropped by 58% to P58.2 million in 2011 from P139.9 million in 2010. The group embarked on an effort to reconcile its intercompany balances in 2011. This was largely successful.

Customer deposits rose to P59.3 million in 2011 from P52.7 million in 2010, an increase of 12.7%. This reflects a rise in the up-front deposits required from EEI customers prior to project mobilization.

Long-term debt increased to P1.322 billion in 2011 from P896.9 million in 2010, a rise of 48%. Long term debt increased because EEI needed more funding to accomplish its long-gestating projects. Also, First Malayan Leasing & Finance Corp. increased its borrowings to be able to build a larger loan book of business.

Lease liability in 2011 was P22.7 million, compared to none in 2010. In 2011, the group entered into finance lease transactions with a third party lessor for the lease of its various construction machineries and equipment.

Accrued retirement liability declined by 11% in 2011, ending the year at P142.2 million compared to P159.9 million in 2010. The rise in the fair value of plan assets, coupled with a reduction in unrecognized actuarial losses, accounted for the decrease.

Total liabilities increased to P11.791 billion in 2011 compared to P10.108 billion in 2010, a rise of 17%.

On the equity portion of the balance sheet, revaluation increment in land rose by 6% to P273.1 million in 2011 from P258.3 million in 2010. This reflects the rise in the appraisal value of the group's property in Quezon City.

Net accumulated unrealized gain on available for sale securities rose to P76 million in 2011, compared to P63.4 million in 2010. This reflects the rise in the market value of the group's publicly-listed available for sale securities.

Total equity, taking into account the group financial results for 2011, rose to P8.228 billion from P7.094 billion in 2010.

Year 2010 vs. Year 2009

Income Statement

Total revenues in 2010 grew by 7%, to P15.31 billion from P14.29 billion in 2009. The sale of services increased by 11% mainly due to improved construction local contracts of EEI. Car Division service income expanded to 40% due to the deluge of repair work brought on by typhoon Ondoy.

Revenue from school and related operations rose by 9%, from P1.29 billion in 2009 to P1.40 billion in 2010 because of the increase in the number of enrolled students. Both the Intramuros Campus and the Laguna campus experienced higher student enrolment. The MCL campus showed a 22% increase in the number of enrolled students.

Proceeds from Subic Power increased dividend income by 56%.

Interest income rose by 17% due to the increase in the loans booked by First Malayan Leasing.

Administrative and general expenses increased by 12%. 2010 net income summed to P1.26 billion or a 31% increase compared to the previous year figure of P0.96 billion.

Balance Sheet: Assets

Cash and Cash Equivalents increased by 16% from P1.78 billion in 2009 to P 2.07 billion in 2010. This increase was driven by higher revenues, improved collections, and the cash dividends received by EEI from ARCC.

Accounts receivable increased by 8% because of higher billed revenues on existing and newly-acquired domestic projects of EEI.

Cost and estimated earnings in excess of billings decreased by 67% or P943.60 million due to completion of various major projects or nearly completed projects like the Singapore Parallel Train Project of Show Stone & Webster Asia, Inc.; the Sunlife Financial Phil. Building; the Acacia Grove Hotel & Condominiums Project of CHMI Hotels & Residences, Inc.; the NAIA Expressway and Skyway Interchange Project of DPWH; and the Mandarin Square Bldg. Project of Manila Tower Corp.

Inventories increased by 31% due to higher inventory levels of construction materials held for various projects EEI. In addition, this inventory increase was driven by higher stock in the car division.

Due from affiliates decreased by 75% due to the settlement of intercompany accounts of EEI and the iPeople inc. group.

Investments in associates and joint ventures increased by 53% mainly due to the increase in investment in the joint venture of EEI with ARCC, an associate of EEI BVI Ltd. HI also invested P222 million in Petroenergy.

Available for sale securities-net of current portion decreased by 18% due to the decrease in market valuation of quoted marketable securities/shares of the parent company and subsidiaries. EEI also disposed some of its investments.

Investment properties increased by 10% because of re-classification of land previously reported under non-current assets held for sale by EEI. This reclassification occurred due to a cancelled sale during the year. EEI also received condominium units as payment for construction project services when the client could not pay in cash.

Loans receivable –net of current portion increased by 14% because of the increase in the loan portfolio of First Malayan Leasing and ZIFC

Balance Sheet: Liabilities & Equity

Loans payable decreased by 8% mainly due to principal repayments and termination of EEI short term loans.

Accounts payable and accrued expenses increased by 21%; from P2.4 billion in 2009 to P2.9 billion in 2010. EEI set up accruals for various on-going domestic projects. Trade receivables also grew because of higher inventory stock acquired by the car division.

The current portion of long-term debt increased by 67% from P551 million in 2009 to P922 million in 2010 due to re-classification of loans of EEI Parent, EEI Realty and EEI Marine from non-current debt to the current portion of long term debt. This reclassification impacted P481 million of the long-term debt.

Billings in excess of estimated earnings decreased by 14% because of the lower receipt of downpayments for the last quarter.

Unearned tuition fees increased by 744% from P16.28 million in 2009 to P137.32 in 2010. This is a timing difference which was caused by the difference in the start of 3rd quarter school calendar. The 2009 3rd quarter school calendar was delayed by a month due to the typhoon and floods resulted from Typhoon Ondoy. The 2010 school year progressed according to its regular schedule.

Income tax payable decreased by 18% mainly due to decrease in taxable income of EEI New Caledonie and the decrease in share in net earnings of ARCC in Saudi Arabia. The decrease was also caused by the application of creditable withholding tax for the year.

Lease liability-current portion dropped due to the full settlement of MCL on its leased property.

Due to related parties increased by 1018% mainly due to income tax paid by ARCC in behalf of EEI-BVI amounting to USD 2.82 million.

Customers' deposit increased by 16% due to a restatement made in 2009 amounting to P31 million. The movement is expected every year since EEI Realty Corporation requires its customers to pay 20% of the total selling price of the property being sold.

Long-term debt-net of current portion decreased by 39% mainly because of reclassification of loans of EEI parent, EEI Realty and EEI Marine from noncurrent to current portion of long term debt.

Preferred stock decreased by 12% due to HI redeeming a portion of the outstanding preferred stock of the parent during the year.

The revaluation increment in land increased by 6%. This is directly related to the higher appraisal value of the land used by Honda Cars Quezon City.

Cumulative translation adjustment decreased by 215% due to the translation adjustment of EEI subsidiaries whose financial statements were stated in USD and Saudi Riyals.

Year 2009 vs. Year 2008

Income Statement

Total consolidated revenues in 2009 decreased by 15% from P16.83 billion in 2008 to P14.28 billion in 2009 mainly because EEI 's slowdown in operations on various projects as consequence of the global crisis and nearly completion of some of its projects.

School and other related operations improved by 11% from P1.16 billion in 2008 to P1.29 billion in 2009 because of the increase in number of enrollees in 2009. Financing and leasing income grew by 26% from P 138 million in 2008 to P174 million in 2009 due to FMLC's increase in loans portfolio.

Dividend income decreased by 56% mainly due to reduction of dividends received from Subic Power which wound down its operations as part of the end of the build-operate-transfer agreement signed with the government..

Cost of sales and services decreased correspondingly with the decreased in construction contracts of EEI. Administrative and general expenses dropped by 3% while interest and financial charges also went down by 5%.

Balance Sheet: Assets

Cash and Cash Equivalents decreased by 13% primarily due to the settlement of MCI on the reranking case filed by the faculty previously, payment of some loans of EEI, non receipt of cash dividends of EEI declared by ARCC amounting P298 million while previous year's declared dividends were received within the year.

Loans receivable pertains to the significant increase in loans granted by FMLC to its customers in 2009 compared to 2008 operations.

Accounts receivable increased by 12% due to increase in billed revenues of EEI from overseas and domestic contracts and projects like Acacia Grove, Globe Asiatique, NAIA IVB and etc., with partial offset on retentions on completed projects.

Inventories decreased by 11% due to reduction of inventory level of EEI and Car Division to minimize overhead cost.

Due from affiliates is attributed mainly due to the dividends receivable of EEI from ARCC amounting to P298.1 million.

Prepaid expenses and other current assets decreased by 26% due to EEI's application of prepaid taxes during the year, expiration of electricity and water deposits on completed projects.

Available for sale securities increased by 12% due to increase in market price per share of HI investment in Benguet Corporation from P6.60 per share in 2008 to P14.50 per share in 2009. Investment property increased by 27% from P270 million in 2008 to P342 million in 2009 due to EEI receipt of condominium units and parking lots as payment from Philtown, Inc. project.

Balance Sheet: Liabilities & Equity

Loans payable pertains to FMLC increase in bank loans and investments of private firms as placements to finance its increasing loan releases.

Accounts payable and accrued expenses decreased by 15% from P2.9 billion in 2008 to P2.4 billion in 2009 due to reduction of MCI accrual on FAMIT reranking case.

Billings in excess of cost and estimated earnings increased by 22% from P1.19 billion in 2008 to P1.45 billion in 2009 primarily due to EEI's receipt of down payment during the last quarter of the year for new projects.

Leased liability decreased by 16% due to MCI's payment to RCBC for the leased land by MCLI to RCBC.

Unearned tuition fees decreased by 85% due to MCI's change in enrollment period.

Due to related parties increased by 94% primarily due to EEI cash advances with related parties and settlement of accounts arising from reimbursement of expenses and administrative service agreements.

Income tax payable declined by 31% due to EEI decrease in taxable income owing to slowdown in activity of EEI New Caledonie and lower bottom line of ARCC in Saudi Arabia.

Long-term debt declined by 12% due to re-classification of accounts from non-current to current portion.

Accrued retirement liability increased by 34% primarily due to MCI's increase in interest expense on retirement liability as a result of higher discount rate in 2008.

Preferred stock decreased by 12% due to HI-parent redemption and conversion of preferred shares during the year. There was no movement on Additional Paid-in capital in 2009.

Revaluation increment in property increased by 6% due MCI and MHSS appraisal increase in land during the year.

Cumulative translation adjustment decreased by 1354% due to EEI translation of its subsidiary's financial statement from USD to PHP.

HCQC Group unit sales for year 2011 achieved only P1.8B (-7% or - P130 MM against budget). This low unit sales performance was due to the twin disasters in 2011: the Japan Earthquake and Tsunami in April and the Thailand floods that totally inundated the Honda Thailand factory from where our Civics, Jazz, CRVs and Accords are produced and where the major parts of the CITY come for HCPI to assemble them in the Philippines). The Japan disaster resulted in two month's supply disruption. What was more tragic was the flooding of our Honda factory in Thailand in the first week of October. This resulted in zero unit production and delivery from October, 2011. The factory was rehabilitated in December and the first unit was produced only on March 25, 2012. The factory was shut down for six months! What sales we were able to generate were from old CRV and Accord inventories in our stock and in HCPI. Unfortunately, these two models are in poor demand as the CRV model is on its last 6 months of existence (new CRV was launched in the USA in February) and the Accord is traditionally a "low volume" seller especially in the face of rising gas prices.

Service Revenues did not fare any better as the reduced new unit sales have direct bearing on the continuity of service intake. Service revenues accounted for P393MM (- 3% or - P7.6MM below Budget). Moreover, Honda Cars QC the largest service intake dealer for the entire Metro Manila area had to undergo severe traffic conditions. An underpass construction project was started in August 2011 by the Department of Public Highways at the intersection of Quezon Avenue and Araneta Avenue. The construction area was right smack in front of the HCQC dealership which reduced intake by 40% as customers avoided our area with a passion. The project is expected to be completed only by December 2012!

With the reduced service intake for the HCQC Group, Parts Revenues also suffered considerably. YE 2011 parts revenues stood at only P101MM (~ 3% or P3.0MM behind budget). We were however fortunate to sell more accessories – which generate better returns as we sold our remaining inventories with a required “accessory package” that forced unit buyers to take the accessories with the vehicle (if they wanted to buy the few remaining Honda vehicles in the market).

Gross Profits on total revenues for the year 2011 amounted to P267MM (-P11MM or – 3% below budget) where the biggest impact came from the reduced gross margins on vehicle sales, as mentioned, due to the lack of inventories arising from the twin tragedies in Japan and Thailand.

On the other hand, all operating expenses were below budget as the whole group made a concerted effort to reduce expenses in the face of the revenue downtrends. We were P5.3MM below our budgeted expenses (or - 2%). Despite the decline in unit sales and service intake, with greater emphasis to push more collateral businesses, we managed to keep Other Income at a high P34MM level for the year and only P0.4MM behind original budget. Also, with no more need for new vehicle purchases in the last three months of the year, we managed to bring our interest expenses P1.5MM below budget

Our resulting Year End results were at a Loss of 12.5MM. This is the first time in the 21 year history of the Honda Cars Quezon City Group that our company ever experienced a loss operation. Surely, the absence of new vehicle inventories for a combined FIVE months (July and August and October, November and December of 2011) plus the adverse impact of the 40% decline in Service intake for HCQC due to the construction project that began in August 2011 – were factors beyond our control. No company can survive the kind of adverse impacts of these events and we are thus faced with this first ever loss results.

HCQC Group ended the year with Total Assets of P676MM (18% or P158MM below budget) primarily as a result of the lower need for vehicle and parts inventories to account for the absence of available cars and the lesser need for stocking parts with the decline in service intake. This is evident from the decline in Inventories to P92MM as compared to last year (P372MM). Trade Receivables also had a dramatic reduction from last year (-P46MM) as our vehicle sales were much lower.

We are anticipating that 2012 will ensure a recovery since Thailand will be on line by March 2012. HCPI received parts from China and Japan in January 2012 to complete assembly of the Honda Citys – so these will be on sale by the Network by February 2012. In the meantime, Japan will produce the Civics and have them available for sale to the Philippine network in March. So, while the first quarter of 2012 will still be a challenge (with limited vehicles for sale) and losses are still expected thru March, 2012, we are confident that the new models that will be launched in 2012 (Civic, City, Jazz and CRV) will provide keen market appeal and will promote better sales and service intake (except for HCQC where the construction project will last thru the end of 2012).

The HONDA CARS QUEZON CITY GROUP (Quezon City/ Manila/ Marikina/ Fairview/ Tandang Sora Service Center) generated Total Revenues of P3.0 billion in 2010 which is 2% (-P74MM) lower than the revenues of 2009. The revenues from unit sales were dramatically and adversely affected by poor vehicle sales. The HCQC Group sold only 2,748 vehicles for 2010 compared to our 3,006 unit sales forecast (-258 units or 9% lower) and also 324 units lower than last year (-11% decline year-on-year). As such Vehicle Sales registered only P2.5 billion, -P221MM or 10% lower than forecast and 6% lower (-P166MM) against 2009 sales. This performance was in parallel to the overall Honda Network unit sales where Honda declined its 2010 sales by 3% (an overall yearly decline of almost 1,500 units). While Honda sales declined, there was a significant increase in the overall Auto Industry vehicle sales by more than 32,000 units (+27%). This situation therefore put severe competitive pressure to the Honda Network that also affected the HCQC Group in its sales effort. The aggressive promotions of our competitors, their newer models, the continued shift of buyers to diesel engine models and the absence of new models for Honda during the year have all contributed to the overall poor Honda vehicle sales in 2010.

The Service and Parts revenues were affected by the reduced vehicle intake for the last quarter of 2009 when dealerships were swamped with inundated units from the Ondoy flood disaster. In that three month period, average intake reduced by some 2,500 units across the five HCQC Dealerships. As such, revenues from general repairs, maintenance and parts sales were severely reduced. Moreover, Honda Cars Marikina suffered significant expenses as the whole Branch was under water and out of business operations for more than three weeks. Several of the company vehicles and most of Marikina Branch equipment were flooded. In both Quezon City and Manila, Management rented outside garage spaces to store the overflow of inundated vehicles delivered by clients for repairs. These meant extra costs for rent, security guards and electricity.

In the meantime, Vehicle sales have also been within forecast and was P120 M better than last year by 5% even though 65% of the car sales were in the City Class (1300 - 1500 cc) which provide the least profit margins for the sales operations.

The Philippine Auto Industry grew by 6% in 2009 - a worthy achievement in the face of the international financial crisis which saw major banks, financial institutions and auto makers experiencing massive losses and bankruptcies. Honda unit sales grew by 20% (almost 3,000 units) from 2008 largely from the 37% growth of car sales as well as the 13% improvement in the Commercial Vehicle (CRV) sector (+200 units).

Buoyed by the better unit sales, the high gross profits from the inundated units repair services and a significant growth in Other Income, the HCQC Group achieved P20.8 M in Net Profits (a commendable 40% improvement from 2008 or P 5.9 M better than last year). This profit performance is in the face of the significant service unit intake declines, lower parts sales and additional expenses incurred arising from the Ondoy tragedy and its effects as well as sales composed mostly of low income models.

In conclusion, Management believes that it has withstood the severe challenges of 2009 as the HCQC Group has risen above the very difficult auto market and financial environment.

For the 2009 Edition of the DEALER OF THE YEAR contest, Honda Cars Quezon City relinquished its three year consecutive win. However, the trophy was retained within the HCQC Group as Honda Cars Manila achieved this singular distinction of Dealer of the Year for 2009. Hence from the start of this program, the HCQC Group has won all four editions.

The program was established to recognize overall competency and successes in HCPI target achievements in Sales, Service, Parts, Customer Relations, Honda Insurance Sales and Finance Operations.

Honda Cars Manila garnered a cash prize of P1,100,000 as champion while three other dealerships of the HCQC Group were DOY Achievers (generated cumulative 12 month scores of 70% or more) and with cash awards of P130,000 each for Quezon City, Marikina and Fairview. Note that only 10 of the 26 Honda franchised dealers scored 70% or better.

Aside from DEALER OF THE YEAR IN 2009, Honda Cars Manila also won: PARTS DEALER OF THE YEAR and SERVICE DEALER OF THE YEAR.

The cumulative 2011 retail sales of the Yuchengco Group of Isuzu Dealerships was down 25% as compared to last year. This was due to the limited supply of units brought about by the twin calamities in 2011 (Japan Tsunami & Thailand Flooding). Our market share went down to 11% from 13% previous year as we decided to focus on selling based on quality rather than quantity to dampen the impact of limited supply of vehicles.

We were able to significantly increase our Finance Income with the introduction of the All-in Promo. This enabled us to give Insurance, Chattle Mortgage Fee & LTO Registration for free using Dealers Incentive we receive from participating banks. This promo reduced our Selling Expense which enabled us to have bigger Gross Profit Margin.

The cumulative 2010 retail sales of the Yuchengco Group of Isuzu Dealerships represented a 13% growth over its 1,262-unit 2009 retail performance, and resulted to a 13% dealer network share of Isuzu Philippines Corporation's (IPC) 2010 10,695 units sold at year's end.

The Yuchengco Group was 1 of 4 business partners which maintained its Isuzu dealer network share in 2010, while the Ayalas, Inteco Group and Davao dealerships sustained drops in their respective sales volume & network performance.

The robust sales of the Isuzu Crosswind, D-MAX & N-Series trucks contributed to more than 90% of the 1,432 units combined sales of Isuzu Manila, Commonwealth & Greenhills, with the balance contributed by the Isuzu Alterra.

Further, the combined sales represented a 94% achievement of the group's pegged business plan for the year in review, outpacing IPC's 89% business plan achievement.

Continuous sales force saturation drives in high traffic areas & inside the showroom, IPC's sales push promos and the positive contribution of new dealer partners in Lucena & Tacloban, all contributed positively to the upbeat selling environment, especially during the 1st half of 2010.

Like the rest of the Isuzu dealers, the YGC Group is looking forward to the introduction of the new I-Van, truck expo, and continuous customer-driven events to support sales push efforts towards the achievement of 2011 sales targets.

Meanwhile, Isuzu Philippines' 2010 sales proved to be the highest since 2006, and is a 16% improvement over its 2009 total sales volume of 9,213 units.

The Isuzu Crosswind continued to be IPC's biggest volume seller, cornering 54% of total sales, while both the Isuzu D-MAX & trucks did 26% & 11%, respectively. The Isuzu Alterra contributed only 9%, the model which was most affected by the strong market performance of competitor SUVs Montero & Tucson.

The Isuzu Group is made up of three (3) dealerships, the main office located in Otis, Manila, another branch in Commonwealth Avenue, Quezon City and a new one in Ortigas Avenue, Greenhills. Isuzu sells commercial vehicles like the Alterra SUV, the Crosswind AUV, the D-Max Pick-ups and the N-Series trucks.

Revenue for Y2009 is P1.337 billion, slightly higher as compared to 2008's revenue of P1.332 billion. The decrease is largely brought about by a 6% drop in Service Revenue. Lesser number of units were brought in for servicing compounded by lower revenue per unit. Unlike in 2008 where the Trooper recall helped increase the average revenue per unit, this year, most customers tended to put their vehicle repairs on hold while prioritizing only those that are really necessary. Likewise, Vehicle Sales was slightly lower in 2009 (1,262 units vs 1,317 units). Isuzu's nationwide sales decreased by 9% while YGC Isuzu decreased only by 4%. On a positive note, there was an increase in market share from 12% in 2008 to 13% in 2009. Parts Revenue of P 20.4 M is 3% higher as compared to that of 2008.

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Financial Discussion and Operation of Subsidiaries

EEL Corporation (EEL)

EEL was established on April 17, 1931 as Engineering Equipment and Supply Company, Inc. EEL was established principally as a trading establishment with exclusive distributorship in the Philippines for manufacturers of industrial equipment, including tools, materials, and machines used by the local gold mining industry.

EEL then diversified its operations into steel fabrication, steel production, and installation of air-conditioning and refrigeration plants. In the 1970's, EEL began its operations in the Middle East, which contributed to a large part of EEL's construction revenues.

EEL has been awarded with two major certificates for quality conformance by international accreditation bodies. The steel fabrication facility in Batangas, together with corresponding support facilities and resources, were duly accredited in 1996 with systems that conform to ISO 9002 standards. Also in 1996, American Society of Mechanical Engineers (ASME) authorized EEL to use the ASME stamp of quality conformance in the fabrication of pressure vessels, pressure piping power boilers, and power boiler assemblies. This made EEL the first Philippine Construction Company to have achieved an ISO 9002 accreditation. In 1998, this accreditation was extended to its entire construction business, including its field prospects and support services.

EEL sustained management initiatives through organization rightsizing and re-focusing of its core construction business to provide the foundation for its eventual recovery. First, EEL enhanced its customer focus, emphasizing on the changing and more demanding needs and requirements of the market. Consequently, EEL transformed its value position as a total solutions provider. EEL expanded its customer base to include the institutional market such as universities, hospitals, and local government, which are growing at a faster rate than the national economy. Second, consistent with being customer-driven, EEL is gearing towards service excellence. It reinforced the business processes to always ensure the world-class caliber of operations and systems. A key initiative has been the ISO 9002 certification, which was successfully obtained. EEL is the only construction company to have been awarded this prestigious recognition in design and engineering in the country. Third, EEL adopted the global best practice standards to ensure that it can efficiently compete in the price-sensitive, yet highly competitive market in terms of project capacity, processes, and execution.

EEL has faithfully contributed to the economic development of the country through the quality products it has sold and the countless structures and facilities it has built through eight decades.

On September 15, 2003, the SEC approved EEL's plan of quasi-reorganization eliminating the accumulated deficit as of December 31, 2002 amounting to P145.9 million by applying a portion of EEL's revaluation increment in land of the same amount. In January 2004, the SEC approved EEL's plan to undergo quasi-reorganization to wipe out its deficit as of October 31, 2003 amounting to P586.7 million against the remaining revaluation increment of P590.5 million.

For two years in a row, the Philippine GDP slowed down, from 7.1% in 2007 to 3.8% in 2008 and to 0.9% in 2009, as the effects of the global recession continued to impact on the manufacturing sector, capital expansion, and most especially exports.

The construction sector contracted from 7.8% in 2008 to 5.8% in 2009. As far as expenditure is concerned, construction spending in the public sector expanded from negative growth in 2008 to 15.7% in 2009, while the trend in private sector spending reversed, from 8.2% growth in 2008 to a contraction of -4.2% in 2009.

Exports contracted by -14.2% in 2009, much larger than the -1.9% contraction the year before, owing to the sluggish demand in the West. The trade balance was -5.8% compared to a 2.4% growth in 2008. In addition, the country was hit by a series of typhoons that created a big dent to the economy.

A decrease in domestic construction activity was manifested in the latter part of 2008 as a result of the global recession, and continued to persist all throughout the first half of 2009. However, projects started to push in the second semester such that new projects valued at P5.20 billion was awarded to the Company, a more-than two-fold increase compared to the P2.19 billion won in 2008. Overseas projects, however, experienced a decline, from P9.57 billion the previous year to P7.96 billion in 2009.

Domestic orders backlog was booked at P5.98 billion, a hefty 60% increase from the P3.73 billion as of the end of 2008. The backlog of overseas projects, on the other hand, stands at P9.88 billion at yearend of 2009 from the P14.75 billion the previous year or a 33% decline.

EEl and subsidiaries manpower complement peaked at 16,557 personnel who were deployed in projects in Qatar, New Caledonia, Saudi Arabia, in the Batangas Steel Fabrication Shop, and in various projects all over the Philippines. As of December, 2009, 68% of the total work force is assigned overseas.

The Company's joint venture, Al Rushaid Constructions Company Ltd. (ARCC) located in the Kingdom of Saudi Arabia (KSA), completed in October, 2009 the contract packages for Eastern Petrochemical Company also known as the *Sharq Third Expansion Project* worth US\$350 million. This project logged 42 million manhours without lost time due to accident, the highest ever achieved by ARCC in a single project.

In 2009, ARCC was awarded by JGC Arabia a package subcontract involving civil and mechanical works worth US\$173 million for the *National Chevron Phillips (NCP) Ethylene Plant North Plot Project* in Jubail Industrial City, KSA. This project is expected to be completed towards the third quarter of 2011.

Other projects of ARCC that comprise part of the backlog for 2010 are the *Southern Area Flare System Upgrade Project* for Saudi Aramco, which involves the replacement of flare tips in 28 Gas Oil Separation Plants to environmentally sound, smokeless flare tips; the *Shuqaiq II Independent Water Power Plant Project* of the Shuqaiq Water Electric Company under Mitsubishi Heavy Industries (MHI); and the *Qurayyah Power Plant Project* of Saudi Electricity Co., also under MHI. All these projects are in the KSA.

In the fourth quarter of 2009, ARCC setup a pipe spool fabrication plant in Jubail, KSA to cater to the strong demand for pipe spools in the Saudi Arabian market and also to supply the requirements of neighboring countries. The plant is equipped with state of the art machinery and is capable of producing 1,500 dia-inches a day.

Another ongoing overseas project of EEl is the US\$12 million *Qatargas 3 & 4 Onshore Project* for GAMA Qatar Company WLL under the Chiyoda-Technip Joint Venture. This project involves pipe erection works of inlet facilities which covers electro-mechanical works for utilities, offsite and off-plot areas, and is expected to be completed towards the end of 2010.

EEl is also providing construction services for overseas clients in its ISO 9001certified Steel Fabrication Plant located in Sta. Maria, Bauan, Batangas. In-progress is the package for the fabrication of Piperack Modules for Shaw Stone Webster Asia Inc. worth Sing \$57 million for the *Singapore Parallel Train (SPT) Olefins Recovery Project* at Jurong Island Singapore being built for Exxon Mobil Chemical Asia Pacific.

In the domestic scene, in 2009, EEI completed Packages 4A and 4B of the *Ninoy Aquino International Airport (NAIA) 3 Nichols Skyway Interchange Project* for the Department of Public Works and Highways (DPWH); *Phase 1 of the GA Skysuites* in Quezon City for Globe Asiatique; and, the structural fabrication works, mechanical and electrical works for the *Biscom Sugar Refinery Plant* of the Chan group in Negros.

For the period in review, The Company acquired and is undertaking *Phase 2 of the GA Skysuites Project* in Quezon City of Globe Asiatique Realty Holdings Development Corporation; the *NAIA 3 Nichols Skyway Interchange Project, Package 4C* of Department of Public Works and Highways; refurbishment and performance improvement works on the *Electrostatic Precipitator of Boiler Unit #1 of American Energy Service (AES) – Masinloc Power Partners Co. Ltd.* in Zambales; the *Princeton Residences Project* of SM Development Corporation; the *Sunlife Financial Philippines Headquarters Project* of Sunlife of Canada; *SM 2ECom Building Project* of SM Land Incorporated; *Acacia Grove Hotel and Condominiums Project* of CHMI Hotels and Residences, Inc.; and the *BSP Pampanga Branch Building* of the Bangko Sentral ng Pilipinas.

Still currently under construction are the 39-storey *Mandarin Square Building* of Manila Tower Corporation, which promises to be one of the tallest buildings in the Binondo district; the *Beacon Tower 1* of New Pacific Resources Management, Inc.; the prestigious 60-storey twin-tower *St. Francis Shang Towers* of Kuok Properties which promises to be the tallest buildings in the country when completed; *One Serendra, Phase 2B* and *Two Serendra CII Phase 2B*, both for Ayala Group in Fort Bonifacio District, Taguig City. Likewise, the Company is undertaking the P2.84 billion joint venture project with Hanjin Heavy Industries & Construction Co. Ltd. (Hanjin) for the construction of *Berth 6 of the Manila International Container Terminal* of Philippine global port operator International Container Terminal Services Inc. (ICTSI).

Experts believe that a global rebound is underway and that the Philippine economy is expected to grow by about 3% to 4% in 2010 anchored on an expected recovery of both the industry and services sectors. Public spending is expected to rise and overseas workers will still play an important role in the development and recovery.

The recovery may be felt as orders from domestic operations are expected to increase in 2010. However, there is an expected decrease of orders in KSA but inroads have been made and other foreign jobs outside the Kingdom of Saudi Arabia might begin to trickle in.

The Middle East market is expected to remain robust though, and the Company's presence in the region, coupled with its safety and quality records and its experience in the oil, gas and petrochemical industries makes management optimistic of its medium-term prospects.

The Company will continue to bank on its reputation in electro-mechanical construction and hope to land some subcontract projects in the oil & gas and mining industries from global Engineering, Procurement and Construction (EPC) Companies.

Management will continue to strengthen its programs and install systems to improve its human resource management, supply chain management, productivity and quality management and its safety and overall risk management system.

In 2011, EEI Corporation and Subsidiaries (collectively referred to as the Group) once again surpassed its target and declared a net income of P=740.52 million, 13% higher than its 2010 net income of P=657.17 million.

Despite the overall contraction of the construction sector in 2011, the Group's revenues from construction contracts increased by 17%, which was fueled by private sector. The momentum of growth of the domestic construction sector in 2010 was sustained in 2011 and allowed the Company to win 61% more local construction contracts.

The total consolidated revenues of the Group increased by 27% from P=6.89 billion in 2010 to P=8.78 billion in 2011 – a substantial improvement compared to the 10% increase of the previous year. Significantly contributing to the increase was the P=2.43 billion worth of services rendered in 2011, which was 75% higher than the 2010 results.

Operations in Singapore and New Caledonia continued its robust growth and brought in P=1.92 billion in revenue.

Being main sources of Services revenue, Singapore and New Caledonia operations, on average, employed 912 personnel.

In 2011, local revenues inched closer against its foreign counterpart due to the increase in local projects. Majority of the local projects are still Buildings, with Infrastructure and PetroChemical projects having its fair share of revenue as compared to the previous years. Majority of foreign revenues came from the KSA, Singapore and New Caledonia.

The Group's foreign operations contributed revenues of P=12.18 billion, a 39% increase compared to 2010's revenues. Business activities of the ARCC kept its steady pace. Several significant projects ended during the year but these were replaced by other new projects.

Consolidated interest income registered at P=52.92 million and though this was 23% lower than that of 2010, the 152% increase in consolidated other income during the year more than made up for it, coming in at P=295.95 million. Contributing to this was EEI BVI's share on the recoveries of previously written-off receivables from ARCC's related parties amounting to US\$2.13 million or P=91.32 million. Other notable additions to the consolidated other income were the reversal of certain payables of EEI that are outstanding for more than five years amounting to P=61.51 million and the gain of P=45.21 million on the sale of land in Pasig City by ECMI.

The consolidated costs of construction contracts increased by 25%, a higher rate compared to the 17% increase in the consolidated revenues generated, as costs of raw materials steadily increased during the year. The consolidated costs of services, however, increased by only 55%, much lower than the 75% increase in consolidated revenue.

Consolidated costs were generally well contained as it increased by 29% which matches well with the 27% increase in consolidated revenues.

Consolidated selling and administrative expenses increased by 7%, from P=734.36 million in 2010 to P=786.79 million in 2011. The increase in projects and the needs of expansion necessitated additional personnel and office development. Interest expenses on both short term and long term debts were significantly reduced, owing to the reduced interest rate environment and focused management of loans and investments.

For the year in review, EEI finished the following projects which had been on-going when the year started: the *Acacia Grove Hotel and Condominiums* of CHMI Hotels and Residences, Inc. in Muntinlupa City; the *Sunlife Financial Philippines Headquarters* of Sunlife of Canada (Philippines), Inc. in Fort Bonifacio District, Taguig City; *Beacon Tower 1* of New Pacific Resources Management, Inc. in Makati; *Additional Atmospheric Facilities Storage* for Petron Corporation in Bataan; and *NAIA 3 Nichols Skyway Interchange Package IV-C* for the Department of Public Works and Highways.

The Company also finished construction of the *Bangko Sentral ng Pilipinas Branch* in Zamboanga, which was awarded in 2011 and completed in before the end of the year.

For the year in review, aside from the *Bangko Sentral ng Pilipinas Branches* in Zamboanga, EEI also won the contracts to construct the *Bangko Sentral ng Pilipinas Branches* in Tacloban and Roxas Cities; the *8 Forbestown Project* of Megaworld Corporation in the Fort Bonifacio District, Taguig City; *Sun Residences Tower 2* in Quezon City, the *Wind Residences Tower 3* in Tagaytay City, and the *Mezza II Residences* in Sta. Mesa, Manila, all of SM Development Corporation (SMDC); the *Clipp Center Project* of Clipp Manchenson Holdings, Inc.; the *Admiral Bay Suites Project* of Admiral Realty Company, Inc.; Contract Package 2 of the *Communication, Navigation, and Surveillance/Air Traffic Management (CNS/ATM) Systems Development* of the Department of Transportation and Communication under Sumitomo Corporation; Civil and building works for ISBL area for the construction of *JG Summit Naptha Cracker Project* for Daelim Philippines Inc.; the *New Fly Ash Conveying and Storage Plant* for Team Energy Corporation's Pagbilao coal-fired power plant; the Engineering, Procurement and Construction package for the *20 Megawatt Maibarara Geothermal Power Plant between Batangas and Laguna* for Petroenergy Resources Corporation; and the construction of an additional Benzene Tank for *Additional Atmospheric Facilities Storage* for Petron Corporation in Bataan. These contracts have an aggregate value of P=11.75 billion.

The Company is still working on the following projects which were won prior to 2011: *RCBC Savings Bank and Corporate Center* in the Fort Bonifacio District, Taguig City; the *Sun Residences Tower 1* and the *Princeton Residences Project* in Quezon City, and the *Wind Residences Towers 1 & 2* in Tagaytay City, of SMDC; the *Beacon Tower 2* of New Pacific Resources Management, Inc. in Makati City; the *One Central Building* of Megaworld Corporation in Makati City; *SM 2ECom Building Project* of SM Land Inc. in Pasay City; the *Anchor Skysuites* of Gotamco Realty in Binondo, Manila; and the *Taganito Nickel Mining Plant* of Nickel Asia under the JGC-Chiyoda joint venture in Surigao. The Company is still constructing the *Berth 6 of the Manila International Container Terminal*

under a joint venture project with Hanjin Heavy Industries & Construction Co., Ltd. for the Philippine global port operator International Container Terminal Services, Inc. As of December 31, 2011, the total remaining backlog of all these contracts amounted to P=11.29 billion.

Overseas, Al Rushaid Construction Company (ARCC), EEI's 49% owned entity in the Kingdom of Saudi Arabia (KSA) completed the *Qurayyah Power Plant* of Saudi Electricity Co. under Mitsubishi Heavy Industries but was awarded the *Samco Acrylic Project* under Samsung and the *Steel Making Plant and Water Treatment Plant of Hadeed Saudi Iron and Steel Company* under Industrial Beteiligung Services and Contracting (Inbesco), a subsidiary of Danieli, a steel company in Italy.

The other ongoing projects of ARCC as of the end of 2011 include the additional works for the *Southern Area Flare System Upgrade Project* for Saudi Aramco; the *National Chevron Phillips Ethylene Plant North Plot Project* under JGC Arabia; the *Saudi Aramco Manifa Project* in Manifa, KSA also under JGC Arabia; and the *Saudi Aramco Mobil Refinery (SAMREF) Clean Fuels Project* under Worley Parsons. The total backlog in Saudi Arabia Projects amounted to P=9.88 billion as of December 31, 2011.

Outside the KSA, EEI is still doing the carry-over works for the assembly of the *Piperack Modules for Exxon Mobil Chemical Asia Pacific* under Shaw Stone & Webster Asia, Inc. (SWAI), for the Singapore Parallel Train Olefins Recovery Project at Jurong Island, Singapore; and the additional works for the *Inco Goro Nickel Mining Project* in New Caledonia. The remaining workable portions of these overseas contracts amounted to P=0.79 billion as of December 31, 2011.

Domestic construction was already in the path of recovery in the first semester of 2010 which followed through strongly in the second half of the year. For the year in review, the Company was awarded domestic projects worth P7.76 billion, a 37.3% improvement over the P5.65 billion awarded in 2009. Overseas projects, on the other hand, had not yet picked up in the first half of 2010 from the slowdown in 2009. However, this changed in the second semester and at yearend, awarded foreign projects registered P10.88 billion in 2010, 19.4% higher than the P9.11 billion that was won in 2009.

In 2010, EEI continued to develop innovative methodologies and approaches in the construction of buildings and infrastructure projects. Steps had been taken in acquiring Design and Build capabilities in selected types of projects and this initiative was met with some degree of success.

Domestic orders backlog as of December 31, 2010 was booked at P7.98 billion, a 36.9% increase from the P5.83 billion as of the end of 2009. The backlog of overseas projects, on the other hand, stood at P18.61 billion at yearend of 2010 from the P9.88 billion which is an 88.4% increase over the previous year.

As planned, EEI strengthened its presence in other parts of the globe outside the Middle East. The Company was able to register offices in Guam and Singapore and was in fact successful in acquiring a project in Singapore involving the carry-over-works for the Singapore Parallel Train Olefins Recovery Project under Shaw Stone Webster Asia. The process of establishing presence in other countries had been started as well, which may come into fruition in the next one or two years.

Recruitment and training of manpower was a priority strategic thrust during the year. The intention was to build up manpower to complement the ramp up in overall workforce to match the projected requirements, both in the domestic and overseas markets.

EEI's average manpower complement in 2010 was 15,519 personnel per month, deployed in overseas projects in Qatar, New Caledonia, Saudi Arabia, in the Batangas Steel Fabrication Shop, and in various projects all over the Philippines. On a monthly average, 58% of the total work force were deployed overseas.

The Company still capitalized on its presence in the Middle East, particularly the Kingdom of Saudi Arabia. In 2010, ARCC completed the *Shuqaiq II Independent Water Power Plant Project* of the Shuqaiq Water Electric Company under Mitsubishi Heavy Industries.

As far as new projects are concerned, for the year in review, ARCC was awarded by JGC Arabia a package worth US\$152 million for the *Saudi Aramco's Manifa Project* in Manifa, KSA. This project, when completed, is designed to increase petroleum output in response to the increasing world energy demand.

Other projects of ARCC in Saudi Arabia that comprise the backlog for 2011 are additional works for the *Southern Area Flare System Upgrade Project* for Saudi Aramco, which is expected to be completed by the end of the year; the *Qurayyah Power Plant Project* of Saudi Electricity Co., under Mitsubishi Heavy Industries; the *National Chevron Phillips (NCP) Ethylene Plant North Plot Project* under JGC Arabia; and, the *Saudi Aramco Mobil Refinery (SAMREF) Clean Fuels Project* under Worley Parsons.

Outside the Kingdom of Saudi Arabia, during the year, the Company completed the works for the Inlet Facilities of the Qatargas LNG Project in Qatar.

The Company was successful in implementing its plan to increase production capacity and improve productivity at the Steel Fabrication Division plant in Bauan, Batangas through the purchase of new machinery and improvement and enhancement of the Plant's capabilities.

During the year, the Steel Fabrication Division completed the assembly of Piperack Modules under Shaw Stone Webster Asia, Inc. for the Singapore Parallel Train Olefins Recovery Project at Jurong Island, Singapore being built for Exxon Mobil Chemical Asia Pacific.

Shortly after the completion of the Piperack Modules, Shaw Stone Webster Asia requested EEI to do carry over works related to the assembly of these modules in Singapore. Other ongoing overseas projects of EEI are the additional works for the Inco Goro Nickel Mining Project in New Caledonia.

In the domestic scene, EEI completed the refurbishment and performance improvement works on the *Electrostatic Precipitator of Boiler Unit #1 of American Energy Service (AES) – Masinloc Power Partners Co. Ltd.* in Zambales; the 39-storey *Mandarin Square Building* of Manila Tower Corporation; the 60-storey twin-tower *St. Francis Shang Towers* of the Shang Grand Tower Corporation; the *Bangko Sentral ng Pilipinas branch building* in Pampanga; and the *Phoenix Semiconductor Philippines*, a semiconductor manufacturing plant in Clark Freeport Zone, Pampanga of Humantech Korea Corporation, which was awarded in 2010 and completed in 6 months.

For the period in review, the Company acquired and is undertaking *RCBC Savings Bank and Corporate Center* in the Fort Bonifacio District, Taguig City; *Sun Residences Towers 1* of SM Development Corporation; the *Beacon Tower 2* of New Pacific Resources Management, Inc.; the *One Central Building* of Megaworld Corporation in Makati City, *Wind Residences Towers 1 & 2*, also of SM Development Corporation; the *Anchor Skysuites* of Gotamco Realty; the *Taganito Nickel Mining Project* under the JGC Chiyoda joint venture; and, the *Communication, Navigation, and Surveillance/Air Traffic Management (CNS/ATM) Systems Development* of the Department of Transportation and Communication under Sumitomo Corporation.

Still currently under construction are, the *Beacon Tower 1* of New Pacific Resources Management, Inc.; *Package 4C* of the *NAIA 3 Nichols Skyway Interchange Project*, of Department of Public Works and Highways; the *Princeton Residences Project* of SM Development Corporation; the *Sunlife Financial Philippines Headquarters Project* of Sunlife of Canada; *SM 2ECom Building Project* of SM Land Incorporated; *Acacia Grove Hotel and Condominiums Project* of CHMI Hotels and Residences, Inc.; *One Serendra, Phase 2B* and *Two Serendra CII Phase 2B*, both for Ayala Group in Fort Bonifacio District, Taguig City.

The Company is still constructing the P2.84 billion joint venture project with Hanjin Heavy Industries & Construction Co. Ltd. for the construction of *Berth 6 of the Manila International Container Terminal* of Philippine global port operator International Container Terminal Services Inc.

SUBSIDIARIES

Equipment Engineers, Incorporated

Following a record breaking year in 2010, EE turned in another solid, though slightly tempered performance in 2011.

Concerted and unrelenting marketing efforts aimed at establishing CETCO waterproofing products as the preferred brand for industrial and residential applications have started to bear fruit. Combined with the steady local private high-rise construction activity that prevailed in 2011, sales of waterproofing products more than doubled compared to 2010 performance. Programs to establish CETCO's environmental liner product for sanitary landfills have likewise started to gain momentum and is expected to provide future growth.

The demand for power that typically accompanies industrial development likewise benefitted EE which quadrupled its sales of AMETEK power instruments and equipment to electric distribution utilities as well as to the national grid.

UPP fuelling products witnessed a momentous change of ownership as founder and incumbent owner Petrotechnik of the UK was purchased lock-stock-and-barrel by Franklin Electric, USA. EE was pleased to have been retained as Philippine distributor by the new stewards in recognition of its outstanding long-term performance of growing UPP's local business with prospects to let EE handle other choice lines in the near future. Volumes from this line were steady as the pace of gasoline station expansion by the oil majors took a breather from the previous year's breakneck pace.

Revenues from sales of BTI rock breaking equipment to the mining industry, ABUS overhead cranes and TAC/Schneider building management systems experienced declines from the previous year's figures, but these were more than offset by improved volumes from Manitowoc cranes, Gehl skidloaders, and other construction equipment.

Net income hit P=40.41 million on total revenues of P=244.35 million. The earnings figure is lower by 21% compared 2010 as this year's bottomline benefitted only slightly from the tailend of the Department of Health (DOH) fire protection project, the impact of which was a major reason for last year's stellar performance

Robustly recovering from the economic doldrums of 2009, Equipment Engineers, Inc. (EE) rebounded with a record setting year in 2010.

Buoyed by unprecedented sales of UPP fuelling products, and the fire safety and protection systems project with the Department of Health (DOH), net income after tax shot up to P51.09 million, EE's highest ever. This figure exceeded by 645.1% the earnings attained in 2009.

A very active gasoline retailing industry with many players desiring to increase gas service stations, coupled with EE's responsive supply chain and inventory management strategies boosted earnings from UPP fuel pipes and other components to a record three-and-a-half times over the 2009 figure.

As a result, earnings from the core industrial trading business grew almost 80%, sufficient in itself in leading EE to its banner performance.

As forecasted in last year's report, the DOH project, involving 25 government hospitals from Tuguegarao, Cagayan up north to Davao City down south, was also a significant contributor to revenues in 2010. Owing to satisfactory performance, EE obtained an additional contract from the DOH for its hospital in Tagum, Davao Del Norte. Together with the remainder of the current job, the DOH project will continue to support performance in 2011.

During the year, major orders for CETCO bentonite waterproofing materials (Voltex and Waterstop) were served, directly or via dealers, for various property developments of SM Development, Filinvest Land, DMCI Homes, Ayala Land, Rockwell Land, Robinsons's Land, Sunlife Financial, Zuellig, and Asian Hospital. Bentomat liners were also ordered for the sanitary landfill projects of IPM Contruction.

Other major orders served were BTI rock-breaking equipment for Philex Mining; Ametek power recording instruments for Meralco and National Grid Corporation of the Philippines (NGCP),

The rosy petroleum industry scenario is expected to prevail and positively bolster EE's short to medium term business. This and other existing trading markets will be vigorously defended through consistent intense coverage, aggressive supply management, and sustained dealer network build-up.

EE shall unrelentingly push growth of newly acquired principal lines and acquisition of more trading products. More importantly, it shall purposively identify and develop businesses that will move EE into new horizons and spur realization of its long term growth vision.

EEI Power Corporation

The year 2011 saw EEI Power in a transition and investment mode more than anything else.

In pursuit of its vision to be a recognized player in power generation, EEI Power expended substantial energies into development of projects that would bring this objective slowly but surely into fruition. Identifying target projects and technologies, hiring necessary staff, negotiating with potential energy offtakers and venture partners, and locating appropriate equipment occupied management attention and company resources.

These business development activities for the year culminated in the clinching of a contract to supply the Davao Del Norte Electric Cooperative (DANECO) its peaking power requirements on a long term basis. Involving the establishment of a 15MW Bunker-fired power plant in Tagum City, this facility is expected to come onstream by the last quarter of 2012 after all the requisite government (national and local) clearances and permits have been hurdled.

Power services and electrical contracting made notable strides as projects with Nestle Philippines, San Miguel Yamamura Asia Corporation, Puregold Price Club Inc., King Energy Generation Inc., and the National Grid Corporation of the Philippines thru TBEA Shenyang Transformer were clinched during the year. However, the relatively low contract volumes plus research and development investments in developing power generation projects weighed heavily on annual financial performance as the Company ended the year with a net loss of P=7.79 million.

The market for power plant and equipment services continued to be a challenge for EEI Power (EEIPC) in 2010.

Revenues were slightly higher as the company garnered some successes in developing and establishing its electrical contracting capabilities and presence, and promising new customers were obtained. Margins, however, remained constrained by competitive pressures. Higher selling expenses plus the absence of one-time gain from the sale, installation and commissioning of the Company's 1-MW power plant which buttressed last year's financial performance led to a net loss of P5.55 million in 2010.

Supply contracts and service jobs were completed during the year for Lorenzo Shipping, Herma Shipyard, San Miguel Yamamura Asia, San Miguel Yamamura Packaging, Nestle Philippines, NPC Alliance, Isabela La Suerte and Catanduanes Power Generation, a first time customer. Supply engagements with Puregold Price Club, another promising new account, were successfully obtained for the genset requirements of its various supermarket locations in Metro Manila and nearby provinces.

Towards the year-end, a major service job was clinched with Dole Philippines through Phil-Nippon Kyoei for the design, engineering, project management, testing and commissioning of the former's new 5.2MW power plant situated at its Polomolok, South Cotabato complex.

Another major project was closed with EEI Corporation to supply, install, test and commission a 2 MVA substation in its fabrication shop in Batangas. These engagements provided encouraging momentum and support the build up of the company's electrical contracting expertise and revenue stream entering into 2011.

Long term sustainable growth however will emanate from realizing EEI Power's strategic vision of a major presence in the industry's generation sector. Development of renewable energy projects, particularly mini-hydropower, are underway and in various stages of completion. Clean coal technology will likewise be aggressively explored to take advantage of ideal sites already owned by

the group and leverage the scale economies it provides. Organizational realignments and beefing up of management ranks and manpower competencies shall be purposively implemented, all in pursuit of this strategic growth vision to be a recognized player in energy generation.

EEL Construction and Marine Incorporated

ECMI delivered another outstanding after-tax earning results of P=73.46 million in 2011 after take-up of P=45.21 million gain on sale of land in Pasig City, 187% higher than the P=25.60 million net income earned in 2010. Revenues generated last year increased to P=361.46 million, 76% higher compared with the previous year's figure of P=205.26 million.

Major projects done during the year involved fabrication and repairs of various types of tanks, of various capacities for the major oil companies such as Petron Corporation, Chevron, Phoenix Philippines, Inc., Total Philippines Corporation, Himmel Industries, Inc., and Team Energy through EEL.

Noteworthy in 2010 was its acquisition of 21,000 square meter lot at Silang Cavite where its Bagong Ilog Pasig Shop was transferred and now operates at full capacity for underground tank fabrication and various structural steel works

EEL Construction and Marine, Inc. (ECMI) generated gross revenues of P205.26 million in 2010, slightly higher than the P204.09 million generated in 2009. Gross contribution however, decreased by 8.1% compared to the production level in 2009 resulting in a 9% decrease in net income of P25.60 million compared to the P28.14 million earned in 2009.

The company, with its expertise in underground/aboveground tank fabrication, took on the production of 265 units of various capacities underground tanks for Petron Corporation and 22 underground tanks for Phoenix Petroleum Philippines, Inc.

ECMI also affirmed its leadership in construction of various types of tanks for oil and chemical companies as well as repair and rehabilitation of Depots. Among the major clients that ECMI served during the year in review are Petron Corporation, Chevron, Pilipinas Shell Petroleum Corporation, Phoenix Petroleum Philippines, Inc., Himmel Industries Inc., Asian Chemical Corp., and Universal Harvesters, Inc. through EEL Corporation.

ECMI also undertook the fabrication and installation of 876 meters of 8-inch diameter cargo lines for aviation, automotive diesel and motor oil gasoline at the Calaca, Batangas Depot for Phoenix Petroleum Philippines, Inc; and did the major renovation of the ground floor canteen at the Pandacan depot of Pilipinas Shell Petroleum Corporation.

During the year, ECMI expanded and acquired a 21,000 m2 lot in Barangay Biga, Silang Cavite where it relocated its Fabrication Shop. ECMI is optimistic that with its new shop, it can increase the fabrication capacity and will be able to participate in large scale fabrication works.

Prospects for next year remain promising because of a healthy backlog position. The company will continue to serve its existing clients in the Petroleum and Chemical Industries as it sees expansion in these sectors in 2011. ECMI also intends to expand its market coverage to other oil companies, food, beverage, and chemical industries.

EEL Realty Corporation

In 2011, ERC continued to register significant sales volumes and revenues from its Suburbia East project in Marikina City. There were a total of twenty five housing units in Suburbia East that were sold for the year that by the year's end, there were only 22 units remaining unsold out of Suburbia East's total inventory of 465 units.

ERC registered gross sales of P=101.73 million in 2011, 23% lower than the previous year. This resulted in a net income after tax of P11.01 million, a 22% decrease from that of the previous year.

Since its inception in 2002 up till the end of 2011, the Suburbia East project in Marikina City recorded cumulative sales and reservations totaling P=1.0 billion. In 2011, twenty five housing units were completed and turned-over to their respective new owners with a total value of P=94.20 million.

At the Ayala-Greenfield Estates, one lot was sold during 2011, leaving only one developed lot remaining unsold.

At the Tanza, Cavite property, lot sales from the joint venture project with Cottonwood Realty Corporation, The Royal Parks at Grosvenor Place, totaled P=2.45 million.

ERC also rendered property management services for EEI Corporation in leasing out condominium units at Kingswood Condominium in Makati and Robinsons Place Residences in Ermita, Manila and managing the turnover to EEI of seventeen condominium units at Fairways Tower, Fort Bonifacio District, Taguig City and Manggahan Village, Pasig City. In 2011, ERC arranged the sale of a condominium unit at Fairways Tower for P=15.3 million.

In 2010, EEI Realty Corporation (ERC) registered a marked improvement in its marketing and financial performance over the previous year. ERC registered sales of P132.53 million in 2010, representing a 31.5% increase over the previous year. This resulted in a Net Income of P14.03 million, a 53.77% increase from 2009 performance.

At yearend of 2010, ERC's Suburbia East project in Marikina City recorded cumulative sales and reservations of P942 million. Twenty-nine housing units with a total value of over P75 million were completed and turned over to their respective new owners. At the start of 2011, eleven housing units worth P24.5 million were still under construction. Site development works for Suburbia East Phase 3 was substantially completed with more than 95% complete by year-end.

Sales of the remaining 41 housing units in Suburbia East are expected to make up the major portion of EEI Realty Corporation's revenues in 2011.

Two of the Ayala-Greenfield Estates lots were sold for P 9.7 million in 2010 leaving one developed lot valued at P4.96 million remaining.

Lot sales of the Tanza, Cavite property in the joint venture project with Cottonwood Realty Corporation, The Royal Parks at Grosvenor Place, totaled P2.45 million. ERC expects to sell more than 80 lots under this project in 2011.

ERC also rendered property management services for EEI Corporation in leasing out condominium units at Kingswood Condominium in Makati and Robinsons Place Residences in Ermita, Manila and managing the turn-over of fifteen condominium units at Fairways Tower, Ft. Bonifacio and Manggahan Village, Pasig City.

Gulf Asia International Corporation (GAIC)
GAIC Manpower Services, Incorporated (GAMSI)
Gulf Asia International Corporation (GAIC),

The GAIC Group – composed of Gulf Asia International Corporation (GAIC) and GAIC Manpower Services, Inc. (GAMSI) and GAIC Professional Services, Inc. (GAPSI) – posted a consolidated net income of P=21.32 million in 2011, 9% increase from the P19.54 million posted in 2010.

GAIC's net income increased from P=2.90 million in 2010 to P=3.69 million in 2011. There was a cash dividend in the amount of P=15.00 million from GAMSI given on the same year. Newly acquired clients include those from Qatar and KSA contributing additional revenues amounting to P=0.7 million in 2011. In addition, revenues from the in house account for EEI projects increased by 45% from P=13.33 million in 2010 to P=19.38 million in 2011 (7,011 men). GAIC's also deployed additional manpower to traditional clients include those from Middle East,

Mongolia, Equatorial Guinea, Zambia, Australia, Singapore and Malaysia.

GAMSI's net income, increased from P=16.51 million in 2010 to P=17.58 million in 2011 despite the non renewal of contracts of some of its major clients. While the YGC Member companies are still its major customers, GAMSI was able to acquire new janitorial & allied service contracts and building maintenance service

contracts which produced a substantial gain in net revenue and fine performance of its outside accounts for

EEI Corp. manpower service contracting subsidiary, registered a consolidated net income of P19.54 million in 2010, a 29.2% drop from the previous year's income of P27.60 million.

GAIC's net income declined from P13.41 million to P2.90 million in 2010, mainly due to the lingering effects of the global financial crisis in major labor markets like Canada, Australia, New Zealand, USA and Europe. Revenues from the in-house account or EEI projects also fell by 53.3 % from P28.57 million to P13.33 million.

Major revenues of GAIC came from its traditional accounts in Libya, Saudi Arabia, UAE and Malaysia. There were new clients acquired for projects in Singapore, Oman and Qatar. Substantial revenues were also generated from deployment of workers to various EEI projects

GAIC Manpower services Inc. (GAMSI) – a domestic manpower supply subsidiary – was the significant contributor to the consolidated net income for the year. GAMSI registered notable results in net earnings for 2010 amounting to P16.51 million or a 12.5% increase compared to previous year's earnings of P14.67 million despite losing some major accounts during the year.

New janitorial services, building maintenance services and facilities management contracts were acquired during the year which resulted in the outstanding performance of GAIC, particularly for its outside accounts.

GAIC therefore looks forward to a continued profitability in 2011. It is expected that the global labor market will continue to offer employment opportunities for Filipino workers, particularly skilled and professionals, in various industries in the next 5 to 10 years. Thus, GAIC anticipates increased activities in its traditional markets.

There are indications that some markets affected by the global crisis like Australia, Singapore and Dubai are showing signs of recovery. Guam will need workers for the construction of the US Naval base and for various renovation projects as well.

GAIC will also pursue the supply of Nurses and other healthcare personnel as part of its expansion program. For stronger market penetration and wider coverage, GAIC will continue to improve its marketing activities.

GAMSI is also expected to improve its financial performance in 2011 as it plans to establish offices in Southern Philippines, particularly in Cebu, Bacolod, Cagayan de Oro and Davao to expand market coverage. GAMSI will also explore new business opportunities such as courier services, pest control services, trading business and franchising business

iPeople, inc. – iPeople, formerly Petrofields, was involved in oil exploration and production business. iPeople generated a substantial portion of its revenues from the West Linapacan oilfield. However, due to the fact that it was not financially viable, the oilfield shut down its operations. The high risk involved in oil exploration made the Management decide to restructure iPeople. The capital restructuring was successfully carried out in 1999 by transferring all of its oil assets to PetroEnergy Resources Corporation in exchange for the latter's shares of stock.

Petrofields, now iPeople, acquired MCI on December 21, 1999. iPeople has drawn a general program, which includes improvement of the academic program, institution of a comprehensive faculty

development program, advancement of Information Technology and upgrading of school facilities and construction of new buildings.

iPeople ventured into the New Economy as a holding company and was underscored with the change of the company name from Petrofields Corporation to iPeople. The new name reflects the intent to develop both human resource and technology that provide profitable business opportunities in the Information Age. The first strategic step along this new course was the acquisition of MCI.

With the change of its primary purpose, iPeople's main interests are centered on education and information technology led by Malayan Colleges, Inc. (Operating under the name Mapua Information Technology Center (MITC), Pan Pacific Computer Center, Inc. (PPCC), and People eServe Corporation. The operations of Mapua are divided among the following companies: Mapua Information Technology Center (MITC), Mapua Techserv, Inc. (Mapua Techserv), San Lorenzo Ruiz Institute of Health and Sciences, Inc., Malayan High School of Sciences (formerly Pandacan Properties, Inc.) (MHSSI), and Malayan Colleges Laguna, Inc (MCLI) led by a Mapua School of Engineering.

Established in 1925, MCI is a recognized leader in engineering and architecture education in the Philippines. Beginning in December 1999, under the stewardship of the Yuchengco Group of Companies (YGC), MCI has seen renewed vigor in its curricular, faculty, facilities and institutional development programs.

In June 2000, barely six months after the transfer of ownership, MCI added the BS Computer Science degree to its academic offerings. Within the year, a state-of-the-art electronic network connecting some 1,800 computers was set up "at internet speed".

In 2001, MCI added BS Information Technology and BS Information Management to its roster of program offerings. It started to offer MS Geoinformatics and MS Environmental Engineering.

It created two wholly owned subsidiaries: Mapua Techserv, which is MCI's arm for engineering consultancy and testing services and the Mapua Information Technology Center (MITC), which is the vehicle for the two-year associate degree programs, short courses and various business ventures in Information Technology (IT).

In 2002, MCI instituted the undergraduate programs in Materials Science and Engineering, Geological Engineering and Geology. It was granted "Fully Deregulated Status" by the Commission on Higher Education (CHED). It established a campus in Makati, which has become the home of all of its IT academic programs and of MITC. In this year too, MCI successfully pioneered the adoption of the quarter system of education.

In 2003, MCI instituted the BS Biotechnology program with double-degree and triple-degree options combining Chemistry and Chemical Engineering. It also instituted the MS Computer Science program. The process of ABET Certification of Substantial Equivalency was started with the application of the EE, ECE, and CoE programs for Certification. In this year, MCI was granted "Fully Autonomous" status by the CHED.

MITC is a wholly owned subsidiary of MCI. Established in 2001, it is committed to the development of intellectual capital through IT education, innovation, and collaboration. The synergy of MITC's Associate Degree (AD) Program, Technology Oriented Program (TOP) and Business Resource Center (BRC) creates an effective environment for the development of highly skilled IT professionals and the creation of cutting-edge IT applications and services.

The AD offers 2-year courses for college-level students, as well as professionals desirous of additional credentials, in any of the following IT disciplines:

- Information Systems
- Management Systems Technology
- Internet & Network Technology
- Digital Arts and Design

Offerings are geared towards developing skills with high industry demand. Students can obtain industry certifications in technologies like Java and Cisco. Students are assigned to reputable companies for their on-the-job training to ensure hands-on application of the curriculum.

The TOP caters to professionals, fresh graduates or even students seeking to enhance their IT and business competencies within a short timeframe. As with all MITC offerings, TOP courses are pursued in cooperation with the best offerings in the industry.

People eServe is a wholly owned subsidiary of iPeople, inc., incorporated last July 17, 2001 as an IT company. It was reorganized in July 1, 2002 to venture into specific IT projects, which include providing PC maintenance services, reselling IT equipment, and marketing various products and services developed by MCI. In 2004, People eServe focused on expanding its business in IT equipment maintenance and IT equipment reselling.

In support of its expansion programs, People eServe filed for the increase of its authorized capital stock from P1.0 million to P5.0 million in 2004. This was approved by the Securities and Exchange Commission on December 21, 2004.

PPCCI was incorporated on May 15, 1970. PPCCI started as the Electronic Data Processing (EDP) unit of Pan Malayan Management and Investment Corp. It rendered IT services to Great Pacific Life Assurance Corp. (Grepalife), Malayan Insurance, Industrial Finance Corp. and Diner's Club. In 1970, this EDP unit spun off into an independent company. For the past years, its paramount purpose is to provide IT support to Grepalife and Pacific Plans.

iPeople had three subsidiaries namely: MCI, PPCC, and People eServe Corporation, and MCI is in the field of education. PPCC is a provider of consolidated IT services to the YGC and other external clients. People eServe is engaged in personal computer (PC) maintenance services and PC reselling operations. IEWorks is engaged in business software development, internet application development, and IT staffing services.

iPeople has no principal product, which contributes 10% or more to sales or revenues other than the educational services of Malayan College Inc.

2009 was a very rewarding year for the Institute's freshmen recruitment campaign. The total numbers of applicants, examinees, qualifiers and enrollees for AY 2009-2010 are the highest compared with those of the past four academic years.

For 2011, the Office of Scholarship and Financial Assistance of MIT tied-up with various private companies/organizations/entities for additional scholarships.

| 2011-2012 SCHOLARSHIPS FROM PRIVATE SPONSORS | | |
|---|-------------------------------|-------------------------------|
| <i>(as of December 08, 2011)</i> | | |
| List of Companies | 1st Quarter recipients | 2nd Quarter recipients |
| Aboltiz Equity Ventures | 1 | 1 |
| Advance Contact Solutions (ACS) ** inactive | 0 | 0 |
| Airlift Asia Inc. (AAI) | 2 | 1 |
| Alliance of Philippine Partners in Enterprise Development Inc.(APPEND) ** inactive | 0 | 0 |
| Analog Devices Inc. | 3 | 2 |
| AVCH Foundation ** inactive | 0 | 0 |

| | | |
|---|-----------|-----------|
| AY Foundation | 8 | 8 |
| DCK Guam (new 2011) | 0 | 0 |
| FASAE Social Education Foundation ** <i>inactive</i> | 0 | 0 |
| Flour Daniel ** <i>inactive</i> | 0 | 0 |
| Fujitsu Philippines | 2 | 0 |
| Germaine Gochioco Foundation (GGF) | 1 | 1 |
| Lexmark Scholarship ** <i>inactive</i> | 0 | 0 |
| Megaworld Foundation | 16 | 16 |
| MERCK Inc. Philippines | 1 | 0 |
| Mines and GeoSciences Bureau | 1 | 2 |
| Modair Manila Co. LTD. Inc. | 8 | 4 |
| Petron Scholarship (new 2011) | 15 | 15 |
| Philippines Australia Human Resource Development(PAREEP) ** <i>inactive</i> | 0 | 0 |
| Phinma Foundation | 1 | 1 |
| SGV Foundation | 1 | 1 |
| Texas Instrument (TI) ** <i>inactive</i> | 0 | 0 |
| Total: 22 Private Sponsors | 60 | 52 |

| 2011-2012 SCHOLARSHIPS FROM PRIVATE ENTITIES (as of December 8) | | |
|---|-------------------------------|-------------------------------|
| List of Alumni Sponsors | 1st Quarter recipients | 2nd Quarter recipients |
| Guinhawa Scholarship Foundation | 13 | 13 |
| Hawaii Association of Mapua Alumni (HAMA) | 0 | 0 |
| Lauro A. Limuaco | 0 | 0 |
| Mapua Alumni Association of Eastern USA (MAAEUSA) | 4 | 2 |
| Mapua Alumni Association of San Diego (MAASD) | 1 | 1 |
| Mapua Alumni Association-Alberta Chapter (MAAAC) | 1 | 0 |
| MIT Che-CHM Alumni Association (MITCCAA) | 0 | 0 |
| MIT Filipino Chinese Alumni Association Scholarship (MITCPAA) | 0 | 0 |
| NAMA | 0 | 0 |
| NAMA- British Columbia Scholarship (NAMA-BC) | 1 | 1 |
| Oddfellows Honor Society Scholarship (OHSS) | 0 | 0 |
| Southern California MAPUA Alumni Scholarship (SCMA) | 3 | 2 |
| Texas Association of Mapua Alumni Scholarship (TAMA) | 0 | 0 |
| Total: 13 Private Entities | 23 | 19 |

2011 Provincial Testing Centers

The final number of examinees in the provincial testing centers for the year 2011 has been tallied, including the examinees from the new testing centers. The Office of Admissions was able to increase it by 22.5%, 829 examinees for Batch 2012 versus 677 examinees for 2011.

2011 Middle East Campaign

The Office of Admissions was able to achieve a 19.8% increase in the number of examinees for its Middle East campaign in 2011. Admissions managed to process a total of 362 examinees for Batch 2012 versus 303 for Batch 2011.

2011 Freshmen Survey Result

The Office of Admissions conducted a survey among the freshmen of Batch 2011 to get their overall profile. A total of 3,653 freshmen answered the survey, which was conducted from April to May 2011.

The result of the survey is presented below.

*Reasons for Enrolling in Mapúa

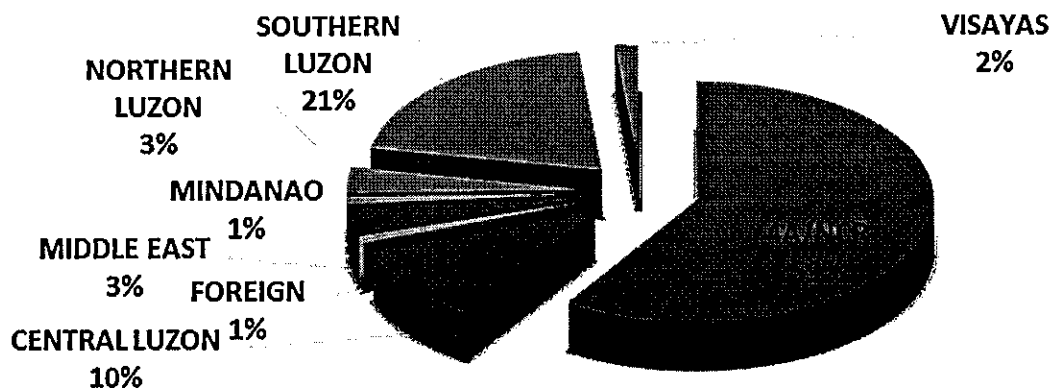
| Reasons for Enrolling in Mapúa | Count | % |
|---|-------|-------|
| Mapúa has good reputation | 2,779 | 76.07 |
| Mapúa is the best school that offers my preferred program | 2,614 | 71.56 |
| Mapúa graduates are very competitive | 2,009 | 55.00 |
| Mapúa has excellent facilities and services | 1,645 | 45.03 |
| Mapúa offers the Quarter System | 1,467 | 40.16 |
| My parents/guardians encouraged me to apply in Mapúa | 1,357 | 37.15 |
| Mapúa has ABET accredited programs | 1,288 | 35.36 |
| I have a friend/s studying in Mapúa | 688 | 18.29 |
| Mapúa is near my place of residence | 321 | 8.79 |

**Respondents could click multiple answers as their reasons for enrolling in Mapúa. Admissions was able to gather a total 14,168 answers from 3,653 freshmen respondents.*

2011 Freshmen Applicant Statistics per Region: Summary

| Summary | (%) Total Number of Applicants for Batch 2011 |
|-------------------------|---|
| Region 1 | 1.94% |
| Region 2 | 1.27% |
| Region 3 | 11.59% |
| Region 4 | 18.34% |
| Region 4 A/NCR | 58.90% |
| Region 5 | 1.89% |
| Region 6 | 0.63% |
| Region 7 | 0.06% |
| Region 8 | 0.50% |
| Region 9 | 0.18% |
| Region 10 | 0.18% |
| Region 11 | 0.28% |
| Region 12 | 0.08% |
| Middle East | 3.62% |
| Other Foreign Countries | 0.54% |
| Total | 100% |

2011 Freshmen Enrolees Based on Geography



The Cardinal Excellence Awards 2011

The faculty and administration of MIT gathered together in Makati campus last September 9 for the Cardinal Excellence Awards 2011. The ceremony aimed to recognize the awards and achievements of the faculty members, non-teaching employees, officers and students, including all co-curricular honors related to academics.

A total of 121 certificates of recognition were given to 105 persevering student and faculty awardees. The awardees are the following:

- 31 President's listers of the 3rd and 4th quarters of academic year 2010–2011.
- 63 student awardees and advisers who participated in different local and international competitions.

- 11 faculty members who have recently earned their doctorate and those who have been lauded for their outstanding research works.

14th Mapua Institutional Research Colloquium

Mapua, through the Office for Research Promotion and Coordination (ORPC), geared up for the 14th Institutional Research Colloquium, last October 12 at the Intramuros Campus Seminar and Audio-Visual Room.

With the theme "*Promoting Intellectual Property Rights (IPR) Awareness*," the ORPC oriented the faculty and administration on patents, copyrights, and trademarks as it envisions on becoming an IPR-centered institution. Keynote speakers from the Bureau of Trademarks of the Intellectual Property Rights Office (IPO-Phil) Atty. Andrew Michael S. Ong, Deputy Director General, Atty. Louie Andrew C. Calvario, Attorney VI Office of the Director General, and Atty. Jesus Antonio Z. Ros, Intellectual Property Rights Specialist V, discussed the fundamentals of IPR.

Aside from the discussion, the event also showcased the presentations of research papers from various departments of the Institute.

2011 Mapua In-Campus Recruitment

In 2011, Mapua organized a total of 47 in-campus recruitment and other in-house career-related activities and assisted 3 companies for their upcoming student conferences & leadership training program.

List of assisted companies for their student conferences & leadership training program in 2011:

- JGC Philippines, Inc. – Conference Learning Session
Dusit Thani Hotel, Makati City
August 9, 2011
- Aboitiz Group of Companies – Aboitiz Group of Companies
6th Future Leaders Business Summit
Cebu City
August 19-20, 2011
- Nestle Philippines, Inc. - Nestle's 3rd Management Immersion for Leadership Excellence (MILE) Program

International Accreditation

The Final Accreditation Statements from ABET were received for five additional engineering programs (**CE, EnSE, CHE, IE and ME**) plus two computing programs (**CS and IT**) of Mapua on August 19, 2011. The engineering programs are accredited from October 1, 2008 to September 30, 2016 while the computing programs are accredited from October 1, 2008 to September 30, 2013.

The shorter accreditation period for the computing programs is based on perceived weaknesses that have to be resolved by 2013. There will be a review by 2013 although there need not be a visit.

Since the release of Accreditation Action last August, engineering programs continue with their assessment and evaluation processes while IT programs started working on their Interim Report as required by ABET for submission in 2012.

With the recent accreditation, Mapua now has a total of 10 ABET accredited programs to date.

| Program | School | Date of Evaluation/Visit | Status |
|---------|---------|--------------------------|------------|
| EE | EECE | Oct. 25-27, 2009 | Accredited |
| ECE | EECE | Oct. 25-27, 2009 | Accredited |
| CpE | EECE | Oct. 25-27, 2009 | Accredited |
| CS | SOIT | Oct. 27-29, 2010 | Accredited |
| IT | SOIT | Oct. 27-29, 2010 | Accredited |
| IE | IE | Nov. 21-24, 2010 | Accredited |
| CHE | CHE-Chm | Nov. 21-24, 2010 | Accredited |
| CE | CE-EnSE | Nov. 21-24, 2010 | Accredited |
| EnSE | CE-EnSE | Nov. 21-24, 2010 | Accredited |
| ME | ME | Nov. 21-24, 2010 | Accredited |

Local Accreditation

The ME and CHE programs were visited by PACUCOA accreditors last October 24-25, 2011 for Level II 4th RA of BSME and BSChE. Mapua is now waiting for the release of Chairman's Report and Accreditation Certificate for the said programs.

Meanwhile, the AB and BS Psychology programs are currently complying with the recommendations of the PACUCO consultants for its Candidate Status Accreditation application. The schedule of accreditation visit is yet to be scheduled by PACUCOA sometime in 2012.

For the BS Nursing accreditation, the Continuous Quality Improvement Office (CQIO) is still waiting for the Chairman's Report and Accreditation Certificate which will be released soon.

| Accredited by the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) | |
|---|---------------------------|
| Program | Level |
| Nursing | Candidate Status |
| Psychology | Candidate Status |
| Computer Science | Level I Status |
| Information Technology | |
| Materials Science and Engineering | |
| Architecture | |
| Chemistry | |
| Mechanical Engineering | Level II 3rd Reaccredited |
| Chemical Engineering | |
| Industrial Engineering | Level III Reaccredited |
| Electrical Engineering | |
| Computer Engineering | |
| Electronics Engineering | |
| Environmental and Sanitary Engineering | |
| Civil Engineering | Level IV Accredited |

Centers of Development

As of 2011, 8 programs of Mapua are recognized as CHED Centers of Development plus 2 programs recommended for extension. This achievement was brought about by the high degree and level of standards along the areas of instruction, research and extension of the Institution.

| Program | School | Recognition | Date Recognized | Valid Until |
|--------------------------------|---------|-------------|-----------------|-------------|
| IT (Recommended for Extension) | SOIT | COD | Mar. 23, 2007 | Mar. 2010 |
| CS (Recommended for Extension) | SOIT | COD | Mar. 23, 2007 | Mar. 2010 |
| ECE | EECE | COD | Dec. 21, 2009 | Dec. 2012 |
| CpE | EECE | COD | Dec. 21, 2009 | Dec. 2012 |
| EE | EECE | COD | Nov. 5, 2010 | Nov. 2013 |
| ME | ME | COD | Nov. 5, 2010 | Nov. 2013 |
| IE | IE | COD | Nov. 5, 2010 | Nov. 2013 |
| CE | CE-EnSE | COD | Nov. 5, 2010 | Nov. 2013 |
| EnSE | CE-EnSE | COD | Nov. 5, 2010 | Nov. 2013 |

Significant Awards and Achievements

Mapua Shines in AdSpeak 2011

Students of the Mapua once again displayed their talent and creativity in the advertising realm by winning in the AdSpeak 2011, the annual student's competition on values advertising.

In the Public Service Advertisement division, Mark Pedyson de Leon, a 4th year, Multimedia Arts and Sciences student, won in both print and campaign category. His entry *"Thirst"* won Best Print Values Advertising Award, while another entry, *"Unmasked,"* garnered 2nd runner-up on Values Advertising Awards and 2nd runner-up, Students' Choice Awards in the print category. His *"Nature Sense"* also

gained the student delegates' nod of approval when it won the 2nd runner-up, Students' Choice Award for the campaign category.

In addition, first time AdSpeak Congress participants Oscar Ronald Morales, Jasian Thomas Betia, and Kim Harvey Lopez, all 4th year, Multimedia Arts and Sciences students, won 2nd place, Student's Choice Award in the TV Ad category with their entry "*Ang Pinoy Ay...*" The AdSpeak result was posted in The Philippine Star on March 10, 2010.

Mapua ECE Bags the Second Place in Ateneo Interface 2011

Gerand Boy Elizano (ECE-5), Rimson Junio (ECE-3) and Abigail Reyes (ECE-5) placed second on the Annual Interface Competition sponsored by SMART and the Ateneo Electronics and Computer Engineering Society (AECES) of the Ateneo de Manila University last January 29, beating nearly 15 ECE schools in Metro Manila.

The competition is an annual event with an Amazing Race format testing the physical, mental and logical skills of students in Math, Physics, Chemistry, Programming, Electronics and Communications. The Mapua ECE team was awarded with medals, certificate of recognition and P5000 cash prize. Engrs. Marloun Sejera and Glenn Avendano mentored as coaches.

TIP-Manila was declared as the overall champion and UP-Diliman landed third. Mapua was sixth during last year's Interface competition.

Mapua's Team Siklab Bags the Top Spot in the RP leg of Bosch Cordless Race

Mapua ruled the inaugural Philippine leg of the Bosch Cordless Races at the Boomland Kart Track, CCP Complex in Pasay City on May 14, 2011.

Mapua's contestants, collectively known as Team Siklab, emerged with the best time in the three-round time trial event, besting out seven other teams/schools in the stop here of this Asia-wide competition that also includes legs in Thailand, Malaysia, China and Korea. Team Siklab survived the early wheel problems to come from behind and slip past the University of the Philippines ME Drill Drivers.

In the third and final leg of the competition, Mapua, with Ken Erick Noval at the helm and in a kart with 12-inch diameter wheels -- smallest of all the entries -- the Muralla-based team edged out then-leading group University of the Philippines for the lead in the last 250 meters to seize the victory.

Team Siklab wove its way through the 650-meter Boomland course in the final leg in 58.374 seconds, six seconds faster over the UP ME Drill Drivers at 1:04.79. Running third was the University of San Carlos Cebu who clocked 1:07.86 in the final.

For winning the event, Team Siklab, which also includes Jerick Apetrrior, Jermaine Lompitac and Justin David Villegas as members and John Judilla and Jaylord Jaoud as advisers, also got the top prize of P100,000 cash and the right to represent the country at the Bosch Cordless Races Asian Championships held in Beijing, China last August. Team Siklab was joined by the UP ME Drill Drivers. Apart from being the overall winner, Team Siklab also got an additional P5,000 for best kart design.

For the Philippine leg of the competition, teams were tasked to build race karts from the ground up with the help of Bosch's cordless lithium-ion power tools. The power tools pioneer provided each team with six cordless tools to use to build their vehicles apart from the P100,000 budget allotted by the company for each participant teams. The design and materials used for the race karts were completely up to the competing schools.

Mapua Student Clinches the 3rd Place in the ASME 2011 Arthur L. Williston Award

Engr. Jericho Paolo O. Rivera, the 2009-2010 ASME Mapua Student Section President, and his team sealed the 3rd Place in the 2011 Arthur L. Williston Award contest for the paper titled "*Design and Construction of a Fuel-efficient Vehicle for the Shell Eco-Marathon Asia 2010 Prototype Category.*"

The Arthur L. Williston Award is an honor given to senior student design projects that benefit society at large. Established in 1954, the award is presented annually by ASME to the student engineer or recent graduate who authors the best acceptable paper in the area of civic service. A contestant must be an ASME student member or member who received a baccalaureate degree not more than two years before the deadline date for submission of papers. In 1987, the award was expanded to recognize second and third place papers.

Engr. Rivera received an honorarium amounting to \$250 plus the prestigious Williston certificate.

Cardinal Singers Shine in Hong Kong Youth and Children's Choral Festival

Mapua's Cardinal Singers has once again proved their world-class calibre by winning the hearts of the international judges in the Hong Kong Youth and Children's Choral Festival last July 17-22, 2011 held at the Hong Kong Cultural Center and Hong Kong City Hall.

The official resident choir of MIT bagged the Silver Prize in the Youth Choir Category and Gold Prize in the Folklore Category. The Cardinal Singers also obtained a Gold Diploma for its Overall Performance. Cardinal Singers was the only Philippine school to join the competition. The only other Philippine entry was the Mandaue Children's Choir, a choral group based in Mandaue City. The Cardinal Singers received diplomas, certificates and trophy for their achievements.

More than 50 choral groups from Thailand, Indonesia, Taiwan and other Asian countries competed during the event.

Shell Eco-Marathon 2011

Despite an earlier problem detected with the braking system, Mapua's Team Amihan still managed to pin the 18th spot out of the 33 teams in the Prototype Internal Combustion category during the Shell Eco Marathon Asia 2011 held in Sepang International Circuit, Kuala Lumpur, Malaysia on July 6-10, 2011. On the gasoline category, Mapua ranked 12th out of 25.

Team Amihan successfully ended with a fuel consumption of 186km/l, which brought the team to the 18th spot. Team Grigio of Don Bosco Technical College ranked 45th with fuel consumption of 93km/l. Meanwhile, TIP and UST have experienced technical difficulties come the actual competition despite passing the initial technical inspection. The runs of the two schools were declared to be invalid due to the problems encountered with their entries.

Thailand's Team Luk Jao Mae Khlong Prapa emerged the overall winner under the Prototype category, with a new record of 2,213.4 kilometers on a liter of ethanol.

UP's Team Kidlat ranked 5th among the 19 participants in the Urban Concept under the Internal Combustion category. The UP team also received the Urban Concept - Diesel Award. Mapua's Team Habagat failed to perform in the Urban Concept category because of a number of technical problems.

Aside from the awards obtained from the Prototype category, Team Amihan also bagged the 1st Runner Up in the Safety Award given by the event organizer for their outstanding safety practices, which have been enhanced by extensive seminars and training provided by Pilipinas Shell.

A total 81 teams from 10 different countries had participated in the Shell Eco Marathon Asia 2011.

MALAYAN COLLEGES LAGUNA

On its 4th year of operation, Malayan Colleges Laguna has become a major player in tertiary education in the region. With a solid 3,500 student enrollees, 18 baccalaureate and diploma programs, 224 competent employees, and an excellent performance of the first batch of graduates in Business and IT, MCL has re-shaped the landscape of higher learning in Region IV-A.

Student Enrollment

The 1st Term of School Year 2011-2012 registered a total of 3,529 enrolled students, about 88% of the maximum capacity of 4,000 students. The Mapua Institute of Technology at Laguna, MCL's College of Engineering, had the highest enrollment with 1,538 students (44% of the total enrollment). The highest number of enrollees in a single program was the B.S. Electronics Engineering again under the College of Engineering with 372 students.

MCL started offering one-year diploma programs in Digital Arts and Design (DAD) and in Culinary Arts in June 2011. A total of 90 students enrolled in the DAD program in its first term of offering which is a huge number for a non-baccalaureate program.

Recognition and Certification

In 2011, 14 of the 16 baccalaureate programs of MCL were already granted government recognition from the Commission of Higher Education (CHED). The remaining 2 programs, B.S. in Marine Engineering and B.S. in Marine Transportation, both under the Mapúa-PTC College of Maritime Education and Training (CMET), is up for CHED visit in April 2011. MCL is also working its way for TESDA recognition of the diploma programs in Digital Arts and Design and in Culinary Arts.

MCL successfully passed the annual ISO 9001:2008 and Maritime Academy certifications audits from Det Norske Veritas (DNV) with no major or minor non-conformities. In 2011, MCL started preparing for PACUCOA and ABET accreditations of its engineering and IT programs.

Student Achievements

MCL Team had taken the ground of National Non-Academic and Academic Competitions, and never failing to be in the spirit of competency by displaying the true principle of excellence and virtue, evidently through the following competitions:

- MCL Mare Student Francis Daelo gets a Certificate of High Distinction for the Senior (Year 12) Division in the 2010 Philippine-Australian Mathematics Competition.
- The two students – Nicetus Torres and Gener Miralles from the Mapua-PTC-CMET bagged the first and second places in the Philippine Statistics Quiz provincial level held last October 21, 2011, at San Pablo City.
- MITL ARENA: 3rd place during the Executives' Challenge VII, An Inter-Collegiate Engineering Science Quiz Contest; 4th place CpE Challenge 2012: Inter-Scholastic Quiz Bowl; 7th place Quiz show during the 9th PIEE National Student Congress Quiz Show, and 7th place Philippine Institute of Chemical Engineers (PICHE) Quiz Bowl
- President Benigno Aquino III presented the Gold Prize and Most Popular Video awards to the MMA Students' "Idol Ko si Rizal" Video in a National Video Competition
- "Munting Alay" has been awarded as the Audience Choice Award-Winner for the 180 Microcinema Festival's 2012 Narrative Cycle

MCL Team would continue to strive and will not waiver from competition to competition.

First Batch of Graduates

| Program | No. of Graduates |
|------------------------------------|------------------|
| BS Hotel and Restaurant Management | 52 |
| BS Information Technology | 13 |
| BS Entrepreneurship | 13 |
| Total no. of graduates | 78 |

What Lies Ahead

MCL looks forward to 2012 with its first batch of graduates in Engineering and Accountancy programs. These graduates are expected to take their respective Government Licensure Examinations starting November 2012.

People eServe Corporation

People eServe is a hardware reselling company which predominantly carries IBM, Lenovo, Apple, Sony, Hewlett Packard, Dell, Toshiba and "white box" (more commonly referred to as clones) models specifically configured for its customers' needs.

People eServe directly competes with other sellers such as Villman, PC Corner, Octagon, Phildata, Infoworks Inc. and Paramount Computer System Inc.

Since 2002, People eServe has steadily grown its maintenance contracts in pc's, printers, ATM maintenance, and UPS maintenance.

Its reselling arm expanded its portfolio of I.T. products and developed specific consolidation programs for both its corporate and consumer markets.

Last year, People eServe (thru consumer outlets in the bookstore and technology centers in Malayan Colleges Laguna and the Malayan High School of Science) started expanding its client base.

| | <u>AY 2009-2010</u> | <u>AY 2008-2009</u> | <u>AY 2007-2008</u> | <u>AY 2006-2007</u> | <u>AY 2005-2006</u> |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Applicants | 9,020 (+22%) | 7,375 | 6,135 | 5,252 | 6,466 |
| Applicants who took the exam | 8,760 (+23%) | 7,111 | 5,926 | - | - |
| Qualifiers | 7,466 (+26%) | 5,921 | 5,270 | 4,275 | 5,344 |
| Enrolled | 3,897 (+28%) | 3,035 | 2,692 | 2,171 | 2,674 |

In line with the goal to upgrade and develop further Mapua's research capability, more graduate programs have been instituted throughout the years. Last December 4, 2009, the Mapua Board of Trustees approved the offering of the following graduate programs:

1. Master of Science in Chemical Engineering
2. Doctor of Philosophy in Chemical Engineering
3. Doctor of Philosophy in Materials Science and Engineering

Accreditation Board for Engineering and Technology (ABET) Inc., the recognized accreditor for college and university programs in applied science, computing, engineering, and technology in the US, visited Mapua last October 25-27, 2009. Dr. R. Allen Miller, Professor Emeritus from the Ohio State University led the team that evaluated Mapua. Engr. David S. Corchran and Dr. K.S.P. Kumar joined the team as program evaluators. ABET evaluated the Institute's Computer Engineering, Electrical Engineering and Electronics and Communications Engineering programs-making Mapua as the only Higher Education Institute (HEI)in the Philippines to be visited by ABET.

Engr. Corchran, the program evaluator for Computer Engineering, is an Engineer at Maxtor Corporation and a graduate from Stanford University. Engr. Kumar, program evaluator for Electrical Engineering plus Electronics and Communications Engineering, is a Professor at University of Minnesota-Minneapolis and a graduate from Purdue University at West Lafayette. They have a wide experience in accreditation processes including 6 years of being a program evaluator or observer.

The three-day ABET accreditation visit ended successfully.. Based on the evaluators' statement during the exit interview, Mapua is assured of at least two years of accreditation. It still could possibly get 6 years. ABET is expected to formalize the results of the 2009 visit after ABET's Annual Meeting by mid-2010. This development will make Mapua as the second Institute in South East Asia, and the first in the Philippines, to receive ABET accreditation.

PACUCOA awarded the Level IV accreditation to Mapua's Civil Engineering program. The Institute was visited by PACUCOA Commissioners headed by their Chairman, Dr. Rosita Navarro, last January 30, 2009. Mapua is now the first school to receive PACUCOA Level IV status in Engineering. As of end 2009, Mapua has the highest number of PACUCOA Level III engineering programs.

| Program | Level |
|--|-----------------------------|
| Civil Engineering | Level IV |
| Electronics and Communications Engineering | Level III RA* |
| Environmental and Sanitary Engineering | Level III RA |
| Industrial Engineering | Level III RA |
| Electrical Engineering | Level III RA |
| Computer Engineering | Level III RA |
| Mechanical Engineering | Level II 3 rd RA |
| Chemical Engineering | Level II 3 rd RA |
| Architecture | Candidate |
| Materials Science and Engineering | Candidate |
| Information Technology | Candidate |
| Computer Science | Candidate |

*Re-accreditation

In 2009, Mapua produced 1,492 Baccalaureate degree graduates, 60 Master's degree graduates and 17 BS-MS graduates. A total of 35 BS, and 23 MS graduates received Latin Honors. 19 graduated as Gold Medalists, 14 as silver medalists and 61 as Dean's awardees.

The Commission on Higher Education CHED has again recognized the Institute's exemplary performance in the trilogy of functions of higher education institutions, namely: instruction, research, and public service by renewing the Autonomous Status of Mapua Institute of Technology from 2009 to 2014. Institutional autonomy means that Mapua is considered as independent and self-determining as regards the aspects and general administration of its educational programs or courses. It makes the Institute eligible to receive certain incentives and grants from CHED.

As a result of the demonstrated high degree and level of standards along the areas of instruction, research and extension, Mapua's Electronics Engineering and Computer Engineering programs were recognized by the Commission on Higher Education as Centers of Development last December 2009. Last 2007, Mapua's Computer Science and Information Technology programs likewise received the same honor. Centers of Development will receive funding from the government for student and faculty scholarships, faculty development, library and laboratory upgrading, research and extension services.

Mapúa Institute of Technology emerged as the winner of the 2009 Ateneo Business IT Solutions Competition (ABITSC) held last December 5, 2009 at the UP-Ayala Land Technohub hosted by the Ateneo Management Information Systems Association (MISA).

The Mapúa team won after presenting the best business IT solutions to a corporate problem. They advanced to the finals together with participants from UP-Diliman, Ateneo, and De La Salle after winning in the elimination and semi-final rounds held last November 28, 2009

Mapúa Institute of Technology and Chung Yuan Christian University (Chungli, Taiwan) professors won the 1st and 4th places in the 16th ASEAN Regional Symposium in Chemical Engineering (RSCE) research paper competition held on December 1-2, 2009 in Manila, Philippines. The winning papers are "*Solubility of carbon dioxide in aqueous blended amine solutions of triethanolamine and piperazine*" by Pei-Yuan Chung, Rhoda Leron, Allan Soriano, and Meng-Hui Li (1st place) and "*Molar heat capacity and electrolytic conductivity of aqueous solutions of 1-butyl-3- methylimidazolium methylsulfate*" by Pei-Yin Lin, Allan Soriano, Alvin Caparanga, and Meng-Hui Li (4th place).

Over 150 papers with authors from 15 different countries were submitted for presentation in the symposium. From among these, twelve papers from Indonesia, Japan, Malaysia, Taiwan, and the Philippines were pre-selected as finalists to compete for the best paper award through oral presentation. Other winners are from Institut Teknologi Bandung, Indonesia (2nd place) and Tokyo Institute of Technology, Japan (3rd and 5th places).

In a field that included prestigious colleges and universities of more than twenty countries across Asia Pacific, Mapúa Institute of Technology emerged as the top choice to be the Cisco Academy Training Center (CATC) – South Asia for the CCNA-Security training module. Mapua was formally appointed last May 2009.

As the CATC for CCNA-Security South Asia, Mapúa is responsible for delivering instructor's training via a shared instructor model to academy instructors from the following countries: Cambodia, Indonesia, Laos, Malaysia, The Philippines, Singapore and Thailand.

Besides being the CATC for CCNA-Security, Mapúa Institute of Technology is also a Cisco Regional Academy for CCNA Exploration, CCNA Discovery, IT Essentials and one of the two academies in the Philippines authorized to deliver the CCNP curriculum.

Consistent with its 84th year history of excellence, Mapúa Institute of Technology has again showed academic prowess when it emerged triumphant in the highly-coveted 4th Cisco Networking Academy National Skills Competition. In competition against more than 10 premier universities/institutes representing various clusters from all over the Philippines, Mapua grabbed two major group awards and three major individual awards in the competition held last March 26, 2009 at Holy Angel University, Pampanga.

Mapúa's School of EECE students were proclaimed as the National Champion in the Basic Category. Another group from Mapua was the 1st Runner-up in the Advanced Category. Furthermore, Mapua students received the following individual awards: Highest in Written Exam (Advanced), Runner-up in Written Exam (Advanced), Runner-up in Written Exam (Basic).

The annual Cisco Skills Competition is organized by the Cisco Networking Academy Core Council of the Philippines. It aims to promote, gauge, and improve the networking skills of Filipino networking students and enthusiasts. The Cisco Networking Academy is an internationally recognized IT educational initiative to develop graduates with networking and Internet skills and prepares its students for globally recognized industry standard certifications.

2009 Board Exam performance

Mapua graduates continued to bag top places in licensure examinations conducted by the Professional Regulation Commission. Below are Mapua's latest additions to the long list of its Board topnotchers:

| | | |
|----------|-------------------------|-------------------------------|
| February | Architecture | 1st and 2 nd |
| February | Sanitary Engineering | 1st, 2nd, 4th, 8th, 9th, 10th |
| March | Electronics Engineering | 8th |
| April | Chemical Engineering | 6 th |
| April | Mechanical Engineering | 6th and 10th |
| May | Civil Engineering | 1st and 8th |
| June | Architecture | 6th |
| August | Geologist | 7th |

In 2009, Mapua entered into numerous MOAs with different Institutions and companies. Last April 2009, Mapua signed a MOA with IT giant, Fujitsu Philippines. Under the MOA, Fujitsu will fund scholarships for deserving Mapua students.

Also in the first half of 2009, Mapua was able to acquire the services of a leading Nihongo language provider, JABIC International Developments Corp. The offering of Nihongo language in Mapua shall broaden the cultural diversity and foreign language capability of Mapua students.

In July 2009, Mapua sealed a deal with wireless telecommunications giant, SMART. SMART constructed a SMART SWEEP (Wireless Engineering Education Program) Laboratory inside the Institute. SMART also donated various telecommunications equipment. Mapua students and faculty members alike are benefiting from this endeavor. Electronics and Communications Engineering students may observe the equipment for academic purposes. In addition, SMART is providing training for Mapua's teachers/professors on various wireless technologies such as but not limited to GSM Systems training, Transmission Control Protocol/Internet Protocol (TCP/IP) and 3G Systems Training.

In the second half of 2009, Mapua was able to ink yet another scholarship agreement for deserving but qualified students. Under the MOA, Mapua Alumni Association of Eastern USA (MAAEUSA) is giving 100% scholarships (full tuition fee only) to qualified engineering and architecture students

With the success of 2009 freshmen admissions, Mapua is doing its best to match, if not surpass, the 3,897 freshmen students this 2010 and 2011. Mapua is looking at providing more career talks to more high schools and increasing the number of provincial visits to include other provinces that have not been part of the 2009 tour. Mapua will try to improve the rate of translation from the number of qualifiers to the number of freshmen enrollees.

This 2010, Mapua is now gearing up for the ABET accreditation of 7 additional programs, namely: Chemical Engineering, Civil Engineering, Industrial Engineering, Environmental and Sanitary Engineering, Mechanical Engineering, Computer Science and Information Technology. The attainment of ABET accreditation gave Mapua a seal of academic excellence at par with international standards. It will give Mapua graduates the striking edge in the global practice of engineering, CS and IT professions.

Mapua will continuously submit itself to voluntary accreditation by PACUCOA. Mapua shall institute efforts to elevate level II programs to level III, to attain level I status for programs under candidate status and to attain applicant status for other non-accredited programs. Mapua Centers of Development shall be enhanced to become Centers of Excellence.

The Institute will consistently impose stricter academic policies to preserve the undeniable record of academic excellence with the aim of further improving the board exam performance of Mapua.

International and local linkages with Industry leaders, academic institutions and multilateral agencies would be developed further.

Graduate Programs will be developed further for the advancement of significant research capability.

The freshmen campaign was slightly affected by typhoons *Ondoy* and *Pepeng* which devastated parts of Luzon and almost all of NCR in the 3rd and 4th quarters of 2008. As a result, the number of applicants significantly went down in September to December of 2008. Nevertheless, the numbers of applicants, examinees, qualifiers and enrollees for Batch 2010 are still significantly higher than those of Batch 2008, 2007, 2006 and 2005.

| | <u>Batch 2010</u> | <u>Batch 2009</u> | <u>Batch 2008</u> | <u>Batch 2007</u> |
|---|--------------------|---------------------|---------------------|-------------------|
| <u>Applicants</u> | <u>8,910 (-2%)</u> | <u>9,020 (+22%)</u> | <u>7,375 (+20%)</u> | 6,135 |
| <u>Applicants</u> <u>who took</u> <u>the exam</u> | <u>8,636 (-1%)</u> | <u>8,760 (+23%)</u> | <u>7,111 (+19%)</u> | 5926 |
| <u>Qualifiers</u> | <u>7,119 (-5%)</u> | <u>7,466 (+26%)</u> | <u>5,921 (+12%)</u> | 5,270 |
| <u>Enrolled</u> | <u>3,583 (-8%)</u> | <u>3,897 (+28%)</u> | <u>3,035 (+12%)</u> | 2,692 |

New Program Offerings

Upon the recommendation of Management and the Mapua Academic Council, the Board of Trustees approved the offering of the following programs:

Approved March 31, 2010 and effective 1st quarter SY 2010-2011:

1. BS Geological Engineering
2. BS Geology
3. BS Construction Engineering and Management (CEM)

The program BS Geological Science Engineering was articulated into two separate undergraduate programs: BS Geology and BS Geological Engineering. The offering of separate programs facilitated compliance with accreditation (e.g., CHED Center of Development/Excellence and PACUCOA) requirements as it is now clear under which discipline (either science or engineering) the programs will be evaluated.

The BS Construction Engineering and Management is actually a new name for an old program, BS Project Construction Management, which Mapua discontinued 3 years ago. BS CEM is an alternative course for students who would like to have a career in the construction industry and who find it difficult complying with the strict and high standards of the BS Civil Engineering program. Mapua decided to use the name CEM because PCM pertained more to architectural construction management.

Approved December 8, 2010 and effective 1st quarter SY 2011-2012

1. BS Manufacturing Engineering

The Bachelor of Science in Manufacturing Engineering program is designed to prepare students to practice as engineers who are experts in the production process, from design through manufacturing. It is concerned with the application of basic scientific and engineering knowledge to the development, manufacture and distribution of products of all types. It will cover areas as diverse as the design and operation of factories, the economic analysis of projects, computer simulation of manufacturing

systems, the use of robots in manufacturing, the design of materials handling systems and the design of systems for controlling production.

In July 2010, ABET, the US-based and world leading accreditor for college and university programs in applied science, computing, engineering and technology granted accreditation to the Electrical Engineering (EE), Electronics Engineering (ECE), and Computer Engineering (CpE) programs of Mapua. The recognition made Mapua the first and the only school in East Asia to be granted the highly-valued accreditation. The Chemical Engineering, Computer Science and Information Management programs of the National University of Singapore were certified to be substantially equivalent at a time when ABET was not yet doing non-US accreditation.

In its letter dated July 27, which was received by the Institute last August 10, 2010, the Engineering Accreditation Commission (EAC) of ABET stated that the three programs of Mapua are accredited until September 30, 2016. It is also to be noted that the accreditation action extends retroactively from October 1, 2008. In effect Mapua has gotten an 8-year accreditation! Mapua will be required to request a reaccreditation evaluation visit by January 15, 2015.

The ABET evaluation team visited Mapua Makati last Oct 27-28 to evaluate the Computer Science and Information Technology programs of the Institute. Dr. Venu Gopal Dasigi, Professor and Department Chair, Southern Polytechnic State University led the team that evaluated the computing programs of Mapua.

The Civil Engineering, Environmental Engineering, Industrial Engineering, Mechanical Engineering, and Chemical Engineering programs of the Institute were evaluated last November 21 to November 24. The ABET Team was led by Dr. Nick Tredennick, a Ph.D. in Electrical Engineering graduate from University of Texas at Austin.

The evaluators examined the accreditation exhibits, including self-survey reports, curricula, CQI processes, faculty and student portfolios, among others. ABET will release the official results by July 2011.

As graduates of ABET accredited programs, EECE graduates will find it easier to get employment in the US and other countries where ABET is recognized. In granting accreditation, ABET gives assurance that Mapua's programs enable its graduates to practice their professions under global standards.

Enrollment in graduate schools in the US will also be much easier for them. Since ABET is a leading member of the Washington Accord, Mapua graduates, having come from ABET-accredited programs, also now satisfy the education eligibility requirement to become members of international registers of engineers.

The PACUCOA Level 1 accreditation visit of Architecture, Materials Science Engineering and Chemistry was held last Sept. 15-16, 2010 while the Level 1 visit for the Computer Science and Information Technology programs of the Institute was held last November 17 to 19.

| Accredited by the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) | |
|--|---------------------------|
| Program | Level |
| Psychology | Candidate Status |
| Computer Science | |
| Information Technology | Level I Status |
| Materials Science and Engineering | |
| Architecture | |
| Chemistry | |
| Mechanical Engineering | Level II 3rd Reaccredited |
| Chemical Engineering | |
| Industrial Engineering | Level III Reaccredited |

| | |
|--|---------------------|
| Electrical Engineering | |
| Computer Engineering | |
| Electronics Engineering | |
| Environmental and Sanitary Engineering | |
| Civil Engineering | |
| | Level IV Accredited |

Centers of Development

As a result of the demonstrated high degree and level of standards along the areas of instruction, research and extension, CHED has declared 4 more programs of Mapua as Centers of Development, namely, Industrial Engineering, Mechanical Engineering and Electrical Engineering. As of 2010, there are now 8 programs of Mapua recognized as CHED Centers of Development.

The IT program of Mapua was recognized in 2007 while the Computer Engineering, Electronics Communications Engineering, Civil Engineering, and Sanitary Engineering were recently recognized last December 2009. The Sanitary Engineering program of Mapua is the only recognized COD/COE in Sanitary Engineering as of 2010.

Commencement Exercises

In 2010, Mapua produced 1,382 Baccalaureate degree graduates, 42 Master's degree graduates and 8 BS-MS graduates. A total of 39 BS, and 8 MS graduates received Latin Honors. 19 graduated as Gold Medalists, 13 as silver medalists and 38 as Dean's awardees.

Mapua's collective performance in the board exams given in 2010 is better compared to that of 2009:

| | All Mapua Programs with Board Exams | | |
|------|-------------------------------------|---------------------------|--------------|
| | Total Number of Passed | Total Number of Examinees | Passing Rate |
| 2010 | 636 | 1,626 | 39% |
| 2009 | 651 | 1,968 | 33% |

In 2010, Mapua has produced two board topnotchers and 10 board placers.

| | |
|---------------------------------|---------------|
| Architecture- January | 1st and 9th |
| Chemical Engineering- April | 3rd, 4th, 5th |
| Civil Engineering- May | 3rd, 5th, 8th |
| Electrical Engineering- May | 1st |
| Electronics Engineering- April | 10th |
| Mechanical Engineering- March | 6th |
| Sanitary Engineering- September | 2nd |

The Mapua Cisco-Basic Category Team was hailed as the Champions in the recently concluded 2010 CISCO National Skills Competition, retaining the championship title taken by last year's contestants. The Advance Category Team on the other hand bagged the Second Runner-up prize.

The Basic Category covers skills and concepts relevant to the Cisco Certified Entry Network Technician (CCENT), whereas the Advanced Category deals with theories and skills parallel to the Cisco Certified Network Associate (CCNA) exam.

The CISCO Skills Competition is an annual project funded by the CISCO Core Council of the Philippines, Inc., in cooperation with CISCO Philippines.

Competing against hundreds of students from all over Asia, The Mapua Team *Atalanta* triumphed in the First SHELL Eco-Marathon Asia held at the Sepang International Circuit, Malaysia, last July 8 – 11, 2010. 83 teams from 10 countries across Asia (China, India, Indonesia, Iran, Malaysia, Pakistan, Philippines, Singapore, Thailand, Viet Nam) participated in this highly prestigious event which was held in Asia for the first time.

The competition was divided into two categories: Prototype and Urban Concept. 64 entries competed in the Prototype category and 19 in the Urban Concept. Of the 47 entries that used gasoline fuel in the prototype category, only 29, including the three teams from the Philippines, were allowed to make the runs after a thorough safety check conducted by Shell.

Mapua's car registered a best of 241 km per liter, ranking it as number 9 amongst the prototype-gasoline fuel group. Mapua ranked higher compared to all prototype-gasoline entries from India, Indonesia, Singapore, Iran, Malaysia, Pakistan and Vietnam.

Mapua bagged the 1st Runner-Up prize in the Safety Award Category. First place was given to the urban concept entry of National University of Singapore. Second runner-up was China's Tongji University.

Mapua entry entitled, Fusion: Adaptive Cube, won the Gold Award in the prestigious 3rd International Competition for Sustainable Architecture and Design (ICSAD) held last September 28-30, 2010 at UN Pavilion ("UNhabitat"), Shanghai World EXPO, Shanghai, China. The ICSAD is a project of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP). The competition gathered top AR schools in Asia-Pacific. It challenged the students to "identify housing solutions for towns and cities in developing countries that are both pro-poor and environmentally sound."

The group of AR students designed a so-called modern 'bahay kubo'. 65% of the materials needed for the design are bamboo-based: from flooring, to walls and ceiling. Thus, the model is very cost effective, yet environmentally sound. The design also features a system that catches rainwater.

The one storey house design is 6 meters in height with an elevation of 0.8 meters from the ground, which would serve as the house's basement. The elevation also makes this modern bahay-kubo more resistant to flooding.

One of the publications co-authored by Dr. Allan N. Soriano of the School of Chemical Engineering and Chemistry (ChE-Chm) bested the other papers published in the 2009 edition of the Journal of the Taiwan Institute of Chemical Engineers (JTICE).

Dr. Soriano together with the two co-authors of the paper, Chih-Yuan Lin and Dr. Meng-Hui Li, received the award last October 8, 2010 during the 2010 Asia Pacific Confederation of Chemical Engineers (APCChE) Conference in Taipei, Taiwan. The 2010 APCChE Conference was hosted by the Taiwan Institute of Chemical Engineers.

The paper "Kinetics Study of Carbon Dioxide Absorption into Aqueous Solutions containing *N*-Methyldiethanolamine + Diethanolamine" appeared in JTICE (Vol. No. 40) in July 2009. The award is given annually by the Prof. Yen-Ping Shih Foundation through the Taiwan Institute of Chemical Engineers, a professional organization of chemical engineers in Taiwan.

Multimedia Arts & Sciences (MAS) Student, Mr. Lester Renz Bartolome bagged the 1st place in the On-the-Spot Caricature Making Contest during the 2nd Philippine International Cartoons, Comics & Animation Festival held last October 22-25, 2010 at the SM City North Edsa. Participants of the said contest were asked to draw on-the-spot a series of caricatures of prominent personalities. Mr. Bartolome received a trophy and a cash prize.

Mapua and MCL received two major awards in the SMART Schools Awards held last Nov. 23, 2010.

Mapua: Highest Number of Registered Users and Best Practice in the Use of Infoboard

MCL: Highest Number of Registered Users and Highest Information Downloads

The Smart Schools Program (SSP) is an initiative of Smart Communications Inc. that promotes the use of Information and Communications Technology (ICT) in basic education schools and Higher education Institutions.

The Infoboard Service empowers students (who are smart subscribers) to receive School announcements, e.g. schedule of exams and suspension of classes. Other features instituted by Mapua are checking of grades, course offerings, among others.

Four Mapua MAS students were honored last December 2010 for producing the digital short film entitled "Rasyon". Mapua's entry was part of the 10 finalists in the student video advocacy campaign entitled "Water Stories: Films for Progress". The campaign, which aims to raise awareness on the dismal conditions of waterless communities in the Philippines, was organized by the Millennium Development Goal Achievement Fund and different government agencies, including the United Nations Children's Fund (UNICEF).

"Rasyon" tells a story of a boy who lives in a waterless slum area in the Metro; where overpopulated residents entirely depend on delivered water for their everyday needs.

Mapua has partnered with 4 local and 6 foreign agencies/entities for the implementation of the International on-the-job-training program.

| Local Partner | Foreign Partner |
|----------------------|---------------------------------|
| Ascend International | Interisland |
| Golden Horizon | Search Haus |
| SSM Maritime | Start Point |
| First Place, Inc. | East West Manpower |
| | Chung Yuan Christian University |
| | Kwang Jin Technical Academy |

Number of trainees sent per host company:

Total number of trainees as of Dec. 2010: 39

Standard Benefits of the Students during their OJT

- Free ticket to Singapore and a return ticket upon completion of the OJT
- Monthly allowance of S\$450 with overtime pay and night differential
- Free accommodation (condo-type units)
- Free duty meals, snacks
- Accident, hospitalization insurance

It is significant to note that employment may be offered to students immediately after completion of their OJT program subject to their job performance.

First Malayan Leasing and Finance Corporation (Malayan Leasing) is a pioneer in the leasing and financing industry in the Philippines. Malayan Leasing was incorporated in October 21, 1965. Malayan Leasing became a subsidiary of HI in November 1995. Malayan Leasing has a Non Banking Quasi Banking (NBQB) license from the BSP, which enables Malayan Leasing to solicit money market placements as the main source of funds.

Malayan Leasing closed the year 2009 with major achievements in key performance areas. Total loan/lease production grew 46% to P 1.1 billion which in turn generated a 28% increase in gross revenue to P 204.92 million.

Net loan/lease portfolio increased by 38% to P 1.3 billion which resulted to 34% expansion in total assets to P 1.7 billion. Accounts written-off amounting to P 27.7 million was lower compared to last year's P 51.0 million.

Non-performing loans (NPL) ratio slightly went up to 7.9% while allowance for loan losses amounted to P 19.7 million, representing 20% of hard-core NPL's.

For year 2010, the company aims to maintain a modest growth in key performance areas as it projects 11% growth in loan/lease bookings to P 1.2 billion, revenue by 32% to P 240 million and net income by 16% to P 44 million.

The company will maintain its organic growth plan and consider expanding branch network in Pangasinan, Pampanga, Iliolo and Davao.

Honda Cars Kalookan, Inc. (HCKI) is a 55%-owned subsidiary of HI by virtue of the merger last December 27, 2002. HCKI is considered part of HI's car dealerships together with the two divisions (Honda and Isuzu).

Year 2009, is a healthier year for the company in terms of profitability. Though the plant had taken on a very conservative stance in their level of inventory, cutting down on their order and timing the delivery of units at the end of the month, plus the impact of Typhoon Ondoy which struck Metro Manila and other provinces of Central and Northern Luzon, HCKI has managed to maintain its profit to a higher level. The company has realized the enormity of the situation and had taken strategies to alleviate the situation by having sales caravans, setting up bank and mall displays and other events which will augment potential buyers of units.

The renting of two additional warehouses also helped the company to free up the spaces in the workshop areas as well as parking lots, thereby encouraging more customers to visit our dealership. Vehicle Sales gave us a 10% increase as compared with last year's performance or an equivalent of 211 additional units. Unavailability of the spare parts coming from HCPI also impede us from releasing the inundated units. Service Revenue, registered at P 138.7 MM incurred a 10% deficit versus Total Year to date budget and showed a 7% decrease compared to last year's performance. Despite the fact that the entire Operations is in dire predicament across the board, HCKI managed to increase its Total Revenue by P 139.0 MM, or an 8% improvement as compared with year 2008. Overall, we were able to hit our budget in terms of Gross Revenue giving us a P1.846B Sales.

Financing Income this year marked a 24% growth brought about by the increase in Vehicle Financing Sales. Total collateral business this year gave us a 13% increase as compared to budget and a 5% increase with last year. Staying within the budget, the company had taken the necessary steps to tame overhead cost by maximizing use of all available resources. As a result, Total Operating Expenses for the year at P 139.5 MM were slashed down at 5% shy of the Year to Date Budget.

Sales of insurance policies for new units surpassed budget by 17% and gives us a 38% increase tallied against that of last year's performance year to date. Sales of renewal policies meanwhile has beaten the budget by 12% and erected a notable 19% increase matched up to that of last year. Income from collateral business as a whole, made a 1% increase versus budget and a 5% improvement as compared with last year. Net income to date stands at P 7.9MM posted a 17% increase over that of last year.

The decrease in the vehicle inventory brought by the decrease in order with the plant and heightened sales activity helped us to properly manage our funds this year cutting down the Interest Expense to 16% as compared with 2008.

Trade Receivables went up by 29% against budget and 4% respectively versus last year due to the increase in fleet and provincial buyers. Inventory was maintained within the budget and posted an 18% decrease compared with that of last year's inventory level. Year-end Trade Payables went down to a 31% rate as compared with the budgeted amount. There was also enough funding for the operations and a lesser requirement to draw out loans resulting to a decrease in our company's loans amounting to P 4.0MM and lower interest payments. Total Liabilities for the year gave us an 11% drop as compared with last year.

Landev Corporation (Landev), a wholly owned subsidiary of HI is currently into the following business transactions:

- Property/Facilities Management of RCBC Plaza, Mapua Campus (Intramuros and Makati), Grepalife, RCBC Head Office, ETY, Y Tower 1 and 2, JAKA 6780 and JAKA 2
- Asset Management (including Marketing/Leasing) of selected Acquired Assets of RCBC (i.e. Carpark Operations at RAMCAR Property), HI and its Subsidiaries and real estate assets of PMMIC.
- Project Management of Malayan Plaza and Mapua High School and other fit-out and renovation works at various Landev – managed buildings.

Landev will continue managing the properties of its existing YGC clients and expand its property management portfolio to include other YGC properties not yet under its care and external clients as well. Landev is actively involved in asset disposition/ leasing of RCBC Acquired Assets and at the same time as broker for Malayan Plaza.

Greyhounds, a wholly owned subsidiary of Landev is in the business of providing security services to YGC.

2009 is quite a good year for LANDEV Corporation. It has posted P63.2 million in total revenues. The revenue is greatly attributed from its Property and Project Management Business, which comprised 91% of the company's gross income.

Net Income improved by 14% or P1.430 million, from P10.235 Million in 2008 to P11.667 Million in 2009.

During the year, one of the big projects of the company is the construction of the RCBC Savings Bank (RSB) Head Office in Fort Bonifacio. LANDEV was contracted as the Project and Construction Manager for the building which is scheduled for handover in January, 2013.

For 2010, LANDEV will continue managing the building and properties of its existing YGC clients and expand its Facilities and Project Management Services to cover RCBC and RSB branches not only in Metro Manila but Branches in Visayas and Mindanao as well.

In 2011 LANDEV income slightly declined by P0.11 million from P18.43 million in 2010 to P18.32 million due to high cost of services which offset the increase in revenue.

Financial Statements

The interim consolidated Financial Statements of the Company as of March 31, 2011 are attached as ANNEX "A" while the audited Financial Statements are attached as ANNEX "B".

Changes in and Disagreements with Accountants in Accounting and Financial Disclosure

There are no disagreements with accountants on accounting and financial disclosure.

Management Discussion and Analysis of Financial Condition and Results of Operations

Consolidated Revenues (P'000)

Financial Condition

Consolidated total assets as of March 31, 2012 was P19.14 billion, compared to P20.02 billion as of December 31, 2011.

Cash and cash equivalents were P2.498 billion as of March 31, 2012, compared to P2.167 billion on December 31, 2011 or an increase of 15%. Continued strong Q1 results at EEI, and from the educational subsidiaries of iPeople, contributed to the rise in cash balances.

Consolidated accounts receivable rose by 5% to P4.123 billion as of the end of Q1 2012, compared to P3.926 at the end of 2011. The majority of this was driven by higher receivables at both EEI and from higher receivables at our Car Division.

EEI continues to enjoy a higher take up of domestic construction project revenue. Meanwhile, the Car Division of HI has benefited from the restoration of inventory supply of cars for sale, which was interrupted due to the flooding in Thailand during 2011. Sales have picked up in Q1 2012, compared to the end of 2011, when inventory stocks were not available for sale.

The current portion of notes receivable declined 100%, falling to zero from P400.9 million as of the end of 2011. This represents the effect of the divestment of First Malayan Leasing from the HI portfolio. First Malayan leasing was sold to RCBC and the sale closed on March 28, 2012.

Inventories as of the end of the first quarter of 2012 rose by 22% to P801.5 million from P656.8 million at the end of 2011. The rise in inventory reflects the increase in automobile stock on hand as the supply from Thailand has begun to normalize. Also, inventories of construction materials at EEI rose on stronger take up of local projects. We anticipate that these construction material inventories will get reduced as projects are completed.

Due from related parties pertain to receivable of EEI from its foreign associate.

Prepaid expenses and other current assets increased by 9% due to increase in input value added taxes and creditable withholding taxes. Other current assets mainly consist of iPeople's Fund for Engineering Development and Institutional Linkages (FEDIL), which is a restricted deposit for the purpose of undertaking socio-economic studies and development projects.

Investment in associates and joint ventures was up by 6% due to higher equity of EEI from net earnings of its associates.

Available for sale securities rose from P451.5 million at the end of 2011 to P560.1 million as of the end of Q1 2012. This rise reflects the increase in market value of the publicly listed stocks that HI holds in its portfolio.

Investment properties represent various parcel of land, condominium units and parking slots held for capital appreciation and rental. It dropped by 11% as EEI Marine disposed its land held for capital appreciation located in Pasig in March 2012.

Total property and equipment dropped to P5.295 billion from P5.759 billion, a decrease of 8%. Property and equipment assets decline because of the sale of First Malayan Leasing at the end of Q1 2012.

Loans receivable, net of current portion, fell by 99% to P16.85 million from P1.131 billion. This is the effect of the divestment of First Malayan Leasing.

Deferred tax assets went down by 21% due to utilization of tax credits.

Other noncurrent assets consist mainly of receivable from EEI's retirement fund. The receivable from EEI Retirement Fund, Inc. (the Fund) resulted from the sale of land held for sale by EEI to the Fund. The amount is to be paid by the Fund within seven years from 2006 with interest rate based on bank's internal average lending rate. Other noncurrent assets also include capitalized computer software, noncurrent deferred charges, deposit on contracts, refund from Meralco and others. The capitalized software is carried net of accumulated amortization.

Consolidated loans payable declined by 27% to P2.967 billion from P4.088 billion. This drop came as a result of the reduction in bills payable due to the divestment of First Malayan Leasing.

Accounts payable and accrued expenses rose by 8% to P3.453 billion in Q1 2012 from P3.201 billion as of the end of 2011. Most of this was caused by higher payables at the Car Division and at the education subsidiaries.

The Car Division had higher trade payables for the quarter as inventory levels recovered. The education subsidiaries had a timing difference between the end of the cut off of the reporting period, compared to the end of the academic quarter. The education subsidiaries usually accrue the full expenses to match revenue towards the end of the academic quarter. In this case, the cut off of the reporting period occurred before the end of the academic quarter.

The current portion of long term debt dropped by P503.4 million or 85% to end Q1 2012 at P86 million. This was a result of the sale of First Malayan Leasing as its short term debt was removed from HI's books.

Billings in excess of costs and estimated earnings on uncompleted contracts rose by 19% to P2.213 billion in Q1 2012 compared to P1.862 billion at the end of 2011. This reflects a rise in overall project and construction revenues attributed to EEI in 2012.

Unearned tuition fees decreased by 11% to P149.7 million in Q1 2012 compared to P167.7 million at the end of 2011. Unearned tuition fees at the education subsidiaries decreased because as of the end of Q1 2012, compared to the end of 2011, there was less time remaining in the academic quarter as of the cut off of the reporting period.

On a consolidated basis, income tax payable dropped by 82% to end Q1 2012 at P37.1 million compared to P207.8 million. This reflects two developments: the income tax payable attributed to First Malayan Leasing was reduced reflecting the sale of said subsidiary. Also, the group paid off a portion of its income tax liabilities.

Due to related parties decreased by P8.7 million or 15% as the Group settled its obligations to its affiliates which are not part of the HI group.

Customers' deposits went up by 38% due to increase in EEI's domestic construction projects.

Lease liability, which increased by P1.94 million or 9%, pertains mainly to lease obligation of MCL.

Long term debt, net of the current portion, dropped by P67.1 million, or 5% to end Q1 2012 at P1.255 billion from P1.322 billion as of the end of 2011. The group has been very proactive in reducing the negative interest carry by paring down its debt level.

Total equity, net of dividends paid, is at P8.6 billion, 4% higher than the year end 2011 equity of P8.2 billion.

Q1 2012 – Results of Operations

Total revenues for the quarter ended March 31, 2012 were P4.849 billion compared to P3.659 billion in the comparable quarter for the previous year, a rise of 33%. The main driver of this increase was strength in construction and project revenues from EEI.

Sales of services as of the first quarter of 2012 was P3.316 billion, about 90% higher than the P1.743 billion recorded in the previous year. Higher revenues primarily from domestic construction projects propelled sales higher.

Sales of goods for the first quarter of 2012 was P1.105 billion, or 23% lower than the P1.426 billion recorded in the quarter a year ago. The drop in sale of goods came from the Car Division, as our Honda and Isuzu dealerships continued to wrestle with the problem of a lack of inventory in the first 2 months of the quarter due to the flooding in Thailand.

Revenues from school and related operations ended the first quarter of 2012 at P399.5 million, which was 13% higher compared to the first quarter of 2011. The revenues were higher at our education subsidiaries, Malayan Colleges Inc.; and Malayan Colleges Laguna, because of higher enrolment, and a higher number of average academic units taken per student.

Interest and discount revenue declined by 79%, to P28.2 million from P133.69 million in the year ago quarter. This reflects the sale of First Malayan Leasing.

Cost of services rose by 91% to end the first quarter of 2012 at P2.742 billion, from P1.433 billion in the first quarter of 2011. This is volume-related and reflects the rise in construction project revenues from EEI.

Cost of goods sold dropped by 19% to P1.075 billion from P1.323 billion. This is also volume-related and reflects the decrease in unit sales at our car dealerships due to a lack of inventory.

Total gross profit rose 14% to P1.006 billion, from P880.27 million.

General and administrative expenses only rose by 1%, to P615.15 million from P611.76 million from the year ago period.

Other income went down by 21% primarily due to lower commission income.

Equity in net earnings of associates was lower by 26% compared to same period last year because the net earnings of First Malayan Leasing and HI-Eisai were far better in Q1 last year compared to this period.

Interest and finance charges dropped by 74%, to P27.9 million in the first quarter of 2012 compared to P108.70 million in the first quarter of 2011. This reflects the fact that management has tried to lower aggressively the group's negative interest carry. Further, there was a much lower requirement for inventory financing in the car division because of the lack of stock to sell.

This brought net income after tax to P415.69 million, which was 38% higher compared to the net income of P300.37 million in the first quarter of 2011.

Amount in 000's

| | March 31, 2012 (unaudited) | December 31, 2011 (audited) | December 31, 2010 (audited) |
|----------------------|---|--|--|
| Revenues | P4,849,721 | P15,480,142 | P15,392,057 |
| Net Income | 415,698 | 1,350,299 | 1,262,715 |
| Total Assets | 19,142,297 | 20,020,061 | 17,202,345 |
| Stockholders' Equity | 8,641,074 | 8,228,288 | 7,094,240 |

Top Five Key Performance Indicators

Management uses the following indicators to evaluate the performance of HI:

1. **Equity in Net Earnings of Investees** – represents HI's share in the undistributed earnings or losses of its investees for each reporting period after the acquisition of said investments. Equity in net earnings (losses) of investees indicates the profitability of the investments and the investees' contribution to HI's net income.

Computation:

Investees Net Income (Loss) x Investor's Percentage Ownership

2. **Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)** – is calculated as net income before minority interest, net interest expense, income tax expense, amortization and depreciation. It is a tool to determine the ability of HI to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate HI's ability to service its debts.
3. **Current Ratio** – is a measurement of liquidity, calculated by dividing total current assets by the total current liabilities. It is an indicator of HI's short-term debt paying ability. The higher the ratio, the more liquid HI is.
4. **Debt-to-Equity Ratio** – gives an indication of how leveraged HI is. It compares assets provided by creditors to assets provided by shareholders. It is determined by dividing total debt by stockholders' equity
5. **Return on Assets** – measures the income earned by shareholders' investment in the business by dividing net income by total assets.

| | March 31, 2012 (unaudited) | Dec. 31, 2011 (audited) | Dec. 31, 2010 (audited) |
|--|----------------------------------|----------------------------|----------------------------|
| EQUITY IN NET EARNINGS OF INVESTEES | P84million | P378million | P361million |
| EBITDA | P567million | P2,544million | P2,344million |
| CURRENT RATIO | 0.08:1.00 | 0.95:1.00 | 0.82:1.00 |
| DEBT-TO-EQUITY RATIO | 1.22:1.00 | 1.43:1.00 | 1.43:1.00 |
| RETURN ON ASSETS | 8% | 7% | 7% |

There are no material commitments in capital expenditures other than those p in Philippine Peso (₱), which is also the Group's functional currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The consolidated financial Basis of Preparation

The accompanying consolidated financial statements of the Group are prepared under the historical cost basis, except for the land which is under revaluation model and available-for-sale (AFS) financial assets which are measured at fair value. The consolidated financial statements are presented statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS also includes Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRSs, PAS and IFRIC interpretations which were adopted as of January 1, 2011. Except as otherwise indicated, the adoption of these new accounting standards and amendments have no material impact on the Group's consolidated financial statements.

- PAS 24 (Amended), *Related Party Disclosures*, effective for annual periods beginning on or after January 1, 2011
- PAS 32 Amendment, *Classification of Rights Issues*, effective for annual periods beginning on or after February 1, 2010
- Philippine Interpretation IFRIC 14 Amendment - *Prepayments of a Minimum Funding Requirement*, effective for annual periods beginning on or after January 1, 2011
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, effective for annual periods beginning on or after July 1, 2010
- 2010 Improvements to PFRSs
 - PFRS 3, *Business Combinations*, effective for annual periods beginning on or after July 1, 2010
 - PFRS 7, *Financial Instruments: Disclosures*, effective for annual periods beginning on or after January 1, 2011
 - PAS 1, *Presentation of Financial Statements*, effective for annual periods on or after January 1, 2011
 - PAS 27, *Consolidated and Separate Financial Statements*, effective for annual periods on or after July 1, 2010
 - PAS 34, *Interim Financial Reporting*, effective for annual periods on or after January 1, 2011

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, effective for annual periods on or after January 1, 2011

Standards Issued but not yet Effective

Standards, interpretations, amendments and improvements to standards issued but not effective up to the date of issuances of the Group's consolidated financial statements are listed below. The Group will adopt these standards, interpretations, amendments and improvements to standards when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on its consolidated financial statements.

- **PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI)***
The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's consolidated financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.
- **PAS 12, *Income Taxes - Recovery of Underlying Assets***
The amendment clarified the determination of deferred income tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The Group is currently assessing the impact that this standard will have on the consolidated financial position and performance. The amendment becomes effective for annual periods beginning on or after January 1, 2012.
- **PAS 19, *Employee Benefits* (Amendment)**
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The Group is currently assessing the impact of the amendment to PAS 19. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- **PAS 27, *Separate Financial Statements* (As revised in 2011)**
As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group is currently assessing the impact that this standard will have on the consolidated financial position and performance. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- **PAS 28, *Investments in Associates and Joint Ventures* (As revised in 2011)**
As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- *PFRS 7, Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's consolidated financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment affects disclosures only and has no impact on the Group's consolidated financial position or performance.

- *PFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the consolidated statement of financial position;
- c) The net amounts presented in the consolidated statement of financial position;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Group's consolidated financial position or performance.

- *PFRS 10, Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27 that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The Group is currently assessing the impact that this standard will have on the consolidated financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- **PFRS 11, *Joint Arrangements***
 PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC 13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will not impact the consolidated financial position of the Group. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 12, *Disclosure of Interests in Other Entities***
 PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 13, *Fair Value Measurement***
 PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the consolidated financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 9, *Financial Instruments: Classification and Measurement***
 PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.
- **PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities***
 These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group is currently assessing impact of the amendments to PAS 32.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
 This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Securities and Exchange Commission (SEC) and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
 This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

Year 2008 vs. Year 2007

Cause for Material Changes from Period to Period of the Income Statement

Total consolidated revenues in 2008 increased by 7.3% from P15.7 billion in 2007 to P16.8 billion in 2008. The positive movement was due to improvement in the Group's net sales of goods and services. Main contributing factor is that EEI maintains its construction contracts not only domestically but its strong presence in the Middle East Projects. Other attributing factor for the increase in revenue is the increase in school and related operations due to the growth in enrollees for the year 2008, additional dividends received during the year and additional interest income on financing and leasing business. Increase of 63% in 2008 in Equity in Net Earnings pertains mainly to EEI's share in ARCC's income.

With the slight positive movement in revenues, corresponding cost of sales and services grew also by 6.5%. Administrative and general expenses increased by 8% mainly due to increase in personnel expenses like salaries & wages and retirement benefits, increased in interest and financial charges pertaining to the additional loans availed by EEI to finance additional projects, and additional loans also of FMLC to meet their additional loan bookings.

Cause for Material Changes from Period to Period of the Balance Sheet

Current Assets

Cash and Cash Equivalents increased by 54% mainly due to the additional dividends received from Subic Power Corporation in 2008 and EEI payments of dividends in 2008 and none in 2007. The increase also was attributable to EEI due to EEI-BVI remittances from ARCC and EEINC. Cash of FMLC improved due to various loans availed during the year to finance their increase on loan bookings.

Account receivable increased by to 39% from P 1.7 billion in 2007 to P2.4 billion in 2008 due to increase in progress billing receivables on various EEI on going and newly acquired construction projects such as Binalbagan Isabela Sugar Company and NAIA project.

Current portion of loan receivables increased due to loan receivable of FMLC and ZIFC for their significant increase on their loan releases/bookings.

Cost and estimated earnings in excess of billings on uncompleted projects decreased by 38% or P729 million in 2008 from P 1.2 billion in 2007 which is mainly attributable to the almost completed local projects of EEI such as Serendra Phase 1 &2, St. Francis Shang Tower, GA Tower II, Beacon Tower Phase 1, Mandarin Square Projects etc.

Inventories dropped by 18% from P1 billion in 2007 to P729 million in 2008 mainly because of the decline both in demand and sales from the Car Division which minimize their inventory stock level.

Due from related parties increased by 66% mainly because of increase in administrative service agreements and settlement of accounts between affiliates.

Prepaid Expenses and Other Assets decreased by 17% or 209 million due to decrease in prepaid taxes of the group and decrease in advances made to suppliers and subcontractors.

Noncurrent Assets

Available for sale securities declined by 18% due to decrease in market valuation of quoted marketable equity securities/shares of parent company and subsidiaries.

Property, Plant and Equipment (PPE) at Cost increased by 8% due to construction of Honda Tandang Sora Service Center and EEI purchased of additional machineries and equipments for the year.

Loan receivable – net of current portion went up by 18% mainly due FMLFC increase in loan releases and loans portfolio.

Other noncurrent assets decreased by 6% from P580 million in 2007 to P542 million in 2008 mainly due to the decrease in receivable from retirement fund of EEI .

Current Liabilities

Loans payable increased by 9% or P275 million was attributable to EEI additional loans to finance their newly acquired projects for their construction materials and FMLFC higher loans this year to finance also their increasing loan releases/bookings.

Accounts payable and accrued expenses higher by 15% from P2.5 billion in 2007 to P2.9 billion in 2008 due to EEI significant purchased of construction materials and construction equipments for the newly acquired local projects. iPeople also accrued additional provisions for the FAMIT reranking case of Mapua.

Current portion of long-term debt increased by 133% from P369 million in 2007 to P860 million in 2008

Billings in excess of cost and estimated earnings on uncompleted projects decreased by 59% because of EEI almost completed projects such as Serendra Phase 1 & 2, St. Francis Shangrila Tower II and others.

Unearned tuition fees increased by 27 % pertains to the increase in advance payments/deposits of students in MCI and increase in enrollees for the year.

Income tax payable is higher by 78% or P23 million compared last year due to increase of EEI net income for the year 2008.

Due to related parties up by 48% or P2.1 million due to increase in related parties account between iPeople and RCBC affiliates.

Customer deposits decreased by 6% due to EEI offsetting of receivable accounts with customer's deposits.

Noncurrent Liabilities

Long -term debt-net of current portion declined by 14% or P203 million from P1.5 billion in 2007 to P 1.3 billion in 2008 due to re-classification of accounts from non- current to current portion.

Accrued retirement liability increased by 52% mainly due EEI and iPeople additional accrual on retirement.

Deferred income tax decreased by 16% from P73 million in 2007 to P61 million in 2008. The movement in deferred tax liabilities was brought by the additional accrual for the reranking case of Mapua.

Stockholders' Equity

Capital Stock decreased by 4% due to the redemption of Preferred shares and conversion of preferred shares to common shares. There was no movement on Additional Paid-In Capital in 2008.

Revaluation increment in property and equipment increased by 17% due to appraisal increase in land of Honda Quezon City.

Cumulative translation adjustment decreased by 96% mainly due to the decrease in foreign exchange rate in relation to EEI investments in EEI BVI

Net accumulated unrealized loss on available for sale securities decreased by 66% due to sudden decrease in market value of HI and EEI investments in AFS for the year 2008.

Retained Earnings increased by 45% from P815 million in 2007 to P1.2 billion in 2008 due to consolidated net income of P465 million and dividend declaration amounting to P41 million.

Financial Condition

Despite the worldwide economic crisis, the group improved the bottom line figures resulting to a 27% increase in Net Income in 2008 and the consolidated balance continue to improve compared to last year as the total assets increased to P1 billion from P13.8 billion in 2007 to P14.8 billion in 2008. Current assets balance as of 2008 year end stood at P7.4 billion and cash and cash equivalent amounting P2 billion. This is due to the following:

- Due to HI's sound financial condition, there are no foreseeable trends or events, which could have material impact on its short-term or long-term liquidity.
- Funding will be sourced from internally generated funds and borrowings.
- There are no material commitments in capital expenditures other than those performed in the ordinary course of trade or business.
- There are no known trends, events, or uncertainties that have had or that are reasonably expected to have a material impact on the net sales, revenues or income from continuing operations.
- There are no significant elements of income arising from continuing operations.
- There is no material change from period to period in one or more line items of the financial statements.

- The Group has no goods or services that are subject to seasonal changes, which might have a material effect on the financial condition or results of Group's operations.

In 2008 like in 2007 and 2006 Adopted the new accounting standards and the compliance with PFRS 7, which give rise to additional disclosures of qualitative and quantitative information about exposure to risk, arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, market risk and sensitivity analysis to market risk.

Adoption of the accounting standards in 2006 resulted in additional disclosures which were included in the financial statements, where applicable.

The Company adopted accounting policies which are consistent with that of previous year and except for the adoption of Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) effective January 1, 2008, and amendments to existing standards that became effective July 1, 2008. Adoption of these changes in PFRS did not have any significant effect to the consolidated financial statements of the Group:

- Philippine Interpretation IFRIC 11, PFRS 2- Group and Treasury Share Transactions
- Philippine Interpretation IFRIC 12, Service Concession Arrangements
- Philippine Interpretation IFRIC 14, PAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.
- Amendments to PAS 39, Financial Instruments: Recognition and Measurement and PFRS 7, Financial Instruments, and Amendments to existing Standards Effective and Subsequent to December 31, 2008.

Market Price

The Company's common shares are traded in the Philippine Stock Exchange and were last traded at ₱ 4.67 on May 31, 2012.

| Stock Prices | <u>High</u> | <u>Low</u> |
|---------------------|-------------|------------|
| 2012 | | |
| First Quarter | 4.75 | 3.07 |
| 2011 | | |
| First Quarter | 3.60 | 3.05 |
| Second Quarter | 3.65 | 2.90 |
| Third Quarter | 3.30 | 2.94 |
| Fourth Quarter | 3.18 | 2.94 |
| 2010 | | |
| First Quarter | 2.60 | 2.10 |
| Second Quarter | 3.25 | 2.18 |
| Third Quarter | 3.10 | 2.55 |
| Fourth Quarter | 3.38 | 3.04 |
| 2009 | | |
| First Quarter | 1.20 | 0.95 |
| Second Quarter | 2.00 | 1.50 |
| Third Quarter | 2.55 | 1.80 |
| Fourth Quarter | 2.50 | 2.08 |

Top 20 Stockholders

The approximate number of shareholders of record as of May 31, 2012 was 438 for common shares and 52 for preferred shares.

1) Common Shares

| | Name | No. of Shares Held | % to Total |
|----|--|--------------------|----------------|
| 1 | Pan Malayan Management & Investment Corporation. | 294,758,580 | 47.85% |
| 2 | PCD Nominee Corp. (Filipino) | 247,903,679 | 40.25% |
| 3 | PCD Nominee Corp. (Non-Filipino) | 10,468,605 | 1.70% |
| 4 | Malayan Insurance Co. Inc. | 8,861,694 | 1.44% |
| 5 | A. T. Yuchengco, Inc. | 7,036,070 | 1.14% |
| 6 | GDSK Development Corp. | 5,064,840 | 0.82% |
| 7 | Go Soc & Sons & Sy Gui Huat, Inc. | 4,019,890 | 0.65% |
| 8 | Isabel Caro Wilson | 3,723,970 | 0.60% |
| 9 | Y Realty Corporation | 3,545,890 | 0.58% |
| 10 | Malayan Securities Corp. | 2,790,000 | 0.45% |
| 11 | Seafront Resources Corp. | 2,484,000 | 0.40% |
| 12 | Alberto M. Meer | 2,217,030 | 0.36% |
| 13 | RCBC TA#76-299-7 | 1,791,000 | 0.29% |
| 14 | Yu, John Peter C. Yu or Juan G. | 1,390,000 | 0.23% |
| 15 | Enrique T. Yuchengco, Inc. | 1,211,360 | 0.20% |
| 16 | Villonco, Vicente S. | 803,800 | 0.13% |
| 17 | RP Land Dev. Corp. | 726,720 | 0.12% |
| 18 | Lim, Tek Hui | 627,000 | 0.10% |
| 19 | First Nationwide Assurance Corp. | 508,901 | 0.08% |
| 20 | EBC Securities Corporation | 485,320 | 0.08% |
| | TOTAL | 600,418,349 | 97.47% |
| | Others | 15,558,675 | 2.53% |
| | GRAND TOTAL COMMON STOCKS | 615,977,024 | 100.00% |

2) Preferred Shares

| | Name | No. of Shares Held | % to Total |
|----|-------------------------------------|----------------------|----------------|
| 1. | Yuchengco, Alfonso T. | 620,520,718 | 54.57% |
| 2. | Pan Malayan Mgt. & Investment Corp. | 426,013,514 | 37.47% |
| 3. | Alfonso T. Yuchengco, Inc. | 28,945,247 | 2.55% |
| 4. | Enrique T. Yuchengco, Inc. | 27,336,232 | 2.40% |
| 5 | Gomez, Eriberto H. | 15,932,837 | 1.40% |
| 6 | Siguion-Reyna, Leonardo | 3,156,850 | .28% |
| 7 | Alvendia, Jr., Carmelino P. | 2,181,951 | 0.19% |
| 8 | RP land Development Corp. | 1,979,252 | 0.17% |
| 9 | Rosario, Rodolfo P. Del | 1,214,830 | 0.11% |
| 10 | Tantuco, Eloisa G. | 909,150 | 0.08% |
| 11 | Wilson, Isabel Caro | 902,855 | 0.08% |
| 12 | Changco Jr., Pedro R. | 640,716 | 0.06% |
| 13 | Guido, Edward | 531,089 | 0.05% |
| 14 | Jaka Investment Corp. | 488,602 | 0.04% |
| 15 | Padilla, Alexander A. | 393,350 | 0.03% |
| 16 | Padilla, Felipe A. | 371,390 | 0.03% |
| 17 | Padilla, Francisco A. | 371,390 | 0.03% |
| 18 | Padilla, Mercedes A. | 371,390 | 0.03% |
| 19 | Villonco, Romeo. | 261,080 | 0.02% |
| 20 | Chan, Frederick | 252,584 | 0.02% |
| | TOTAL | 1,132,775,027 | 99.62% |
| 21 | Others | 4,266,730 | 0.38% |
| | GRAND TOTAL PREFERRED STOCKS | 1,137,041,757 | 100.00% |

Dividends

Dividends shall be declared only out of the unrestricted retained earnings of the Company and shall be payable at such time and in such manner and in such amounts as the Board of Directors shall determine. No dividends shall be declared which will impair the capital of the Company.

In accordance with the amended Articles of Incorporation of the Company, preferred shares of stock shall be entitled to dividends at average 91-day T-bill rate plus two percent (2%). The dividends on preferred shares of stock shall be participating.

In 2011 Board of Directors declared cash dividends on preferred shares as follows:

| Date of Declaration | Record Date/Period Covered | Date of Payment | Amount |
|---------------------|--|-----------------|----------|
| March 31, 2011 | April 29, 2011 -1 st qtr | May 20, 2011 | P 4.03 M |
| July 15, 2011 | August 11, 2011- 2 nd qtr | Aug. 31, 2011 | 4.68 M |
| Sept. 30, 2011 | October 28, 2011-3 rd qtr | Nov. 18, 2011 | 4.29 M |
| Dec. 1, 2011 | December 29 , 2011-4 th qtr | Jan. 20, 2012 | 3.52 M |

In July 15, 2011 there was a cash dividends of Php.50 million to stockholders of 615,977,024 common shares and preferred shares (fully participating) of 1,258,223,960 which is equivalent to 335,526,389 common shares as of June 30, 2011 payable September 2, 2011.

Recent sale of unregistered securities

None

CORPORATE GOVERNANCE

(a) Evaluation System to Measure Compliance with Manual on Corporate Governance

Compliance with SEC Memorandum Circular No. 6 dated June 22, 2009 as well as all relevant Philippine Stock Exchange Circulars on Corporate Governance have been monitored.

The Company has already submitted its revised corporate governance manual and complied with the leading practices and principles on good corporate governance.

The Company also complied with the appropriate self-rating assessment and performance evaluation to determine and measure the compliance with the Manual.

(b) Measures Undertaken to Fully Comply with Leading Practices on Corporate Governance

The Company has exerted best efforts to comply with the provisions in its Manual on Corporate Governance. To ensure that leading practices on corporate governance are fully observed, the following steps have been undertaken:

- 1) Attendance of each Director on all the Board of Directors' Meeting are monitored and recorded.
- 2) All financial reports were reviewed by the Audit Committee before being finalized and thereafter endorsed to the Board of Directors for approval and submission to pertinent offices.
- 3) Other systems and measures have been undertaken such as observance of the Code of Ethics, Financial and Manpower Audit, providing seminars and conferences to comply with all

relevant laws, regulations and codes of business practices. The Company maintains its system of check and balance.

(c) Deviation from the Manual on Corporate Governance

There is no known deviation from the Manual on Corporate Governance.

(d) Plans to Improve Corporate Governance

In order to improve Company's adherence to the leading practices in good corporate governance, the Company's Top Management was required to attend a seminar on Corporate Governance conducted by an entity accredited with the Securities and Exchange Commission. Further, the Company continuously monitors all relevant PSE and SEC Circulars on Corporate Governance that maybe used to improve its Manual on Corporate Governance.

UNDERTAKING

The Management shall provide without charge to each shareholder a copy of the Company's Annual Report on SEC Form 17-A upon written request addressed to:

**The Office of the Corporate Secretary
House of Investments, Inc.
3/F GPL Building
219 Sen. Gil J. Puyat Ave., Makati City 1200**

**CONSOLIDATED FINANCIAL STATEMENTS OF MARCH
31, 2012 AND DECEMBER 31, 2011 AND THREE
MONTHS ENDED MARCH 31, 2012 AND 2010**

House of Investments Inc and Subsidiaries
Consolidated Statements of Financial Position
(In Thousand Pesos)

| | 31-Mar-12 (Unaudited) | 31-Dec-11 (Audited) |
|---|--------------------------|------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 2,498,729 | 2,167,119 |
| Accounts Receivable | 4,123,451 | 3,926,141 |
| Current portion of loans receivable | - | 400,919 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 1,783,364 | 1,729,877 |
| Inventories | 729,930 | 656,807 |
| Due from related parties | 95,504 | 61,331 |
| Prepaid Expenses and other current assets | 515,718 | 736,027 |
| Total Current Assets | 9,746,696 | 9,678,221 |
| Non-Current Assets | | |
| Investments in associates and joint ventures | 1,426,829 | 1,324,630 |
| Available for sale securities | 464,703 | 451,543 |
| Investment properties | 291,427 | 328,240 |
| Property and Equipment | | |
| At cost | 3,645,665 | 3,273,300 |
| At revalued amount | 2,485,752 | 2,485,752 |
| Loans receivable - net of current portion | 16,851 | 1,131,781 |
| Deferred tax assets - net | 145,331 | 184,623 |
| Goodwill | 512,796 | 512,796 |
| Other noncurrent assets - net | 406,248 | 649,175 |
| Total Noncurrent Assets | 9,395,601 | 10,341,840 |
| | 19,142,297 | 20,020,061 |
| (Forward) | | |

House of Investments Inc and Subsidiaries
Consolidated Statements of Financial Position
(In Thousand Pesos)

LIABILITIES and EQUITY

Current Liabilities

| | | |
|--|------------------|-------------------|
| Loans payable | 2,967,393 | 4,088,090 |
| Accounts payable and accrued expenses | 3,453,140 | 3,201,210 |
| Current portion of long term debt | 86,000 | 589,400 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 2,213,709 | 1,862,748 |
| Unearned tuition fees | 149,725 | 167,724 |
| Income tax payable | 37,105 | 207,830 |
| Due to related parties | 49,494 | 58,235 |
| Customers' Deposits | 81,817 | 59,301 |
| Total Current Liabilities | 9,038,383 | 10,234,539 |

Noncurrent Liabilities

| | | |
|---|-------------------|-------------------|
| Long-term debt - net of current portion | 1,255,500 | 1,322,558 |
| Lease liability | 24,726 | 22,784 |
| Accrued retirement liability | 138,865 | 142,210 |
| Deferred tax liabilities | 43,749 | 69,682 |
| Total Noncurrent Liabilities | 1,462,840 | 1,557,234 |
| Total Liabilities | 10,501,223 | 11,791,773 |

Equity

| | | |
|---|-------------------|-------------------|
| Capital stock | | |
| Preferred stock | 454,825 | 466,479 |
| Common stock | 923,966 | 923,966 |
| Additional paid in capital | 154,578 | 154,578 |
| Revaluation increment on land | 273,067 | 273,067 |
| Cumulative translation adjustment | (22,421) | (22,421) |
| Net accumulated unrealized gain on available-for-sale securities | 89,172 | 76,012 |
| Retained Earnings | 3,347,425 | 3,085,799 |
| | 5,220,612 | 4,957,481 |
| Noncontrolling interest | 3,420,461 | 3,270,807 |
| Total Equity | 8,641,074 | 8,228,288 |
| | 19,142,297 | 20,020,061 |

House of Investments Inc and Subsidiaries
Unaudited Consolidated Statements of Income
For the periods ended March 31, 2012, 2011 and 2010
(In Thousand Pesos)

| | January 1 to March 31 | | |
|--|-----------------------|-----------|-----------|
| | 2012 | 2011 | 2010 |
| REVENUES | | | |
| Sales of services | 3,316,463 | 1,743,473 | 1,814,349 |
| Sales of goods | 1,105,488 | 1,426,478 | 1,425,560 |
| School and related operations | 399,504 | 354,665 | 320,168 |
| Interest and discounts | 28,236 | 133,698 | 106,327 |
| Dividends | 31 | 1,013 | 35 |
| | 4,849,721 | 3,659,327 | 3,666,439 |
| COSTS OF SALES AND SERVICES | | | |
| Cost of services | 2,741,877 | 1,433,495 | 1,416,944 |
| Cost of goods sold | 1,075,983 | 1,323,226 | 1,400,242 |
| Cost of school and related operations | 24,936 | 22,334 | 16,702 |
| | 3,842,796 | 2,779,055 | 2,833,888 |
| GROSS PROFIT | 1,006,925 | 880,272 | 832,551 |
| GENERAL AND ADMINISTRATIVE EXPENSES | (615,151) | (611,764) | (570,710) |
| OTHER INCOME | 102,865 | 130,968 | 190,716 |
| EQUITY IN NET EARNINGS OF ASSOCIATES | 61,734 | 83,519 | 76,363 |
| INTEREST AND FINANCE CHARGES | (27,887) | (108,708) | (132,351) |
| INCOME BEFORE INCOME TAX | 528,486 | 374,287 | 396,569 |
| PROVISION FOR INCOME TAX | (112,788) | (73,919) | (71,990) |
| NET INCOME | 415,698 | 300,368 | 324,579 |
| NET INCOME ATTRIBUTABLE TO: | | | |
| Equity Holders of the Parent Company | 266,044 | 201,423 | 199,051 |
| Noncontrolling Interest | 149,654 | 98,945 | 125,528 |
| | 415,698 | 300,368 | 324,579 |
| EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY - BASIC AND DILUTED | 0.277 | 0.210 | 0.200 |

House of Investments Inc and Subsidiaries
Unaudited Consolidated Statements of Comprehensive Income
For the periods ended March 31, 2012, 2011 and 2010
(In Thousand Pesos)

| | January to March 31 | | |
|---|----------------------|----------------|----------------|
| | 2012 | 2011 | 2010 |
| NET INCOME | 415,698 | 300,368 | 324,580 |
| OTHER COMPREHENSIVE INCOME | | | |
| Cumulative Translation Adjustment | - | | |
| Unrealized gain(loss) on available -for-sale financial assets-net | 13,160 | 44,500 | 10,842 |
| Total Other Comprehensive Income | 13,160 | 44,500 | 10,842 |
| TOTAL COMPREHENSIVE INCOME-NET OF TAX | 428,858 | 344,868 | 335,422 |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | |
| Equity holders of the Parent Company | 279,204 [*] | 245,923 | 209,954 |
| Noncontrolling interest | 149,654 | 98,945 | 125,568 |
| | 428,858 | 344,868 | 335,522 |

House of Investment
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED MARCH 31, 2012

| | Capital Stock | Additional paid-in | Unrealized gain(loss) On Available for Sale Financial Assets | Revaluation increment In property | Equity in Cumulative Trans | Retained Earnings | Total | Noncontrolling Inte | Total |
|---|---------------|--------------------|--|--------------------------------------|-------------------------------|-------------------|-----------|---------------------|-----------|
| Balances as at December 31, 2011 | 1,378,790 | 154,578 | 76,012 | 273,067 | (22,421) | 3,085,799 | 4,954,569 | 3,270,807 | 8,225,376 |
| Comprehensive Income | | | | | | | | | |
| Net Income | - | - | - | - | - | - | - | - | - |
| Other Comprehensive Income | - | - | 13,159 | - | - | 266,044 | 266,044 | 149,654 | 415,698 |
| Total Comprehensive Income | - | - | 13,159 | - | - | 266,044 | 266,044 | 149,654 | 415,698 |
| Purchase of noncontrolling interest (Nc | - | - | - | - | - | - | - | - | - |
| Dividends Declared by Parent Compa | - | - | - | - | - | - | - | - | - |
| Dividends Declared by subsidiaries | - | - | - | - | - | - | - | - | - |
| Balances as at March 31, 2012 | 1,378,790 | 154,578 | 89,171 | 273,067 | (22,421) | 3,351,843 | 5,220,613 | 3,420,461 | 8,641,074 |
| Balances as at December 31, 2010 | 1,440,160 | 154,578 | 63,473 | 258,318 | (17,998) | 2,346,866 | 4,245,397 | 2,848,843 | 7,094,240 |
| Comprehensive Income | | | | | | | | | |
| Net Income | - | - | - | - | - | 201,423 | 201,423 | 98,945 | 300,368 |
| Other Comprehensive Income | - | - | 44,500 | - | - | - | 44,500 | - | 44,500 |
| Total Comprehensive Income | - | - | 44,500 | - | - | 201,423 | 245,923 | 98,945 | 344,868 |
| Purchase of noncontrolling interest (Nc | - | - | - | - | - | - | - | - | - |
| Dividends Declared by Parent Compa | - | - | - | - | - | - | - | - | - |
| Dividends Declared by subsidiaries | - | - | - | - | - | - | - | (14,676) | (14,676) |
| Balances as at March 31, 2011 | 1,440,160 | 154,578 | 107,973 | 258,318 | (17,998) | 2,548,289 | 4,491,320 | 2,933,112 | 7,424,432 |

House of Investments Inc and Subsidiaries
Unaudited Consolidated Statements of Cash Flows
For the periods ended March 31, 2012, 2011 and 2010
(In Thousand Pesos)

| | January to March 31 | | |
|---|---------------------|----------------|----------------|
| | 2012 | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax | 528,486 | 374,287 | 396,570 |
| Depreciation and amortization | 10,993 | 87,819 | 80,003 |
| Interest and Finance Charges | 27,887 | 108,708 | 132,351 |
| Dividend Income | (9,820) | (41,442) | 9,907 |
| Movement in accrued retirement liability | (3,345) | | |
| Interest income | (28,236) | (133,698) | (106,327) |
| Equity earnings in associates | (48,235) | (83,519) | (76,363) |
| Probable losses and doubtful accts | - | | 3,477 |
| <i>Operating income before working capital changes</i> | <i>477,730</i> | <i>312,155</i> | <i>439,618</i> |
| Decrease (Increase) in | | | |
| Accounts receivable | (197,310) | (211,556) | (196,432) |
| Loans receivable | 1,515,849 | - | 35,000 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | (53,487) | 687,871 | 121,479 |
| Inventories | (144,706) | (105,861) | (15,741) |
| Prepaid Expenses and other current assets | (64,159) | 127,517 | 2,955 |
| Increase (decrease) in | | | |
| Accounts payable and accrued expenses | 251,930 | 113,590 | 118,897 |
| Customers' deposits | 22,516 | 2,617 | |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 350,961 | 243,351 | |
| Unearned tuition fees | (17,999) | (125,963) | (11,281) |
| Net cash generated from operations | 2,141,324 | 1,043,721 | 494,495 |
| Interest received | 28,236 | 133,698 | 106,327 |
| Interest and finance charges paid | (27,887) | (108,708) | (132,351) |
| Income tax paid | (276,533) | (73,918) | (71,990) |
| Net cash flows provided by operating activities | 1,865,140 | 994,793 | 396,481 |

House of Investments Inc and Subsidiaries
Unaudited Consolidated Statements of Cash Flows
For the periods ended March 31, 2012, 2011 and 2010
(In Thousand Pesos)

| | January to March 31 | | |
|---|---------------------|------------------|------------------|
| | 2012 | 2011 | 2010 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments received from (advances to) related parties | (34,173) | | |
| Investments in associates and joint ventures | (37,146) | (535,218) | (138,530) |
| Increase (decrease) in other noncurrent assets | (113,124) | 275,993 | 14,612 |
| Proceeds from disposals (acquisitions) of available-for-sale securities | (95,427) | | |
| Proceeds from disposal of property and equipment | 489,104 | | |
| Property plant and Equipment net | - | (495,223) | (301,725) |
| Dividends received | 9,820 | | |
| Land Held for future development | - | 33,654 | 104 |
| Net Addition (deduction) to minority interest | - | 299,171 | 57,072 |
| Net cash flows used in Investing activities | 219,054 | (421,623) | (368,467) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from: | | | |
| Loans payable | (1,120,697) | (1,036,606) | 242,763 |
| Long-term debt | (570,458) | (29,866) | (57,143) |
| Lease liability | 8,320 | - | - |
| Advances from related parties | (8,741) | 78,374 | 91,810 |
| Redemption of preferred shares | (11,654) | - | (14,649) |
| Cash dividends paid | (49,355) | - | (76,891) |
| Net cash flows provided by (used in) financing activities | (1,752,584) | (988,098) | 185,890 |
| Net INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 331,610 | (414,928) | 213,904 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 2,167,119 | 2,072,400 | 1,858,496 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 2,498,729 | 1,657,472 | 2,072,400 |

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

1. Corporate Information

House of Investments, Inc. (the Parent Company) is a stock corporation incorporated under the laws of the Republic of the Philippines on May 21, 1959. The Company is a holding and management company and is also engaged in car dealership.

The registered office address of the Parent Company is at 3rd Floor Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City.

The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE). The ultimate parent company of the Group is Pan Malayan Management and Investment Corporation (PMMIC).

2. The accompanying interim consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards.

3. Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared under the historical cost basis, except for land, which is carried at revalued amount and available-for-sale (AFS) securities which are measured at fair value. The accompanying consolidated financial statements are presented in Philippine Peso (Php, ₱), which is also the Parent Company's functional currency. Except as indicated, all amounts are rounded off to the nearest peso.

4. Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. All subsidiaries are incorporated and operating in the Philippines.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. All intragroup balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the noncontrolling interest until the balance is reduced to nil. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Where ownership on certain subsidiaries is 50% or below but the Group has demonstrated that it has the power to govern the financial and operating policies (i.e., through representation by the majority members of the BOD) and the other stockholders have not organized their interest in such a way that they exercise more votes than the Group, these subsidiaries are also consolidated.

Noncontrolling interest represents the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within the equity in the consolidated statement of financial position, separately from the Group's shareholders' equity.

5. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) interpretations which were adopted as of January 1, 2011. Except as otherwise indicated, the adoption of these new accounting standards and amendments have no material impact on the Group's financial statements.

- PAS 24 (Amended), *Related Party Disclosures*, effective for annual periods beginning on or after January 1, 2011
- PAS 32 Amendment, *Classification of Rights Issues*, effective for annual periods beginning on or after February 1, 2010
- Philippine Interpretation IFRIC 14 Amendment - *Prepayments of a Minimum Funding Requirement*, effective for annual periods beginning on or after January 1, 2011
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, effective for annual periods beginning on or after July 1, 2010
- 2010 Improvements to PFRSs
- PFRS 3, *Business Combinations*, effective for annual periods beginning on or after July 1, 2010
 - PFRS 7, *Financial Instruments: Disclosures*, effective for annual periods beginning on or after January 1, 2011
 - PAS 1, *Presentation of Financial Statements*, effective for annual periods on or after January 1, 2011
 - PAS 27, *Consolidated and Separate Financial Statements*, effective for annual periods on or after July 1, 2010
 - PAS 34, *Interim Financial Reporting*, effective for annual periods on or after January 1, 2011
 - Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, effective for annual periods on or after January 1, 2011

Standards Issued but not yet Effective

Standards, interpretations, amendments and improvements to standards issued but not effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group will adopt these standards, interpretations, amendments and improvements to standards when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI)*

The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

- **PAS 12, *Income Taxes - Recovery of Underlying Assets***

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012. The Group will assess the impact to the consolidated financial statements when the amendment becomes effective.

- **PAS 19, *Employee Benefits* (Amendment)**

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the impact of the amendment to PAS 19. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- **PAS 27, *Separate Financial Statements* (As revised in 2011)**

As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- **PAS 28, *Investments in Associates and Joint Ventures* (As revised in 2011)**

As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- **PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements***

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- **PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities***

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information.

This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c) The net amounts presented in the statement of financial position;
- d) The amounts subject to an enforceable master netting arrangement or similar similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- **PFRS 10, *Consolidated Financial Statements***
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The Group is currently assessing the impact of the amendment to the consolidated financial statements. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 11, *Joint Arrangements***
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC 13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 12, *Disclosure of Interests in Other Entities***
PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 13, *Fair Value Measurement***
PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 9, *Financial Instruments: Classification and Measurement***
PFRS 9 as issued reflects the first phase on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement*, and applies to classification and measurement of

financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- *PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group is currently assessing impact of the amendments to PAS 32.

- *Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

- *Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine*

This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

6. The accounting policies, judgments and estimates that the Group adopted are the same as those that were disclosed in its 2011 annual financial reports.

7. Operating Segment Information

For management purposes, the Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment financial information is reported on the basis that it is used internally for evaluating segment performance and allocating resources to segments.

The Group derives its revenues from the following reportable segments:

Construction and Infrastructure - mainly consists of revenues from EEI Corporation and subsidiaries as a general contractor and trader of construction equipment and parts. The

subsidiaries of EEL are mainly involved in the provision for manpower services, construction, trading of equipment, power generation, steel fabrication, real estate and others.

Consumer Finance - represents the general financing and investment business of ZIFC.

Education and Information Technology - primarily consists of revenues from iPeople and subsidiaries (including MCI) in education, consulting, development, installation and maintenance of information technology systems.

Car Dealership - represents automotive dealerships of the Company.

Other Services - represent support services which cannot be directly identified with any of the reportable segments mentioned above. These include sale of pharmaceutical products, trading of consumer goods and rendering various services to the consumers.

Segment assets and liabilities exclude deferred income tax assets and liabilities. Inter-segment income arise from transactions that were made on terms equivalent to those that prevail in an arms-length transactions.

Management monitors construction revenue and segment net income for the purpose of making decisions about resource allocation. Segment performance is evaluated based on net income and construction revenue.

Segment reporting is consistent in all periods presented as there are no changes in the structure of the Group's internal organization that will cause the composition of its reportable segment to change.

8. Nature and amount of items affecting assets, liabilities, equity, net income or cash flows:

Cash and Cash Equivalents

| <i>(In Thousand Pesos)</i> | 2012 | 2011 |
|----------------------------|------------------|------------------|
| Cash on hand and in banks | 1,735,278 | 1,468,284 |
| Short term investments | 763,451 | 698,835 |
| | <u>2,498,729</u> | <u>2,167,119</u> |

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments have terms with varying periods of up to three months and can be liquidated depending on the immediate cash requirements of the Group. These assets earn interest at the prevailing short-term investment rates.

Receivables

| <i>(In Thousand Pesos)</i> | 2012 | 2011 |
|--|-----------|-----------|
| Trade | | |
| Construction and infrastructure (including retention receivable of P997 million in March 2012) | 2,906,650 | 2,751,176 |
| Car dealership | 372,776 | 225,939 |
| Education and information technology | 102,178 | 77,542 |
| Other Services | 111,808 | 73,241 |
| Other receivables | | |
| Advances to suppliers and contractors | 498,402 | 501,330 |
| Consultancy fee | 153,582 | 149,764 |
| Rent receivable | 184,778 | 109,852 |
| Advances to officers and employees | 115,408 | 56,828 |
| Receivable from plant | 67,968 | 51,104 |
| Other-school related receivables | 38,767 | 42,671 |
| Due from PTC | 36,230 | 28,934 |
| Others | 242,706 | 194,344 |
| | 4,831,254 | 4,262,726 |
| Less: Allowance for impairment | 707,803 | 336,585 |
| | 4,123,451 | 3,926,141 |

Inventories

| <i>In Thousand Pesos</i> | 2012 | 2011 |
|--|---------|---------|
| At cost | | |
| Land and land development | 213,146 | 213,146 |
| Subdivision lots and contracted units for sale | 147,057 | 147,147 |
| Raw lands | 38,432 | 38,432 |
| Merchandise | 266,366 | |
| Spare parts and supplies | 104,453 | |
| | 769,453 | 398,725 |
| at NRV | | |
| Merchandise | 20,801 | 247,780 |
| Spare parts and supplies | 5,079 | 10,152 |
| Construction materials | 6,180 | 150 |
| | 32,060 | 258,083 |
| | 801,513 | 656,807 |

Prepaid Expenses

| <i>(In Thousand Pesos)</i> | 2012 | 2011 |
|---------------------------------|---------|---------|
| Prepaid Expenses | 189,332 | 199,059 |
| Noncurrent assets held for sale | 249,513 | 179,151 |
| Prepaid Taxes | 98,374 | 153,732 |
| Value added tax | 192,872 | 151,998 |
| Miscellaneous deposits | 53,641 | 48,071 |
| Unused office supplies | 8,201 | 3,110 |
| Others | 8,253 | 907 |
| | 800,186 | 736,027 |

Investment in Associates and Joint Venture

| <i>(In Thousand Pesos)</i> | 2012 | 2011 |
|---|-----------|-----------|
| Acquisition Cost | | |
| Balance at beginning of year | 429,287 | 429,287 |
| Acquisitions | - | - |
| Balance at end of quarter/year | 429,287 | 429,287 |
| Accumulated impairment loss | | |
| Balance at beginning of year | 116,463 | 119,663 |
| Impairment loss (recovery) | - | (3,200) |
| Balance at end of quarter/year | 116,463 | 116,463 |
| Accumulated equity in net earnings | | |
| Balance at beginning of year | 1,106,958 | 1,085,806 |
| Equity in net earnings | 61,734 | 378,385 |
| Dividends received | (9,820) | (357,232) |
| Balance at end of quarter/year | 1,158,872 | 1,106,958 |
| Equity in cumulative translation adjustment | (44,868) | (95,153) |
| | 1,426,829 | 1,324,630 |

Property and Equipment

| | 2012 | 2011 |
|---|-----------|-----------|
| At Cost | | |
| Land, Buildings and Improvements | 2,109,994 | 2,050,148 |
| Machinery, Tools and Construction Equipment | 2,252,764 | 1,881,165 |
| Transportation and Service Equipment | 1,300,919 | 1,293,900 |
| Furniture, Fixtures and Office Equipment | 1,292,174 | 1,269,632 |
| | 6,955,851 | 6,494,845 |
| Less: Accumulated Depreciation | 3,443,105 | 3,360,957 |
| | 3,512,745 | 3,133,888 |
| Construction in Progress | 132,919 | 139,412 |
| Net book value at Cost | 3,645,665 | 3,273,300 |
| Land at revalued amount | 2,485,752 | 2,485,752 |
| | 6,131,417 | 5,759,052 |

Accounts Payable and Accrued Expenses

| | | |
|----------------------------|-----------|-----------|
| <i>(In Thousand Pesos)</i> | 2012 | 2011 |
| Accounts Payable | 2,379,817 | 2,325,555 |
| Accrued Expenses | 656,729 | 650,381 |
| Dividends Payable | 4,420 | 17,911 |
| Subscriptions Payable | 13,125 | 13,882 |
| Accrued Interest Payable | - | 10,378 |
| Others | 399,049 | 183,103 |
| | 3,453,140 | 3,201,210 |

The normal trade credit terms of accounts payable and accrued expenses of the Group are expected to be settled within the next twelve months.

Subscriptions payable represents unpaid subscriptions on AFS securities.

Cost of Sales and Services

| | | |
|---------------------------------------|-----------|-----------|
| <i>(In Thousand Pesos)</i> | 2012 | 2011 |
| Cost of Services | | |
| Cost of construction contracts | 2,235,821 | 1,141,258 |
| Cost of manpower and other services | 506,056 | 292,237 |
| | 2,741,877 | 1,433,495 |
| Cost of Goods Sold | | |
| Cost of merchandise sold | 1,075,983 | 1,323,226 |
| | 1,075,983 | 1,323,226 |
| Cost of school and related operations | 24,936 | 22,334 |
| | 3,842,796 | 2,779,055 |

9. Aging of Trade Receivables
As of March 31, 2012

(In Thousand Pesos)

| | TOTAL | No. of Days Due | | |
|------------------------|-----------|-----------------|---------|--------------|
| | | 0-30 | 31-60 | Over 61 days |
| Construction | 2,906,650 | 2,356,562 | 70,879 | 479,209 |
| Education | 55,998 | 36,511 | 12,460 | 7,026 |
| Information Technology | 46,180 | 12,764 | 23,291 | 10,125 |
| Parent and Others | 484,584 | 169,942 | 106,709 | 105,181 |
| | 3,493,412 | 219,218 | 142,461 | 122,333 |

10. There was no change in amount reported in prior financial year that have material effect in the current interim period.
11. As of 31 March 2012, availment of loans amounted to P755 million while repayment is P375 million.
12. In a board meeting held on 21 March 2012, the Board of Directors of the Parent Company declared a cash dividend of P0.003793 per share or P 4.42 million to its preferred stockholders of record, payable on May 11, 2012.
13. There was no material event subsequent to the end of the interim financial period that has not been reflected in the interim consolidated financial statements.
14. There was no material change in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.
15. There was no any known event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
16. There are no any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), or/and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
17. There are no any significant elements of income or loss that did not arise from the issuer's continuing operations.
18. There are no any seasonal aspects that had a material effect on the financial condition or results of operations.

1. Operating Segment Information

For management purposes, the Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment financial information is reported on the basis that it is used internally for evaluating segment performance and allocating resources to segments.

The Group derives its revenues from the following reportable segments:

Construction and Infrastructure - mainly consists of revenues from EEI Corporation and subsidiaries as a general contractor and trader of construction equipment and parts. The subsidiaries of EEI are mainly involved in the provision for manpower services, construction, trading of equipment, power generation, steel fabrication, real estate and others.

Consumer Finance - represents the general financing and investment business of FMLFC and ZIFC.

Education and Information Technology - primarily consists of revenues from iPeople and subsidiaries (including MCI) in education, consulting, development, installation and maintenance of information technology systems.

Car Dealership - represents automotive dealerships of the Company.

Other Services - represent support services which cannot be directly identified with any of the reportable segments mentioned above. These include sale of pharmaceutical products, trading of consumer goods and rendering various services to the consumers.

Segment assets and liabilities exclude deferred income tax assets and liabilities. Inter-segment income arise from transactions that were made on terms equivalent to those that prevail in an arms-length transactions.

Management monitors construction revenue and segment net income for the purpose of making decisions about resource allocation. Segment performance is evaluated based on net income and construction revenue.

Segment reporting is consistent in all periods presented as there are no changes in the structure of the Group's internal organization that will cause the composition of its reportable segment to change.

| | Construction and Infrastructure | | Consumer Finance | | Education and Information Technology | | Other Services | | Eliminations | | Consolidated | |
|---------------------------|---------------------------------|-----------|------------------|-----------|--------------------------------------|-----------|----------------|-----------|--------------|-------------|--------------|------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues | 3,324,069 | 1,774,510 | 115,715 | 117,054 | 438,810 | 399,247 | 968,469 | 1,605,483 | 2,658 | (22,481) | 4,849,721 | 3,873,813 |
| Net Income (Loss) | 214,925 | 118,581 | (577) | 10,374 | 128,221 | 103,572 | 59,631 | 60,393 | (136,156) | (91,497) | 266,044 | 201,423 |
| Other Information | | | | | | | | | | | | |
| Segment Assets | 11,763,566 | 8,209,397 | 23,037 | 2,785,714 | 4,044,932 | 3,657,143 | 4,730,570 | 5,214,480 | (1,464,745) | (1,914,873) | 19,097,360 | 17,951,861 |
| Segment Liabilities | 7,301,683 | 4,464,293 | 4,273 | 2,345,520 | 1,513,636 | 1,651,829 | 2,101,360 | 2,616,928 | (419,729) | (549,141) | 10,501,223 | 10,529,429 |
| Investments in Associates | 1,017,800 | 1,041,966 | - | - | - | - | 2,165,865 | 2,569,055 | (1,773,654) | (2,123,565) | 1,410,011 | 1,487,456 |

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

Financial Condition

Consolidated total assets as of March 31, 2012 was P19.14 billion, compared to P20.02 billion as of December 31, 2011.

Cash and cash equivalents were P2.498 billion as of March 31, 2012, compared to P2.167 billion on December 31, 2011 or an increase of 15%. Continued strong Q1 results at EEI, and from the educational subsidiaries of iPeople, contributed to the rise in cash balances.

Consolidated accounts receivable rose by 5% to P4.123 billion as of the end of Q1 2012, compared to P3.926 at the end of 2011. The majority of this was driven by higher receivables at both EEI and from higher receivables at our Car Division.

EEI continues to enjoy a higher take up of domestic construction project revenue. Meanwhile, the Car Division of HI has benefited from the restoration of inventory supply of cars for sale, which was interrupted due to the flooding in Thailand during 2011. Sales have picked up in Q1 2012, compared to the end of 2011, when inventory stocks were not available for sale.

The current portion of notes receivable declined 100%, falling to zero from P400.9 million as of the end of 2011. This represents the effect of the divestment of First Malayan Leasing from the HI portfolio. First Malayan leasing was sold to RCBC and the sale closed on March 28, 2012.

Inventories as of the end of the first quarter of 2012 rose by 22% to P801.5 million from P656.8 million at the end of 2011. The rise in inventory reflects the increase in automobile stock on hand as the supply from Thailand has begun to normalize. Also, inventories of construction materials at EEI rose on stronger take up of local projects. We anticipate that these construction material inventories will get reduced as projects are completed.

Due from related parties pertain to receivable of EEI from its foreign associate.

Prepaid expenses and other current assets increased by 9% due to increase in input value added taxes and creditable withholding taxes. Other current assets mainly consist of iPeople's Fund for Engineering Development and Institutional Linkages (FEDIL), which is a restricted deposit for the purpose of undertaking socio-economic studies and development projects.

Investment in associates and joint ventures was up by 6% due to higher equity of EEI from net earnings of its associates.

Available for sale securities rose from P451.5 million at the end of 2011 to P560.1 million as of the end of Q1 2012. This rise reflects the increase in market value of the publicly listed stocks that HI holds in its portfolio.

Investment properties represent various parcel of land, condominium units and parking slots held for capital appreciation and rental. It dropped by 11% as EEI Marine disposed its land held for capital appreciation located in Pasig in March 2012.

Total property and equipment dropped to P5.295 billion from P5.759 billion, a decrease of 8%. Property and equipment assets decline because of the sale of First Malayan Leasing at the end of Q1 2012.

Loans receivable, net of current portion, fell by 99% to P16.85 million from P1.131 billion. This is the effect of the divestment of First Malayan Leasing.

Deferred tax assets went down by 21% due to utilization of tax credits.

Other noncurrent assets consist mainly of receivable from EEI's retirement fund. The receivable from EEI Retirement Fund, Inc. (the Fund) resulted from the sale of land held for sale by EEI to the Fund. The amount is to be paid by the Fund within seven years from 2006 with interest rate based on bank's internal average lending rate. Other noncurrent assets also include capitalized computer software, noncurrent deferred charges, deposit on contracts, refund from Meralco and others. The capitalized software is carried net of accumulated amortization.

Consolidated loans payable declined by 27% to P2.967 billion from P4.088 billion. This drop came as a result of the reduction in bills payable due to the divestment of First Malayan Leasing.

Accounts payable and accrued expenses rose by 8% to P3.453 billion in Q1 2012 from P3.201 billion as of the end of 2011. Most of this was caused by higher payables at the Car Division and at the education subsidiaries.

The Car Division had higher trade payables for the quarter as inventory levels recovered. The education subsidiaries had a timing difference between the end of the cut off of the reporting period, compared to the end of the academic quarter. The education subsidiaries usually accrue the full expenses to match revenue towards the end of the academic quarter. In this case, the cut off of the reporting period occurred before the end of the academic quarter.

The current portion of long term debt dropped by P503.4 million or 85% to end Q1 2012 at P86 million. This was a result of the sale of First Malayan Leasing as its short term debt was removed from HI's books.

Billings in excess of costs and estimated earnings on uncompleted contracts rose by 19% to P2.213 billion in Q1 2012 compared to P1.862 billion at the end of 2011. This reflects a rise in overall project and construction revenues attributed to EEI in 2012.

Unearned tuition fees decreased by 11% to P149.7 million in Q1 2012 compared to P167.7 million at the end of 2011. Unearned tuition fees at the education subsidiaries decreased because as of the end of Q1 2012, compared to the end of 2011, there was less time remaining in the academic quarter as of the cut off of the reporting period.

On a consolidated basis, income tax payable dropped by 82% to end Q1 2012 at P37.1 million compared to P207.8 million. This reflects two developments: the income tax payable attributed to First Malayan Leasing was reduced reflecting the sale of said subsidiary. Also, the group paid off a portion of its income tax liabilities.

Due to related parties decreased by P8.7 million or 15% as the Group settled its obligations to its affiliates which are not part of the HI group.

Customers' deposits went up by 38% due to increase in EEI's domestic construction projects.

Lease liability, which increased by P1.94 million or 9%, pertains mainly to lease obligation of MCL.

Long term debt, net of the current portion, dropped by P67.1 million, or 5% to end Q1 2012 at P1.255 billion from P1.322 billion as of the end of 2011. The group has been very proactive in reducing the negative interest carry by paring down its debt level.

Total equity, net of dividends paid, is at P8.6 billion, 4% higher than the year end 2011 equity of P8.2 billion.

Q1 2012 – Results of Operations

Total revenues for the quarter ended March 31, 2012 were P4.849 billion compared to P3.659 billion in the comparable quarter for the previous year, a rise of 33%. The main driver of this increase was strength in construction and project revenues from EEI.

Sales of services as of the first quarter of 2012 was P3.316 billion, about 90% higher than the P1.743 billion recorded in the previous year. Higher revenues primarily from domestic construction projects propelled sales higher.

Sales of goods for the first quarter of 2012 was P1.105 billion, or 23% lower than the P1.426 billion recorded in the quarter a year ago. The drop in sale of goods came from the Car Division, as our Honda and Isuzu dealerships continued to wrestle with the problem of a lack of inventory in the first 2 months of the quarter due to the flooding in Thailand.

Revenues from school and related operations ended the first quarter of 2012 at P399.5 million, which was 13% higher compared to the first quarter of 2011. The revenues were higher at our education subsidiaries, Malayan Colleges Inc.; and Malayan Colleges Laguna, because of higher enrolment, and a higher number of average academic units taken per student.

Interest and discount revenue declined by 79%, to P28.2 million from P133.69 million in the year ago quarter. This reflects the sale of First Malayan Leasing.

Cost of services rose by 91% to end the first quarter of 2012 at P2.742 billion, from P1.433 billion in the first quarter of 2011. This is volume-related and reflects the rise in construction project revenues from EEI.

Cost of goods sold dropped by 19% to P1.075 billion from P1.323 billion. This is also volume-related and reflects the decrease in unit sales at our car dealerships due to a lack of inventory.

Total gross profit rose 14% to P1.006 billion, from P880.27 million.

General and administrative expenses only rose by 1%, to P615.15 million from P611.76 million from the year ago period.

Other income went down by 21% primarily due to lower commission income.

Equity in net earnings of associates was lower by 26% compared to same period last year because the net earnings of First Malayan Leasing and HI-Eisai were far better in Q1 last year compared to this period.

Interest and finance charges dropped by 74%, to P27.9 million in the first quarter of 2012 compared to P108.70 million in the first quarter of 2011. This reflects the fact that management has tried to lower aggressively the group's negative interest carry. Further, there was a much lower requirement for inventory financing in the car division because of the lack of stock to sell.

This brought net income after tax to P415.69 million, which was 38% higher compared to the net income of P300.37 million in the first quarter of 2011.

HOUSE OF INVESTMENTS INC and SUBSIDIARIES**Item 3: SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AND 68.1 AS AMENDED****FOR THE FIRST QUARTER ENDED MARCH 31, 2012**

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labelled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68 and 68.1 as amended that are relevant to the Group. This information is presented for purposes of filing with SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

The Group is not required to disclose the financial assets in equity securities as the total available-for-share securities amounting to ₱560.1 million do not constitute 5% or more of the total assets of the Group as at March 31, 2012.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Below is the schedule of advances to officers and employees of the Group with balances above P100,000 as at March 31, 2012:

| Name | Balance at beginning of year | Additions | Collections/ Liquidations | Balance at end of year |
|------------------------------|---------------------------------|------------------|------------------------------|---------------------------|
| EEI | | | | |
| Apolonio, Ferdinand D. Group | 300,000 | 3,691,380 | (900) | 3,992,280 |
| Arcega, Wilson | 142,108 | | | 142,108 |
| Cabrera, Lovette | 624,840 | | (157,740) | 782,580 |
| Garcia, Raul | 100,000 | 124,000 | (60,000) | 284,000 |
| Brutas, Crisanto | | 200,900 | (9,526) | 210,426 |
| Misa, Alexander | | 105,485 | | 105,485 |
| Lazaro, Romulo | 111,205 | | (77,325) | 188,530 |
| Castro, Romeo | 121,512 | | | 121,512 |
| Constantino, Edwin P | 255,741 | 204,945 | (171,015) | 631,701 |
| Enriquez, Emmanuel | | 250,000 | | 250,000 |
| Macapagal, Norman | 1,960,000 | | | 1,960,000 |
| Mercado, Oscar | 1,441,523 | | | 1,441,523 |
| Munji, Divina F | 836,376 | | | 836,376 |
| | 5,893,305 | 4,576,710 | (476,506) | 9,993,509 |

| Name | Balance at beginning of year | Additions | Collections/ Liquidations | Balance at end of year |
|------------------------------|---------------------------------|------------------|------------------------------|---------------------------|
| EEI | | | | |
| Apolonio, Ferdinand D. Group | 300,000 | 3,691,380 | (900) | 3,992,280 |
| Arcega, Wilson | 142,108 | | | 142,108 |
| Cabrera, Lovette | 624,840 | | (157,740) | 782,580 |
| Garcia, Raul | 100,000 | 124,000 | (60,000) | 284,000 |
| Brutas, Crisanto | | 200,900 | (9,526) | 210,426 |
| Misa, Alexander | | 105,485 | | 105,485 |
| Lazaro, Romulo | 111,205 | | (77,325) | 188,530 |
| Castro, Romeo | 121,512 | | | 121,512 |
| Constantino, Edwin P | 255,741 | 204,945 | (171,015) | 631,701 |
| Enriquez, Emmanuel | | 250,000 | | 250,000 |
| Macapagal, Norman | 1,960,000 | | | 1,960,000 |
| Mercado, Oscar | 1,441,523 | | | 1,441,523 |
| Munji, Divina F | 836,376 | | | 836,376 |
| | 5,893,305 | 4,576,710 | (476,506) | 9,993,509 |

(Forward)

| Name | Balance at beginning of year | Additions | Collections/ Liquidations | Balance at end of year |
|------------------------------|---------------------------------|----------------|------------------------------|---------------------------|
| IPEOPLE | | | | |
| Bitor, Rolando | 478,000 | | (67,827) | 545,827 |
| Tablante, Dennis | 397,000 | | (22,841) | 419,841 |
| Caluyo, Felicito | 391,000 | | (19,525) | 410,525 |
| Songsong, Maribel | 386,000 | | (23,741) | 409,741 |
| Sabino, Lilibeth | 365,000 | | (25,177) | 390,177 |
| Salvacion, Jonathan | 361,000 | | (19,125) | 380,125 |
| Costales, Aloysius Nathaniel | 354,000 | | (14,820) | 368,820 |
| Benitez, Ethelwolda | 320,000 | | (15,655) | 335,655 |
| Lansangan, Emerald | 319,000 | | (19,125) | 338,125 |
| Co, Brian | 291,000 | | (19,400) | 310,400 |
| Robielos, Rex Aurelius | 260,000 | | (19,250) | 279,250 |
| Balatazar, Amalia | 227,000 | | (19,125) | 246,125 |
| Bonifacio, Donna | | 199,000 | | 199,000 |
| Lozano, Luz | 227,000 | | (19,125) | 246,125 |
| Sauquillo, Dante | 211,000 | | (17,875) | 228,875 |
| Maestrecampo, Dodjie S | 207,000 | | (11,959) | 218,959 |
| Eliquen, Nilda | 193,000 | | (19,000) | 212,000 |
| Cinco, Arnold | 189,000 | | (17,750) | 206,750 |
| Bayag, Marina | 182,000 | | (5,317) | 187,317 |
| Uy, Francis Aldrin | 158,000 | | (19,002) | 177,002 |
| Francisco, Ruth | 130,000 | | (7,751) | 137,751 |
| | 5,646,000 | 199,000 | (403,389) | 5,441,611 |

HI PARENT

| | | | | |
|---------------------|------------------|----------------|------------------|------------------|
| Tee, Cleto Jr | 296,482 | | (24,852) | 321,334 |
| Villegas, Raoul A | 263,761 | 31,404 | (41,046) | 336,211 |
| Tanjanco, Jose | 260,447 | 6,000 | (24,146) | 290,593 |
| Maglaya, Eslsie | 246,634 | | (17,727) | 264,361 |
| De Lara, Ma. Elisa | 255,000 | | | 255,000 |
| Maravilla, Juliet O | 278,755 | 600 | (34,425) | 313,780 |
| Eugenio, Rolando | 225,165 | 85,884 | (80,709) | 391,757 |
| Ramirez, Rosalia | 111,887 | | | 111,887 |
| Uy, perry | 252,000 | | | 252,000 |
| Sanchez, Emil | 203,000 | | | 203,000 |
| Capalongan, Allan | 188,500 | | | 188,500 |
| Aliganga, Justino | 142,000 | | | 142,000 |
| Damasco, Reyner | 112,000 | | | 112,000 |
| | 2,835,631 | 123,887 | (222,906) | 2,736,612 |

LANDEV

| | | | | |
|---------------------|----------------|----------|-----------------|----------------|
| Mario C. Pagio | 500,000 | | | 500,000 |
| Nathaniel Cabungcal | 281 | | (10,359) | 10,640 |
| | 500,281 | - | (10,359) | 489,922 |

Schedule C. Amounts Receivable/Payables from and to Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivables/payables with related parties, which are eliminated in the consolidated financial statements as at March 31, 2012:

| Name and Designation of Debtor | Balance at Beginning Period | Additions | Amounts Collected | Amount Written off | Balance at end of period |
|--|--|------------------|------------------------------|-------------------------------|-------------------------------------|
| <i>Landev Corp</i> | | | | | |
| Due fr Affiliates | 255,051 | 38,895 | 264,913 | | 29,033 |
| Dividends Receivable | 7,000,000 | | | | 7,000,000 |
| | 7,255,051 | 38,895 | 264,913 | - | 7,029,033 |
| <i>Greyhounds Security and Investigation Agency</i> | | | | | |
| Due fr Affiliates | 16,531,781 | 290,222 | 6,429,306 | | 10,392,697 |
| <i>Investment Managers Inc</i> | | | | | |
| Due fr Affiliates | 543,527 | | 442,960 | | 100,567 |
| Dividends Receivable | 2,000,000 | | | | 2,000,000 |
| | 2,543,527 | - | 442,960 | - | 2,100,567 |
| <i>Ipeople Inc. and subsidiary</i> | | | | | |
| Due fr Affiliates | 17,788,334 | | | | 17,788,334 |
| Dividends Receivable | 43,219,547 | | | | 43,219,547 |
| | 61,007,881 | - | - | - | 61,007,881 |
| <i>EEI Corporation and Subsidiaries</i> | | | | | |
| Due fr Affiliates | 1,583,777 | 1,312,927 | 6,032 | | 2,890,672 |
| Vehicle Receivable | 4,187,496 | 4,383,300 | 6,266,544 | | 2,304,252 |
| | 5,771,273 | 5,696,227 | 6,272,576 | - | 5,194,924 |
| <i>Zamboanga Industrial Finance Corp</i> | | | | | |
| Due fr Affiliates | 371,625 | | | | 371,625 |
| | 371,625 | - | - | - | 371,625 |
| <i>Hexagon Lounge</i> | | | | | |
| Due fr Affiliates | 283,343 | | | | 283,343 |
| | 283,343 | - | - | - | 283,343 |
| <i>Xamdu Motors Inc</i> | | | | | |
| Due fr Affiliates | 562,165 | | | | 562,165 |
| | 562,165 | - | - | - | 562,165 |

Schedule D. Intangible Asset - Other Noncurrent Assets

As at March 31, 2012, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of EEI, iPeople, and Honda Cars Group. Details of the Group's intangible assets are as follows:

| Description | Beginning balance | Additions at cost | Charged to cost and expenses | Charged to other accounts | Other changes additions (deductions) | Ending balance |
|-------------------|-------------------|-------------------|------------------------------|---------------------------|--------------------------------------|----------------|
| Goodwill | P512,796,021 | P— | P— | P— | P— | P512,796,021 |
| Computer Software | 17,210,935 | — | (297,619) | — | — | 16,913,316 |
| | P530,006,956 | P— | (P297,619) | P— | P— | P529,709,337 |

In 2011, the Group purchased its Oracle Accounting System for its financial reporting effective January 1, 2012. Total capitalizable costs related to the Oracle software amounted to P13.1 million.

Schedule E. Long-term Debt

Below is the schedule of long-term debt of the Group:

| Type of Obligation | Amount | Current | Noncurrent |
|--|----------------|-------------|----------------|
| Parent Company | | | |
| Private placement fixed-rate corporate promissory notes payable after three years from the date of issue with interest of 7.90%. | P89,000,000 | P— | P89,000,000 |
| MCI | | | |
| Peso-denominated syndicated bank loan payable after 10 years since November 2010 without grace period on principal payment, subject to floating rate equal to the 3-month Philippine Dealing System Treasury Reference Rates-Fixing (PDST-F) plus a per annum spread of 1.75% payable in accelerating amounts up to November 22, 2020. | 752,500,000 | 86,000,000 | 666,500,000 |
| EEI | | | |
| a) Private placement fixed-rate corporate promissory notes with effective interest of 6.25% per annum for P500 million in 2011 and 7.75% per annum for P300 million in 2010 | 500,000,000 | — | 500,000,000 |
| | P1,341,500,000 | P86,000,000 | P1,255,500,000 |

Payable to Philippine Transmarine Carriers, Inc. (PTC)

As at March, 31, 2012 and December 31, 2011, payable to PTC amounted to P33.12 million and P34.8 million, respectively for its share in the income of tuition and other matriculation fees of students of the Malayan-PTC Center for Maritime Education and Training (CMET). This account is payable in 2013.

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)

The Group is not required to disclose the long term indebtedness to related parties amounting to ₱666.5 million as this do not constitute 5% or more of the total assets of the Group as at March 31, 2012.

Schedule G. Guarantees of Securities of Other Issuers

There are no guarantees of securities of other issuing entities by the Group as at March 31, 2012.

Schedule H. Capital Stock

| Title of issue | Number of shares authorized | Number of shares issued and outstanding as shown under related statement of financial position caption | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by related parties | Directors, Officers and Employees | Others |
|-----------------------|--|---|---|---|--|---------------|
| Common shares | 1,250,000,000 | 615,977,028 | — | 344,701,851 | 6,163,560 | 265,111,617 |
| Preferred shares | 2,500,000,000 | 1,166,196,823 | — | 494,661,821 | 637,357,511 | 34,177,491 |

HOUSE OF INVESTMENTS, INC. and SUBSIDIARIES

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

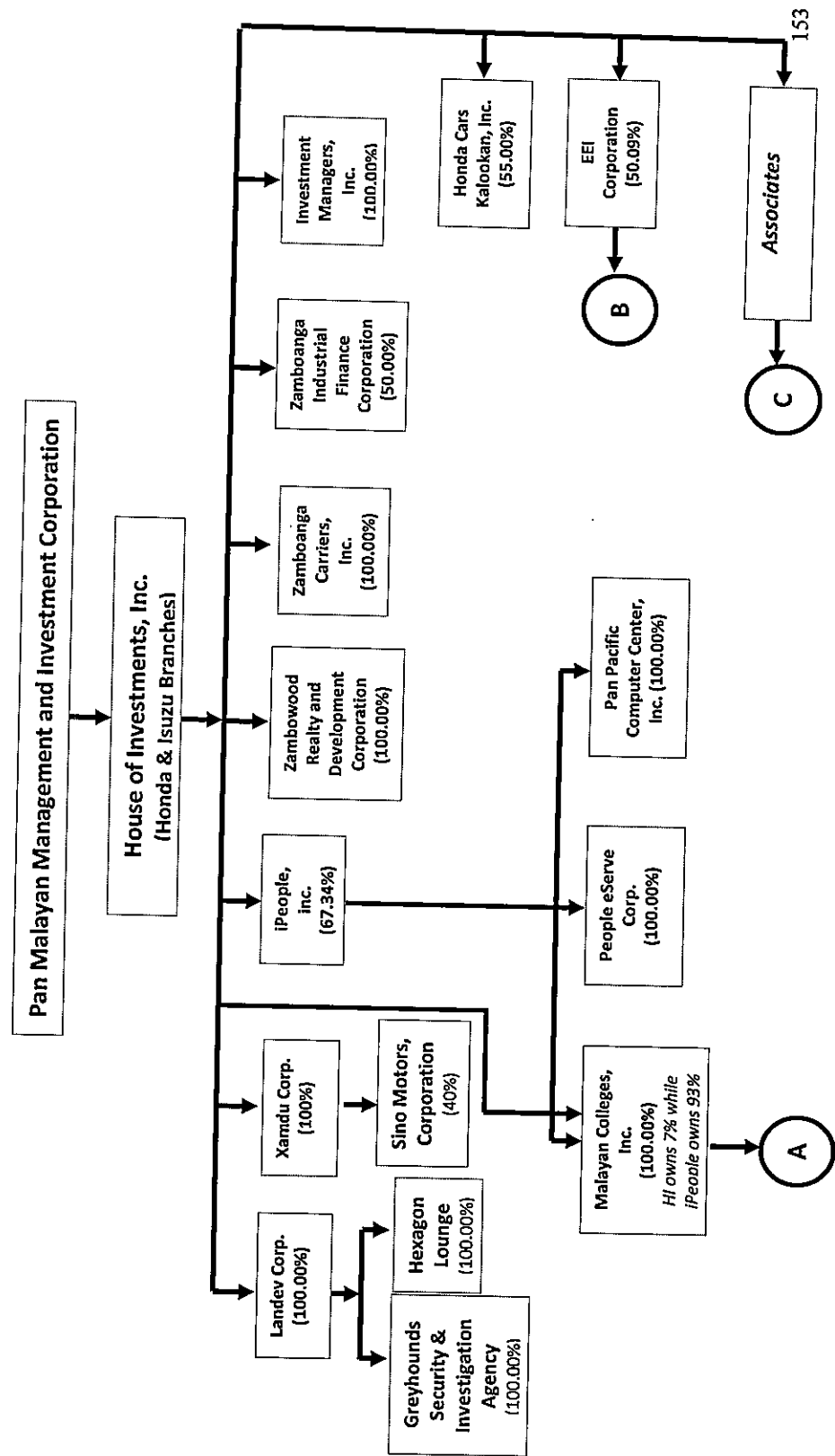
| | |
|--|---------------------|
| Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning | ₱729,559,000 |
| Add: Net income actually earned/realized during the year | 226,044,000 |
| Net income during the period closed to Retained Earnings | |
| Less: Non-actual/unrealized gains net of tax Movement in deferred tax assets | 61,734,000 |
| Less: Dividend declarations during the year | 4,420,000 |
| Total Unappropriated Retained Earnings, End Available For Dividend Declaration | ₱889,449,000 |

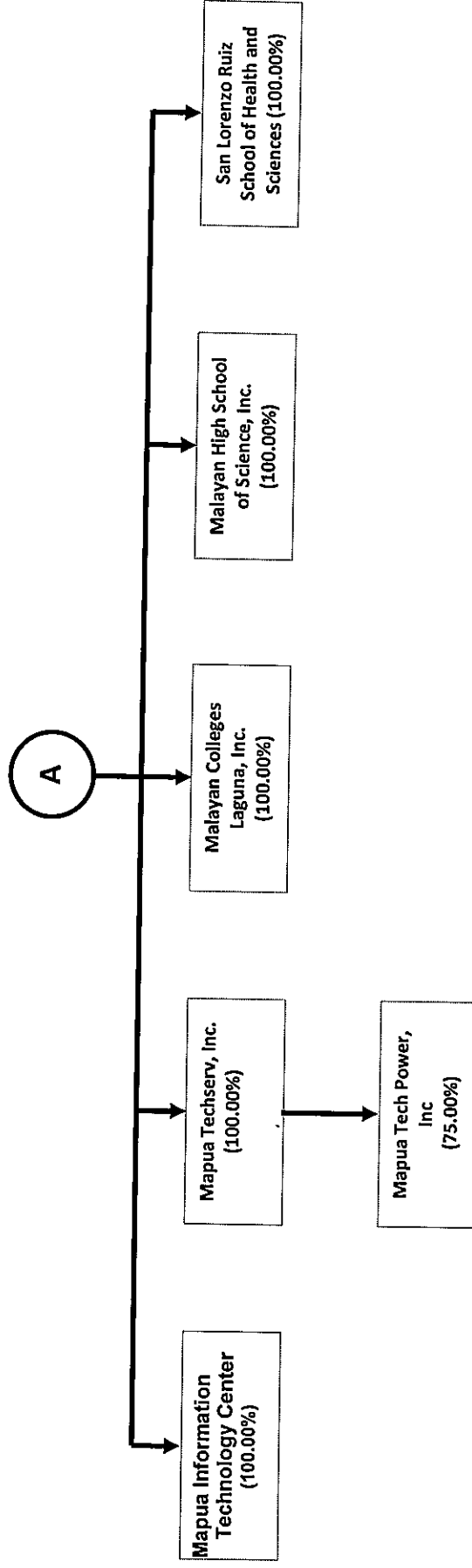
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

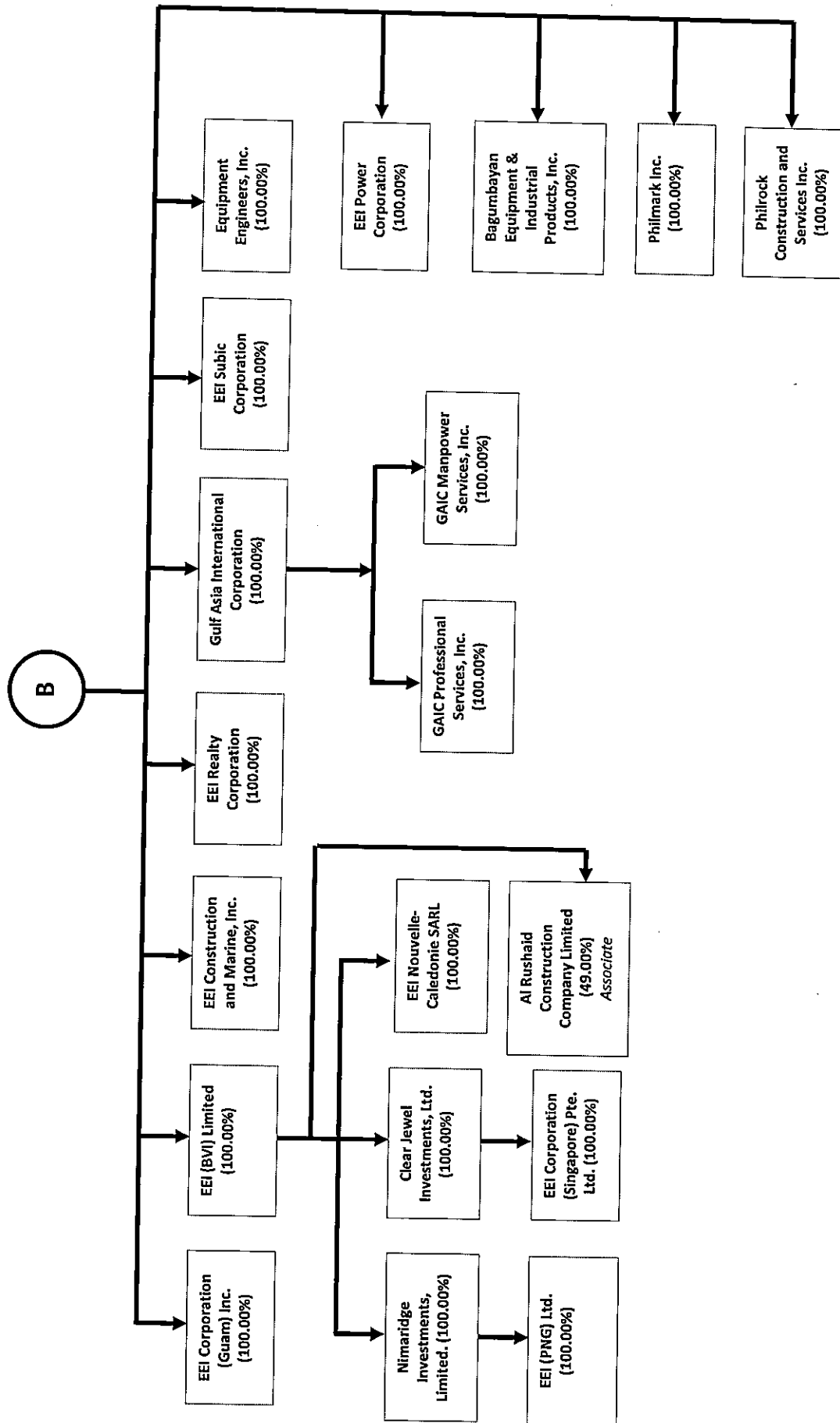
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

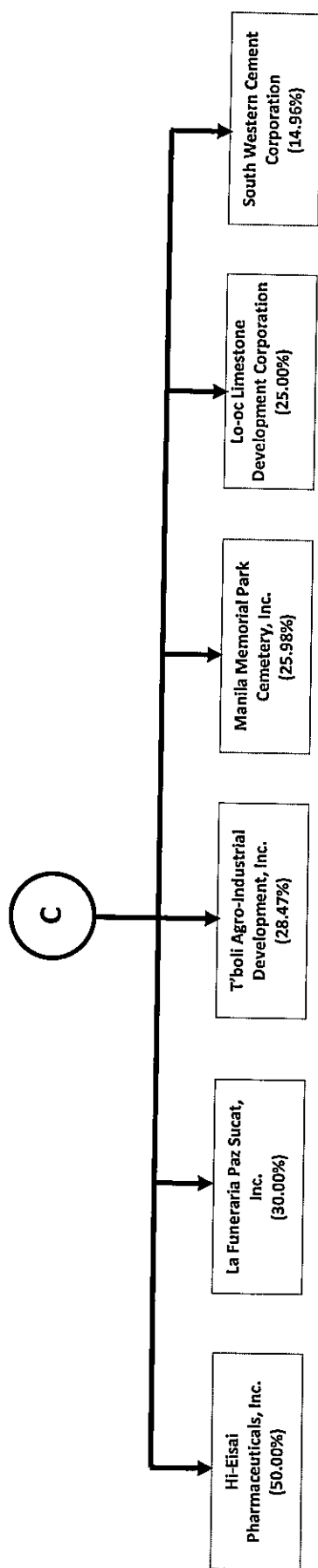
Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of March 31, 2012:









**The Group has more than 20% effective interest in SWCC since LLDC (in which the Group has 25% interest) has more than 50% interest in SWCC.*

HOUSE OF INVESTMENTS, INC. and SUBSIDIARIES**Item 4: SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF MARCH 31, 2012
AND DECEMBER 31, 2011***Financial Soundness Indicator*

Below are the financial ratios that are relevant to the Group for the year ended March 31, 2012 and December 31, 2011:

| Financial ratios | | 2012 | 2011 |
|-------------------------|--|----------------|-------------|
| Current ratio | $\frac{\text{Current assets}}{\text{Current liabilities}}$ | 1.08:1 | 0.95:1 |
| Solvency ratio | $\frac{\text{Net income plus depreciation}}{\text{Total liabilities}}$ | 0.05:1 | 0.16:1 |
| Debt to equity ratio | $\frac{\text{Total liabilities}}{\text{Total equity}}$ | 1.22:1 | 1.43:1 |
| Asset-to-equity ratio | $\frac{\text{Total assets}}{\text{Total equity}}$ | 2.22:1 | 2.43:1 |
| Interest rate coverage | $\frac{\text{EBIT*}}{\text{Interest expense}}$ | 18.94:1 | 7.60:1 |
| Return on assets | $\frac{\text{Net income*}}{\text{Average total assets}}$ | 8.49% | 7.26% |
| Return on equity | $\frac{\text{Net income*}}{\text{Average total equity}}$ | 19.71% | 17.63% |

**Earnings before interest and taxes (EBIT)*

**Annualized*

HOUSE OF INVESTMENTS, INC. and SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PFRS AS OF MARCH 31, 2012

Below is the list of all effective Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as at March 31, 2012:

I. List of PFRS effective as at March 31, 2012

| PFRSs | Adopted/Not adopted/Not applicable |
|---|------------------------------------|
| PFRS 1, <i>First-time Adoption of Philippine Financial Reporting Standards</i> | Adopted |
| PFRS 2, <i>Share-based Payment</i> | Adopted |
| PFRS 3, <i>Business Combinations</i> | Adopted |
| PFRS 4, <i>Insurance Contracts</i> | Not applicable |
| PFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i> | Adopted |
| PFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i> | Not applicable |
| PFRS 7, <i>Financial Instruments: Disclosures</i> | Adopted |
| Amendments to PAS 1: <i>Presentation of Items of Other Comprehensive Income</i> | Adopted |
| PFRS 8, <i>Operating Segments</i> | Adopted |
| PAS 1, <i>Presentation of Financial Statements</i> | Adopted |
| PAS 2, <i>Inventories</i> | Adopted |
| PAS 7, <i>Statement of Cash Flows</i> | Adopted |
| PAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> | Adopted |
| PAS 10, <i>Events after the Reporting Period</i> | Adopted |
| PAS 11, <i>Construction Contracts</i> | Adopted |
| PAS 12, <i>Income Taxes</i> | Adopted |
| PAS 16, <i>Property, Plant and Equipment</i> | Adopted |
| PAS 17, <i>Leases</i> | Adopted |
| PAS 18, <i>Revenue</i> | Adopted |
| PAS 19, <i>Employee Benefits</i> | Adopted |
| PAS 20, <i>Accounting for Government Grants and Disclosure of Government Assistance</i> | Not applicable |
| PAS 21, <i>The Effects of Changes in Foreign Exchange Rates</i> | Adopted |
| PAS 23, <i>Borrowing Costs</i> | Adopted |
| PAS 24, <i>Related Party Disclosures</i> | Adopted |
| PAS 26, <i>Accounting and Reporting by Retirement Benefit Plans</i> | Not applicable |
| PAS 27, <i>Consolidated and Separate Financial Statements</i> | Adopted |
| (Forward) | |
| PAS 28, <i>Investments in Associates</i> | Adopted |
| PAS 29, <i>Financial Reporting in Hyperinflationary Economies</i> | Not applicable |
| PAS 31, <i>Interests in Joint Ventures</i> | Adopted |
| PAS 32, <i>Financial Instruments: Presentation</i> | Adopted |
| PAS 33, <i>Earnings per Share</i> | Adopted |

| | |
|---|----------------|
| PAS 34, <i>Interim Financial Reporting</i> | Adopted |
| PAS 36, <i>Impairment of Assets</i> | Adopted |
| PAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i> | |
| PAS 38, <i>Intangible Assets</i> | Adopted |
| PAS 39, <i>Financial Instruments: Recognition and Measurement</i> | Adopted |
| PAS 40, <i>Investment Property</i> | Adopted |
| PAS 41, <i>Agriculture</i> | Not applicable |
| Philippine Interpretation IFRIC-1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i> | Not applicable |
| Philippine Interpretation IFRIC-2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i> | Not applicable |
| Philippine Interpretation IFRIC-4, <i>Determining whether an Arrangement contains a Lease</i> | Adopted |
| Philippine Interpretation IFRIC-5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i> | Not applicable |
| Philippine Interpretation IFRIC-6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i> | Not applicable |
| Philippine Interpretation IFRIC-7, <i>Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies</i> | Not applicable |
| Philippine Interpretation IFRIC-9, <i>Reassessment of Embedded Derivatives</i> | Adopted |
| Philippine Interpretation IFRIC-10, <i>Interim Financial Reporting and Impairment</i> | Adopted |
| Philippine Interpretation IFRIC-12, <i>Service Concession Arrangements</i> | Not applicable |
| Philippine Interpretation IFRIC-13, <i>Customer Loyalty Programmes</i> | Adopted |
| Philippine Interpretation IFRIC-14, <i>PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i> | Adopted |
| Philippine Interpretation IFRIC-16, <i>Hedges of a Net Investment in a Foreign Operation</i> | Adopted |
| Philippine Interpretation IFRIC-17, <i>Distributions of Non-cash Assets to Owners</i> | Not applicable |
| Philippine Interpretation IFRIC-18, <i>Transfers of Assets from Customers</i> | Not applicable |
| Philippine Interpretation IFRIC-19, <i>Extinguishing Financial Liabilities with Equity Instruments</i> | Adopted |
| (Forward) | |
| Philippine Interpretation SIC-7, <i>Introduction of the Euro</i> | Not applicable |
| Philippine Interpretation SIC-10, <i>Government Assistance - No Specific Relation to Operating Activities</i> | Not applicable |
| Philippine Interpretation SIC-12, <i>Consolidation - Special Purpose Entities</i> | Adopted |
| Philippine Interpretation SIC-13, <i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i> | Adopted |
| Philippine Interpretation SIC-15, <i>Operating Leases - Incentives</i> | Adopted |
| Philippine Interpretation SIC-21, <i>Income Taxes - Recovery of Revaled Non-Depreciable Assets</i> | Adopted |

| | |
|---|----------------|
| Philippine Interpretation SIC-25, <i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i> | Not applicable |
| Philippine Interpretation SIC-27, <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i> | Adopted |
| Philippine Interpretation SIC-29, <i>Service Concession Arrangements: Disclosures</i> | Not applicable |
| Philippine Interpretation SIC-31, <i>Revenue - Barter Transactions Involving Advertising Services</i> | Not applicable |
| Philippine Interpretation SIC-32, <i>Intangible Assets - Web Site Costs</i> | Not applicable |

*Standards tagged as "Not applicable" have been adopted by the Company but it has no significant covered transactions for the years ended December 31, 2011 and 2010.

II. List of New and Amended Standards and Interpretations and Improvements to PFRS that became effective as at January 1, 2011

| PFRSs | Adopted/Not adopted/Not applicable |
|--|------------------------------------|
| <i>New and Amended Standards and Interpretations</i> | |
| PAS 24 (Amended), <i>Related Party Disclosures</i> | Adopted |
| PAS 32, <i>Financial Instruments: Presentation</i> (Amendment) – Classification of Rights Issues | Adopted |
| Philippine Interpretation IFRIC 14 (Amendment), <i>Prepayments of a Minimum Funding Requirement</i> | Adopted |
| PFRS 1, <i>First-time Adoption of IFRS</i> – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters | Not applicable |
| <i>Improvements to PFRS</i> | |
| PFRS 1, <i>First-time Adoption of IFRS</i> : | |
| • Accounting policy changes in the year of adoption | |
| • Revaluation basis as 'deemed cost' | |
| • Use of 'deemed cost' for operations subject to rate regulation | |
| | Not applicable |
| PFRS 3, <i>Business Combinations</i> : | |
| • Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. | |
| • Measurement of non-controlling interests | |
| • Un-replaced and voluntarily replaced share- based payment rewards | |
| | Not applicable |
| PFRS 7, <i>Financial Instruments: Disclosures</i> – Clarification of disclosures | Adopted |
| PAS 1, <i>Presentation of Financial Statements</i> – Clarification of statement of changes in equity | Adopted |
| PAS 27, <i>Consolidated and Separate Financial Statements</i> – Transition requirements for amendments made as a result of IAS 27 Consolidated and Separate Financial Statements | Adopted |
| PAS 34, <i>Interim Financial Reporting</i> – Significant events and transactions | Adopted |

Philippine Interpretation IFRIC 13, *Customer Loyalty*

Programmes – Fair value of award credits

Not applicable

Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

Not applicable

*Standards tagged as “Not applicable” have been adopted by the Company but it has no significant covered transactions for the years ended December 31, 2011 and 2010.

III. Standards Issued but not yet Effective as at December 31, 2011

| Standard(s)/Interpretation(s) /Amendment (s) issued but not yet effective | Applicable to annual period beginning on or after | Early application allowed | Adopted/Not adopted/Not applicable |
|---|--|---------------------------------|--|
| Amendments to PAS 12 - <i>Deferred Tax: Recovery of Underlying Assets</i> | January 1, 2012 | Yes | Not adopted |
| PAS 19, <i>Employee Benefits (Revised)</i> | January 1, 2013 | Yes | Not adopted |
| PAS 27, <i>Separate Financial Statements</i> | January 1, 2013 | Yes | Not adopted |
| (Forward) | | | |
| PAS 28, <i>Investments in Associates and Joint Ventures</i> | January 1, 2013 | Yes | Not adopted |
| Amendments to PAS 32, <i>Offsetting Financial Assets and Financial Liabilities</i> | January 1, 2014 | Yes | Not adopted |
| Philippine Interpretation IFRIC - 15, <i>Agreements for the Construction of Real Estate</i> | Deferred by SEC and FRSC | No | Not adopted |
| Philippine Interpretation IFRIC - 20, <i>Stripping Costs in the Production Phase of a Surface Mine</i> | January 1, 2013 | Yes | Not adopted |
| Philippine Interpretations Committee (PIC) Q&A No. 2011-02: PFRS 3.2 - Common Control Business Combinations | January 1, 2012 | Yes | Not adopted |
| PIC Q&A No. 2011-03: Accounting for Inter-company Loans | January 1, 2012 | Yes | Not adopted |
| PIC Q&A No. 2011-04: PAS 32.37-38 - Costs of Public Offering of Shares | January 1, 2012 | Yes | Not adopted |
| PIC Q&A No. 2011-05: PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost | January 25, 2012 | Not mentioned | Not adopted |

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main purpose of the Group's financial instruments is to raise finances for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, market risk, and credit risk. The BOD reviews and agrees on the policies for managing these risks, as well as approving and authorizing risk limits set by management, summarized below. There were no changes in the policies for managing these risks.

a. *Liquidity Risk*

Liquidity risk is the risk that the Group will be unable to meet its payment obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. As an inherent part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long-term credit facilities. As at March 31, 2012 and December 31, 2011, the Group has available credit facilities with banks aggregating to ₱5.1 billion and ₱4.5 billion, respectively.

b. *Market Risk*

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in equity prices, foreign currency exchange rates, and interest rates.

Equity Price Risk

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as AFS securities.

Quoted AFS securities assets are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

Foreign Currency Risk

Currency risk is the potential decline in the value of the financial instruments due to exchange rate fluctuations. Exposure to currency risk arises mainly when receivables and payables are denominated in a currency other than the Group's functional currency or will be denominated in such currency in the planned course of business.

Foreign currency risk is monitored and analyzed systematically and is managed centrally by the central finance department. The Group's policy is to maintain foreign currency exposure within existing internal regulations, and within acceptable risk limits as approved by the BOD.

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term and long-term obligations.

c. *Credit Risk*

The Group's exposure to credit risk on its receivables relates primarily to the inability of the debtors to pay and fully settle the unpaid balance of receivables owed to the Group. The Group manages its credit risk in accordance with its credit risk policies which requires the evaluation of the creditworthiness of the debtors. The Group's exposure to credit risk on its other receivables from debtors and related parties is managed through close account monitoring and setting limits.

There can be some credit exposures on project commitments and contingencies as of March 31, 2012 and December 31, 2011 represented by work accomplishments on backlog of projects which are not yet invoiced. These exposures are however limited to a few months work accomplishment as work are frozen as soon as the Group is able to determine that the risk of non-collection materializes. This risk is, however, mitigated by the Group's contractor's lien on the project. A contractor's lien is the legal right of a contractor (the Group) to takeover the project in-progress and has priority in the settlement of contractor's receivables and claims on the project in the event of insolvency of the project owner. The Group assesses that the value of projects in-progress is usually higher than receivables from and future commitments with the project owners.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Except for ZIFC which is involved in financing activities, and except for the cash and cash equivalents deposited to RCBC, the Group does not have any significant exposure to any individual customer or counterparty. ZIFC monitors concentrations of credit risk by sector.

PART II – OTHER INFORMATION

Item 3. 1Q 2011 Developments

- | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--------------|-------------|----------------------|----------|---------------|----------|-----------------------|----------|------------------|----------|---------------------------|----------|---------------------|----------|----------------------|----------|---------------------|----------|---------------------|----------|--------------------|----------|--------------------|----------|
| A. New project or investments in another line of business of corporation | None | | | | | | | | | | | | | | | | | | | | | | | | |
| Composition of the Board of Directors | <table border="0"> <tr> <td>Helen Y. Dee</td> <td>Chairperson</td> </tr> <tr> <td>Alfonso T. Yuchengco</td> <td>Director</td> </tr> <tr> <td>Medel T. Nera</td> <td>Director</td> </tr> <tr> <td>Antonino L. Alindogan</td> <td>Director</td> </tr> <tr> <td>Reynaldo B. Veja</td> <td>Director</td> </tr> <tr> <td>Francisco H. Licuanan III</td> <td>Director</td> </tr> <tr> <td>Rizalino S. Navarro</td> <td>Director</td> </tr> <tr> <td>Roberto F. de Ocampo</td> <td>Director</td> </tr> <tr> <td>Wilfrido E. Sanchez</td> <td>Director</td> </tr> <tr> <td>Yvonne S. Yuchengco</td> <td>Director</td> </tr> <tr> <td>Renato C. Valencia</td> <td>Director</td> </tr> <tr> <td>Isabel Caro Wilson</td> <td>Director</td> </tr> </table> | Helen Y. Dee | Chairperson | Alfonso T. Yuchengco | Director | Medel T. Nera | Director | Antonino L. Alindogan | Director | Reynaldo B. Veja | Director | Francisco H. Licuanan III | Director | Rizalino S. Navarro | Director | Roberto F. de Ocampo | Director | Wilfrido E. Sanchez | Director | Yvonne S. Yuchengco | Director | Renato C. Valencia | Director | Isabel Caro Wilson | Director |
| Helen Y. Dee | Chairperson | | | | | | | | | | | | | | | | | | | | | | | | |
| Alfonso T. Yuchengco | Director | | | | | | | | | | | | | | | | | | | | | | | | |
| Medel T. Nera | Director | | | | | | | | | | | | | | | | | | | | | | | | |
| Antonino L. Alindogan | Director | | | | | | | | | | | | | | | | | | | | | | | | |
| Reynaldo B. Veja | Director | | | | | | | | | | | | | | | | | | | | | | | | |
| Francisco H. Licuanan III | Director | | | | | | | | | | | | | | | | | | | | | | | | |
| Rizalino S. Navarro | Director | | | | | | | | | | | | | | | | | | | | | | | | |
| Roberto F. de Ocampo | Director | | | | | | | | | | | | | | | | | | | | | | | | |
| Wilfrido E. Sanchez | Director | | | | | | | | | | | | | | | | | | | | | | | | |
| Yvonne S. Yuchengco | Director | | | | | | | | | | | | | | | | | | | | | | | | |
| Renato C. Valencia | Director | | | | | | | | | | | | | | | | | | | | | | | | |
| Isabel Caro Wilson | Director | | | | | | | | | | | | | | | | | | | | | | | | |
| B. Performance of the corporation or result / progress of operations | Please see unaudited consolidated financial statements and management's discussion on results of operations. | | | | | | | | | | | | | | | | | | | | | | | | |
| C. Declaration of Dividends | Declaration of P4.4 million in cash dividend to the stockholders of HI Preferred Shares covering the 1st quarter of Y2012, January to March 2012. The equivalent dividend per share is P0.003793. Record date is April 18, 2012 and the payment date, May 20, 2011. | | | | | | | | | | | | | | | | | | | | | | | | |
| D. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements | None. | | | | | | | | | | | | | | | | | | | | | | | | |
| E. Offering of rights, granting of Stock Options and corresponding plans therefore | None. | | | | | | | | | | | | | | | | | | | | | | | | |
| F. Acquisition of additional mining claims or other capital assets or patents, formula, real estate | None. | | | | | | | | | | | | | | | | | | | | | | | | |
| G. Other information, material events or happenings that may have affected or may affect market price of security | None. | | | | | | | | | | | | | | | | | | | | | | | | |
| H. Transferring of assets except in normal course of business | None. | | | | | | | | | | | | | | | | | | | | | | | | |

Item 4. Other Notes to 1Q 2011 Operations and Financials

- | | |
|---|--|
| I. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents | Please see Notes to Financial Statements |
| J. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period | None. |
| K. New financing through loans / issuances, repurchases, and repayments of debt and equity securities | Borrowings and repayments of loans are being undertaken on a number of creditor banks. |
| L. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period | None. |
| M. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition, or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations | None. |
| N. Changes in contingent liabilities or contingent assets since the last annual balance sheet date | None. |
| O. Existence of material contingencies and other material events or transactions during the interim period | None. |
| P. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation | None. |
| Q. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period | None. |
| R. Material commitments for capital | None. |

expenditures, general purpose and expected sources of funds

- | | |
|--|--|
| S. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales / revenues / income from continuing operations | Uncertainties remain as to whether the country will continue to be affected by regional trends in the coming months. The financial statements do not include any adjustments that might result from these uncertainties. Related effects will be reported in the financial statements, as they become known and estimable. |
| T. Significant elements of income or loss that did not arise from continuing operations | None. |
| U. Causes for any material change/s from period to period in one or more line items of the financial statements | Please see Notes to Financial Statements |
| V. Seasonal aspects that had material effect on the financial condition or results of operations | Not applicable. |
| W. Disclosures not made under SEC Form 17-C | None. |

Discussion and Analysis of Material Events

Any known trends, demands, commitments, events or uncertainties that will have a material effect on the issuer's liquidity – Future revenues will depend on the number of enrollees and schedule of tuition fees for the 100% owned subsidiary – MCI. Sources of liquidity will depend on the dividend policy of MCI and repayment schedule of bank loans.

Any material commitments for capital expenditures, the general purpose of such commitments and the expected results of fund for such expenditures –
None

OTHER INFORMATION

No significant events happened which were not disclosed under SEC FORM 17-C.



**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010 AND REPORT OF
INDEPENDENT AUDITORS**

**HI**

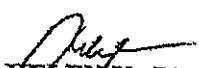
HOUSE OF INVESTMENTS, INC.
A YGC Member

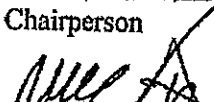
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

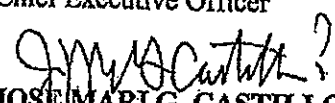
The management of House of Investments, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2011 and 2010, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated 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 consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.


HELEN Y. DEE
Chairperson


MEDEL T. NERA
Chief Executive Officer


JOSE MARI G. CASTILLO III
Chief Financial Officer

Signed this 23rd day of March, 2012



SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines
Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
House of Investments, Inc.
3rd Floor Grepalife Building
219 Sen. Gil J. Puyat Avenue
Makati City

We have audited the accompanying consolidated financial statements of House of Investments, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

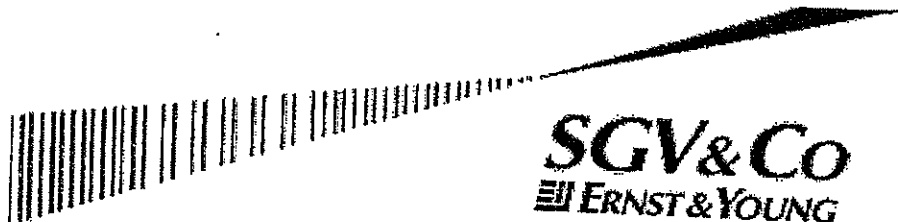
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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



- 2 -

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of House of Investments, Inc. and its subsidiaries as at December 31, 2011 and 2010, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia
Cyril Jasmin B. Valencia

Partner

CPA Certificate No. 90787

SEC Accreditation No. A-538-A (Group A),

Valid until July 15, 2012

Tax Identification No. 162-410-623

BIR Accreditation No. 08-001998-74-2009,

June 1, 2009, Valid until May 31, 2012

PTR No. 3174834, January 2, 2012, Makati City

March 21, 2012

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|------------------------|------------------------|
| | 2011 | 2010 |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Notes 4, 5 and 21) | P2,167,119,236 | P2,072,400,037 |
| Accounts receivable (Notes 4 and 7) | 3,926,140,871 | 3,284,065,513 |
| Current portion of loans receivable (Notes 4 and 6) | 400,919,333 | 329,255,566 |
| Costs and estimated earnings in excess of billings on uncompleted contracts (Note 8) | 1,729,876,639 | 470,933,751 |
| Inventories (Notes 9 and 19) | 656,807,317 | 1,012,802,575 |
| Due from related parties (Notes 4 and 21) | 61,330,556 | 101,316,886 |
| Prepaid expenses and other current assets (Notes 4 and 10) | 736,027,116 | 492,691,357 |
| Total Current Assets | 9,678,221,068 | 7,763,465,685 |
| Noncurrent Assets | | |
| Investments in associates and joint ventures (Notes 12 and 34) | 1,324,629,998 | 1,377,432,092 |
| Available-for-sale securities (Notes 4 and 11) | 451,542,999 | 448,681,433 |
| Investment properties (Notes 15 and 18) | 328,240,451 | 377,564,022 |
| Property and equipment (Notes 13 and 19) | | |
| At cost | 3,273,300,109 | 2,524,538,906 |
| At revalued amount | 2,485,751,926 | 2,461,585,891 |
| Loans receivable - net of current portion (Notes 4 and 6) | 1,131,780,716 | 1,031,958,894 |
| Deferred tax assets - net (Notes 31 and 34) | 184,622,610 | 154,963,797 |
| Goodwill (Note 14) | 512,796,021 | 512,796,021 |
| Other noncurrent assets - net (Notes 4, 16, 21 and 30) | 649,175,451 | 549,358,003 |
| Total Noncurrent Assets | 10,341,840,281 | 9,438,879,059 |
| | P20,020,061,349 | P17,202,344,744 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Loans payable (Notes 4, 18 and 21) | P4,088,090,020 | P3,436,742,769 |
| Accounts payable and accrued expenses (Notes 4 and 17) | 3,201,210,185 | 2,917,104,734 |
| Current portion of long-term debt (Notes 4, 19 and 21) | 589,400,000 | 921,953,274 |
| Billings in excess of costs and estimated earnings on uncompleted contracts (Note 8) | 1,862,748,047 | 1,250,658,413 |
| Unearned tuition fees | 167,724,182 | 137,315,149 |
| Income tax payable (Notes 31 and 34) | 207,830,175 | 125,815,854 |
| Due to related parties (Notes 4 and 21) | 58,234,792 | 139,933,397 |
| Customers' deposits | 59,301,429 | 52,719,261 |
| Total Current Liabilities | 10,234,538,830 | 8,982,242,851 |

(Forward)

| | December 31 | |
|--|-----------------|-----------------|
| | 2011 | 2010 |
| Noncurrent Liabilities | | |
| Long-term debt - net of current portion (Notes 4, 19 and 21) | | |
| Lease liability (Notes 4 and 36) | ₱1,322,557,776 | ₱896,993,530 |
| Accrued retirement liability (Note 30) | 22,784,043 | - |
| Deferred tax liabilities - net (Notes 31 and 34) | 142,209,911 | 159,962,917 |
| Total Noncurrent Liabilities | 69,682,493 | 68,904,994 |
| Total Liabilities | 1,557,234,223 | 1,125,861,441 |
| | 11,791,773,053 | 10,108,104,292 |
| Equity | | |
| Capital stock (Note 35) | | |
| Preferred stock | | |
| Common stock | 466,478,729 | 516,287,973 |
| Additional paid-in capital | 923,965,542 | 923,872,075 |
| Revaluation increment on land (Note 13) | 154,578,328 | 154,578,328 |
| Cumulative translation adjustment (Notes 12 and 39) | 273,067,196 | 258,317,765 |
| Net accumulated unrealized gain on available-for-sale securities (Note 11) | (22,420,704) | (17,998,139) |
| Retained earnings (Note 37) | 76,012,323 | 63,473,002 |
| | 3,085,799,430 | 2,346,866,419 |
| Noncontrolling interest | 4,957,480,844 | 4,245,397,423 |
| Total Equity | 3,270,807,452 | 2,848,843,029 |
| | 8,228,288,296 | 7,094,240,452 |
| | ₱20,020,061,349 | ₱17,202,344,744 |

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

| | Years Ended December 31 | | |
|--|-------------------------|------------------------|------------------------|
| | 2011 | 2010 | 2009 |
| REVENUES (Note 34) | | | |
| Sales of services - net | ₱9,462,913,802 | ₱7,597,239,508 | ₱6,869,667,545 |
| Sales of goods - net | 4,232,880,851 | 6,073,305,021 | 5,934,378,482 |
| School and related operations | 1,553,867,070 | 1,438,115,869 | 1,324,829,015 |
| Interest and discounts | 221,320,917 | 203,936,790 | 174,428,354 |
| Dividends | 9,160,275 | 79,460,765 | 50,814,075 |
| | 15,480,142,915 | 15,392,057,953 | 14,354,117,471 |
| COSTS OF SALES AND SERVICES (Note 23) | | | |
| Cost of services (Note 25) | 7,845,142,994 | 6,180,861,819 | 5,758,060,492 |
| Cost of goods sold | 3,917,219,324 | 5,668,318,916 | 5,597,237,457 |
| Cost of school and related operations (Note 26) | 794,755,076 | 761,074,781 | 743,791,193 |
| | 12,557,117,394 | 12,610,255,516 | 12,099,089,142 |
| GROSS PROFIT | 2,923,025,521 | 2,781,802,437 | 2,255,028,329 |
| GENERAL AND ADMINISTRATIVE EXPENSES (Note 27) | (1,906,568,125) | (1,693,746,473) | (1,430,922,561) |
| OTHER INCOME - net (Notes 22 and 34) | 669,777,663 | 530,548,277 | 347,461,629 |
| EQUITY IN NET EARNINGS OF ASSOCIATES (Notes 12 and 34) | 378,384,802 | 361,059,705 | 549,516,183 |
| INTEREST AND FINANCE CHARGES (Notes 18, 19, 21, 29 and 34) | (324,458,944) | (369,945,908) | (491,307,536) |
| INCOME BEFORE INCOME TAX | 1,740,160,917 | 1,609,718,038 | 1,229,776,044 |
| PROVISION FOR INCOME TAX (Notes 31 and 34) | 389,862,187 | 347,002,755 | 266,353,854 |
| NET INCOME | ₱1,350,298,730 | ₱1,262,715,283 | ₱963,422,190 |
| Attributable to: | | | |
| Equity holders of the Parent Company (Notes 32 and 34) | ₱805,470,851 | ₱775,628,608 | ₱557,098,034 |
| Noncontrolling interest | 544,827,879 | 487,086,675 | 406,324,156 |
| | ₱1,350,298,730 | ₱1,262,715,283 | ₱963,422,190 |
| EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT - BASIC AND DILUTED (Note 32) | ₱0.869 | ₱0.808 | ₱0.553 |

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|--|-------------------------|-----------------------|-----------------------|
| | 2011 | 2010 | 2009 |
| NET INCOME | ₱1,350,298,730 | ₱1,262,715,283 | ₱963,422,190 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | |
| Cumulative translation adjustments (Notes 12 and 39) | (8,829,237) | (67,079,769) | 33,631,584 |
| Net unrealized gain on available-for-sale securities (Note 11) | 12,653,445 | 11,253,128 | 27,495,769 |
| Revaluation increment on land - net of tax (Notes 13 and 31) | 16,721,351 | 16,314,909 | 19,458,810 |
| Total other comprehensive income (loss) | 20,545,559 | (39,511,732) | 80,586,163 |
| TOTAL COMPREHENSIVE INCOME, NET OF TAX | ₱1,370,844,289 | ₱1,223,203,551 | ₱1,044,008,353 |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | |
| Equity holders of the Parent Company | ₱828,337,038 | ₱769,150,350 | ₱613,803,479 |
| Noncontrolling interest | 542,507,251 | 454,053,201 | 430,204,874 |
| | ₱1,370,844,289 | ₱1,223,203,551 | ₱1,044,008,353 |

See accompanying Notes to Consolidated Financial Statements.

S, INC. AND SUBSIDIARIES **MENTS OF CHANGES IN EQUITY**

| Attributable to Equity Holders of the Parent Company | | | | | | | | | |
|--|-----------------------------|---|---|--|-----------------------------|---------------------|-------------------------|--------------------------------|--------------------------------|
| | | Net Accumulated | | | | | | | |
| | | Revaluation Increment on Land - net (Note 13) | Cumulative Translation Adjustment (Notes 12 and 39) | Unrealized Gain on Available-for-Sale Securities (Note 11) | Retained Earnings (Note 37) | Total | Noncontrolling Interest | Total | |
| Preferred Stock (Note 35) | Common Stock (Note 35) | Additional Paid-in Capital | | | | | | | |
| For the Year Ended December 31, 2011 | | | | | | | | | |
| ¥516,287,973 (49,715,777) (93,467) | ¥923,872,075 - 93,467 | ¥154,578,328 - - | ¥258,317,765 - - | (¥17,998,139) - | ¥63,473,002 - | ¥2,346,866,419 - | ¥2,848,843,029 - | ¥4,245,397,423 (49,715,777) | ¥7,094,240,452 (49,715,777) |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | 14,749,431 | (4,422,565) | 12,539,321 | 805,470,851 | (5,786,652) | 805,470,851 | (5,786,652) |
| - | - | - | 14,749,431 | (4,422,565) | 12,539,321 | 22,866,187 | 544,827,879 | 22,866,187 | 1,350,298,730 |
| - | - | - | - | - | - | 805,470,851 | (2,320,628) | 828,337,038 | 20,545,559 |
| - | - | - | - | - | - | (66,537,840) | 542,507,251 | (66,537,840) | 1,370,844,289 |
| ¥466,478,729 | ¥923,965,542 | ¥154,578,328 | ¥273,067,196 | (¥22,420,704) | ¥76,012,323 | ¥3,085,799,430 | - | ¥4,957,480,844 | (66,537,840) |
| - | - | - | - | - | - | - | (114,756,176) | - | (66,537,840) |
| - | - | - | - | - | - | ¥3,270,807,452 | ¥8,228,288,296 | ¥3,270,807,452 | (114,756,176) |
| For the Year Ended December 31, 2010 | | | | | | | | | |
| ¥585,961,292 (69,673,319) | ¥923,872,075 - - | ¥154,578,328 - - | ¥242,993,144 - - | ¥15,602,117 - | ¥51,675,625 - | ¥1,652,682,860 - | ¥2,501,252,673 - | ¥3,627,365,441 (69,673,319) | ¥6,128,618,114 (69,673,319) |
| - | - | - | - | - | - | - | - | - | (1,274,064) |
| - | - | - | 15,324,621 | (33,600,256) | 11,797,377 | 775,628,608 | 487,086,675 | 775,628,608 | 1,262,715,283 |
| - | - | - | 15,324,621 | (33,600,256) | 11,797,377 | (6,478,258) | (33,033,474) | (6,478,258) | (39,511,732) |
| - | - | - | - | - | - | 769,150,350 | 454,053,201 | 769,150,350 | 1,223,203,551 |
| - | - | - | - | - | - | (81,445,049) | - | (81,445,049) | (81,445,049) |
| ¥516,287,973 | ¥923,872,075 | ¥154,578,328 | ¥258,317,765 | (¥17,998,139) | ¥63,473,002 | ¥2,346,866,419 | (105,188,781) | ¥4,245,397,423 | (105,188,781) |
| - | - | - | - | - | - | - | ¥2,848,843,029 | - | ¥7,094,240,452 |



Attributable to Equity Holders of the Parent Company

| Preferred Stock (Note 35) | Common Stock (Note 35) | Additional Paid-in Capital (Note 35) | Revaluation Increment on Land - net (Note 13) | Cumulative Translation Adjustment (Notes 12 and 39) | Net Accumulated | | | Retained Earnings (Note 37) | Noncontrolling Interest | Total |
|--------------------------------------|------------------------------|---|--|--|---|---|---|-----------------------------------|----------------------------|-------|
| | | | | | Unrealized Gain on Available-for- Sale Securities (Note 11) | Unrealized Gain on Available-for- Sale Securities (Note 11) | Unrealized Gain on Available-for- Sale Securities (Note 11) | | | |
| For the Year Ended December 31, 2009 | | | | | | | | | | |
| ₱666,960,295 | ₱907,098,555 | ₱154,578,328 | ₱229,444,714 | (₱1,243,943) | ₱25,364,670 | ₱1,184,921,891 | ₱3,167,124,510 | ₱2,188,613,159 | ₱5,355,737,669 | |
| (64,225,483) | - | - | - | - | - | - | (64,225,483) | - | (64,225,483) | |
| (16,773,520) | 16,773,520 | - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | - | - | |
| - | - | - | 13,548,430 | 16,846,060 | 26,310,955 | 557,098,034 | 557,098,034 | (1,326,550) | (1,326,550) | |
| - | - | - | 13,548,430 | 16,846,060 | 26,310,955 | 557,098,034 | 56,705,445 | 406,324,156 | 963,422,190 | |
| - | - | - | - | - | - | 557,098,034 | 613,803,479 | 23,880,718 | 80,586,163 | |
| - | - | - | - | - | - | (89,337,065) | (89,337,065) | 430,204,874 | 1,044,008,353 | |
| ₱585,961,292 | ₱923,872,075 | ₱154,578,328 | ₱242,993,144 | ₱15,602,117 | ₱51,675,625 | ₱1,652,682,860 | ₱3,627,365,441 | (116,238,810) | (89,337,065) | |
| | | | | | | | | (116,238,810) | (116,238,810) | |
| | | | | | | | | ₱2,501,252,673 | ₱6,128,618,114 | |

Financial Statements.

Financial Statements



HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|-------------------------|-----------------|----------------|
| | 2011 | 2010 | 2009 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax | | | |
| Adjustments for: | ₱1,740,160,917 | ₱1,609,718,038 | ₱1,229,776,044 |
| Depreciation and amortization (Notes 13, 15, 16 and 28) | 489,852,132 | 445,283,871 | 367,772,821 |
| Interest and finance charges (Note 29) | 324,458,944 | 369,945,908 | 491,307,536 |
| Casualty losses | 88,087,868 | — | — |
| Effects of exchange rates (Note 22) | 46,235,307 | (82,313,369) | 35,407,722 |
| Gain on redemption of shares by investee - SPC (Notes 11 and 22) | — | (26,606,948) | — |
| Movement in retirement asset (Note 30) | (1,392,864) | (12,239,749) | 11,455,414 |
| Impairment loss (recovery) on investment in associates (Notes 12 and 27) | (3,200,000) | 8,000,000 | 19,715,007 |
| Gain on sale of property and equipment (Notes 13 and 22) | (5,099,241) | (2,569,149) | (14,666,601) |
| Dividend income | (9,160,275) | (79,460,765) | (50,814,075) |
| Movement in accrued retirement liability (Note 30) | (17,753,006) | 2,580,405 | 40,352,884 |
| Gain on sale of available-for-sale securities (Notes 11 and 22) | (22,326,927) | (11,943,500) | (430,000) |
| Gain on sale of investment properties (Notes 15 and 22) | (45,214,942) | (65,774) | — |
| Interest income (Note 22) | (89,652,041) | (108,374,509) | (111,602,208) |
| Equity in net earnings of associates and joint ventures (Note 12) | (378,384,802) | (361,059,705) | (549,516,183) |
| Operating income before changes in operating assets and liabilities | 2,116,611,070 | 1,750,894,754 | 1,468,758,361 |
| Changes in operating assets and liabilities: | | | |
| Decrease (increase) in: | | | |
| Accounts receivable | (626,243,392) | (201,491,353) | (354,035,966) |
| Loans receivable | (171,485,589) | (132,358,839) | (386,607,755) |
| Costs and estimated earnings in excess of billings on uncompleted contracts | (1,265,789,515) | 1,015,936,309 | 47,665,924 |
| Inventories | 355,995,258 | (238,841,847) | 94,521,928 |
| Prepaid expenses and other current assets | (205,445,294) | (16,107,611) | 168,490,465 |
| Increase (decrease) in: | | | |
| Accounts payable and accrued expenses | 285,708,850 | 524,577,597 | (289,436,544) |
| Customers' deposits | 6,582,168 | 7,306,088 | (2,482,673) |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 612,089,634 | (200,229,970) | 263,781,177 |
| Unearned tuition fees | 30,409,033 | 121,037,138 | (93,951,757) |
| Net cash generated from operations | 1,138,432,223 | 2,630,722,266 | 916,703,160 |
| Interest received | 90,897,791 | 104,221,958 | 111,602,208 |
| Interest and finance charges paid | (324,881,812) | (367,315,261) | (492,049,734) |
| Income tax paid | (344,727,145) | (370,394,533) | (337,589,867) |
| Net cash flows provided by operating activities | 559,721,057 | 1,997,234,430 | 198,665,767 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments received from (advances to) related parties | ₱39,986,330 | ₱261,424,199 | (₱282,417,482) |
| Investments in associates and joint ventures (Note 12) | — | (8,000,000) | (8,080,000) |
| Purchase of noncontrolling interest | (5,786,652) | — | — |
| Acquisitions of investment properties (Notes 15 and 38) | — | (10,240,000) | (6,362,000) |
| Proceeds from disposal of investment properties (Note 15) | 90,429,884 | 542,441 | — |
| Increase (decrease) in other noncurrent assets | (101,955,372) | (11,814,975) | 38,666,148 |
| Proceeds from disposals (acquisitions) of available-for-sale securities (Note 11) | 32,118,806 | (133,308,918) | 3,981,831 |
| Acquisitions of property and equipment (Notes 13 and 38) | (1,372,515,252) | (1,179,577,017) | (508,110,372) |
| Proceeds from sale of property and equipment | 25,168,557 | 29,418,432 | 14,666,601 |
| Dividends received | 369,917,433 | 71,199,024 | 426,143,861 |
| Net cash flows used in investing activities | (922,636,266) | (980,356,814) | (321,511,413) |

| | Years Ended December 31 | | |
|--|-------------------------|-----------------|-----------------|
| | 2011 | 2010 | 2009 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from: | | | |
| Loans payable | | | |
| Long-term debt | ₱4,093,498,009 | ₱3,962,084,175 | ₱3,359,199,895 |
| Payments of: | 673,630,912 | 1,243,184,589 | 300,000,000 |
| Loans payable | | | |
| Long-term debt | (3,442,150,758) | (4,287,736,555) | (3,288,563,726) |
| Lease liability | (580,619,940) | (1,399,401,637) | (197,302,576) |
| Advances from related parties | 22,784,043 | (133,299,738) | (19,069,959) |
| Redemption of preferred shares | (81,698,605) | 159,355,485 | 6,080,630 |
| Cash dividends paid | (49,715,777) | (69,673,319) | (64,225,483) |
| Net cash flows provided by (used in) financing activities | (182,474,547) | (206,075,312) | (196,927,218) |
| | 453,253,337 | (731,562,312) | (100,808,437) |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | | |
| | 4,381,071 | 2,786,635 | (40,820,602) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| | 94,719,199 | 288,101,939 | (264,474,685) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | | |
| | 2,072,400,037 | 1,784,298,098 | 2,048,772,783 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | | |
| (Note 5) | ₱2,167,119,236 | ₱2,072,400,037 | ₱1,784,298,098 |

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

House of Investments, Inc. (the Parent Company) is a stock corporation incorporated under the laws of the Republic of the Philippines on May 21, 1959. The Parent Company is a holding and management company and is also engaged in car dealership. The principal activities of the Company and its subsidiaries (collectively known as the Group) are described in Note 34.

The registered office address of the Parent Company is at 3rd Floor Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City.

The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE). The ultimate parent company of the Group is Pan Malayan Management and Investment Corporation (PMMIC).

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 21, 2012..

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared under the historical cost basis, except for land, which is carried at revalued amount and available-for-sale (AFS) securities which are measured at fair value. The accompanying consolidated financial statements are presented in Philippine Peso (Php, ₱), which is also the Parent Company's functional currency. Except as indicated, all amounts are rounded off to the nearest peso.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries. All subsidiaries are incorporated and operating in the Philippines, except as otherwise indicated below:

| Subsidiaries | Percentage of ownership | | |
|--|-------------------------|--------|--------|
| | 2011 | 2010 | 2009 |
| Landev Corporation and subsidiaries | 100.00 | 100.00 | 100.00 |
| Xamdu Motors, Inc. (Xamdu) | 100.00 | 100.00 | 100.00 |
| Investment Managers, Inc. | 100.00 | 100.00 | 100.00 |
| Zambowood Realty and Development Corporation | 100.00 | 100.00 | 100.00 |
| Zamboanga Carriers, Inc. | 100.00 | 100.00 | 100.00 |
| iPeople, inc. (iPeople) and subsidiaries | 67.34 | 67.34 | 67.34 |
| Honda Cars Kalookan, Inc. (HCKI) | 55.00 | 55.00 | 55.00 |
| EBI Corporation (EEI) and subsidiaries | 50.09 | 50.09 | 50.09 |

(Forward)

| Subsidiaries | Percentage of ownership | | |
|--|-------------------------|-------|-------|
| | 2011 | 2010 | 2009 |
| Zamboanga Industrial Finance Corporation (ZIFC) | 50.00 | 50.00 | 50.00 |
| First Malayan Leasing and Finance Corporation (FMLFC) and subsidiary | 45.11 | 45.11 | 45.11 |
| Malayan Rental Corporation (MRC) | 45.11 | 45.11 | 45.11 |

Landev Corporation and subsidiaries includes Greyhounds Security and Investigation Agency Corp. (Greyhounds) and Hexagon Lounge, Inc.

Xamdu was incorporated on December 9, 2009 and has suspended regular business operations. Management intends to retain the dormant status of Xamdu until plans for its operations are finalized.

iPeople's percentage of ownership in the shares of its subsidiaries follows:

| Subsidiaries | Percentage of ownership | | |
|--|-------------------------|--------|--------|
| | 2011 | 2010 | 2009 |
| Malayan Colleges, Inc. (MCI) (Operating Under the Name of Mapua Institute of Technology) and subsidiaries: | 93.00 | 93.00 | 93.00 |
| Direct ownership of MCI on its subsidiaries: | | | |
| Mapua Information Technology Center, Inc. (MITC) | 100.00 | 100.00 | 100.00 |
| Mapua Techserv, Inc. (MTI) | 100.00 | 100.00 | 100.00 |
| Mapua Techpower, Inc. | 75.00 | 75.00 | — |
| San Lorenzo Ruiz Institute of Health Sciences, Inc. (SLRHSD) | 100.00 | 100.00 | 100.00 |
| Malayan High School of Science, Inc. (MHSSI) | 100.00 | 100.00 | 100.00 |
| Malayan Colleges Laguna, Inc. (MCLI) led by a Mapua School of Engineering | 100.00 | 100.00 | 100.00 |
| People eServe Corporation (People eServe) | 100.00 | 100.00 | 100.00 |
| Pan Pacific Computer Center, Inc. (PPCCI) | 100.00 | 70.00 | 70.00 |

Mapua Techpower, Inc. was incorporated on October 19, 2010.

On March 30, 2011, iPeople purchased the remaining 30% share of Grepalife in PPCCI for ₱6.30 million, making PPCCI a 100% owned subsidiary.

EEI's percentage of ownership in the shares of its subsidiaries follows:

| Subsidiaries | Place of Incorporation | Percentage of Ownership | | |
|---|------------------------|-------------------------|--------|--------|
| | | 2011 | 2010 | 2009 |
| EEI (BVI) Limited (EEI BVI) and Subsidiaries: | British Virgin Islands | 100.00 | 100.00 | 100.00 |
| Clear Jewel Investments, Ltd. (CJIL) | Hongkong | 100.00 | 100.00 | 100.00 |
| EEI Corporation (Singapore) Pte. Ltd. (EEI Singapore) | Singapore | 100.00 | 100.00 | — |
| EEI Nouvelle-Caledonie SARL | New Caledonia | 100.00 | 100.00 | 100.00 |
| Nimaridge Investments, Limited and Subsidiary | British Virgin Islands | 100.00 | 100.00 | 100.00 |

(Forward)

| Subsidiaries | Place of Incorporation | Percentage of Ownership | | |
|--|--------------------------|-------------------------|--------|--------|
| | | 2011 | 2010 | 2009 |
| EEI (PNG) Ltd. | Papua New Guinea | 100.00 | 100.00 | 100.00 |
| EEI Corporation (Guam) Inc. | United States of America | 100.00 | 100.00 | 100.00 |
| EEI Construction and Marine Inc. (EEI Marine) | Philippines | 100.00 | 100.00 | 100.00 |
| EEI Power Corporation (EEI Power) | Philippines | 100.00 | 100.00 | 100.00 |
| EEI Realty Corporation (EEI Realty) | Philippines | 100.00 | 100.00 | 100.00 |
| EEI Subic Corporation | Philippines | 100.00 | 100.00 | 100.00 |
| Equipment Engineers, Inc. (EE) | Philippines | 100.00 | 100.00 | 100.00 |
| Gulf Asia International Corporation (GAIC) | Philippines | 100.00 | 100.00 | 100.00 |
| GAIC Professional Services, Inc. (GAPSI) | Philippines | 100.00 | 100.00 | 100.00 |
| GAIC Manpower Services, Inc. (GAMSI) | Philippines | 100.00 | 100.00 | 100.00 |
| Bagumbayan Equipment & Industrial Products, Inc. | Philippines | 100.00 | 100.00 | 100.00 |
| Philmark, Inc. | Philippines | 100.00 | 100.00 | 100.00 |
| Philrock Construction and Services, Inc. | Philippines | 100.00 | 100.00 | 100.00 |

EEI Singapore, EEI (PNG) Ltd., EEI Subic Corporation and EEI Corporation (Guam) Inc. were incorporated on January 25, 2010, October 26, 2009, September 13, 2009 and August 25, 2009, respectively.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. All intragroup balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the noncontrolling interest until the balance is reduced to nil. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Where ownership on certain subsidiaries is 50% or below but the Group has demonstrated that it has the power to govern the financial and operating policies (i.e., through representation by the majority members of the BOD) and the other stockholders have not organized their interest in such a way that they exercise more votes than the Group, these subsidiaries are also consolidated.

Noncontrolling interest represents the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within the equity in the consolidated statement of financial position, separately from the Group's shareholders' equity.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC)

interpretations which were adopted as of January 1, 2011. Except as otherwise indicated, the adoption of these new accounting standards and amendments have no material impact on the Group's financial statements.

- PAS 24 (Amended), *Related Party Disclosures*, effective for annual periods beginning on or after January 1, 2011
- PAS 32 Amendment, *Classification of Rights Issues*, effective for annual periods beginning on or after February 1, 2010
- Philippine Interpretation IFRIC 14 Amendment - *Prepayments of a Minimum Funding Requirement*, effective for annual periods beginning on or after January 1, 2011
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, effective for annual periods beginning on or after July 1, 2010
- 2010 Improvements to PFRS
 - PFRS 3, *Business Combinations*, effective for annual periods beginning on or after July 1, 2010
 - PFRS 7, *Financial Instruments: Disclosures*, effective for annual periods beginning on or after January 1, 2011
 - PAS 1, *Presentation of Financial Statements*, effective for annual periods on or after January 1, 2011
 - PAS 27, *Consolidated and Separate Financial Statements*, effective for annual periods on or after July 1, 2010
 - PAS 34, *Interim Financial Reporting*, effective for annual periods on or after January 1, 2011
 - Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, effective for annual periods on or after January 1, 2011

Standards Issued but not yet Effective

Standards, interpretations, amendments and improvements to standards issued but not effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group will adopt these standards, interpretations, amendments and improvements to standards when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI)*
The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012.
- PAS 12, *Income Taxes - Recovery of Underlying Assets*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012. The Group will assess the impact to the consolidated financial statements when the amendment becomes effective.

- **PAS 19, *Employee Benefits* (Amendment)**
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the impact of the amendment to PAS 19. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- **PAS 27, *Separate Financial Statements* (As revised in 2011)**
As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- **PAS 28, *Investments in Associates and Joint Ventures* (As revised in 2011)**
As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements***
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment affects disclosures only and has no impact on the Group's financial position or performance.
- **PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities***
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a) The gross amounts of those recognized financial assets and recognized financial liabilities;
 - b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
 - c) The net amounts presented in the statement of financial position;
 - d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and

- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- **PFRS 10, *Consolidated Financial Statements***
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The Group is currently assessing the impact of the amendment to the consolidated financial statements. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 11, *Joint Arrangements***
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC 13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 12, *Disclosure of Interests in Other Entities***
PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 13, *Fair Value Measurement***
PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 9, *Financial Instruments: Classification and Measurement***
PFRS 9 as issued reflects the first phase on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement*, and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- *PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

These amendments to PAS 32 clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group is currently assessing impact of the amendments to PAS 32.

- *Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Securities and Exchange Commission (SEC) and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

- *Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (“production stripping costs”) and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

Significant Accounting Policies

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of placement and that are subject to an insignificant risk of change in value.

Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVPL).

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

The Group follows the settlement date accounting where an asset to be received and liability to be paid are recognized on the settlement date and derecognition of an asset that is sold and the recognition of a receivable from the buyer are recognized on the settlement date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets are further classified as either financial asset at FVPL, loans and receivables, held-to-maturity (HTM) investments and, AFS securities as appropriate. Financial liabilities are classified at FVPL and other financial liabilities. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

As at December 31, 2011 and 2010, the Group has no financial asset and liability at FVPL and HTM investments.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies contractual cash flows.

Determination of Fair Value

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the reporting date. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using reference to similar instrument for which market observable prices exist, discounted cash flow analysis and other relevant valuation models.

'Day 1' Profit or Loss

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

Loans and Receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at cost or amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are classified as current assets when it is expected to be realized within twelve months after the reporting date or within the normal operating cycle, whichever is longer.

This category includes the Group's cash and cash equivalents, accounts receivable - trade and other receivables, loans receivable, due from related parties, miscellaneous deposits (included in the prepaid expenses and other current assets) and receivables from EEI Retirement Fund, Inc. and long-term receivables (included in the noncurrent assets) in the consolidated statement of financial position.

AFS Securities

AFS securities are those nonderivative financial assets that are designated as AFS or are not classified in any of the other categories. After initial recognition, AFS securities are measured at fair value with gains and losses being recognized as other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in the consolidated statement of comprehensive income. If the fair market value of the unquoted equity instruments under AFS cannot be reliably measured, the financial asset is carried at cost less allowance for impairment loss, if any.

AFS securities are classified as current assets when it is expected to be sold or realized within twelve months after the reporting date or within the normal operating cycle, whichever is longer.

The Group's AFS securities include investments in quoted and unquoted golf club and equity shares.

Other Financial Liabilities

Other financial liabilities are nonderivative financial liabilities with fixed or determinable payments that are not quoted in an active market. These liabilities are carried at cost or amortized cost in the consolidated statement of financial position. Amortization is determined using the EIR method.

Other financial liabilities are classified as current liabilities when it is expected to be settled within twelve months from the reporting date or the Group does not have an unconditional right to defer settlement for at least twelve months from reporting date.

Included in this category are the Group's loans payable, accounts payable and accrued expenses, lease liability, due to related parties and long-term debt.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

- the rights to receive cash flows from the asset have expired; or

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

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

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of Financial Assets

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

Financial Assets Carried at Amortized Cost

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred).

The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of income. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as year-level of students for information technology and education segment, customer profile and mode of payment for car dealership segment.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Financial Assets Carried at Cost

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

AFS Securities

In case of equity instruments classified as AFS, impairment would include a significant or prolonged decline in the fair value of investments below its cost. If an AFS security is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of income, is transferred from other comprehensive income to the consolidated statement of income. Reversals in respect of equity instruments classified as AFS are not recognized in the consolidated statement of income but as other comprehensive income. Reversals of impairment losses on debt instruments classified as AFS are reversed to operations if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income.

Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). Cost of inventories is generally determined primarily using the moving-average method, except for automotive units of the car dealerships and land inventory of EEI Realty, which are accounted for using the specific identification method. NRV is the selling price in the ordinary course of business, less the estimated costs of completion of inventories and the estimated costs necessary to sell.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets pertain to other resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group within the reporting period.

Noncurrent Assets Classified as Held for Sale

Noncurrent assets classified as held for sale are stated at the lower of its carrying amount and fair value less costs to sell. These are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets once classified as held for sale are not depreciated or amortized but subject to impairment.

If the Group has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer met, the Group shall cease to classify the asset as held for sale.

Investments in Associates and Joint Ventures

Investments in associates and joint ventures, which are jointly controlled entities are accounted for under the equity method of accounting. Under this method, the cost of investment is increased or decreased by the equity in the associates' and joint venture's net earnings or losses since the dates of acquisitions and reduced by dividends received. Unrealized intercompany profits are eliminated up to the extent of the proportionate share thereof.

Investments in associates and joint ventures accounted for under the equity method are as follows:

| | Percentage of ownership | |
|--|-------------------------|-------|
| | 2011 | 2010 |
| Associates: | | |
| Hi-Eisai Pharmaceutical, Inc. | 50.00 | 50.00 |
| Al Rushaid Construction Company (ARCC) (operations in Saudi Arabia) | 49.00 | 49.00 |
| Sino Motors Corporation (Sino) | 40.00 | 40.00 |
| La Funeraria Paz Sucat, Inc. (LFPSI) | 30.00 | 30.00 |
| T'boli Agro-Industrial Development, Inc. | 28.47 | 28.47 |
| Manila Memorial Park Cemetery, Inc. (MMPC) | 25.98 | 25.98 |
| Lo-oc Limestone Development Corporation (LLDC) ¹ | 25.00 | 25.00 |
| South Western Cement Corporation (SWCC) ¹ | 14.96 | 14.96 |
| Joint venture: | | |
| ECW Joint Venture Inc. | 50.00 | 50.00 |

¹ The Group has more than 20% effective interest in SWCC since LLDC (in which the Group has 25% interest) has more than 50% interest in SWCC.

The reporting dates of the associates and joint ventures and the Group are identical except for Hi-Eisai Pharmaceutical, Inc., the reporting date of which is March 31 of each year. Hi-Eisai Pharmaceutical, Inc. is controlled by a Japanese company and therefore follows its fiscal year. This associate prepares its financial statements following the reporting date of the Group for the application of equity method.

The associates' and joint ventures' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation, amortization and impairment loss, if any, except for land which is carried at revalued amount based on the latest appraisal conducted by an independent firm of appraisers. The appraisal increment resulting from the revaluation is treated as a separate component in the Group's equity.

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

Depreciation is computed using the straight-line method over the following average estimated useful lives:

| Category | Number of Years |
|---|-----------------|
| Buildings and improvements | 10-20 |
| Machinery, tools and construction equipment | 5-10 |
| Transportation and service equipment | 4-5 |
| Furniture, fixtures and office equipment | 2-10 |

Amortization of leasehold improvements is computed over the estimated useful life of the improvement or term of the lease, whichever is shorter.

The useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Minor repairs and maintenance costs are charged to consolidated statement of income as incurred; significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost or revalued amount, appraisal increase and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are reflected in the consolidated statement of income.

Construction in progress represents property and equipment under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation and amortization are reviewed, and adjusted if appropriate, at each financial year-end.

Investment Properties

Investment properties are measured at cost less accumulated depreciation and impairment loss, if any, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Investment properties are derecognized when they either have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Depreciation is computed using the straight-line method over the estimated useful life of 15 to 20 years.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets maybe impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in consolidated statement of income in the expense category consistent with the function of the intangible assets.

Impairment of Property and Equipment, Computer Software, Investments in Associates and Joint Ventures and Investment Properties

For property and equipment, computer software, investments in associates and joint ventures and investment properties, the Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An assets' recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell

and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. When the Group is acting as a principal in an arrangement, revenue is recorded at gross. When the Group is acting as an agent, the revenue recorded is only the commission. Except for Greyhounds and certain arrangements of EE, the Group has concluded that it is acting as principal in all of its arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Services:

Construction contracts

Revenues from construction contracts are recognized using the percentage of completion method of accounting. Under this method, revenues are generally measured on the basis of estimated completion of the physical proportion of the contract work. Revenues from labor supply contracts with project management and supervision are recognized on the basis of man-hours spent.

The asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents total contract costs incurred and estimated earnings recognized in excess of amounts billed. The liability "Billings in excess of costs and estimated earnings on uncompleted contracts" represents billings in excess of total contract costs incurred and estimated earnings recognized. Retention receivables are included in the trade receivable account, which is shown as part of the receivables account in the consolidated statement of financial position.

Service and commission income are recognized as the related services are rendered.

Management, service and consultancy fees are recognized as services are rendered.

Sale of Goods:

Merchandise sales

Revenue from merchandise sales is normally recognized when the buyer accepts delivery and when installation and inspection are complete. However, revenue is recognized immediately upon the buyer's acceptance of delivery when the installation process is simple in nature.

Real estate sales

Income on sale of raw parcels of land with no future obligation to develop the property is recognized using the full accrual method.

Sale of developed lots and residential units is accounted for using the full accrual method of accounting. Under this method, revenue from the sale of real estate is recognized when (a) the Group has transferred to the buyer the significant risks and rewards of ownership of the property; (b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property sold; (c) the amount of revenue can be measured reliably; (d) it is probable that the economic benefits associated with the transaction will flow to the Group; and (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

If any of the criteria under the full accrual method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is recognized as deposit from customers presented under the "Customers' deposit" account in the liabilities section of the consolidated statement of financial position.

School and related operations:

Revenues from school operations are recognized as income over the corresponding school term. Unearned revenues are shown as unearned tuition fees in the consolidated statement of financial position and will be recognized as revenues when the educational service has been fulfilled in the applicable school term.

Others:

Interest income and discounts

Interests and discounts is recognized as revenue as interest accrues (using EIR method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Rent income is accounted on a straight-line basis over the lease term.

Dividend income is recognized when the Group's right to receive the payment is established.

Cost of Sales and Services

For construction contracts, contract costs include all direct materials, labor costs and indirect costs related to contract performance. Provisions for estimated losses on uncompleted contracts are recognized immediately when it is probable that the total contract costs will exceed the total contract revenues. The amount of such loss is determined irrespective of: (a) whether or not work has commenced on the contract, (b) the stage-of-completion of contract work; or (c) the amount of profits expected to arise on other contracts. Changes in contract performance, contract conditions and estimated profitability, including those arising from penalty provisions and final contract settlements, which may result in revisions to estimated costs and gross margins, are recognized in the year in which the changes are determined.

Other cost of sales and services arise in the ordinary activities of the Group and are recognized as incurred.

General and Administrative Expenses

The Group's general and administrative expenses constitute costs of administering the business. General and administrative expenses are recognized as incurred.

Foreign Currency-denominated Transaction and Translation

The consolidated financial statements are presented in Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate at the reporting date. All differences are taken to consolidated statement of income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the Group's subsidiary, EEI-BVI and subsidiaries, and its associate, ARCC, are United States dollar and Saudi Arabia Riyal, respectively. As at reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation are taken directly to a separate component of equity under cumulative translation adjustment account.

Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

Retirement Cost

The Group's retirement expense is actuarially determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

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

The accrued retirement liability recognized in the consolidated statement of financial position is the present value of benefits payable in the future with respect to services rendered to date and unrecognized actuarial gains and losses reduced by the fair value of plan assets out of which the obligation are to be settled directly.

Plan assets are assets that are held by a long-term employee benefit fund and are not available to the creditors of the Group nor can they be paid directly to the Group. Fair value of plan assets is based on market information and in case of quoted securities, the published bid price.

The net retirement asset is the lower of the fair value of the plan assets less the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognized actuarial gains or losses and past service costs that shall be recognized in future periods, or the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses of the plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These actuarial gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Income Tax

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date.

Deferred Income Tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused MCIT and NOLCO can be utilized.

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates, and interests in joint ventures. With respect to investments in foreign subsidiaries, associates and interest in joint ventures, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will reverse in the foreseeable future.

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

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

Deferred income tax relating to items directly recorded in the equity or other comprehensive income is recognized in other comprehensive income and not in the consolidated statement of income.

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

Leases

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

A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

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

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

Operating lease of the Group represents those under which substantially all the risks and benefits of ownership of the assets are remained with the lessor.

Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Earnings Per Share (EPS)

Basic EPS attributable to equity holders of the Parent Company is computed based on weighted average number of issued and outstanding common shares after giving retroactive effect for any stock dividends. Diluted EPS, if applicable, is computed by dividing net income applicable to common shares by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed exercise of stock options and retroactive effect of stock dividends declared.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Provisions

Provisions are recognized when (a) the Group has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies

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

Stock Option Plan

No benefit expense is recognized relative to the shares issued under the stock options plan. When the shares related to the stock option plans are subscribed, these are treated as capital stock issuances. The stock option plan is exempt from PFRS 2, *Share-based Payment* (see Note 20).

Events After the Reporting Period

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

Segment Reporting

The Group's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 34.

Equity

The Group records common stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity shares. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from

proceeds, net of tax. When the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity.

Retained earnings represent accumulated earnings of the Group and any adjustment arising from application of new accounting standards, policies or corrections of errors applied retroactively less dividends declared. The individual accumulated retained earnings of the subsidiaries are available for dividends when they are declared by the subsidiaries as approved by their respective BOD. Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares.

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities.

Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable.

Estimates and judgments 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.

Judgments

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

Determination of Fair Values of Financial Assets and Liabilities

The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value determinations for financial assets and liabilities are based generally on listed market prices or broker or dealer price quotations. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time.

Operating Lease Commitments - Group as Lessee

The Group has entered into various equipment and commercial property leases on its administrative office locations and fabrication facilities. The Group has determined that it does not acquire all the significant risks and rewards of ownership of these equipment and

administrative office locations primarily because the lease term is not for the major part of the economic life of the asset and at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset. The future minimum rental payables under non-cancellable operating lease as at December 31, 2011 and 2010 amounted to ₱372.4 million and ₱422.7 million, respectively (see Note 36).

Operating Lease Commitments - Group as Lessor

A portion of the land currently being used by the Group in its operations is leased out under an operating lease to Rizal Commercial Banking Corporation (RCBC), an affiliated local commercial bank. The lease terms range from one (1) to three (3) years. The Group determines that it does not transfer the risks and rewards of ownership of the leased assets and accordingly classified it as an operating lease. The future minimum rental receivables under non-cancellable operating lease as at December 31, 2011 and 2010 amounted to ₱10.6 million and ₱30.8 million, respectively (see Note 36).

The Group has entered into commercial property lease on the use of its building facilities. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Finance Lease Commitments - Group as Lessor

The Group also leased certain computer equipment and furniture and fixtures to RCBC under a two-year finance lease contract. Based on the provisions of the contract, the Group has determined that the lease substantially transfers the risks and rewards of ownership of the leased assets and accordingly classified it as a finance lease.

As of December 31, 2011 and 2010, future minimum lease payments amounted to nil and ₱1.1 million, respectively. Present value of minimum lease payments amounted to nil and ₱1.1 million, respectively (see Note 36).

Finance Lease Commitments - Group as Lessee

In 2011, the Group has entered into lease agreement with a third party lessor for the lease of its various construction machineries and equipment and company vehicles. The Group has determined that it acquires all the significant risks and rewards of ownership of the leased asset and therefore is accounted for as a finance lease. As of December 31, 2011, future minimum lease payments and present value of minimum lease payments amounted to ₱29.6 million and ₱22.8 million, respectively (see Note 36).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue and Cost Recognition

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's construction revenue is recognized based on the percentage of completion measured principally on the basis of the estimated completion of a physical proportion of the contract work. The revenue and related cost recognized for 2011, 2010 and 2009 are based on management's best estimate and have met the requirements set forth in PAS 11.

As at December 31, 2011 and 2010, the costs and estimated earnings in excess of billings on uncompleted contracts amounted to ₱1.7 billion and ₱0.5 billion, respectively, and billings in excess of costs and estimated earnings on uncompleted contracts amounted to ₱1.9 billion and ₱1.3 billion, respectively (see Note 8).

Estimating Recoverability of Savings and Overrun

The percentage of completion and the revenue to recognize are determined by the Group on the basis of a large number of estimates. Consequently, the Group has implemented an internal financial budgeting and reporting system. In particular, the Group reviews each month the estimates of contract revenue and contract costs as the contract progress.

Estimate on when the Buyer's Investment is Qualified for Revenue Recognition on Real Estate Sales

The Group requires a certain percentage estimate on when the buyer's investment is considered adequate to meet the probability criteria that economic benefits will flow to the Group and warrant revenue recognition. The Group estimated the percentage to be at least 20% payment of the total selling price received from the buyer. It is at this level of investment that it is highly probable that the buyer will commit to the sale transaction, and thus, it is probable that economic benefits will flow to the Group.

Estimating Allowance for Impairment of Receivables

The Group maintains an allowance for impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. For education segment, the evaluation factors will include the number of days the receivables is outstanding, year level of students and historical experience. For other segments the evaluation of collectibility considers the length of the Group's relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis or those with existing allowances needing reversals.

The amount of timing and recorded expenses and reversal of existing allowance for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for impairment would increase recorded operating expenses and decrease current assets and otherwise for reversals.

The outstanding balance of receivables, net of allowance for impairment, as at December 31, 2011 and 2010 amounted to ₱3.9 billion and ₱3.3 billion, respectively (see Note 7).

Impairment of AFS Securities

The Group treats AFS securities as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. This determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than six months for quoted securities. In addition, the Group evaluates other factors, including the future cash flows and the discount factors of these securities.

The Group's fair value of the quoted and carrying value of the unquoted AFS securities amounted to ₱318.7 million and ₱132.9 million as at December 31, 2011, respectively and ₱306.5 million and ₱142.2 million as at December 31, 2010, respectively (see Note 11).

Estimating Realizability of Claims and Change Orders

The Group maintains as claims and change orders assets when it is probable that these assets will be realized. The amount and timing of recorded expenses would differ if the Group made different estimates.

Estimating NRV of Inventories

The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on the prevailing selling prices of inventories less the estimated cost to sell. Increase in the NRV will increase the carrying amount of inventories but only up to the extent of their original acquisition costs.

The carrying values of inventories carried at NRV as at December 31, 2011 and 2010 amounted to ₱258.1 million and ₱605.6 million, respectively (see Note 9).

Estimating Useful Lives of Property and Equipment, Computer Software and Investment Properties

The Group estimated the useful lives of its property and equipment, computer software and investment properties based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment and investment properties based on the factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment and investment properties would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

As at December 31, 2011 and 2010, the net book value of the depreciable property and equipment amounted to ₱3.1 billion and ₱2.4 billion, respectively (see Note 13). Net book value of computer software (included in other noncurrent assets) as at December 31, 2011 and 2010 amounted to ₱17.2 million and ₱4.5 million, respectively. Net book value of depreciable investment properties as at December 31, 2011 and 2010 amounted to ₱67.1 million and ₱85.5 million, respectively (see Note 15).

Revaluation of Property and Equipment

The Group measures land at revalued amount with changes in fair value being recognized in other comprehensive income. The Group engaged independent valuation specialists to determine fair value as at December 31, 2011 and 2010. The key assumptions used to determine fair value is based on the latest records of sales and offerings of similar parcels of land with similar location, size, shape, characteristics of the lots and present and prospective use (see Note 13).

Impairment of Non-financial Assets

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of a non-financial asset (i.e. property and equipment, computer software, investment properties, investments in associates and joint ventures and goodwill) may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

Impairment of goodwill is assessed on an annual basis. The goodwill recognized in the consolidated statements of financial position pertains to the Parent Company's acquisition of iPeople, EEI and Honda Cars Group and iPeople's acquisition of MCI. In assessing the impairment on goodwill, the Group determines the recoverable amount using both value in use and fair value. Value in use represents the present value of expected cash flows from the continuing operations of EEI which is in construction and infrastructure industry, Honda Cars Group which is in car dealership industry and MCI and iPeople which are in educational services. The value in use calculations used cash flow projections based on financial budgets approved by management covering a five-year period for all entities. The discount rate used was 8.83% in 2011 and 10.43% in 2010 for EEI, 10.83% in 2011 and 8.41% in 2010 for MCI and 6.75% in 2011 and 2010 for Honda Cars Group. In assessing for the impairment of goodwill arising from the acquisition of iPeople, the management used the fair market value in establishing the recoverable amount. The market price per share amounted to ₱4.40 and ₱4.05 in 2011 and 2010, respectively. The cash flows projection for MCI considered the impact of the Enhanced K+12 Basic Education Program on MCI financial performance effective on the upcoming school years covered by the forecast period. Cash flow projections during the budget period are also based on the same expected gross margins during the budget period and the same price inflation during the budget period. There is no impairment loss on goodwill in 2011, 2010 and 2009 as a result of the above assessments.

The value in use calculation above is most sensitive to the growth rates and discount rates.

In 2011 and 2010, there are continuing indications of impairment in the property and equipment of MHSSI due to continuing losses of the school. Management assessed that the level of impairment is at the same level with 2009. In 2009, an impairment loss of ₱52 million was recognized to write-down certain assets of MHSSI. No additional impairment loss was recognized in 2011 and 2010.

Investments in Sino and SWCC, associates, have been fully impaired as at December 31, 2010 and 2009, respectively, after considering the above factors. Based on the results of impairment testing, the Parent Company's share in the recoverable amount of these investments is less than their carrying value, resulting to an impairment loss on investments in Sino and SWCC amounting to ₱8.0 million and ₱19.7 million in 2010 and 2009, respectively (see Note 12). A portion of the impairment in investment in Sino amounting to ₱3.2 million was reversed in 2011 because of expected recoveries coming from the associates's cash and cash equivalents. The impairment loss (recovery) is presented as part of general and administrative expenses in the consolidated statements of income (see Note 27).

The carrying value of goodwill as at December 31, 2011 and 2010 amounted to ₱512.8 million (see Note 14). The carrying value of investment properties as at December 31, 2011 and 2010 amounted to ₱328.2 million and ₱377.6 million, respectively (see Note 15). The carrying value of investments in associates and joint ventures as at December 31, 2011 and 2010 amounted to

₱1.3 billion and ₱1.4 billion, respectively (see Note 12). The carrying value of property and equipment amounted to ₱5.8 billion and ₱5.0 billion as at December 31, 2011 and 2010, respectively (see Note 13). The carrying value of computer software amounted to ₱17.2 million and ₱4.5 million as at December 31, 2011 and 2010, respectively.

Retirement Benefits

The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates were disclosed in Note 30. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

As at December 31, 2011 and 2010, subsidiaries with net retirement liability position has outstanding liability of ₱142.2 million and ₱160.0 million, respectively and subsidiaries with net retirement asset position has net assets of ₱42.5 million and ₱41.2 million, respectively (see Note 30).

Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Where there is no absolute assurance that each legal entity in the Group will generate sufficient taxable profit to allow all or part of its deferred income tax assets to be utilized, deferred income tax assets are not recognized.

Deferred income tax assets recognized amounted to ₱184.6 million and ₱155.0 million as at December 31, 2011 and 2010, respectively. The temporary differences on which deferred income tax assets were not recognized amounted to ₱322.3 million and ₱610.9 million, respectively (see Note 31).

Contingencies

The Group is currently involved in various proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Notes 17 and 33).

4. Financial Instruments and Capital Management

Financial Risk Management Objectives and Policies

The main purpose of the Group's financial instruments is to raise finances for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, market risk, and credit risk. The BOD reviews and agrees on the policies for managing these risks, as well as approving and authorizing risk limits set by management, summarized below. There were no changes in the policies for managing these risks.

a. Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. As an inherent part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long-term credit facilities. As at December 31, 2011 and 2010, the Group has available credit facilities with banks aggregating to ₱5.1 billion and ₱4.5 billion, respectively.

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities as at December 31 based on contractual undiscounted cash flows.

| | 2011 | | | | | Total |
|--|----------------|------------------|--------------------------------|---------------------------------|-------------------|----------------|
| | On demand | Less than 1 year | More than 1 year up to 2 years | More than 2 years up to 3 years | More than 3 years | |
| Financial Assets | | | | | | |
| Loans and receivables: | | | | | | |
| Cash and cash equivalents | ₱2,167,119,236 | ₱- | ₱- | ₱- | ₱- | ₱2,167,119,236 |
| Accounts receivable | 1,692,441,712 | 1,559,706,871 | 125,363,331 | 16,250,148 | ₱- | 3,393,762,062 |
| Loans receivable | - | 400,919,333 | 276,365,781 | 212,001,839 | 643,413,096 | 1,532,700,049 |
| Due from related parties | 50,339,941 | 10,990,615 | - | - | - | 61,330,556 |
| Other assets: | | | | | | |
| Miscellaneous deposits | 29,545,650 | 18,525,476 | - | - | - | 48,071,126 |
| Receivable from EEI Retirement Fund, Inc. (including future interest receivable) | - | 23,298,054 | 552,296,518 | - | - | 575,594,572 |
| AFS securities: | | | | | | |
| Quoted | - | - | 299,738,785 | 18,925,055 | - | 318,663,840 |
| Unquoted | - | - | 20,999,970 | 111,879,189 | - | 132,879,159 |
| | ₱3,939,446,539 | ₱2,013,440,349 | ₱1,274,764,385 | ₱359,056,231 | ₱643,413,096 | ₱8,230,120,600 |
| Financial Liabilities | | | | | | |
| Loans payable (including future interest payable) | ₱- | ₱4,645,094,785 | ₱10,787,331 | ₱- | ₱- | ₱4,655,882,116 |
| Accounts payable and accrued expenses | | | | | | |
| Accounts payable | 330,868,257 | 1,668,852,764 | - | - | - | 1,999,721,021 |
| Accrued expenses | 56,143,299 | 477,049,476 | - | - | - | 533,192,775 |
| Accrued interest payable | 10,173,379 | 204,468 | - | - | - | 10,377,847 |
| Subscriptions payable | 13,881,505 | - | - | - | - | 13,881,505 |
| Dividends payable | - | 17,911,444 | - | - | - | 17,911,444 |
| Others | 168,874,247 | 13,420,566 | - | - | - | 182,294,813 |
| Lease liability | - | 4,808,517 | 28,323,629 | - | - | 33,132,146 |
| Due to related parties | 46,456,073 | 11,778,719 | - | - | - | 58,234,792 |
| Long-term debt (including future interest payable) | - | 650,660,902 | 757,871,136 | 139,389,659 | 638,479,469 | 2,186,401,166 |
| | ₱626,396,760 | ₱7,489,781,641 | ₱796,982,096 | ₱139,389,659 | ₱638,479,469 | ₱9,691,029,625 |
| | 2010 | | | | | Total |
| | On demand | Less than 1 year | More than 1 year up to 2 years | More than 2 years up to 3 years | More than 3 years | |
| Financial Assets | | | | | | |
| Loans and receivables: | | | | | | |
| Cash and cash equivalents | ₱2,072,400,037 | ₱- | ₱- | ₱- | ₱- | ₱2,072,400,037 |
| Loans receivable | - | 329,255,566 | 256,225,895 | 262,894,064 | 512,838,935 | 1,361,214,460 |
| Accounts receivable | 1,100,956,734 | 1,827,110,301 | 10,809,282 | 960,825 | 240,206 | 2,940,077,348 |
| Due from related parties | 73,980,682 | 27,336,204 | - | - | - | 101,316,886 |

| | 2010 | | | | | Total |
|--|----------------|------------------|--------------------------------|---------------------------------|-------------------|----------------|
| | On demand | Less than 1 year | More than 1 year up to 2 years | More than 2 years up to 3 years | More than 3 years | |
| Other assets: | | | | | | |
| Miscellaneous deposits | ₱3,867,859 | ₱32,004,844 | ₱- | ₱- | ₱- | ₱35,872,703 |
| Receivable from EEI Retirement Fund, Inc. (including future interest receivable) | - | 32,053,365 | 32,053,365 | 506,918,080 | - | 571,024,810 |
| Long-term receivables (including future interest receivable) | - | 150,661 | 6,411,784 | - | - | 6,562,445 |
| AFS securities: | | | | | | |
| Quoted | - | - | - | 306,501,683 | - | 306,501,683 |
| Unquoted | - | - | 9,191,404 | 132,988,346 | - | 142,179,750 |
| | ₱3,251,205,312 | ₱2,247,910,941 | ₱314,691,730 | ₱1,210,262,998 | ₱513,079,141 | ₱7,537,150,122 |
| Financial Liabilities | | | | | | |
| Loans payable (including future interest payable) | ₱- | ₱3,836,570,570 | ₱- | ₱- | ₱- | ₱3,836,570,570 |
| Accounts payable and accrued expenses | | | | | | |
| Accounts payable | 425,095,860 | 1,514,510,090 | 1,996,085 | - | - | 1,941,602,035 |
| Accrued expenses | 80,293,302 | 160,996,425 | 475,335 | - | - | 241,765,062 |
| Accrued interest payable | 3,599,882 | 7,200,833 | - | - | - | 10,800,715 |
| Subscriptions payable | - | 13,881,505 | - | - | - | 13,881,505 |
| Dividends payable | - | 19,091,975 | - | - | - | 19,091,975 |
| Others | 170,349,890 | 14,582,930 | - | - | - | 184,932,820 |
| Due to related parties | 138,926,308 | 1,007,089 | - | - | - | 139,933,397 |
| Long-term debt (including future interest payable) | - | 991,126,181 | 238,151,225 | 139,389,659 | 629,365,339 | 1,998,032,404 |
| | ₱818,265,242 | ₱6,558,967,598 | ₱240,622,645 | ₱139,389,659 | ₱629,365,339 | ₱8,386,610,483 |

b. Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in equity prices, foreign currency exchange rates, and interest rates.

Equity Price Risk

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as AFS securities.

Quoted AFS securities assets are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

The analysis below is performed for reasonably possible movements in the market index with all other variables held constant, showing the impact on equity.

| Market Index | 2011 | | 2010 | |
|--------------|--------------------|------------------|--------------------|------------------|
| | Change in variable | Effect on equity | Change in variable | Effect on equity |
| PSE | +4% | ₱3,639,016 | +40% | ₱99,896,901 |
| | -4% | (3,639,016) | -40% | (99,896,901) |
| Others | +34% | 3,201,194 | +2% | 133,786 |
| | -34% | (3,201,194) | -2% | (133,786) |

The percentage of increase and decrease in market price is based on the movement in the Philippine Stock Exchange Index (PSEI) and other market index pertaining to golf and country club shares from beginning to end of the year. The sensitivity analyses shown above are based on the assumption that the movement in PSE composite index and other quoted equity securities will be most likely be limited to an upward or downward fluctuation of 4% and 34% in 2011, and 40% and 2% in 2010.

The impact of sensitivity of equity prices on the Group's equity already excludes the impact on transactions affecting the consolidated statement of income.

Foreign Currency Risk

Currency risk is the potential decline in the value of the financial instruments due to exchange rate fluctuations. Exposure to currency risk arises mainly when receivables and payables are denominated in a currency other than the Group's functional currency or will be denominated in such currency in the planned course of business.

Foreign currency risk is monitored and analyzed systematically and is managed centrally by the central finance department. The Group's policy is to maintain foreign currency exposure within existing internal regulations, and within acceptable risk limits as approved by the BOD.

In 2011, 2010 and 2009, EEI incurred a loss of ₱2.3 million in 2011 and a gain of ₱9.8 million in 2010 arising from its foreign exchange agreements with certain financial institutions. The gain (loss) is included in the "other income" account in the consolidated statements of income. This gain (loss) were offset with the foreign exchange gains (losses) arising from the Group's foreign exchange receipts (payments).

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar (USD), Singaporean dollar (SGD) and Euro (EUR) currency rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

| | 2011 | | 2010 | |
|-----|--|-----------------------------|--|-----------------------------|
| | Percentage increase/decrease in foreign currency | Effect on profit before tax | Percentage increase/decrease in foreign currency | Effect on profit before tax |
| USD | +5.1% | ₱27,245,437 | +6.3% | ₱29,663,333 |
| SGD | +2.4% | 12,947,338 | +2.5% | 3,496,960 |
| EUR | +7.6% | 280,074 | +4.7% | 1,768,512 |
| USD | -5.1% | (₱27,245,437) | -6.3% | (₱29,663,333) |
| SGD | -2.4% | (12,947,338) | -2.5% | (3,496,960) |
| EUR | -7.6% | (280,074) | -4.7% | (1,768,512) |

The sensitivity analyses shown above are based on the assumption that the movements in US dollars, Singapore dollars, and Euro will more likely be limited to the upward or downward fluctuation of 5.1%, 2.4% and 7.6%, respectively, in 2011, and 6.3%, 2.5% and 4.7% in 2010. The forecasted movements in percentages used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.

The effect on the Group's income before tax is computed on the carrying value of the Group's foreign currency denominated financial assets and financial liabilities as at December 31, 2011 and 2010.

There are no other effects of the foreign currency sensitivity on the Group's equity other than those already affecting the consolidated statements of income. The Group's exposure to foreign currency changes for all other currencies is not material.

As at December 31, the foreign currency-denominated financial assets and financial liabilities in original currencies and equivalents to the functional and presentation currency are as follows:

| | 2011 | | | |
|---------------------------------------|----------------|----------------|----------|--------------------|
| | USD | SGD | EUR | Equivalents in PHP |
| Financial assets | | | | |
| Cash | US\$8,219,634 | SG\$3,600,556 | €63,703 | P485,832,039 |
| Receivables | 5,676,765 | 16,116,219 | 1,006 | 794,386,436 |
| | 13,896,399 | 19,716,775 | 64,709 | 1,280,218,475 |
| Financial liability | | | | |
| Accounts payable and accrued expenses | 1,650,733 | 3,951,691 | 217 | 206,127,045 |
| | US\$12,245,666 | SG\$15,765,084 | €64,492 | P1,074,091,430 |
| 2010 | | | | |
| | USD | SGD | EUR | Equivalents in PHP |
| Financial assets | | | | |
| Cash | US\$9,687,645 | SG\$151,362 | €512,282 | P459,557,453 |
| Receivables | 6,265,671 | 4,049,974 | 137,101 | 420,135,492 |
| | 15,953,316 | 4,201,336 | 649,383 | 879,692,945 |
| Financial liability | | | | |
| Accounts payable and accrued expenses | 5,213,203 | 81,206 | 626 | 231,340,071 |
| | US\$10,740,113 | SG\$4,120,130 | €648,757 | P648,352,874 |

The Group converted the foreign currency-denominated financial assets and financial liabilities from the original currencies to the equivalent functional and presentation currency using Bangko Sentral ng Pilipinas (BSP) foreign exchange rates for USD, SGD and EUR amounting to P43.84, P33.85 and P56.84, respectively in 2011 and P43.84, P33.95 and P58.03, respectively in 2010.

There are no other effects of the foreign currency sensitivity on the Group's equity other than those already affecting the consolidated statements of income.

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term and long-term obligations.

The following table sets out the carrying amount, by maturity, of the Group's financial liabilities that are exposed to interest rate risk:

| | 2011 | | | | | | TOTAL In Php |
|-----------------|--------------------------------|-------------|-------------|-------------|-------------|--------------|--------------|
| | Below 1 Year | 1-2 Years | 2-3 Years | 3-4 Years | 4-5 Years | Over 5 Years | |
| Long-term debt | | | | | | | |
| Philippine Peso | P86,000,000 | P86,000,000 | P86,000,000 | P86,000,000 | P86,000,000 | P344,000,000 | P774,000,000 |
| Interest rate | 3-month PDST-F rate plus 1.75% | | | | | | |

| | Below 1 Year | 2010 | | | | | TOTAL In Php |
|-----------------|---|-------------|-------------|-------------|-------------|-----------------|-----------------|
| | | 1-2 Years | 2-3 Years | 3-4 Years | 4-5 Years | Over 5 Years | |
| Long-term debt | | | | | | | |
| Philippine Peso | P180,953,274 | | | | | | |
| Interest rate | Bank's internal average lending rate | P4,000,000 | P4,000,000 | P5,666,666 | P- | P- | P194,619,940 |
| Philippine Peso | 86,000,000 | 86,000,000 | 86,000,000 | 86,000,000 | 86,000,000 | 430,000,000 | 860,000,000 |
| Interest rate | 3-month PDST-F rate plus 1.75% | | | | | | |
| Total | P266,953,274 | P90,000,000 | P90,000,000 | P91,666,666 | P86,000,000 | P430,000,000 | P1,054,619,940 |

In order to effectively manage its interest rate risk and its financing costs, the Group closely monitors the movements of interest rates, as well as, economic factors affecting the trends of these movements. In certain cases, depending on its assessment of future movements of interest rates, the Group would pre-terminate its debt and obtain a new loan facility which provides for either floating or fixed interest rates. This is intended to minimize its financing costs.

The Group is exposed to receivables and borrowings with floating interest rates. The long-term receivable from EEI Retirement Fund, Inc. is earning interest based on bank's internal average lending rate. The outstanding principal amounted to P529.0 million and P474.9 million as at December 31, 2011 and 2010, respectively with last floating rate of 5.0% and 6.75%, respectively (Note 16).

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings):

| | 2011 | | 2010 | |
|------------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------|
| | Increase/decrease in basis points | Effect on profit before tax | Increase/decrease in basis points | Effect on profit before tax |
| Peso floating receivables | +50 | P1,144,992 | +74 | P3,513,999 |
| | -50 | (1,144,992) | -74 | (3,513,999) |
| Peso floating rate borrowing | +135 | (10,449,000) | +74 | (8,803,188) |
| | -135 | 10,449,000 | -74 | 8,803,188 |

The sensitivity analyses shown above for peso floating receivables and borrowings are based on the assumption that interest rate movements will be more likely be limited to a fifty basis point and one hundred thirty five basis point upward or downward fluctuation, respectively in 2011 and seventy four basis point upward or downward fluctuation in 2010. The forecasted movements in percentages of interest rates used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months. The effect on the Group's income statement before tax is computed on the carrying value of the Group's floating rate receivables and payables as at December 31, 2011 and 2010.

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

c. *Credit Risk*

The Group's exposure to credit risk on its receivables relates primarily to the inability of the debtors to pay and fully settle the unpaid balance of receivables owed to the Group. The Group manages its credit risk in accordance with its credit risk policies which requires the

evaluation of the creditworthiness of the debtors. The Group's exposure to credit risk on its other receivables from debtors and related parties is managed through close account monitoring and setting limits.

There can be some credit exposures on project commitments and contingencies as of December 31, 2011 and 2010 represented by work accomplishments on backlog of projects which are not yet invoiced. These exposures are however limited to a few months work accomplishment as work are frozen as soon as the Group is able to determine that the risk of non-collection materializes. This risk is, however, mitigated by the Group's contractor's lien on the project. A contractor's lien is the legal right of a contractor (the Group) to takeover the project in-progress and has priority in the settlement of contractor's receivables and claims on the project in the event of insolvency of the project owner. The Group assesses that the value of projects in-progress is usually higher than receivables from and future commitments with the project owners.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Except for FMLFC and ZIFC which are both involved in financing activities, and except for the cash and cash equivalents deposited to RCBC, the Group does not have any significant exposure to any individual customer or counterparty. FMLFC and ZIFC monitors concentrations of credit risk by sector.

An analysis of concentrations of credit risk as of December 31 is shown below:

| Loans receivable at gross | 2011 | 2010 |
|-----------------------------------|-----------------------|-----------------------|
| Services | ₱793,824,564 | ₱773,071,027 |
| Trading/commercial | 250,807,331 | 175,320,893 |
| Manufacturing | 109,755,048 | 100,364,629 |
| Financial institutions | 10,331,493 | 37,903,483 |
| Consumption | 18,536,981 | 18,774,834 |
| Others | 504,056,223 | 343,961,038 |
| | 1,687,311,640 | 1,449,395,904 |
| Less: allowance for probable loss | 55,361,008 | 33,878,891 |
| unearned discount and interest | 99,250,583 | 54,302,553 |
| | ₱1,532,700,049 | ₱1,361,214,460 |

The Group's maximum credit risk exposure for its secured loans receivables is equal to its carrying value amounting to ₱1.4 billion in 2011 and 2010. The Group holds collateral against these loans receivables in the form of mortgage interests over property. The fair values of the collateral amounts to ₱2.1 billion and ₱2.4 billion in 2011 and 2010, respectively. This resulted to a nil net exposure as at December 31, 2011 and 2010.

With respect to credit risk arising from cash and cash equivalents, unsecured loans receivables, accounts receivable, due from related parties, AFS securities and receivables from EEI Retirement Fund, Inc., the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

As at December 31, the analysis of financial assets that were past due but not impaired is as follows:

| | Total | Neither past due nor impaired | 2011 Past due but not impaired | | | | Impaired Assets |
|---|----------------|-------------------------------------|-----------------------------------|--------------------|--------------------|-----------------|--------------------|
| | | | < 30 days P= | 30 - 60 days P= | 60 - 90 days P= | > 90 days P= | |
| Loans receivable | P1,588,061,057 | P1,532,700,049 | | | | | P55,361,008 |
| Receivables from: | | | | | | | |
| Construction and infrastructure | 2,751,176,205 | 1,395,452,981 | 547,259,573 | 300,566,796 | 100,571,013 | 235,235,570 | 172,090,272 |
| Car dealership | 225,939,302 | 108,153,779 | 51,564,478 | 18,231,176 | 7,072,262 | 14,591,722 | 26,325,885 |
| Education and information technology | 77,542,312 | 27,578,552 | 8,750,431 | 2,520,671 | 6,119,179 | - | 32,573,479 |
| Other services | 73,241,037 | 23,736,186 | 15,861,365 | 8,384,746 | 3,094,608 | 6,730,272 | 15,433,860 |
| Other receivables: | | | | | | | |
| Consultancy fee | 149,763,865 | 19,722,873 | 12,384,888 | 16,630,749 | 13,689,576 | 87,335,779 | - |
| Rent receivable | 109,852,321 | - | - | - | 58,131,376 | 51,720,945 | - |
| Others | 306,501,698 | 126,675,979 | 32,819,384 | 15,339,083 | 15,683,206 | 62,152,866 | 53,831,180 |
| Due from related parties | 100,179,387 | 53,456,844 | 1,358,772 | 2,206,294 | 1,671,155 | 2,637,491 | 38,848,831 |
| Receivable from EEI Retirement Fund, Inc. | 528,998,464 | 528,998,464 | - | - | - | - | - |
| Miscellaneous deposits | 51,070,069 | 30,875,793 | 260,000 | 486,090 | 246,490 | 16,202,753 | 2,998,943 |
| | P5,962,325,717 | P3,847,351,500 | P670,258,891 | P364,365,605 | P206,278,865 | P476,607,398 | P397,463,458 |

| | Total | Neither past due nor impaired | 2010 Past due but not impaired | | | | Impaired Assets |
|---|----------------|-------------------------------------|-----------------------------------|--------------------|--------------------|-----------------|--------------------|
| | | | < 30 days P= | 30 - 60 days P= | 60 - 90 days P= | > 90 days P= | |
| Loans receivable | P1,395,093,351 | P1,333,982,839 | | | | P27,231,621 | P33,878,891 |
| Receivables from: | | | | | | | |
| Construction and infrastructure | 2,329,481,192 | 1,610,060,288 | 269,294,064 | 68,186,196 | 121,105,409 | 64,030,617 | 196,804,618 |
| Car dealership | 408,369,922 | 236,223,952 | 71,530,358 | 16,451,944 | 9,830,156 | 40,476,613 | 33,856,899 |
| Education and information technology | 76,282,242 | 40,078,633 | 7,454,404 | - | - | - | 28,749,205 |
| Other services | 51,809,045 | 30,398,435 | 1,575,267 | 970,565 | 550,417 | 2,880,501 | 15,433,860 |
| Other receivables: | | | | | | | |
| Consultancy fee | 39,491,432 | 7,108,458 | 5,528,801 | 4,344,057 | 9,872,858 | 12,637,258 | - |
| Rent receivable | 73,670,575 | - | - | - | 38,749,391 | 34,921,184 | - |
| Others | 270,512,674 | 50,940,915 | 49,827,479 | 28,858,692 | 26,720,762 | 79,469,674 | 34,695,152 |
| Due from related parties | 108,316,886 | 86,178,256 | 11,418,436 | 3,720,194 | - | - | 7,000,000 |
| Receivable from EEI Retirement Fund, Inc. | 4,637,714 | 4,637,714 | - | - | - | - | - |
| Miscellaneous deposits | 36,979,749 | 32,142,283 | - | - | 570,890 | 3,159,530 | 1,107,046 |
| | P4,801,644,782 | P3,431,662,545 | P416,628,809 | P125,811,876 | P211,208,883 | P264,806,998 | P351,525,671 |

There are no past due financial assets other than those stated above.

Collateral Held as Security and other Credit Enhancements

The Group holds collateral against loans and receivables in the form of mortgage interests over property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

| | 2011 | 2010 |
|-------------------------------------|-------------|-------------|
| Against impaired (chattel mortgage) | P33,262,170 | P13,522,000 |
| Against past due but not impaired | | |
| Chattel mortgage | 117,849,316 | 230,179,945 |
| Finance lease | 42,334,152 | - |
| Real estate mortgage | 14,896,324 | - |
| | 175,079,792 | 230,179,945 |

(Forward)

| | 2011 | 2010 |
|----------------------|----------------|----------------|
| Chattel mortgage | | |
| Finance lease | ₱1,097,004,008 | ₱1,501,458,831 |
| Real estate mortgage | 561,810,478 | 337,120,239 |
| | 254,980,340 | 322,910,449 |
| Total | 1,913,794,826 | 2,161,489,519 |
| | ₱2,122,136,788 | ₱2,405,191,464 |

The following table provides information regarding the credit quality by class of financial assets (amounts gross of allowance for credit losses) based on the Group's credit rating system.

| | 2011 | | | |
|--|-------------------------------|--------------|-----------------------------------|----------------|
| | Neither past due nor impaired | | Past due or Individually Impaired | Total |
| | High Grade | Standard | | |
| Cash and cash equivalents (excluding cash on hand) | ₱2,146,720,230 | | ₱- | ₱2,146,720,230 |
| Loans receivable | 1,532,700,049 | | ₱- | 1,532,700,049 |
| Accounts receivable | | | 55,361,008 | 1,588,061,057 |
| Receivables from: | | | | |
| Construction and infrastructure | 1,309,334,532 | 86,118,449 | 1,355,723,224 | 2,751,176,205 |
| Car dealership | 101,605,339 | 6,548,440 | 117,785,523 | 225,939,302 |
| Education and information technology | 22,847,003 | 4,731,549 | 49,963,760 | 77,542,312 |
| Other services | 21,993,695 | 1,742,491 | 49,504,851 | 73,241,037 |
| Other receivables: | | | | |
| Consultancy fee | 19,722,873 | - | 130,040,992 | 149,763,865 |
| Rent receivable | - | - | 109,852,321 | 109,852,321 |
| Others | 110,353,022 | 16,322,957 | 179,825,719 | 306,501,698 |
| Due from related parties | 53,456,844 | - | 46,722,543 | 100,179,387 |
| Other assets: | | | | |
| Miscellaneous deposits | 18,657,764 | 12,218,029 | 20,194,276 | 51,070,069 |
| Receivables from EEI Retirement Fund, Inc. | 528,998,464 | - | - | 528,998,464 |
| AFS securities | | | | |
| Quoted | 318,663,840 | - | - | 318,663,840 |
| Unquoted | 132,879,159 | - | - | 132,879,159 |
| | ₱6,317,932,814 | ₱127,681,915 | ₱2,114,974,217 | ₱8,560,588,946 |

| | 2010 | | | |
|--|-------------------------------|------------|-----------------------------------|----------------|
| | Neither past due nor impaired | | Past due or Individually impaired | Total |
| | High Grade | Standard | | |
| Cash and cash equivalents (excluding cash on hand) | ₱2,067,417,262 | | ₱- | ₱2,067,417,262 |
| Loans receivable | 1,361,214,460 | | ₱- | 1,361,214,460 |
| Accounts receivable | | | 33,878,891 | 1,395,093,351 |
| Receivables from: | | | | |
| Construction and infrastructure | 1,521,077,748 | 88,982,540 | 719,420,904 | 2,329,481,192 |
| Car dealership | 227,693,004 | 8,530,948 | 172,145,970 | 408,369,922 |
| Education and information technology | 32,958,099 | 7,120,534 | 36,203,609 | 76,282,242 |
| Other services | 28,655,944 | 1,742,491 | 21,410,610 | 51,809,045 |
| Other receivables: | | | | |
| Consultancy fee | 7,108,458 | - | 32,382,974 | 39,491,432 |
| Rent receivable | - | - | 73,670,575 | 73,670,575 |
| Others | 44,238,470 | 6,702,445 | 219,571,759 | 270,512,674 |
| Due from related parties | 86,178,256 | - | 22,138,630 | 108,316,886 |

(Forward)

| | 2010 | | Past due or Individually impaired | Total |
|--|---|--------------|---|----------------|
| | Neither past due nor impaired High Grade | Standard | | |
| Other assets: | | | | |
| Miscellaneous deposits | ₱17,450,745 | ₱14,691,538 | ₱4,837,466 | ₱36,979,749 |
| Receivables from EEI Retirement Fund, Inc. | 474,864,665 | — | — | 474,864,665 |
| Long-term receivables | — | 4,637,714 | 1,623,409 | 6,261,123 |
| AFS securities | | | | |
| Quoted | 306,501,683 | — | — | 306,501,683 |
| Unquoted | 142,179,750 | — | — | 142,179,750 |
| | ₱6,137,398,466 | ₱129,577,309 | ₱1,519,247,070 | ₱7,786,222,845 |

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents - are composed of bank deposits and money market placements made with reputable financial institutions duly approved by the BOD and hence, graded as "high grade".

Loans receivable - high grade applies to borrowers with a very low probability of going into default in the coming year. The borrower has a high degree of stability, substance and diversity. Standard grade applies to borrowers characterized by some probability of default, evidenced by weakness in the financial conditions or credit worthiness and other factors.

Trade receivables:

Construction and infrastructure - high grade pertains to receivables that have outstanding credit history and are unsusceptible to adverse effects of changes in economic conditions. On the other hand, standard grade pertains to receivables assessed by the Group to be vulnerable to impairment due to history of counterparties' default and speculative nature of transactions.

Car dealership - high grade pertains to receivables from fleet customers and financing companies and standard grade pertains to receivables from individuals and other small and medium-sized entities.

Education and information technology - The Group categorizes their neither past due nor impaired receivables as follows:

High-grade - high grade pertains to receivables with no default in payment.

Standard-grade - pertains to receivables with up to three (3) defaults in payment.

Other receivables - these mainly pertain to the construction and infrastructure class. The determination of the credit quality of these financial assets as to high grade and standard grade is the same as that of trade receivables from construction and infrastructure.

Due from related parties - pertains to receivables from profitable related parties with good payment record with the Group and hence, graded as "high grade".

Miscellaneous deposits - these mainly pertain to security deposits for car rental, utilities and borrowed equipments. The determination of the credit quality of these financial assets as to high grade and standard grade is the same as that of trade receivables from construction and infrastructure.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group which is composed of diversified operations (i.e. construction and infrastructure operations, education and information technology and finance and leasing activities) manages its capital on a per entity basis. Each entity manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2011 and 2010.

The Group considers total equity as its capital.

Parent Company, EEI and iPeople

The Parent Company, EEI (construction and infrastructure operations) and iPeople (education and information technology) monitor capital using gearing ratio. The Parent Company, EEI and iPeople's policies are to keep the gearing ratio up to a maximum of 2:1, 5:1 and 2:1, respectively, to comply with some of the Group's loan agreements with banks which provides for a maximum debt-to-equity ratio.

Parent Company

| | 2011 | 2010 |
|--------------------------------|----------------|----------------|
| Loans payable | P1,006,300,000 | P1,427,000,000 |
| Subscription payable | 180,858,801 | 180,858,801 |
| Long-term debt | 89,000,000 | 89,000,000 |
| Total liabilities | 1,276,158,801 | 1,696,858,801 |
| Less cash and cash equivalents | 160,877,149 | 243,770,494 |
| Net liabilities | 1,115,281,652 | 1,453,088,307 |
| Total equity | P2,399,295,862 | P2,254,221,434 |
| Debt to equity ratio | 0.53:1 | 0.75:1 |
| Net debt to equity ratio | 0.46:1 | 0.64:1 |

EEI

| | 2011 | 2010 |
|------------------------|----------------|----------------|
| Current liabilities | P5,613,948,323 | P4,103,284,816 |
| Noncurrent liabilities | 536,415,291 | 44,702,591 |
| Total liabilities | 6,150,363,614 | 4,147,987,407 |
| Total equity | P4,370,993,709 | P3,741,279,661 |
| Debt to equity ratio | 1.41:1 | 1.11:1 |

iPeople

| | 2011 | 2010 |
|------------------------------------|----------------|----------------|
| Current liabilities | P631,938,682 | P659,920,106 |
| Noncurrent liabilities | 923,552,727 | 1,005,848,082 |
| Total liabilities | 1,555,491,409 | 1,665,768,188 |
| Equity excluding minority interest | P2,245,351,045 | P1,944,457,926 |
| Debt to equity ratio | 0.69:1 | 0.86:1 |

FMLFC (finance and leasing activities)

FMLFC monitors capital on the basis of the capital requirements set by the BSP. BSP requires financial institutions performing quasi-banking functions to maintain a prescribed ratio of qualifying capital to risk-weighted assets known as risk-based capital adequacy ratio (CAR). The risk based CAR is expressed as a percentage of qualifying capital to risk-weighted assets, which shall not be less than 10% on a daily basis.

As at December 31, 2011 and 2010, FMLFC's CAR is computed at 21% and 22%, respectively.

The following table sets the regulatory capital as at December 31:

| | 2011 | 2010 | 2009 |
|----------------------|------------|------------|------------|
| Tier 1 Capital | ₱430,424 | ₱400,224 | ₱317,599 |
| Tier 2 Capital | 15,063 | 12,070 | 8,154 |
| Risk weighted assets | ₱2,149,970 | ₱1,925,483 | ₱1,705,031 |
| Tier 1 capital ratio | 21% | 21% | 19% |
| Total capital ratio | 21% | 21% | 19% |

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings including current year profit less treasury shares and deferred income tax. Certain adjustments are made in PFRS-based results and reserves, as prescribed by the BSP. The other component of regulatory capital is Tier 2 capital, which includes general loan loss provision (limited to 1.00% of credit risk weighted assets).

The determination of FMLFC's compliance with regulatory requirements and ratios is based on the amount of FMLFC's unimpaired capital (regulatory capital) as reported to BSP, which is determined on the basis of regulatory accounting practices which differ from PFRS in some aspects.

Under existing banking regulations, the combined capital accounts of a financial institutions performing quasi banking functions should not be less than an amount equal to 10.00% of its risk assets. Risk weighted assets are defined as total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board of the BSP. As at December 31, 2011 and 2010, the Group is in compliance with such provision.

Fair Values

The table below presents a comparison by category of carrying amounts and estimated fair values of all of the Group's financial instruments as at December 31, 2011 and 2010:

| | 2011 | |
|---------------------------------|----------------|----------------|
| Financial Assets | Carrying Value | Fair Value |
| Loans and receivables: | | |
| Cash and cash equivalents | ₱2,167,119,236 | ₱2,167,119,236 |
| Loans receivable | 1,532,700,049 | 1,631,950,632 |
| Accounts receivable: | | |
| Receivables from: | | |
| Construction and infrastructure | 2,579,085,933 | 2,579,085,933 |
| Car dealership | 199,613,417 | 199,613,417 |

| | 2011 | |
|--|-----------------------|-----------------------|
| | Carrying Value | Fair Value |
| Education and information technology | 44,968,833 | 44,968,833 |
| Other services | 57,807,177 | 57,807,177 |
| Other receivables | | |
| Consultancy fee | 149,763,865 | 149,763,865 |
| Receivable from plant | 37,859,488 | 37,859,488 |
| Rental receivable | 109,852,321 | 109,852,321 |
| Other school-related receivable | 42,670,912 | 42,670,912 |
| Due from Philippine Transmarine Carriers, Inc. (PTC) | 28,933,960 | 28,933,960 |
| Others | 143,206,156 | 143,206,156 |
| Due from related parties | 61,330,556 | 61,330,556 |
| Other noncurrent assets: | | |
| Receivable from retirement fund | 528,998,464 | 536,171,880 |
| AFS securities | | |
| Quoted | 318,663,840 | 318,663,840 |
| Unquoted | 132,879,159 | 132,879,159 |
| Miscellaneous deposits | 48,071,126 | 48,071,126 |
| Total financial assets | ₱8,183,524,492 | ₱8,289,948,491 |

Financial Liabilities

| | | |
|--|-----------------------|-----------------------|
| Other financial liabilities at amortized cost: | | |
| Loans payable | ₱4,088,090,020 | ₱4,088,090,020 |
| Accounts payable and accrued expenses | | |
| Accounts payable | 1,999,721,021 | 1,999,721,021 |
| Accrued expenses | 533,192,775 | 533,192,775 |
| Accrued interest payable | 10,377,847 | 10,377,847 |
| Subscriptions payable | 13,881,505 | 13,881,505 |
| Dividends payable | 17,911,444 | 17,911,444 |
| Others | 182,294,813 | 182,294,813 |
| Due to related parties | 58,234,792 | 58,234,792 |
| Long-term debt | 1,911,957,776 | 1,925,842,387 |
| Total financial liabilities | ₱8,815,661,993 | ₱8,829,546,604 |

| | 2010 | |
|--------------------------------------|----------------|----------------|
| | Carrying Value | Fair Value |
| Financial Assets | | |
| Loans and receivables: | | |
| Cash and cash equivalents | ₱2,072,400,037 | ₱2,072,400,037 |
| Loans receivable | 1,361,214,460 | 1,415,517,013 |
| Accounts receivable: | | |
| Receivables from: | | |
| Construction and infrastructure | 2,132,676,574 | 2,132,676,574 |
| Car dealership | 374,513,023 | 374,513,023 |
| Education and information technology | 47,533,037 | 47,533,037 |
| Other services | 36,375,185 | 36,375,185 |
| Other receivables | | |
| Consultancy fee | 39,491,432 | 39,491,432 |
| Receivable from plant | 53,096,634 | 53,096,634 |
| Rental receivable | 73,670,575 | 73,670,575 |

| | 2010 | |
|--|----------------|----------------|
| | Carrying Value | Fair Value |
| Other school-related receivable | | |
| Due from PTC | ₱28,757,667 | ₱28,757,667 |
| Others | 14,931,440 | 14,931,440 |
| Due from related parties | 173,806,549 | 173,806,549 |
| Other noncurrent assets: | 101,316,886 | 101,316,886 |
| Receivable from retirement fund | | |
| Long - term receivables | 474,864,665 | 475,705,428 |
| AFS securities | 6,261,123 | 11,826,227 |
| Quoted | | |
| Unquoted | 306,501,683 | 306,501,683 |
| Miscellaneous deposits | 142,179,750 | 142,179,750 |
| Total financial assets | 35,872,703 | 35,872,703 |
| | ₱7,475,463,423 | ₱7,536,171,843 |
| Financial Liabilities | | |
| Other financial liabilities at amortized cost: | | |
| Loans payable | ₱3,436,742,769 | ₱3,436,742,769 |
| Accounts payable and accrued expenses | | |
| Accounts payable | 1,941,602,035 | 1,941,602,035 |
| Accrued expenses | 241,765,062 | 241,765,062 |
| Accrued interest payable | 10,800,715 | 10,800,715 |
| Subscriptions payable | 13,881,505 | 13,881,505 |
| Dividends payable | 19,091,975 | 19,091,975 |
| Others | 184,932,820 | 184,932,820 |
| Due to related parties | 139,933,397 | 139,933,397 |
| Long-term debt | 1,818,946,805 | 1,821,060,588 |
| Total financial liabilities | ₱7,807,697,083 | ₱7,809,810,866 |

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

Cash and Cash Equivalents, Accounts Receivable, Due from Related Parties and Miscellaneous Deposits

Due to the short-term nature of transactions, the carrying values of these accounts were assessed to approximate their fair values.

Receivable from Real Estate Operation and Loans Receivables

The fair value approximates the carrying amount since its interest rate is based on rates prevailing on real estate operations.

AFS Securities

The fair values of quoted equity securities are based on quoted market prices. In the absence of a reliable basis of determining fair values due to the unpredictable nature of the future cash flows and the lack of suitable method of arriving at a reliable fair values, unquoted equity securities are carried at cost net of impairment provision.

Other Noncurrent Assets

The fair values of receivables from retirement fund and long-term receivables are estimated as the present value of all future cash flows discounted using the applicable rates for similar loans. Discount rates used ranged from 3.31% to 4.16% and 1.33% to 6.74% in 2011 and 2010, respectively.

Loans Payable, Accounts Payable and Accrued Expenses and Due to Related Parties

The carrying amounts of loans payable, accounts payable and accrued expenses and due to related parties approximate their fair values due to the short-term nature of the transactions.

Long-term Debt

For variable rate loans that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

For fixed rate loans, the fair value is estimated as the present value of all future cash flows discounted using the applicable rates for similar loans. Discount rates used ranged from 4.81% to 5.80% and 7.29% to 9.02% in 2011 and 2010, respectively.

Fair value hierarchy

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

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

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

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

The quoted AFS securities of the Group fall under level 1 as at December 31, 2011 and 2010.

There were no transfers between levels of fair value measurements in 2011 and 2010. The Group has no financial instruments classified under Levels 2 and 3 as at December 31, 2011 and 2010.

5. Cash and Cash Equivalents

This account consists of:

| | 2011 | 2010 |
|---------------------------|-----------------------|-----------------------|
| Cash on hand and in banks | ₱1,468,284,043 | ₱1,228,183,324 |
| Short-term investments | 698,835,193 | 844,216,713 |
| | <u>₱2,167,119,236</u> | <u>₱2,072,400,037</u> |

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates. Interest income from cash in banks and short-term investments amounted to ₱59.4 million, ₱71.1 million and ₱74.3 million for the years ended December 31, 2011, 2010 and 2009, respectively (see Note 22).

6. Loans Receivable

Loans receivable consists of:

| | 2011 | 2010 |
|-------------------------------|----------------|----------------|
| Gross receivables | ₱1,588,061,057 | ₱1,395,093,351 |
| Less allowance for impairment | 55,361,008 | 33,878,891 |
| Less noncurrent portion | 1,532,700,049 | 1,361,214,460 |
| Current portion | 1,131,780,716 | 1,031,958,894 |
| | ₱400,919,333 | ₱329,255,566 |

Loans receivable is composed of receivables of FMLFC, a subsidiary engaged in leasing and financing and ZIFC, a subsidiary engaged in general financing and investment with the following details:

| | 2011 | 2010 |
|--------------------------------|----------------|----------------|
| Time loan principals | ₱899,496,235 | ₱863,335,396 |
| Lease contracts receivable | 388,657,802 | 205,012,036 |
| Receivables financed | 313,898,009 | 316,375,209 |
| Sales contracts receivables | 46,838,303 | 21,741,118 |
| Others | 20,187,911 | 21,223,417 |
| | 1,669,078,260 | 1,427,687,176 |
| Accrued interest receivable | 18,233,380 | 21,708,728 |
| Unearned discount and interest | (99,250,583) | (54,302,553) |
| | 1,588,061,057 | 1,395,093,351 |
| Less allowance for impairment | 55,361,008 | 33,878,891 |
| | ₱1,532,700,049 | ₱1,361,214,460 |

Receivables financed are due in monthly or quarterly installments extending up to 36 months with annual interest rates ranging from 13% to 27% and 13% to 24% in 2011 and 2010, respectively. As at December 31, 2011 and 2010, portion of the allowance for impairment recognized for receivables financed amounting to ₱9.5 million and ₱2.9 million, respectively were written off.

Time loan principals are collectible in full at maturity date while interest is due monthly or at maturity. Annual interest rates range from 12% to 31% and 10% to 24% in 2011 and 2010, respectively. The term of the loan ranges from one to twelve months.

Lease contracts receivable pertains to the cost of the leased equipment, net of its estimated residual value of ₱113.6 million and ₱55.5 million as at December 31, 2011 and 2010, respectively. Annual interest rates range from 10% to 26% and 12% to 23% in 2011 and 2010, respectively. Upon delivery of the leased equipment, the lessee is required to make a deposit which serves as guaranty for the performance of the obligations under the lease contract. The deposit is refundable to the lessee upon the expiration of the lease provided the lessee returns the unit leased. Deposits on lease contracts as at December 31, 2011 and 2010 amount to ₱114.4 million and ₱56.2 million, respectively. These deposits, net of residual value of leased equipment, are included in accounts payable and accrued expenses. The term of the lease ranges from 24 to 60 months.

Restructured loans pertain to accounts whose principal terms and conditions have been modified in accordance with a restructuring agreement setting forth a new plan of payment or a schedule of payment on a periodic basis. Annual interest rates range from 12% to 25% and 18% to 24% in 2011 and 2010, respectively.

Nonperforming accounts amounted to ₱199.3 million and ₱162.3 million as at December 31, 2011 and 2010, respectively, representing 12.07% and 11.40% in 2011 and 2010, respectively, of the gross receivables from customers.

Details of receivables from customers of FMLFC and ZIFC are as follows:

a) As to secured and unsecured and type of security for secured loans

| | 2011 | 2010 |
|----------------------|-----------------------|-----------------------|
| Secured loans | | |
| Chattel mortgage | ₱761,048,941 | ₱876,120,692 |
| Finance lease | 420,850,847 | 232,842,543 |
| Real estate mortgage | 213,024,588 | 303,275,033 |
| | 1,394,924,376 | 1,412,238,268 |
| Unsecured loans | 292,387,264 | 37,157,636 |
| | <u>₱1,687,311,640</u> | <u>₱1,449,395,904</u> |

Other collaterals pertain to automobiles and equipment under leasing agreements.

b) As to maturity

| | 2011 | 2010 |
|---------------------------------|-----------------------|-----------------------|
| Maturing within one year | ₱442,887,922 | ₱394,881,323 |
| Maturing one year to five years | 1,244,423,718 | 1,054,514,581 |
| | <u>₱1,687,311,640</u> | <u>₱1,449,395,904</u> |

The changes in individually assessed allowance for impairment at December 31 follow:

| | 2011 | 2010 |
|---|--------------------|--------------------|
| Balance at beginning of year | ₱33,878,891 | ₱21,083,718 |
| Provision for impairment losses (Note 27) | 31,868,603 | 26,159,465 |
| Recovery of accounts written off | 43,231 | 169,041 |
| Accounts written off | (10,429,717) | (13,533,333) |
| Balance at end of year | <u>₱55,361,008</u> | <u>₱33,878,891</u> |

In the ordinary course of business, FMLFC has loan transactions with its directors, officers, stockholders and related interest (DOSRI). The BSP regulations limit the aggregate loans to DOSRI and the level at which such loans must be secured. As at December 31, 2011 and 2010, FMLFC was in full compliance with the BSP regulations on DOSRI loans.

7. Accounts Receivable

This account consists of:

| Trade: | 2011 | 2010 |
|---|----------------|----------------|
| Construction and infrastructure (including retention receivable of ₱968.5 million in 2011 and ₱609.1 million in 2010) | ₱2,751,176,205 | ₱2,329,481,192 |
| Car dealership | 225,939,302 | 408,369,922 |
| Education and information technology | 77,542,312 | 76,282,242 |
| Other services | 73,241,037 | 51,809,045 |
| Other receivables | | |
| Advances to suppliers and contractors | 501,329,640 | 303,497,749 |
| Consultancy fee | 149,763,865 | 39,491,432 |
| Rent receivable | 109,852,321 | 73,670,575 |
| Advances to officers and employees | 56,828,059 | 22,910,433 |
| Receivable from plant | 51,104,004 | 53,096,634 |
| Other school-related receivables | 42,670,912 | 28,757,667 |
| Due from PTC | 28,933,960 | 14,931,440 |
| Refund from tax authorities | - | 35,364,064 |
| Reimbursable taxes | - | 20,699,363 |
| Others | 194,344,052 | 173,736,044 |
| | 4,262,725,669 | 3,632,097,802 |
| Less allowance for impairment | 336,584,798 | 348,032,289 |
| | ₱3,926,140,871 | ₱3,284,065,513 |

Receivables classified as "Others" consist of interest, dividends, commission, rebates, insurance and various other receivables. Receivable from plant pertain to receivables from Honda Cars Philippines, Inc. and Isuzu Philippines Corporation, for promotional subsidy and fleet discounts. Receivables from plant are collectible within a year in the normal course of the Group's business.

The changes in allowance for impairment at December 31 follow:

| | 2011 | | | | | |
|-------------------------------|---------------------------------|----------------|--------------------------------------|----------------|-------------------|----------------|
| | Construction and Infrastructure | Car Dealership | Education and Information Technology | Other Services | Other Receivables | Total |
| Balances at beginning of year | ₱196,804,618 | ₱33,856,899 | ₱28,749,205 | ₱15,433,860 | ₱73,187,707 | ₱348,032,289 |
| Provisions (Note 27) | 237,359 | 10,084,919 | 3,824,274 | - | 17,392,108 | 31,538,660 |
| Write-offs | (24,951,705) | - | - | - | (418,513) | (25,370,218) |
| Reversals | - | (17,615,933) | - | - | - | (17,615,933) |
| Balances at end of year | ₱172,090,272 | ₱26,325,885 | ₱32,573,479 | ₱15,433,860 | ₱90,161,302 | ₱336,584,798 |
| Individually impaired | ₱172,090,272 | ₱- | ₱- | ₱- | ₱69,104,273 | ₱241,194,545 |
| Collectively impaired | - | 26,325,885 | 32,573,479 | 15,433,860 | 21,057,029 | 95,390,253 |
| Total | ₱172,090,272 | ₱26,325,885 | ₱32,573,479 | ₱15,433,860 | ₱90,161,302 | ₱336,584,798 |
| Gross receivables* | ₱172,090,272 | ₱225,939,302 | ₱77,690,754 | ₱16,336,589 | ₱865,160,121 | ₱1,364,798,543 |

* Gross amount of receivables individually and collectively determined to be impaired, before deducting any assessed impairment allowance

| | 2010 | | | | | |
|------------------------------|---------------------------------|----------------|--------------------------------------|----------------|-------------------|--------------|
| | Construction and Infrastructure | Car Dealership | Education and Information Technology | Other Services | Other Receivables | Total |
| Balance at beginning of year | ₱165,658,122 | ₱33,442,014 | ₱23,324,370 | ₱6,223,699 | ₱64,528,630 | ₱293,176,835 |
| Provisions (Note 27) | 51,007,742 | 414,885 | 5,424,835 | 9,210,161 | 9,308,058 | 75,365,681 |
| Write-offs | (19,861,246) | - | - | - | (648,981) | (20,510,227) |
| Balance at end of year | ₱196,804,618 | ₱33,856,899 | ₱28,749,205 | ₱15,433,860 | ₱73,187,707 | ₱348,032,289 |
| Individually impaired | ₱196,804,618 | ₱- | ₱- | ₱- | ₱- | ₱196,804,618 |
| Collectively impaired | - | 33,856,899 | 28,749,205 | 15,433,860 | 73,187,707 | 151,227,671 |
| Total | ₱196,804,618 | ₱33,856,899 | ₱28,749,205 | ₱15,433,860 | ₱73,187,707 | ₱348,032,289 |
| Gross receivables* | ₱196,804,618 | ₱188,281,100 | ₱55,226,897 | ₱16,395,901 | ₱100,617,393 | ₱557,325,909 |

* Gross amount of receivables individually and collectively determined to be impaired, before deducting any assessed impairment allowance

8. Costs, Estimated Earnings and Billings on Uncompleted Contracts

The details of the costs, estimated earnings and billings on uncompleted contracts follow:

| | 2011 | 2010 |
|---|-----------------|-----------------|
| Total costs incurred | ₱20,528,739,494 | ₱17,364,818,497 |
| Add: estimated earnings | 3,506,995,187 | 2,786,989,826 |
| | 24,035,734,681 | 20,151,808,323 |
| Less: total billings (including unliquidated advances from contract owners of ₱2.0 billion and ₱1.3 billion in 2011 and 2010, respectively) | 24,168,606,089 | 20,931,532,985 |
| | (₱132,871,408) | (₱779,724,662) |

The foregoing balances are reflected in the consolidated statements of financial position under the following accounts:

| | 2011 | 2010 |
|---|-----------------|-----------------|
| Costs and estimated earnings in excess of billings on uncompleted contracts | ₱1,729,876,639 | ₱470,933,751 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | (1,862,748,047) | (1,250,658,413) |
| | (₱132,871,408) | (₱779,724,662) |

9. Inventories

This account consists of:

| | 2011 | 2010 |
|--|--------------|--------------|
| At cost | | |
| Land and land development (Note 19) | ₱213,145,800 | ₱223,339,787 |
| Subdivision lots and contracted units for sale | 147,146,769 | 138,986,637 |
| Raw lands | 38,432,211 | 44,916,103 |
| | 398,724,780 | 407,242,527 |

| At NRV | 2011 | 2010 |
|--------------------------|--------------|----------------|
| Merchandise (Note 19) | ₱247,780,116 | ₱595,961,716 |
| Spare parts and supplies | 10,152,305 | 6,578,586 |
| Construction materials | 150,116 | 3,019,746 |
| | 258,082,537 | 605,560,048 |
| | ₱656,807,317 | ₱1,012,802,575 |

The cost of merchandise, construction materials and spare parts and supplies amounted to ₱304.9 million, ₱9.1 million and ₱11.5 million, respectively, as at December 31, 2011, and ₱669.7 million, ₱11.6 million and ₱8.4 million, respectively, as at December 31, 2010.

Land included in inventories relates to real estate development projects being undertaken by EEI Realty, either on its own or with other parties, as follows:

- a. On April 24, 1998, EEI Realty entered into a joint venture (JV) agreement with Robinson's Homes, Inc. (RHI) to contribute certain parcels of land to the JV for development by RHI into a residential subdivision. Under the JV agreement, the share of EEI Realty and RHI on the saleable lots shall be 40% and 60%, respectively.

EEI Realty granted RHI the exclusive right to construct housing units on EEI Realty's share of the saleable lots from the JV project and construction of the housing units shall be solely for RHI's account. EEI Realty also granted RHI the exclusive marketing rights over its share of the saleable lots from the JV project. EEI Realty shall reimburse RHI for marketing and administration expense of 10% of the lot selling price deductible from EEI Realty's share on every lot sold.

On July 11, 2005, EEI Realty and RHI mutually agreed to reduce the JV area from 72.79 hectares to 13.98 hectares. The share of EEI Realty and RHI on the saleable lots shall be 25% and 75%, respectively, starting May 1, 2005. The JV area is still being managed by RHI, while the remaining area has been turned over to EEI Realty.

In consideration of EEI Realty's entering into the JV Agreement, RHI paid EEI Realty ₱50.0 million as noninterest-bearing cash advance. The cash advance shall be liquidated using the proceeds from sale of the lots allocated to EEI Realty. In 2000, the JV started selling developed lots, the proceeds of which were deducted from the cash advance. As at December 31, 2011 and 2010, the outstanding balance of the cash advance, which is shown as part of accounts payable and accrued expenses account in the consolidated statements of financial position, amounted to ₱32.4 million (see Note 17).

Certain parcels of land and land development of EEI Realty (included in inventories) were collateralized against the long-term debt of the Group with outstanding balances of ₱133.3 million as at December 31, 2010. The long-term debt was fully paid by the Group in 2011 (see Note 19).

- b. EEI Realty has an ongoing project in Suburbia East, Marikina. The master plan for the 98,009 square meters property project was completed and the development permit application for the subdivision plan was approved on September 14, 2000 by the city government of Marikina. On May 2, 2002, the Housing and Land Use Regulatory Board (HLURB) issued a Certificate of Registration and License to Sell to EEI Realty for the sale of saleable lots in Suburbia East Phase I. The Phase I development works have been completed. On May 30,

2003, HLURB issued a certificate of Registration and License to Sell for the sale of saleable lots in Phase II. Development works for Phase II is completed in July 2007. On November 29, 2008, HLURB issued a certificate of Registration and License to Sell for the sale of saleable lots in Phase III. Phase III development is still ongoing as at December 31, 2011 and 2010 and the EEI Realty expects to complete all developments on December 31, 2012.

- c. The amended Memorandum of Agreement dated April 19, 1999 between EEI Realty and Ayala Greenfield, Inc. (Greenfield) provides for the following:
- Sale of nine parcels of land with a total area of 133,550 square meters by EEI Realty to Greenfield. Payment terms for the land sold include turnover of certain developed lots from the nine parcels of land. In 2003, a total of 11 saleable lots from the unsold inventory of Greenfield's developed lots valued at ₱48.2 million were transferred to EEI Realty as partial settlement.
 - Contribution by EEI Realty of parcels of land, with a total area of 111,906 square meters, as EEI Realty's participating interest in a JV project with Greenfield. Under the terms of the JV agreement, EEI Realty's net land owner's interest shall be in the form of developed lots for the residential component and golf club shares for the golf course component, and shall be allocated at 30% for EEI Realty and 70% for Greenfield.
- d. On August 17, 2009, EEI Realty entered into an agreement with Cottonwood Realty Corporation for the building of residential housing units on the lots owned by EEI Realty Corporation. Under the terms of the JV agreement, the Company will contribute approximately 6,400 square meters located at Grosvenor's Place, Brgy. Tanauan, Tanza, Cavite. Upon signing of the JV agreement, Cottonwood Realty Corporation shall advance a total cash equivalent to 20% of the minimum lot price valued at ₱3,190 per square meter for the total 200 lots of EEI Realty. Cottonwood shall also execute Deed of assignment in favor of EEI Realty and the corresponding Letter of Guaranty to HDMF/PAGIBIG covering the latter's take out for the house and lot for the 200 lots of EEI Realty. EEI Realty shall also pay Cottonwood 10% of the total lot price as marketing commission deductible from the 80% releases of HDMF/PAGIBIG. Cottonwood shall arrange and ensure that the said 80% take out by the HDMF/PAGIBIG for the lot portion shall be payable in the name of EEI Realty and paid by PAGIBIG directly to EEI Realty. As at December 31, 2011, EEI Realty has sold 20 lots stated in the memorandum of agreement with Cottonwood Realty Corporation.

There were no capitalized borrowing costs in 2011 and 2010.

The Group has no purchase commitments pertaining to its inventories as at December 31, 2011 and 2010.

10. Prepaid Expenses and Other Current Assets

This account consists of:

| | 2011 | 2010 |
|---------------------------------|--------------|--------------|
| Prepaid expenses | ₱199,058,943 | ₱152,005,346 |
| Noncurrent assets held for sale | 179,150,664 | 114,898,971 |
| Prepaid taxes | 153,731,711 | 98,747,748 |

| | 2011 | 2010 |
|------------------------|---------------------|---------------------|
| Value added tax | ₱151,998,028 | ₱87,254,407 |
| Miscellaneous deposits | 48,071,126 | 35,872,703 |
| Unused office supplies | 3,110,122 | 3,593,906 |
| Others | 906,522 | 318,276 |
| | <u>₱736,027,116</u> | <u>₱492,691,357</u> |

Noncurrent assets held for sale consist of property and equipment that the Group intends to sell within one year from the date of classification as held for sale and remains committed to immediately dispose the assets through an active marketing program. The Group is actively looking for buyers and expects to settle these assets in 2012.

11. Available-for-Sale Securities

This account consists of:

| | 2011 | 2010 |
|-------------------------------|---------------------|---------------------|
| Quoted shares - at fair value | ₱318,663,840 | ₱306,501,683 |
| Unquoted shares - at cost | 132,879,159 | 142,179,750 |
| | <u>₱451,542,999</u> | <u>₱448,681,433</u> |

Movements in the net accumulated unrealized gain on AFS securities are as follows:

| | 2011 | 2010 |
|---|--------------------|--------------------|
| Attributable to equity holders of the parent: | | |
| Balance at beginning of year | ₱63,473,002 | ₱51,675,625 |
| Gain recognized in equity | 12,539,321 | 11,797,377 |
| Balance at end of year | 76,012,323 | 63,473,002 |
| Minority interest: | | |
| Balance at beginning of year | 4,169,751 | 4,714,000 |
| Gain (loss) recognized in equity | 114,124 | (544,249) |
| Balance at end of year | 4,283,875 | 4,169,751 |
| | <u>₱80,296,198</u> | <u>₱67,642,753</u> |

The unquoted shares consist of shares in the following nonlisted companies:

| | 2011 | 2010 |
|---|---------------------|---------------------|
| Hermosa Ecozone Development Corporation | ₱85,000,000 | ₱85,000,000 |
| Brightnote Assets Corporation | 25,000,000 | 25,000,000 |
| Heritage Park | 13,051,014 | 18,988,514 |
| Sta. Elena Properties | 7,680,033 | 7,680,033 |
| Subic Power Corporation (SPC) | 37,500 | 37,500 |
| Others | 2,110,612 | 5,473,703 |
| | <u>₱132,879,159</u> | <u>₱142,179,750</u> |

Fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in private companies that are not quoted on any market and do not have any comparable industry peer that is listed. The Group does not intend to dispose of these investments in the foreseeable future. Investments in other unquoted securities amounting to ₱9.7 million and ₱12.8 million was sold in 2011 and 2010, respectively, which resulted to a gain amounting to ₱22.3 million and ₱11.9 million, respectively (see Note 22).

During 2010, SPC redeemed its shares at ₱1.8 per share amounting to ₱60.4 million which resulted to a gain of ₱26.6 million (see Note 22).

12. Investments in Associates and Joint Ventures

The details of investments accounted for under the equity method are as follows:

| | 2011 | 2010 |
|---|----------------|----------------|
| Acquisition cost | | |
| Balance at beginning of year | ₱429,287,307 | ₱421,287,307 |
| Acquisitions during the year | - | 8,000,000 |
| Balance at end of year | 429,287,307 | 429,287,307 |
| Accumulated impairment loss | | |
| Balance at beginning of year | 119,662,670 | 111,662,670 |
| Impairment loss (recovery) during the year (Note 27) | (3,200,000) | 8,000,000 |
| Balance at end of year | 116,462,670 | 119,662,670 |
| Accumulated equity in net earnings | | |
| Balance at beginning of year | 1,085,805,594 | 728,527,631 |
| Equity in net earnings for the year | 378,384,802 | 361,059,705 |
| Dividends received | (357,232,149) | (3,781,742) |
| Balance at end of year | 1,106,958,247 | 1,085,805,594 |
| Equity in cumulative translation adjustment | (95,152,886) | (17,998,139) |
| | ₱1,324,629,998 | ₱1,377,432,092 |

The recovery of investment amounting to ₱3.2 million and the impairment loss amounting to ₱8.0 million recognized in 2011 and 2010, respectively, pertains to the Group's investment in Sino as discussed in Note 3.

The additional investment in 2010 relates to Xamdu Motors, Inc.'s investments in Sino.

Summarized financial information of the Group's share in significant associates and joint ventures are as follows:

| | 2011 | | |
|-------------------|----------------|----------------|-------------|
| | MMPC | ARCC | ECW |
| Current assets | ₱837,734,364 | ₱2,418,632,010 | ₱11,813,456 |
| Noncurrent assets | 584,134,345 | 1,432,488,483 | - |
| Total assets | ₱1,421,868,709 | ₱3,851,120,493 | ₱11,813,456 |

(Forward)

| | 2011 | | |
|------------------------|----------------|-----------------|---------|
| | MMPC | ARCC | ECW |
| Current liabilities | ₹904,416,161 | ₹2,447,094,549 | ₹21,199 |
| Noncurrent liabilities | 174,139,465 | 453,029,608 | - |
| Total liabilities | ₹1,078,555,626 | ₹2,900,124,157 | ₹21,199 |
| Revenues | ₹211,273,398 | ₹4,939,563,138 | ₹- |
| Cost and expenses | (173,849,596) | (4,607,428,038) | - |
| Net income | ₹37,423,802 | ₹332,135,100 | ₹- |

| | 2010 | | |
|------------------------|---------------|-----------------|------------|
| | MMPC | ARCC | ECW |
| Current assets | ₹191,698,049 | ₹891,050,538 | ₹5,917,360 |
| Noncurrent assets | 127,862,531 | 658,253,756 | - |
| Total assets | ₹319,560,580 | ₹1,549,304,294 | ₹5,917,360 |
| Current liabilities | ₹196,100,447 | ₹899,393,333 | ₹10,619 |
| Noncurrent liabilities | 76,671,975 | 166,906,004 | - |
| Total liabilities | ₹272,772,422 | ₹1,066,299,337 | ₹10,619 |
| Revenues | ₹190,394,247 | ₹1,897,928,984 | ₹- |
| Cost and expenses | (163,508,778) | (1,737,110,157) | - |
| Net income | ₹26,885,469 | ₹160,818,827 | ₹- |

The Group's share in the net income of ARCC is subject to 20% Saudi Arabia income taxes.

13. Property and Equipment

The rollforward analysis of this account follows:

| | 2011 | | | | | Total |
|---|--|---|--------------------------------------|---|--------------------------|----------------|
| | Land, Buildings and Improvements (Note 19) | Machinery, Tools and Construction Equipment | Transportation and Service Equipment | Furniture, Fixtures, and Office Equipment | Construction In Progress | |
| Cost | | | | | | |
| At beginning of year | ₹1,926,605,472 | ₹1,475,190,191 | ₹981,814,704 | ₹1,330,404,226 | ₹102,194,892 | ₹5,816,209,485 |
| Additions | 42,356,847 | 612,213,884 | 392,355,588 | 209,419,193 | 116,169,740 | 1,372,515,252 |
| Disposals/retirements | (2,040,265) | (106,463,175) | (37,936,448) | (268,880,980) | - | (415,320,868) |
| Write-off of damaged machineries and equipment due to casualty losses | - | (102,867,511) | (4,443,360) | - | - | (107,310,871) |
| Reclassification to noncurrent asset held for sale | - | - | (37,890,465) | - | - | (37,890,465) |
| Reclassifications/adjustments | (203,768) | - | - | (1,310,444) | 7,568,310 | 6,054,098 |
| Transfers | 83,429,383 | 3,091,821 | - | - | (86,521,204) | - |
| At end of year | 2,050,147,669 | 1,881,165,210 | 1,293,900,019 | 1,269,631,995 | 139,411,738 | 6,634,256,631 |
| Accumulated Depreciation and Amortization | | | | | | |
| At beginning of year | ₹1,073,822,302 | ₹774,858,215 | ₹425,455,012 | ₹1,017,535,050 | ₹- | ₹3,291,670,579 |
| Depreciation and amortization (Note 28) | 74,696,380 | 97,115,108 | 198,117,075 | 114,624,464 | - | 484,553,027 |
| Disposals/retirements | (297,539) | (100,471,719) | (30,398,135) | (264,084,159) | - | (395,251,552) |
| Write-off of damaged machineries and equipment due to casualty losses | - | (16,812,774) | (2,410,229) | - | - | (19,223,003) |
| Reclassifications/adjustments | (297,018) | (539,868) | (32,400) | 76,757 | - | (792,529) |
| At end of year | 1,147,924,125 | 754,148,962 | 590,731,323 | 868,152,112 | - | 3,360,956,522 |
| Net Book Value at Cost | ₹902,223,544 | ₹1,127,016,248 | ₹703,168,696 | ₹401,479,883 | ₹139,411,738 | ₹3,273,300,109 |
| Land at Revalued Amounts | | | | | | ₹2,485,751,926 |

| | 2010 | | | | | |
|---|---|--|--|--|-----------------------------|----------------|
| | Land, Buildings and Improvements (Note 19) | Machinery, Tools and Construction Equipment | Transportation and Service Equipment | Furniture, Fixtures, and Office Equipment | Construction in Progress | Total |
| Cost | | | | | | |
| At beginning of year | ₱1,638,092,536 | ₱1,109,741,611 | ₱964,751,019 | ₱1,118,541,526 | ₱51,913,988 | ₱4,883,040,680 |
| Additions | 299,256,231 | 513,360,556 | 47,316,918 | 221,329,637 | 98,313,675 | 1,179,577,017 |
| Disposals/retirements | (19,521,755) | (118,078,705) | (21,896,036) | (13,870,139) | — | (173,366,635) |
| Reclassifications/adjustments | (6,150,433) | (60,367,144) | (8,357,197) | 4,245,844 | (2,412,647) | (73,041,577) |
| Transfers | 14,928,893 | 30,533,873 | — | 157,358 | (45,620,124) | — |
| At end of year | 1,926,605,472 | 1,475,190,191 | 981,814,704 | 1,330,404,226 | 102,194,892 | 5,816,209,485 |
| Accumulated Depreciation and Amortization | | | | | | |
| At beginning of year | ₱975,873,092 | ₱780,332,273 | ₱396,297,905 | ₱847,944,091 | — | ₱3,000,447,361 |
| Depreciation and amortization (Note 28) | 109,091,137 | 111,784,388 | 41,717,506 | 176,557,517 | — | 439,150,548 |
| Disposals/retirements | (9,212,281) | (105,881,557) | (18,250,313) | (13,173,201) | — | (146,517,352) |
| Reclassifications/adjustments | (1,929,646) | (11,376,889) | 5,689,914 | 6,206,643 | — | (1,409,978) |
| At end of year | 1,073,822,302 | 774,858,215 | 425,455,012 | 1,017,535,050 | — | 3,291,670,579 |
| Net Book Value at Cost | ₱852,783,170 | ₱700,331,976 | ₱556,359,692 | ₱312,869,176 | ₱102,194,892 | ₱2,524,538,906 |
| Land at Revalued Amounts | | | | | | ₱2,461,585,891 |

In 2010, EEI Marine acquired land in Cavite and constructed a new building for its operations. This land was used as collateral for the real estate mortgage loan obtained from RCBC, an entity under common control (see Note 19). The carrying value of the land as collateral against the loan amounted to ₱29.8 million as at December 31, 2010. The loan was settled in 2011.

There were no borrowing costs capitalized in 2011 and 2010 since the proceeds of the loans were used for working capital and general corporate requirements.

On October 3, 2011, there was an incident in EEI's jobsite for Taganito Nickel Hydrometallurgical Project of Taganito Mining Corporation at Claver, Surigao Del Norte. As a result, various mobile cranes and transportation equipment were damaged. Consequently, EEI wrote-off the related costs and accumulated depreciation of damaged machinery and equipment amounting to ₱107.3 million and ₱19.2 million, respectively with net book value of ₱88.1 million. The amount of casualty losses is recorded under the general and administrative expenses account (see Note 27).

Movements in the revalued land are as follow:

| | 2011 | 2010 |
|------------------------------|----------------|----------------|
| Balance at beginning of year | ₱2,461,585,891 | ₱2,436,104,897 |
| Additions during the year: | | |
| Appraisal increase | 21,825,723 | 19,960,277 |
| Capitalizable costs | 2,340,312 | 5,520,717 |
| Balance at end of year | ₱2,485,751,926 | ₱2,461,585,891 |

Land at cost amounted to ₱1.7 billion as at December 31, 2011 and 2010. Land includes the land leased from RCBC accounted for as finance lease in 2009 (see Note 36).

In 2010, the Group exercised the option to purchase the land leased from RCBC. The related costs in the acquisition were capitalized and form part of the carrying value of the land.

The revalued amounts in 2011 and 2010 are based on the latest appraisal reports by an independent appraiser dated February 2012 and January and February 2011. Fair value is determined using market data based on latest records of sales and offerings of similar parcels of land with similar location, size, shape, characteristics of the lots and present and prospective use.

Management believes that the fair values derived as of February 2012, January and February 2011 approximate the fair values as at December 31, 2011 and 2010.

14. Goodwill

Goodwill arose from acquisitions of EEI, iPeople and Honda Cars Group.

15. Investment Properties

The rollforward analysis of this account follows:

| | 2011 | | |
|--|--|---|--------------|
| | Land held for Capital Appreciation | Condominium Units and Parking Slots | Total |
| Cost | | | |
| Balances at beginning of year | P292,076,960 | P98,982,311 | P391,059,271 |
| Disposals | (30,899,272) | (15,476,400) | (46,375,672) |
| Balances at end of year | 261,177,688 | 83,505,911 | 344,683,599 |
| Accumulated depreciation and amortization | | | |
| Balances at beginning of year | P- | P13,495,249 | P13,495,249 |
| Depreciation and amortization (Notes 27 and 28) | - | 4,108,629 | 4,108,629 |
| Disposals | - | (1,160,730) | (1,160,730) |
| Balances at end of year | - | 16,443,148 | 16,443,148 |
| Net book value | P261,177,688 | P67,062,763 | P328,240,451 |

| | 2010 | | |
|--|--|---|--------------|
| | Land held for Capital Appreciation | Condominium Units and Parking Slots | Total |
| Cost | | | |
| Balances at beginning of year | P261,743,688 | P89,392,311 | P351,135,999 |
| Additions | - | 10,240,000 | 10,240,000 |
| Disposal | - | (650,000) | (650,000) |
| Reclassification (Note 13) | 30,899,272 | - | 30,899,272 |
| Adjustments | (566,000) | - | (566,000) |
| Balances at end of year | 292,076,960 | 98,982,311 | 391,059,271 |
| Accumulated depreciation and amortization | | | |
| Balances at beginning of year | P- | P8,849,756 | P8,849,756 |
| Depreciation and amortization (Notes 27 and 28) | - | 4,818,826 | 4,818,826 |
| Disposal | - | (173,333) | (173,333) |
| Balances at end of year | - | 13,495,249 | 13,495,249 |
| Net book value | P292,076,960 | P85,487,062 | P377,564,022 |

Investment properties represent various parcels of land, condominium units and parking slots held for capital appreciation and rental, respectively. Additions to condominium units and parking slots in 2010 amounting to P10.2 million represent properties received by EEI from a customer as partial payment of the latter's indebtedness to EEI.

In 2011, EEI Marine disposed its land held for capital appreciation located in Pasig resulting to a gain on sale amounting to ₱45.2 million (see Note 22).

The total rental income derived from the investment properties amounted to ₱0.9 million, ₱0.7 million and ₱0.5 million in 2011, 2010 and 2009, respectively (see Note 22). Total direct operating expenses incurred in relation to these investment properties amounted to ₱0.4 million in 2011, 2010 and 2009 (see Note 27).

As at December 31, 2011 and 2010, the fair value of investment properties amounted to ₱341.6 million and ₱421.3 million, respectively.

The fair value of the land and condominium units and parking slots was arrived at using the Market Data Approach. In this approach, the value of the land and condominium units and parking slots are based on sales and listings of comparable properties registered within the vicinity.

16. Other Noncurrent Assets

This account consists of:

| | 2011 | 2010 |
|---|---------------------|---------------------|
| Receivable from EEI Retirement Fund, Inc. (Notes 4 and 21) | ₱528,998,464 | ₱474,864,665 |
| Retirement asset (Note 30) | 42,544,902 | 41,152,038 |
| Long-term receivables (Note 4) | — | 6,261,123 |
| Others | 77,632,085 | 27,080,177 |
| | <u>₱649,175,451</u> | <u>₱549,358,003</u> |

The receivable from EEI Retirement Fund, Inc. (the Fund) resulted from the sale of land held for sale by EEI to the Fund. The amount is to be paid by the Fund within seven years from 2006 with interest rate based on bank's internal average lending rate (see Note 22).

Long-term receivables consist of interest-bearing notes with a fifteen-year maturity with step-up interest rates (0% interest for the first five years; 10% on the next five years; and 12% on the remaining life of the term). These receivables were collected in 2011.

Other noncurrent assets include capitalized computer software, noncurrent deferred charges, deposit on contracts, refund from Meralco and others. The capitalized software is carried net of accumulated amortization.

Computer software is amortized over a period of three years. Amortization of computer software charged to operations in 2011 and 2010 amounted to ₱1.2 million and ₱1.3 million, respectively (see Notes 27 and 28). Additions in 2011 pertain to the acquisition of a new software. There were no impairment recognized for computer software during the year and in prior periods.

17. Accounts Payable and Accrued Expenses

This account consists of:

| | 2011 | 2010 |
|--------------------------|-----------------------|-----------------------|
| Accounts payable | ₱2,325,555,392 | ₱2,226,172,670 |
| Accrued expenses | 650,381,069 | 417,598,506 |
| Dividends payable | 17,911,444 | 19,091,975 |
| Subscriptions payable | 13,881,505 | 13,881,505 |
| Accrued interest payable | 10,377,847 | 10,800,715 |
| Others | 183,102,928 | 229,559,363 |
| | ₱3,201,210,185 | ₱2,917,104,734 |

The normal trade credit terms of accounts payable and accrued expenses of the Group are expected to be settled within the next twelve months.

Subscriptions payable represents unpaid subscriptions on AFS securities.

Accrued expenses consist of:

| | 2011 | 2010 |
|------------------------------|---------------------|---------------------|
| Accrued salaries and wages | ₱313,159,415 | ₱134,086,158 |
| Withholding taxes and others | 126,735,507 | 72,848,015 |
| Accrued rent | 48,490,899 | 89,579,523 |
| Accrued insurance payable | 44,585,146 | 44,585,146 |
| SSS and other contributions | 14,695,964 | 27,619,047 |
| Payable to security guards | 8,677,397 | 7,069,931 |
| Deferred income | 4,994,111 | 8,069,357 |
| Others | 89,042,630 | 33,741,329 |
| | ₱650,381,069 | ₱417,598,506 |

Accrued salaries and wages include the Group's recognized payable associated with the Faculty Association of Mapua Institute of Technology (FAMIT) reranking case. This case involves the faculty ranking and evaluation that was part of the 2001 Collective Bargaining Agreement negotiations by MCI with the FAMIT. The Supreme Court reversed an earlier Court of Appeals decision in favor of management. An entry of judgment dated March 13, 2008 was made in the Supreme Court Book of Entries of Judgments, making the decision final and executory. A Memorandum of Agreement was entered into by management with FAMIT before the Voluntary Arbitrators wherein the parties agreed to continue the process of faculty ranking. The evaluation process was completed in December 2008.

On January 22, 2009, MCI and FAMIT entered into a Compromise Agreement regarding the payment of the amounts due to the permanent faculty members of the Company in relation to the faculty reranking case. As at December 31, 2011 and 2010, total payments to the permanent faculty members amounted to ₱213.0 million and ₱211.7 million, respectively.

In 2011, MCI re-evaluated its level of accrual and has determined that ₱21.91 million are not expected to be settled anymore and was reversed. Reversal was charged to other income shown in the consolidated statements of income (see Note 22).

The Group is a defendant in a claim seeking remuneration. The amount of the provision recorded under "Other payables" represents the estimated ability of the Group to cover the claim. The information required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed until final settlement, on the ground that it might prejudice the Group's position

18. Loans Payable

This account consists of:

| | 2011 | 2010 |
|-------------------------|-----------------------|-----------------------|
| Loans payable (Note 21) | | |
| Secured bank loans | ₱1,350,000,000 | ₱1,169,900,000 |
| Unsecured bank loans | 1,322,280,000 | 952,000,000 |
| Bills payable | | |
| Unsecured bills | 1,415,810,020 | 1,314,842,769 |
| | <u>₱4,088,090,020</u> | <u>₱3,436,742,769</u> |

Unsecured bank loans were obtained from local banks and an associate with annual interest rates ranging from 5.0% to 7.0% and 4.8% to 8.4% in 2011 and 2010, respectively.

Certain loans from local banks are secured by the Parent Company's investment in a subsidiary. The carrying value of the investment in subsidiary (at cost) held as collateral amounted to ₱380.0 million as of December 31, 2011 and 2010.

Certain loans from RCBC, a related party, are secured by the Parent Company's investment in an associate. The carrying value of the investment held as collateral amounted to ₱120.2 million as of December 31, 2011 and 2010.

Certain secured bank loans in 2011 are collateralized by an assignment of the Group's construction contract with a certain customer with a total contract value of ₱1.3 billion.

The secured bank loans are collateralized by the Group's investment properties of 39 hectares of land located at Lemery, Batangas with book value amounting to ₱194.3 million as at December 31, 2011 and 2010 (see Note 15). These loans were settled in 2011.

Bills payable pertains to unsecured short-term borrowings from private firms, related companies and individuals with annual interest rates ranging from 4.0% to 10.0% and 3.5% to 7.5% in 2011 and 2010, respectively.

19. Long-term Debt

This pertains to the long-term debt of the following companies:

| | 2011 | 2010 |
|--|-------------|-------------|
| Parent Company | | |
| Private placement fixed-rate corporate promissory notes payable after three years from the date of issue with interest of 7.90%. | ₱89,000,000 | ₱89,000,000 |

| MCI | 2011 | 2010 |
|--|-----------------------|---------------------|
| Peso-denominated syndicated bank loan payable after 10 years since November 2010 without grace period on principal payment, subject to floating rate equal to the 3-month Philippine Dealing System Treasury Reference Rates-Fixing (PDST-F) plus a per annum spread of 1.75% payable in accelerating amounts up to November 22, 2020. | | |
| MCLI | 774,000,000 | 860,000,000 |
| Payable to PTC | | |
| EEI | 34,807,018 | 20,326,864 |
| a) Private placement fixed-rate corporate promissory notes with effective interest of 6.25% per annum for ₱500 million in 2011 and 7.75% per annum for ₱300 million in 2010 | 500,000,000 | 300,000,000 |
| b) Peso-denominated bank loans, payable in quarterly installments starting January 2009 with interest based on the bank's internal average lending rate (6.75% in 2010). | | |
| EEI Realty | — | 133,333,334 |
| Peso-denominated bank loan payable semi-annually starting April 2007 with interest based on the bank's internal average lending rate. | | |
| EEI Marine | — | 43,619,940 |
| Peso-denominated bank loan payable monthly starting June 2010 with interest based on the bank's transfer pool rate, repriced quarterly in arrears. | | |
| FMLFC | — | 17,666,666 |
| a) Peso-denominated bank loans with interest ranging from 5.00% to 6.50% in 2011 and 4.85% to 6.00% in 2010. | 503,400,000 | 355,000,000 |
| b) Peso-denominated bank loans with interest ranging from 4.94% to 5.13%. | | |
| | 10,750,758 | — |
| | 1,911,957,776 | 1,818,946,804 |
| Less current portion of long-term debt | 589,400,000 | 921,953,274 |
| | ₱1,322,557,776 | ₱896,993,530 |

Parent Company

On February 5, 2010, the Parent Company sold ₱89.0 million private placement fixed-rate corporate promissory notes to various investors. RCBC Capital Corporation, a related party, acts as the selling agent. The loan matures within three years from the date of issue. The effective cost of the notes facility is interest of 7.90% per year. The proceeds of the loan were used to purchase shares of stocks amounting to ₱66.0 million and for working capital requirements.

MCI

For loans described above, MCI acquired a new loan from RCBC amounting to ₱860.0 million, payable within ten (10) years. This loan is backed up by land properties in Manila and Makati owned by MCI. The unpaid principal amount is subject to floating rate equivalent to 3-month PDST-F plus a per annum spread of 1.75%. The carrying value of the collateral amounted to ₱1.40 billion in 2011 and 2010.

MCLI

As at December 31, 2011 and 2010, payable to PTC amounted to ₱34.8 million and ₱20.3 million, respectively, for its share in the income of tuition and other matriculation fees of students of the Malayan-PTC Center for Maritime Education and Training. This amount is payable in 2013.

EEI

On October 7, 2011, EEI sold ₱500.0 million private placement fixed-rate corporate promissory notes to various investors. RCBC Capital Corporation, a related party, acts as the selling agent. The loan matures within two years from the date of issue. The effective cost of the notes facility is interest of 6.25% per annum. The proceeds of the loan were used for general corporate and project financing requirements.

On September 15, 2009, EEI sold ₱300.0 million private placement fixed-rate corporate promissory notes to various investors. RCBC Capital Corporation acts as the selling agent. The loan matures within two years from the date of issue. The effective cost of the notes facility is interest of 7.75% per annum. The proceeds of the loan were used for general corporate and project financing requirements.

On September 15, 2011, the ₱300.0 million private placement fixed-rate corporate promissory notes has matured and paid by EEI.

On October 18, 2006, EEI signed a term loan agreement equivalent to ₱400.0 million with RCBC. The loan was for a period of five years, inclusive of a two-year grace period on principal repayment and an interest to be based on the floating rate issued by RCBC. The proceeds of the loan were used to pay short-term bank loans.

The peso-denominated loans are collateralized by certain parcels of land located at Calamba, Laguna, EEI Realty's land and land development (included in inventories) located at Tanza, Cavite, and mortgage on certain inventories and property and equipment of EEI and EE with a total aggregate net book value of ₱903.1 million as at December 31, 2010. The loan was settled in 2011.

EEI Realty

On October 26, 2006, EEI Realty signed a term loan agreement equivalent to ₱125.2 million with RCBC. The loan was for a period of five years, with no grace period on principal repayment and interest based on the bank's internal average lending rate. The proceeds of the loan were used to pay the remaining balance of long-term debt in 2005 and a portion of short-term bank loans.

The long-term debt is secured by a real estate mortgage on nine parcels of land included in land and land development with aggregate book value of ₱120.8 million as at December 31, 2010. The loan was settled in 2011.

EEI Marine

On May 13, 2010, EEI Marine signed a mortgage loan agreement equivalent to ₱20.0 million with RCBC. The loan was for a period of five years at an annual interest rate based on the bank's transfer pool rate, repriced quarterly in arrears. The long-term debt is secured by a real estate mortgage included in property and equipment with book value of ₱29.8 million as at December 31, 2010. The loan was settled in 2011.

The loan agreements covering the loans of the EEI, EEI Realty and EEI Marine provide certain restrictions with respect to, among others, usage of loan proceeds, disposal of properties given as collateral, guaranty of any debt, change in ownership or management set-up, dividend declaration, merger or consolidation and maintenance of certain financial ratios.

FMLFC

The peso-denominated bank loans amounted to ₱503.4 million and ₱355.0 million in 2011 and 2010, respectively. The interest rates for the respective loans ranges from 5.0% to 6.5% in 2011 and 4.8% to 6.0% in 2010.

The Group complied with all the loan covenants for the years ended December 31, 2011 and 2010.

20. EEI's Stock Option Plan

EEI's stock option plan, as amended (Amended Plan), had set aside 35 million common shares for stock options available to regular employees, officers and directors of EEI and its subsidiaries.

Under the Amended Plan, the option or subscription price must be equal to the book value of the EEI's common stock but not less than 80% of the average market price quoted in the PSE for five trading days immediately preceding the grant, but in no case less than the par value. The option or subscription price should be paid over a period of five years in 120 equal semi-monthly installments. Shares acquired under the Amended Plan are subject to a holding period of one year.

A summary of the plan availments is shown below.

| | Number of Shares |
|--|---------------------|
| Shares allocated under the Original Stock Option Plan | 19,262,500 |
| Shares allocated under the Amended Stock Option Plan | 15,737,500 |
| Total shares allocated | 35,000,000 |
| Shares subscribed under the Original Stock Option Plan | 19,365,815 |
| Shares subscribed under the Amended Stock Option Plan | 10,886,188 |
| Total shares subscribed | 30,252,003 |
| Shares allocated at end of year | 4,747,997 |

Since 2000, there were no shares under the stock option plan that were granted, forfeited, exercised and expired.

No benefit expense is recognized relative to the shares issued under the stock option plan. When options are exercised, these are treated as capital stock issuances. The stock option plan is exempt from PFRS 2.

21. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or the party is an associate or a joint venture. Related parties may be individuals or corporate entities.

Aside from transactions disclosed in Note 18 (Loans Payable) and Note 19 (Long-term Debt), other transactions with related parties include share in general and administrative expenses and noninterest-bearing cash advances which are currently due and collectible. Related parties include entities under common control, which pertains to other subsidiaries of PMMIC, which is the Group's ultimate parent company.

The year-end balances with respect to related parties included in the consolidated financial statements, are as follows:

| | 2011 | 2010 |
|--|---------------|---------------|
| Due from related parties | | |
| Associate (net of allowance for doubtful accounts amounting to ₱38.8 million in 2011 and ₱7.0 million in 2010) | ₱31,588,283 | ₱48,393,792 |
| Entities under common control | 29,742,273 | 52,923,094 |
| | 61,330,556 | 101,316,886 |
| Receivable from EEI Retirement Fund, Inc. (Notes 4 and 16) | 528,998,464 | 474,864,665 |
| Due to related parties | | |
| Entities under common control | 58,234,792 | 139,933,397 |
| Loans payable - related bank (Note 18) | | |
| Entities under common control | 395,150,845 | 312,587,953 |
| Long-term debt - related bank (including current portion) (Note 19) | | |
| Entities under common control | 774,000,000 | 1,054,619,940 |
| Cash and cash equivalents (Notes 4 and 5) | | |
| Entities under common control | 1,408,649,803 | 1,574,612,020 |
| Plan assets (Note 30) | | |
| Entities under common control | 677,626,999 | 580,710,517 |

Due from related parties

This pertains to cash advances and settlement of accounts, which arose from reimbursement of expenses, construction contracts and administrative service agreements.

Receivable from EEI Retirement Fund, Inc.

In 2006, EEI sold parcels of land to EEI Retirement Fund, Inc., as a trustee of EEI Corporation employees retirement fund (the Fund). The Fund is managed by RCBC Trust and Investment Division. The parcels of land sold are located in Manggahan, Quezon City and Bauan, Batangas.

The details of the receivables are discussed in Note 16. Interest income recognized from the Fund is disclosed in Note 22.

Starting January 2007, EEI and EEI Retirement Fund, Inc. entered into operating lease agreements for the said land and improvements. The terms are for one year and renewable at the option of EEI provided that for each and every renewal, the monthly rentals shall be increased upon mutual agreement of both parties. Annual rental for the property located in Manggahan, Quezon City amounted to ₱45.0 million which is charged to rental expense in the consolidated statements of income for the years ended December 31, 2011, 2010 and 2009 (see Note 27). Annual rental for the property located in Bauan, Batangas amounted to ₱46.0 million which is charged to cost of construction contracts in the consolidated statements of income for the years ended December 31, 2011, 2010 and 2009 (see Note 25).

Loans payable - related bank

Interest rate on loans payable to a related party bank ranges from 4% to 7.25%, 5.0% to 7.9% and 6.5% to 11.5% in 2011, 2010 and 2009, respectively. Interest expense pertaining to these borrowings amounted to ₱59.9 million, ₱60.4 million and ₱133.0 million in 2011, 2010 and 2009, respectively (see Note 29).

Long-term debt - related bank

Interest expense pertaining to these borrowings amounted to ₱43.5 million, ₱87.2 million and ₱92.9 million in 2011, 2010 and 2009, respectively (see Note 29).

Cash and cash equivalents

Cash and cash equivalents above are maintained with a financial institution controlled by PMMIC. Interest income related to these deposits amounted to ₱24.4 million, ₱26.5 million and ₱18.1 million in 2011, 2010 and 2009, respectively (see Note 22). Interest rates ranges from 3.0% to 4.25% from 2009 to 2011.

Plan assets

Fair value of plan assets pertains to the retirement fund of the Group maintained by RCBC trust division.

Remuneration of key management personnel of the Group

The remuneration of directors and other members of key management of the Parent Company are as follows:

| | 2011 | 2010 | 2009 |
|--------------------------------------|-------------|-------------|-------------|
| Compensation and short-term benefits | ₱18,765,475 | ₱18,132,775 | ₱19,494,618 |
| Post-employment benefits | 2,776,679 | 1,770,151 | 2,809,174 |
| | ₱21,542,154 | ₱19,902,926 | ₱22,303,792 |

22. Other Income - Net

This account consists of:

| | 2011 | 2010 | 2009 |
|---|--------------|-------------|-------------|
| Income from reversal of payables | ₱108,852,881 | ₱22,657,830 | ₱- |
| Commission income | 100,727,913 | 65,753,753 | 88,588,248 |
| Recoveries from previously written-off receivables | 91,320,425 | - | - |
| Interest income (Notes 5 and 34) | 89,652,041 | 108,374,509 | 111,602,208 |
| Tax reimbursement | 51,561,642 | 49,661,574 | 63,758,707 |
| Gain on sale of investment property (Notes 13 and 15) | 45,214,942 | 65,774 | - |
| Initial recognition of lease deposits at fair value | 38,628,058 | 25,086,229 | 7,444,261 |
| Liquidating dividend | 31,041,970 | - | - |
| Gain on sale of AFS securities (Note 11) | 22,326,927 | 11,943,500 | 430,000 |
| Finance income | 21,283,061 | 7,759,702 | 15,477,913 |
| Insurance income | 11,567,860 | 13,765,795 | 13,519,335 |
| Rental income (Note 15) | 8,704,218 | 8,990,376 | 3,393,278 |
| Gain on sale of assets held for sale | 8,137,194 | 310,902 | 14,259,087 |
| Gain on sale of property and equipment | 5,099,241 | 2,569,149 | 14,666,601 |
| Income from defaults | 2,202,021 | 9,511,632 | 7,562,476 |

| | 2011 | 2010 | 2009 |
|--|---------------------|---------------------|---------------------|
| Gain on redemption of shares by investee - SPC (Note 11) | P- | P26,606,948 | P- |
| Gain on extinguishment of debt (Note 36) | - | 8,653,034 | - |
| Recovery of provision for inventory losses | 3,834,380 | 6,433,473 | 21,742,356 |
| Foreign exchange gain (loss) | (3,329,505) | 131,597,702 | (36,723,143) |
| Miscellaneous | 32,952,394 | 30,806,395 | 21,740,302 |
| | <u>P669,777,663</u> | <u>P530,548,277</u> | <u>P347,461,629</u> |

In 2011 and 2010, certain payables that are outstanding for more than five years amounting to P108.9 million and P22.7 million, respectively, were reversed because the Group is not expecting the settlement of which that will result to an outflow of resources embodying economic benefits.

The P91.3 million is a receipt from the parent company co-investor in ARCC in compensation of the receivables written-off by ARCC in the past. The write off of receivables arose from the services previously provided by ARCC to the co-investor's subsidiaries. The amount was paid to EEI (BVI).

Liquidating dividend pertains to the cash received by the Parent Company from the liquidation of IFC Development Corporation.

Interest income consists of income from:

| | 2011 | 2010 | 2009 |
|---|--------------------|---------------------|---------------------|
| Savings deposit and short-term investments | P59,368,277 | P71,102,181 | P74,325,321 |
| Receivable from EEI Retirement Fund, Inc. (Note 21) | 30,283,764 | 37,272,328 | 37,276,887 |
| | <u>P89,652,041</u> | <u>P108,374,509</u> | <u>P111,602,208</u> |

23. Costs of Sales and Services

This account consists of:

| | 2011 | 2010 | 2009 |
|---|------------------------|------------------------|------------------------|
| Cost of services (Note 25) | | | |
| Cost of construction contracts | P5,426,999,999 | P4,356,761,092 | P3,400,512,285 |
| Cost of manpower and other services | 2,418,142,995 | 1,824,100,727 | 2,357,548,207 |
| | <u>7,845,142,994</u> | <u>6,180,861,819</u> | <u>5,758,060,492</u> |
| Cost of goods sold | | | |
| Cost of merchandise sold (Note 24) | 3,840,503,973 | 5,569,697,840 | 5,523,286,733 |
| Cost of real estate sold | 76,715,351 | 98,621,076 | 73,950,724 |
| | <u>3,917,219,324</u> | <u>5,668,318,916</u> | <u>5,597,237,457</u> |
| Cost of school and related operations (Note 26) | 794,755,076 | 761,074,781 | 743,791,193 |
| | <u>P12,557,117,394</u> | <u>P12,610,255,516</u> | <u>P12,099,089,142</u> |

24. Cost of Merchandise Sold

This account consists of:

| | 2011 | 2010 | 2009 |
|------------------------------|-----------------------|-----------------------|-----------------------|
| Inventories | ₱3,821,698,181 | ₱5,547,464,511 | ₱5,507,203,005 |
| Personnel expenses (Note 30) | 8,929,003 | 6,027,407 | 11,681,801 |
| Others | 9,876,789 | 16,205,922 | 4,401,927 |
| | <u>₱3,840,503,973</u> | <u>₱5,569,697,840</u> | <u>₱5,523,286,733</u> |

25. Cost of Services

Cost of construction contracts consists of:

| | 2011 | 2010 | 2009 |
|---|-----------------------|-----------------------|-----------------------|
| Labor (Note 30) | ₱1,909,385,308 | ₱1,624,294,148 | ₱1,207,447,340 |
| Equipment costs and others | 1,785,575,186 | 1,494,557,883 | 1,128,569,820 |
| Materials | 1,622,236,418 | 1,166,936,277 | 993,743,901 |
| Depreciation and amortization (Note 28) | 109,803,087 | 70,972,784 | 70,751,224 |
| | <u>₱5,426,999,999</u> | <u>₱4,356,761,092</u> | <u>₱3,400,512,285</u> |

Cost of manpower and other services consists of:

| | 2011 | 2010 | 2009 |
|---|-----------------------|-----------------------|-----------------------|
| Personnel expenses (Note 30) | ₱2,026,969,395 | ₱1,320,828,519 | ₱1,945,924,298 |
| Parts and accessories | 276,152,784 | 326,941,759 | 261,491,925 |
| Materials | 72,105,116 | 116,882,057 | 94,588,430 |
| Depreciation and amortization (Note 28) | 8,174,380 | 10,888,342 | 18,340,970 |
| Others | 34,741,320 | 48,560,050 | 37,202,584 |
| | <u>₱2,418,142,995</u> | <u>₱1,824,100,727</u> | <u>₱2,357,548,207</u> |

26. Cost of School and Related Operations

Cost of school and related operations consists of:

| | 2011 | 2010 | 2009 |
|---|--------------|--------------|--------------|
| Personnel expenses | ₱439,888,198 | ₱406,290,173 | ₱418,240,291 |
| Student-related expenses | 82,368,691 | 73,412,293 | 70,725,728 |
| Depreciation and amortization (Note 28) | 80,847,876 | 108,776,766 | 110,858,416 |
| Utilities | 70,411,623 | 71,622,371 | 56,110,147 |
| Management and other professional fees | 32,577,032 | 22,836,032 | 14,296,917 |
| Tools and library books | 12,878,638 | 15,955,888 | 14,588,046 |
| Repairs and maintenance | 11,752,208 | 12,279,047 | 11,951,002 |
| Seminars | 11,262,133 | 7,772,629 | 6,492,917 |
| Periodicals | 9,210,935 | 3,266,413 | 3,360,488 |
| Office supplies | 7,617,389 | 7,459,503 | 6,939,374 |
| Advertising | 6,665,290 | 5,660,930 | 4,091,640 |
| Laboratory supplies | 5,236,755 | 2,822,079 | 3,542,567 |
| Accreditation costs | 4,323,282 | 1,352,693 | 565,364 |
| Insurance | 4,233,122 | 4,556,295 | 4,081,600 |
| Provision for impairment (Notes 6 and 27) | 3,824,274 | 5,424,835 | 4,461,870 |
| Research and development fund | 2,330,794 | 811,124 | 798,295 |

| | 2011 | 2010 | 2009 |
|--|---------------------|---------------------|---------------------|
| Transportation and travel | P1,831,576 | P842,125 | P1,389,194 |
| Taxes and licenses | 1,449,402 | 2,101,317 | 1,474,521 |
| Entertainment, amusement, and recreation | 1,254,594 | 949,633 | 1,702,641 |
| Rent | 1,192,407 | 1,522,943 | 5,421,574 |
| Miscellaneous | 3,598,857 | 5,359,692 | 2,698,601 |
| | <u>P794,755,076</u> | <u>P761,074,781</u> | <u>P743,791,193</u> |

27. General and Administrative Expenses

This account consists of:

| | 2011 | 2010 | 2009 |
|---|-----------------------|-----------------------|-----------------------|
| Personnel expenses (Note 30) | P647,419,927 | P575,447,833 | P542,490,135 |
| Depreciation and amortization (Note 28) | 291,026,789 | 254,645,979 | 167,822,211 |
| Rent, light and water | 146,884,654 | 150,725,271 | 146,276,068 |
| Taxes and licenses | 91,684,462 | 89,268,402 | 76,281,569 |
| Casualty losses | 88,087,868 | - | - |
| Provision for impairment (Notes 6, 7 and 21) | 75,907,239 | 97,540,142 | 62,589,912 |
| Transportation and travel | 68,719,740 | 68,785,670 | 54,317,611 |
| Professional fees | 67,727,510 | 67,449,376 | 78,583,097 |
| Loss on write-off of assets | 61,017,413 | 9,233,638 | - |
| Entertainment, amusement and recreation | 58,361,891 | 54,161,895 | 34,445,234 |
| Provision for probable losses | 43,294,000 | 7,182,523 | - |
| Commissions | 37,667,862 | 39,986,024 | 35,079,529 |
| Repairs and maintenance | 33,386,606 | 35,697,504 | 24,044,725 |
| Advertising and promotions | 31,080,393 | 37,883,347 | 25,669,954 |
| Management and other fees | 26,466,297 | 31,969,545 | 22,152,155 |
| Securities and utilities | 21,308,148 | 32,567,524 | 26,015,321 |
| Office expenses | 20,647,767 | 18,303,032 | 17,757,980 |
| Direct expenses | 19,926,946 | 16,560,306 | 13,161,004 |
| Insurance | 9,441,534 | 7,896,599 | 7,190,627 |
| Seminars | 4,822,632 | 2,525,929 | 1,654,535 |
| Donations and contributions | 4,510,857 | 3,538,312 | 2,896,587 |
| Provision (recovery) for inventory obsolescence (Note 9) | (16,360,294) | 21,338,958 | 27,614,082 |
| Impairment loss (recovery) on investments in associates (Note 12) | (3,200,000) | 8,000,000 | 19,715,007 |
| Accreditation cost | - | 6,050,471 | 4,320,744 |
| Miscellaneous | 76,737,884 | 56,988,193 | 40,844,474 |
| | <u>P1,906,568,125</u> | <u>P1,693,746,473</u> | <u>P1,430,922,561</u> |

Below are the details of provision for impairment:

| | 2011 | 2010 | 2009 |
|------------------------------------|--------------------|---------------------|--------------------|
| Loans receivable (Note 6) | P31,868,603 | P26,159,465 | P24,299,343 |
| Accounts receivable (Note 7) | 13,922,727 | 75,365,681 | 32,670,439 |
| Due from related parties (Note 21) | 31,848,831 | - | 7,000,000 |
| Others | 2,091,352 | 1,439,831 | 3,082,000 |
| | <u>P79,731,513</u> | <u>P102,964,977</u> | <u>P67,051,782</u> |

Provision for impairment in 2011, 2010 and 2009 that was charged to cost of school and related operations amounted to ₱3.8 million, ₱5.4 million and ₱4.5 million, respectively (see Note 26).

28. Depreciation and Amortization

This account consists of depreciation and amortization included in:

| | 2011 | 2010 | 2009 |
|--|--------------|--------------|--------------|
| General and administrative expenses (Note 27) | ₱291,026,789 | ₱254,645,979 | ₱167,822,211 |
| Cost of construction contracts (Note 25) | 109,803,087 | 70,972,784 | 70,751,224 |
| Cost of school and related operations (Note 26) | 80,847,876 | 108,776,766 | 110,858,416 |
| Cost of manpower and other services (Note 25) | 8,174,380 | 10,888,342 | 18,340,970 |
| | ₱489,852,132 | ₱445,283,871 | ₱367,772,821 |

29. Interest and Finance Charges

The Group's interest and finance charges consist of interest on the following:

| | 2011 | 2010 | 2009 |
|---|--------------|--------------|--------------|
| Loans payable (Note 18) | ₱262,676,266 | ₱260,945,895 | ₱367,481,282 |
| Long-term debt (Note 19) | 52,861,812 | 104,553,469 | 121,909,364 |
| Advances to affiliates and other finance charges (Note 21) | 8,920,866 | 4,446,544 | 1,916,890 |
| | ₱324,458,944 | ₱369,945,908 | ₱491,307,536 |

30. Retirement Plan

The Group has a funded, noncontributory retirement plans (the Plans) for all of its regular employees. The Plans provide for normal, early retirement, death and disability benefits.

The principal actuarial assumptions used in determining retirement expense are as follows:

| | 2011 | 2010 |
|-----------------------------------|--------------|--------------|
| Discount rate | | |
| Beginning | 7.01%-10.94% | 9.16%-10.94% |
| End | 9.16%-10.94% | 7.01%-10.94% |
| Expected rate of return on assets | | |
| Beginning | 6.00%-10.00% | 6.00%-10.00% |
| End | 6.00%-10.00% | 6.00%-10.00% |
| Future salary increases | | |
| Beginning | 5.00%-10.00% | 3.00%-10.00% |
| End | 3.00%-10.00% | 5.00%-10.00% |

The movements in the present value of defined obligation follow:

| | 2011 | 2010 |
|------------------------------|--------------|--------------|
| Balance at beginning of year | ₱782,930,192 | ₱610,230,436 |
| Interest cost on obligation | 56,927,481 | 64,005,168 |
| Current service cost | 71,368,763 | 44,078,393 |
| Past service cost | — | 14,189,113 |
| Transfer to (from) affiliate | 65,114 | (78,357) |
| Benefits paid | (51,315,275) | (49,677,480) |
| Curtailment | (1,827,925) | — |
| Actuarial losses | 113,102,989 | 100,182,919 |
| Balance at end of year | ₱971,251,339 | ₱782,930,192 |

The movements in the fair value of plan assets follow:

| | 2011 | 2010 |
|--|--------------|--------------|
| Balance at beginning of year | ₱589,224,807 | ₱491,777,244 |
| Expected return on plan assets | 35,933,636 | 35,198,252 |
| Contributions | 110,900,392 | 79,745,676 |
| Transfer from affiliate | — | (78,357) |
| Benefits paid | (51,315,275) | (49,677,480) |
| Actuarial gains | 3,876,338 | 32,259,472 |
| Allowance for asset ceiling adjustment | 688,619,898 | 589,224,807 |
| | (5,281,998) | (3,420,586) |
| Balance at end of year | ₱683,337,900 | ₱585,804,221 |

The Group expects to contribute ₱96.1 million to its defined benefit pension plans in 2012.

The major categories of plan assets as a percentage of the fair value of the plan assets are as follows:

| | 2011 % | 2010 % |
|--|-----------|-----------|
| Cash | 32.64 | 31.44 |
| Investments in shares of stock | 67.21 | 68.17 |
| Receivables | 0.92 | 1.17 |
| Real and other property owned and acquired | — | 0.02 |
| Liabilities | (0.77) | (0.80) |
| | 100.00 | 100.00 |

The amounts recognized in the consolidated statements of financial position follow:

| | 2011 | 2010 |
|---|--------------|--------------|
| <i>Accrued retirement liability</i> | | |
| Present value of defined benefit obligation | ₱250,657,654 | ₱220,277,788 |
| Fair value of plan assets | 116,144,779 | 79,364,828 |
| | 134,512,875 | 140,912,960 |
| Unrecognized actuarial losses | 7,697,036 | 19,049,957 |
| Retirement liability | ₱142,209,911 | ₱159,962,917 |

| <i>Retirement asset</i> | | |
|---|---------------|--------------|
| | 2011 | 2010 |
| Present value of defined benefit obligation | ₱720,593,685 | ₱562,652,404 |
| Fair value of plan assets | 567,193,121 | 506,439,393 |
| Unrecognized actuarial gains | (153,400,564) | (56,213,011) |
| Retirement asset (Note 16) | 195,945,466 | 97,365,049 |
| | ₱42,544,902 | ₱41,152,038 |

The retirement asset is included in "Other Noncurrent Assets - net" account in the consolidated statements of financial position.

The net retirement expenses recognized by the Group (included in personnel expense in the consolidated statements of income) are as follows:

| | 2011 | 2010 | 2009 |
|-------------------------------------|--------------|--------------|--------------|
| Current service cost | ₱71,368,763 | ₱44,078,393 | ₱15,591,644 |
| Interest cost on obligation | 56,927,481 | 64,005,168 | 139,267,882 |
| Expected return on plan assets | (35,933,636) | (35,198,252) | (30,441,230) |
| Ceiling test adjustment | 1,861,412 | (8,755,576) | (1,122,776) |
| Past service cost | - | 14,189,113 | - |
| Effect of curtailment | (840,373) | - | - |
| Transfer to affiliates | 65,114 | - | - |
| Recognized actuarial losses (gains) | 1,953,997 | 412,641 | (1,999,122) |
| | ₱95,402,758 | ₱78,731,487 | ₱121,296,398 |

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is expected to be settled.

The actual return on the plan assets amounted to ₱39.8 million, ₱67.5 million and ₱45.0 million in 2011, 2010 and 2009, respectively.

Amounts for the current and previous periods are as follows:

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|----------------|----------------|----------------|----------------|----------------|
| Present value of defined benefit obligation | (₱971,251,339) | (₱782,930,192) | (₱610,230,436) | (₱442,568,557) | (₱543,415,625) |
| Fair value of the plan assets | 683,337,900 | 585,804,221 | 491,777,244 | 408,690,999 | 388,131,018 |
| Deficit on the plan | (₱287,913,439) | (₱197,125,971) | (₱118,453,192) | (₱33,877,558) | (₱155,284,607) |

Experience adjustments and unrecognized actuarial losses for the current and previous periods are as follows:

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|-------------------------------|-------------|-------------|---------------|---------------|---------------|
| Plan liabilities | ₱29,703,435 | ₱19,151,867 | (₱42,578,997) | (₱14,694,835) | (₱11,121,335) |
| Plan assets | 11,739,058 | 15,919,260 | 21,269,554 | 10,537,993 | 18,376,582 |
| Unrecognized actuarial losses | 64,628,584 | 105,882,432 | 14,698,593 | 58,130,665 | 85,332,479 |

31. Income Taxes

The significant components of deferred income tax assets and liabilities are as follows:

| | 2011 | 2010 |
|---|---------------------|---------------------|
| Net deferred income tax assets on a per subsidiary level: | | |
| Allowance for doubtful accounts, inventory, obsolescence and other expenses | ₱116,648,751 | ₱106,407,586 |
| Accrued retirement expense | 40,070,621 | 47,796,947 |
| Operating lease differential | 23,483,586 | 22,923,146 |
| Accrued rent | 15,643,078 | 17,942,737 |
| Unrealized foreign exchange loss (gain) | 6,702,001 | (17,848,875) |
| NOLCO | 4,800,620 | 222,186 |
| Revaluation increment on land | (26,236,189) | (18,762,300) |
| Others | 3,510,142 | (3,717,630) |
| | <u>₱184,622,610</u> | <u>₱154,963,797</u> |
| Net deferred income tax liabilities on a per subsidiary level: | | |
| Revaluation increment on land | ₱92,270,709 | ₱91,330,709 |
| Capitalized interest | 3,799,817 | 4,523,198 |
| Allowance for doubtful accounts, inventory obsolescence and other expenses | (4,161,669) | (3,907,128) |
| Accrued expenses | (9,037,517) | (11,340,767) |
| Accrued retirement expense | (14,973,816) | (12,146,694) |
| Others | 1,784,969 | 445,676 |
| | <u>₱69,682,493</u> | <u>₱68,904,994</u> |

The Group did not recognize deferred income tax assets on the following temporary differences because the Group believes that it may not be probable that sufficient taxable income will be available in the near foreseeable future against which the tax benefit can be realized.

| | 2011 | 2010 |
|--|---------------------|---------------------|
| NOLCO | ₱141,715,472 | ₱376,351,539 |
| Allowance for doubtful accounts, inventory obsolescence and other expenses | 81,309,585 | 78,188,052 |
| Impairment loss | 52,031,090 | 93,296,336 |
| MCIT | 29,716,163 | 36,069,718 |
| Accrued retirement expense | 3,950,019 | 22,290,599 |
| Others | 13,553,835 | 4,736,387 |
| | <u>₱322,276,164</u> | <u>₱610,932,631</u> |

The Group did not recognize deferred income tax liabilities on cumulative translation adjustment and equity in net earnings of foreign subsidiaries, since the reversal of these cumulative translation adjustments can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group did not recognize any deferred income tax liabilities on unremitted earnings of the Group's investments in associates and joint venture amounting to ₱332.1 million and ₱325.7 million as at December 31, 2011 and 2010, respectively.

Provision for income tax consists of:

| | 2011 | 2010 | 2009 |
|----------|--------------|--------------|--------------|
| Current | ₱426,741,466 | ₱342,224,702 | ₱266,947,496 |
| Deferred | (36,879,279) | 4,778,053 | (593,642) |
| | ₱389,862,187 | ₱347,002,755 | ₱266,353,854 |

The details of NOLCO and MCIT as at December 31, 2011 are as follows:

| Taxable Year Incurred | NOLCO | MCIT | Expiry Year |
|-----------------------|--------------|-------------|-------------|
| 2011 | ₱51,140,434 | ₱13,223,979 | 2014 |
| 2010 | 29,987,406 | 10,301,332 | 2013 |
| 2009 | 76,589,699 | 6,190,852 | 2012 |
| | ₱157,717,539 | ₱29,716,163 | |

All companies in the Group are subject to the RCIT rate of 30%, except for MCI, MITC, MHSSI and MCLI, which are subject to a lower tax rate of 10%.

The reconciliation of the income tax computed at the statutory tax rate to the provision for income tax shown in the consolidated statements of income follows:

| | 2011 | 2010 | 2009 |
|---|--------|--------|---------|
| Income before income tax | 30.00% | 30.00% | 30.00% |
| Add (deduct) reconciling items: | | | |
| Equity in net earnings | (5.75) | (5.79) | (11.74) |
| Movement of deferred income tax assets not recognized | 5.72 | 7.17 | 2.12 |
| Income subject to lower tax rate and others | (7.57) | (9.82) | 1.28 |
| | 22.40% | 21.56% | 21.66% |

The revaluation increment on land shown in the consolidated statements of comprehensive income is net of tax. Tax related to revaluation increment amounted to ₱2.4 million and ₱2.2 million in 2011 and 2010, respectively.

32. Earnings Per Share

Basic and diluted earnings per share amounts attributable to equity holders of the Parent Company are computed as follows:

Basic/diluted earnings per share

| | 2011 | 2010 | 2009 |
|---|--------------|--------------|--------------|
| Net income attributable to equity holders of parent company | ₱805,470,851 | ₱775,628,608 | ₱557,098,034 |
| Less dividends attributable to preferred shares | 270,279,838 | 278,057,791 | 216,207,890 |
| Net income applicable to common shares | 535,191,013 | 497,570,817 | 340,890,144 |
| Divided by the weighted average number of common shares (Note 35) | 615,977,028 | 615,914,717 | 615,914,717 |
| Basic/diluted earnings per share | ₱0.869 | ₱0.808 | ₱0.553 |

Convertible preferred shares have anti-dilutive effect on the earnings per share.

33. Commitments and Contingencies

a. Surety Arrangement and Guarantees

The Group is contingently liable for guarantees arising in the ordinary course of business, including performance, surety and warranty bonds for various construction projects amounting to ₱5.7 billion, ₱3.7 billion and ₱2.1 billion as at December 31, 2011, 2010 and 2009, respectively.

b. Standby Letters of Credit

The Group has outstanding irrevocable domestic standby letters of credit amounting to ₱113.2 million and ₱65.4 million in 2011 and 2010, respectively, from local banks which are used for bidding and as a guarantee for the down payments received from its ongoing construction projects. The Group also has outstanding irrevocable foreign standby letters of credit amounting to SGD3.4 and SGD8.6 million in 2011 and 2010, respectively.

c. Contingencies

There are pending legal cases against the Group that are being contested by the Group and its legal counsels. Management and its legal counsels believe that the final resolutions of these cases will not have a material effect on the financial position and operating results of the Group.

34. Operating Segment Information

For management purposes, the Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment financial information is reported on the basis that it is used internally for evaluating segment performance and allocating resources to segments.

The Group derives its revenues from the following reportable segments:

Construction and Infrastructure - mainly consists of revenues from EEI Corporation and subsidiaries as a general contractor and trader of construction equipment and parts. The subsidiaries of EEI are mainly involved in the provision for manpower services, construction, trading of equipment, power generation, steel fabrication, real estate and others.

Consumer Finance - represents the general financing and investment business of FMLFC and ZIFC.

Education and Information Technology - primarily consists of revenues from iPeople and subsidiaries (including MCI) in education, consulting, development, installation and maintenance of information technology systems.

Car Dealership - represents automotive dealerships of the Company.

Other Services - represent support services which cannot be directly identified with any of the reportable segments mentioned above. These include sale of pharmaceutical products, trading of consumer goods and rendering various services to the consumers.

Segment assets and liabilities exclude deferred income tax assets and liabilities. Inter-segment income arise from transactions that were made on terms equivalent to those that prevail in an arms-length transactions.

Management monitors construction revenue and segment net income for the purpose of making decisions about resource allocation. Segment performance is evaluated based on net income and construction revenue.

Segment reporting is consistent in all periods presented as there are no changes in the structure of the Group's internal organization that will cause the composition of its reportable segment to change.

| Line Item | Consumer Finance | | | | Education and Information Technology | | | | Car Dealership | | | | Other Services | | | | Elimination | | | | Consolidation | | | |
|-----------|------------------|---------|---------|---------|--------------------------------------|---------|---------|---------|----------------|---------|---------|---------|----------------|---------|---------|---------|-------------|----------|----------|----------|---------------|------|------|-----|
| | 2011 | | 2010 | | 2009 | | 2011 | | 2010 | | 2009 | | 2011 | | 2010 | | 2009 | | 2011 | | 2010 | | 2009 | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2009 | |
| 18 | \$6,250 | \$2,225 | \$2,111 | \$2,100 | \$1,716 | \$1,642 | \$1,490 | \$4,495 | \$6,356 | \$6,205 | \$2,69 | \$2,95 | \$386 | \$- | \$- | \$- | \$- | \$15,480 | \$15,392 | \$14,541 | \$- | \$- | \$- | \$- |
| 17 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 18 | \$6,267 | \$2,225 | \$2,111 | \$2,100 | \$1,716 | \$1,642 | \$1,490 | \$4,495 | \$6,356 | \$6,205 | \$2,69 | \$2,95 | \$386 | \$- | \$- | \$- | \$- | \$15,480 | \$15,392 | \$14,541 | \$- | \$- | \$- | \$- |
| 17 | \$563 | \$31 | \$30 | \$30 | \$477 | \$375 | \$292 | \$45 | \$35 | \$40 | \$324 | \$308 | \$217 | \$723 | \$629 | \$585 | \$805 | \$776 | \$557 | \$57 | \$17 | \$- | \$- | \$- |
| 3 | \$8,177 | \$2,192 | \$1,931 | \$1,744 | \$3,938 | \$3,728 | \$4,397 | \$1,137 | \$1,680 | \$1,512 | \$4,130 | \$3,973 | \$3,374 | \$1,898 | \$1,993 | \$2,953 | \$20,020 | \$17,202 | \$16,251 | \$189 | \$- | \$- | \$- | \$- |
| 1 | (118) | (13) | (5) | (1) | - | - | - | (31) | (26) | (26) | (44) | (13) | (44) | 34 | - | - | (185) | (155) | (189) | \$- | \$- | \$- | \$- | \$- |
| 2 | \$8,059 | \$2,179 | \$1,926 | \$1,743 | \$3,938 | \$3,728 | \$4,397 | \$1,106 | \$1,654 | \$1,486 | \$4,086 | \$3,960 | \$3,330 | \$1,864 | \$1,993 | \$2,953 | \$19,835 | \$17,047 | \$16,062 | \$- | \$- | \$- | \$- | \$- |
| 2 | \$4,921 | \$1,780 | \$1,550 | \$1,397 | \$1,555 | 1,666 | \$1,938 | \$487 | \$936 | \$803 | \$2,337 | \$2,174 | \$1,884 | \$517 | \$360 | \$781 | \$11,792 | \$10,108 | \$10,162 | \$- | \$- | \$- | \$- | \$- |
| 5 | (139) | (6) | (6) | - | (21) | (14) | - | - | - | - | (3) | (1) | (1) | - | - | - | (208) | (126) | (140) | \$- | \$- | \$- | \$- | \$- |
| 5 | (6) | - | - | - | (66) | (64) | (60) | - | - | - | - | - | - | - | - | - | (70) | (69) | (66) | \$- | \$- | \$- | \$- | \$- |
| 2 | \$4,776 | \$1,774 | \$1,544 | 1,397 | \$1,468 | \$1,588 | \$1,878 | \$487 | \$936 | \$803 | \$2,334 | \$2,173 | \$1,883 | \$517 | \$360 | \$781 | \$11,514 | \$9,913 | 9,956 | \$- | \$- | \$- | \$- | \$- |
| 8 | \$730 | \$50 | \$50 | \$50 | \$- | \$- | \$- | \$- | \$- | \$- | \$2,432 | \$2,434 | \$2,433 | \$2,160 | \$2,115 | \$2,149 | \$1,324 | \$1,377 | \$1,064 | \$- | \$- | \$- | \$- | \$- |
| 1 | \$530 | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- |
| 4 | \$212 | (82) | (70) | (299) | \$600 | \$649 | \$169 | \$130 | (43) | \$9 | \$410 | \$145 | \$127 | (1) | (108) | (19) | 560 | \$1,997 | \$550 | \$- | \$- | \$- | \$- | \$- |
| 3 | (330) | (65) | (59) | (5) | (140) | (271) | 39 | (5) | 10 | (19) | (49) | (336) | 120 | (160) | (185) | (127) | (923) | (980) | \$199 | \$- | \$- | \$- | \$- | \$- |
| 5 | (164) | 215 | 148 | 393 | (304) | (193) | (348) | (107) | 20 | (8) | (407) | 187 | (172) | 158 | 301 | 198 | 453 | (732) | (322) | \$- | \$- | \$- | \$- | \$- |
| 5 | 274 | 1 | 3 | 1 | 130 | 151 | 84 | 5 | 9 | - | 343 | 461 | 102 | - | - | 47 | 1,373 | 1,180 | 508 | \$- | \$- | \$- | \$- | \$- |
| 2 | 71 | 18 | 18 | 19 | 12 | 9 | 18 | 2 | 1 | 2 | 20 | 11 | 11 | - | - | (9) | 90 | 108 | 112 | \$- | \$- | \$- | \$- | \$- |
| 2 | 246 | 96 | 82 | 72 | 38 | 63 | 87 | 33 | 35 | 32 | 131 | 99 | 63 | (15) | (1) | (9) | 324 | 370 | 491 | \$- | \$- | \$- | \$- | \$- |
| 198 | 13 | 12 | 12 | 12 | 57 | 50 | 31 | (3) | 3 | 3 | 16 | 22 | 22 | (20) | (1) | (9) | 390 | 347 | 266 | \$- | \$- | \$- | \$- | \$- |
| \$- | \$- | \$- | \$- | \$- | \$6 | \$3 | \$18 | \$10 | \$10 | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- |
| 113 | 1 | 2 | 1 | 1 | 101 | 133 | 142 | 48 | 41 | 52 | 169 | 134 | 60 | \$- | \$- | \$- | 490 | 445 | 368 | \$- | \$- | \$- | \$- | \$- |
| - | - | - | - | - | - | - | - | - | - | - | (3) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 6 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (3) | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | | |



35. Capital Stock

The authorized preferred stock is 2,500,000,000 shares at ₱0.40 par value. A reconciliation of the number of preferred shares outstanding as at December 31, 2011, 2010 and 2009 follows:

| | 2011 | 2010 | 2009 |
|---|---------------|---------------|---------------|
| Beginning of the year | 1,290,719,931 | 1,464,903,229 | 1,667,400,737 |
| Redemption of preferred stock | (124,289,441) | (174,183,298) | (160,563,707) |
| Conversion of preferred stock to common stock | (233,667) | - | (41,933,801) |
| End of year | 1,166,196,823 | 1,290,719,931 | 1,464,903,229 |

The authorized common stock is 1,250,000,000 shares at ₱1.50 par value. A reconciliation of the number of common shares outstanding as at December 31, 2011, 2010 and 2009 follows:

| | 2011 | 2010 | 2009 |
|---|-------------|-------------|-------------|
| Beginning of the year | 615,914,717 | 615,914,717 | 604,732,370 |
| Conversion of preferred stock to common stock | 62,311 | - | 11,182,347 |
| End of year | 615,977,028 | 615,914,717 | 615,914,717 |

Details of capital stock conversion and redemption follow:

Conversion:

| | 2011 | 2010 | 2009 |
|--|---------|------|-------------|
| March 14, 2011, converted 233,667 shares of preferred stock into 62,311 of common stock | ₱93,467 | ₱- | ₱- |
| November 6, 2009, converted 99,658 shares of preferred stock into 26,575 of common stock | - | - | 39,863 |
| October 30, 2009, converted 107,146 shares of preferred stock into 28,572 of common stock | - | - | 42,858 |
| October 23, 2009, converted 41,251,202 shares of preferred stock into 11,000,323 of common stock | - | - | 16,500,481 |
| July 9, 2009, converted 157,254 shares of preferred stock into 41,934 of common stock | - | - | 62,902 |
| June 2, 2009, converted 157,254 shares of preferred stock into 41,934 of common stock | - | - | 62,902 |
| March 30, 2009 converted 161,287 shares of preferred stock into 43,009 of common stock | - | - | 64,514 |
| | ₱93,467 | ₱- | ₱16,773,520 |

Redemption:

| | 2011 | 2010 | 2009 |
|---|-------------|-------------|-------------|
| December 1, 2011, redeemed 29,902,479 preferred shares at ₱0.40 per share | ₱11,960,992 | ₱- | ₱- |
| September 30, 2011, redeemed 30,669,209 preferred shares at ₱0.40 per share | 12,267,684 | - | - |
| July 15, 2011, redeemed 31,455,599 preferred shares at ₱0.40 per share | 12,582,240 | - | - |
| March 31, 2011, redeemed 32,262,154 preferred shares at ₱0.40 per share | 12,904,861 | - | - |
| December 1, 2010, redeemed 33,095,380 preferred shares at ₱0.40 per share | - | 13,238,152 | - |
| October 1, 2010, redeemed 33,943,981 preferred shares at ₱0.40 per share | - | 13,577,592 | - |
| September 1, 2010, redeemed 34,814,340 preferred shares at ₱0.40 per share | - | 13,925,736 | - |
| May 1, 2010, redeemed 35,707,016 preferred shares at ₱0.40 per share | - | 14,282,806 | - |
| February 1, 2010, redeemed 36,622,581 preferred shares at ₱0.40 per share | - | 14,649,033 | - |
| October 23, 2009, redeemed 38,624,676 preferred shares at ₱0.40 per share | - | - | 15,449,870 |
| September 10, 2009, redeemed 39,615,050 preferred shares at ₱0.40 per share | - | - | 15,846,020 |
| May 22, 2009, redeemed 40,638,860 preferred shares at ₱0.40 per share | - | - | 16,255,544 |
| January 30, 2009, redeemed 41,685,049 preferred shares at ₱0.40 per share | - | - | 16,674,049 |
| | ₱49,715,777 | ₱69,673,319 | ₱64,225,483 |

The Parent Company's preferred shares have the following features:

- Entitled to dividends at the rate of average 91-day T-Bill plus two percent;
- Fully participating as to distribution of dividends;
- Convertible into common shares at the option of the holders thereof from the date of issue at the conversion rate of 3 and 3/4 preferred shares to 1 common share for a price of ₱1.5 per common share subject to adjustments;
- Redeemable at any one time or from time to time, at the option of the BOD of the Parent Company, subject to availability of funds;
- With voting rights and preferences as to assets upon dissolution of the Parent Company over common shareholders.

Below is the summary of the outstanding number of shares and holders of security as at December 31, 2011:

| Year | Number of shares registered | Issue/offer price | Date of approval | Number of holders of securities as of year end |
|-------------------|-----------------------------|-------------------|------------------|--|
| Preferred shares: | | | | |
| January 1, 2010 | 1,464,903,229 | | | |
| Movement: | (36,622,581) | ₱0.40 | February 1, 2010 | 54 |
| | (35,707,016) | 0.40 | May 1, 2010 | |
| (Forward) | | | | |

| Year | Number of shares registered | Issue/offer price | Date of approval | Number of holders of securities as of year end |
|-------------------|-----------------------------|-------------------|--------------------|--|
| | (34,814,340) | ₱0.40 | September 1, 2010 | |
| | (33,943,981) | 0.40 | October 1, 2010 | |
| | (33,095,380) | 0.40 | December 1, 2010 | |
| December 31, 2010 | 1,290,719,931 | | | |
| Movement: | (32,262,154) | 0.40 | March 31, 2011 | 53 |
| | (31,455,600) | 0.40 | July 15, 2011 | |
| | (30,669,209) | 0.40 | September 30, 2011 | |
| | (29,902,478) | 0.40 | December 1, 2011 | |
| | (233,667) | 0.40 | March 14, 2011 | |
| December 31, 2011 | 1,166,196,823 | | | |
| Common shares: | | | | 52 |
| January 1, 2010 | 615,914,717 | | | |
| Movement: | - | ₱- | - | 498 |
| December 31, 2010 | 615,914,717 | | | |
| Movement: | 62,311 | 1.50 | March 14, 2011 | 477 |
| December 31, 2011 | 615,977,028 | | | 458 |

SEC approved the registration of the Parent Company's authorized capital stock before its listing date with the Philippine Stock Exchange, which was on July 2, 1962. The actual number of shares initially listed were 584,085 at an offer price of ₱10.0 per share.

36. Lease Agreements

The Group leases parcels of land where their respective sales office, administrative and warehouse buildings were constructed and are currently located. The lease terms cover lease periods between 10 years to 20 years with escalation rates ranging from 5% to 12.5%.

Future minimum rental payments under the aforementioned lease agreements follow:

| | 2011 | 2010 |
|---|--------------|--------------|
| Within one year | ₱51,056,075 | ₱50,250,122 |
| After one year but not more than five years | 207,399,148 | 214,181,787 |
| More than five years | 113,977,587 | 158,251,023 |
| | ₱372,432,810 | ₱422,682,932 |

In 2011, the Group entered into finance lease transactions with a third party lessor for the lease of its various construction machineries and equipment. Future minimum lease payments under the finance lease are as follows:

| | Amount |
|--|-------------|
| Within one year | ₱5,177,250 |
| After one year but not more than 5 years | 24,442,006 |
| Total minimum lease payment | 29,619,256 |
| Less amounts representing interest | 6,835,213 |
| Present value of minimum lease payments | ₱22,784,043 |

On January 1, 2010, the Group leased certain computer equipment and furniture and fixtures to RCBC under a two-year finance lease contract. The future minimum lease receivables and the finance lease receivable related to the contract (included in other receivables) amounted to ₱1.1 million as at December 31, 2010. The lease agreement ended in 2011.

A portion of the land currently being used by the Group in its operations is leased out under an operating lease to RCBC. The lease terms range from one (1) to three (3) years.

Future minimum rental payments receivable under the aforementioned lease agreement follows:

| | 2011 | 2010 |
|--|--------------------|--------------------|
| Within one year | ₱10,586,441 | ₱20,210,477 |
| More than one year but not more than 5 years | — | 10,586,441 |
| | <u>₱10,586,441</u> | <u>₱30,796,918</u> |

In 2010, the Group exercised the option to purchase the leased land from RCBC in the amount of ₱120.0 million representing the selling price of the leased land of ₱245.0 million less all previous rental payments of ₱125.0 million. Gain from extinguishment of the lease liability amounting to ₱8.7 million is recognized in the consolidated statements of income (see Note 22).

37. Cash Dividends

The BOD declared cash dividends as follows:

| | 2011 | 2010 | 2009 |
|--|------------|------|------|
| December 1, 2011, ₱0.003 per share cash dividend to stockholders of preferred shares as of December 29, 2011 payable on or before January 20, 2012. The cash dividend covered the fourth quarter of 2011. | ₱3,521,316 | ₱— | ₱— |
| September 30, 2011, ₱0.003 per share cash dividend to stockholders of preferred shares as of October 28, 2011 payable on or before November 18, 2011. The cash dividend covered the third quarter of 2011. | 4,291,236 | — | — |
| July 15, 2011, ₱0.004 per share cash dividend to stockholders of preferred shares as of August 11, 2011 payable on or before August 31, 2011. The cash dividend covered the second quarter of 2011. | 4,685,752 | — | — |
| July 15, 2011, ₱0.004 per share cash dividend to stockholders of common and preferred shares as of June 30, 2011 payable on or before September 1, 2011. | 49,999,992 | — | — |
| March 31, 2011, ₱0.003 per share cash dividend to stockholders of preferred shares as of April 29, 2011 payable on or before May 20, 2011. The cash dividend covered the first quarter of 2011. | 4,039,544 | — | — |

(Forward)

| | 2011 | 2010 | 2009 |
|--|-------------|-------------|-------------|
| December 1, 2010, ₱0.005 per share cash dividend to stockholders of preferred shares as of December 29, 2010 payable on or before January 20, 2011. The cash dividend covered the fourth quarter of 2010. | ₱- | ₱6,736,896 | ₱- |
| September 1, 2010, ₱0.006 per share cash dividend to stockholders of preferred shares as of September 29, 2010 payable on or before October 22, 2010. The cash dividend covered the third quarter of 2010. | - | 8,093,603 | - |
| July 16, 2010, ₱0.051 per share cash dividend to stockholders of common shares as of August 14, 2010 payable on or before September 3, 2010. | - | 49,999,184 | - |
| July 16, 2010, ₱0.006 per share cash dividend to stockholders of preferred shares as of August 11, 2010 payable on or before August 31, 2010. The cash dividend covered the second quarter of 2010. | - | 8,181,370 | - |
| March 26, 2010, ₱0.006 per share cash dividend to stockholders of preferred shares as of April 23, 2010 payable on or before May 14, 2010. The cash dividend covered the first quarter of 2010. | - | 8,433,996 | - |
| December 2, 2009, ₱0.007 per share cash dividend to stockholders of preferred shares as of December 20, 2009 payable on or before January 22, 2010. The cash dividend covered the fourth quarter of 2009. | - | - | 8,557,082 |
| September 2, 2009, ₱0.007 per share cash dividend to stockholders of preferred shares as of September 30, 2009 payable on or before October, 2009. The cash dividend covered the third quarter of 2009. | - | - | 9,902,171 |
| July 17, 2009, ₱0.049 per share cash dividend to stockholders of common shares as of August 14, 2009 payable on or before September 3, 2009. | - | - | 49,994,233 |
| July 17, 2009, ₱0.007 per share cash dividend to stockholders of preferred shares as of August 14, 2009 payable on or before September 3, 2009. The cash dividend covered the second quarter of 2009. | - | - | 10,077,448 |
| March 27, 2009, ₱0.007 per share cash dividend to stockholders of preferred shares as of April 22, 2009 payable on or before May 12, 2009. The cash dividend covered the first quarter of 2009. | - | - | 10,806,131 |
| | ₱66,537,840 | ₱81,445,049 | ₱89,337,065 |

The Group's retained earnings include accumulated earnings of subsidiaries amounting to ₱2.4 billion and ₱1.8 billion in 2011 and 2010, respectively, not declared as dividends to the Parent Company.

Retained earnings declarable as dividends of the Parent Company amounted to ₱726.4 million as of December 31, 2011 and ₱558.1 million as of December 31, 2010. Dividend distribution is approved by the BOD.

38. Note on Consolidated Statements of Cash Flows

Noncash investing and financing activities are as follows:

2011

- Revaluation of parcel of land
- Write off of receivables and write down of inventories

2010

- Revaluation of parcel of land.
- Transfer of land held for sale to investment properties.

2009

- Revaluation of parcel of land and impact of re-assessment of lease liability.
- Investment properties acquired as settlement of receivables amounting to ₱76.3 million.

39. Cumulative Translation Adjustment

Cumulative translation adjustment represents exchange differences arising from the translation of financial statements of the foreign subsidiary, EEI BVI, whose functional currency is the United States dollar and foreign associate, ARCC with functional currency of Saudi Arabia Riyal.



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BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
House of Investments, Inc.
3rd Floor Grepalife Building
219 Sen. Gil J. Puyat Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of House of Investments, Inc. and its subsidiaries (the Group) as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011, included in this Form 17-A, and have issued our report thereon dated March 21, 2012. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, as Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia
Cyril Jasmin B. Valencia

Partner

CPA Certificate No. 90787

SEC Accreditation No. A-538-A (Group A),

Valid until July 15, 2012

Tax Identification No. 162-410-623

BIR Accreditation No. 08-001998-74-2009,

June 1, 2009, Valid until May 31, 2012

PTR No. 3174834, January 2, 2012, Makati City

March 21, 2012

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON
SRC RULE 68 AS AMENDED
DECEMBER 31, 2011

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68, as Amended (2011), that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

The Group is not required to disclose the financial assets in equity securities as the total available-for-share securities amounting to ₱451.5 million do not constitute 5% or more of the total current assets of the Group as at December 31, 2011.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Below is the schedule of advances to employees of the Group with balances above ₱100,000 as of December 31, 2011:

| Name | Balance at beginning of year | Additions | Collections/ Liquidations | Balance at end of year |
|------------------------------|---------------------------------|-----------|------------------------------|---------------------------|
| (In Thousands) | | | | |
| <i>EEI</i> | | | | |
| Apolonio, Ferdinand D. | ₱- | ₱304 | (₱40) | ₱300 |
| Arcega, Wilson V. | 148 | 5 | (11) | 142 |
| Cabrera, Lovette O. | 158 | 618 | (151) | 625 |
| Garcia, Raul R. | - | 100 | - | 100 |
| Lazaro, Romulo B. | - | 176 | (65) | 111 |
| Castro, Romeo E. | - | 121 | - | 121 |
| Constantino, Edwin P. | 4 | 401 | (149) | 256 |
| Macapagal, Norman K. | 1,960 | - | - | 1,960 |
| Mercado, Oscar D. | 1,442 | - | - | 1,442 |
| Munji, Divina F. | 836 | - | - | 836 |
| | ₱4,548 | ₱1,725 | (₱380) | ₱5,893 |
| <i>iPeople</i> | | | | |
| Bitor, Rolando | ₱66 | ₱487 | (₱75) | ₱478 |
| Tablante, Dennis | 66 | 458 | (127) | 397 |
| Caluyo, Felicito | 63 | 391 | (63) | 391 |
| Songsong, Maribel | - | 458 | (72) | 386 |
| Sabino, Lilibeth | - | 365 | - | 365 |
| Salvacion, Jonathan | 31 | 433 | (103) | 361 |
| Costales, Aloysius Nathaniel | 442 | - | (88) | 354 |
| Benitez, Ethelwolda | - | 390 | (70) | 320 |
| Lansangan, Emerald | 383 | - | (64) | 319 |
| Co, Brian | 369 | - | (78) | 291 |
| Robielos, Rex Aurelius | 337 | - | (77) | 260 |
| Baltazar, Amalia | 303 | - | (76) | 227 |
| Lozano, Luz | 303 | - | (76) | 227 |
| Sauquillo, Dante | 283 | - | (72) | 211 |

(Forward)

| Name | Balance at beginning of year | Additions (In Thousands) | Collections/ Liquidations | Balance at end of year |
|---------------------------|---------------------------------|-----------------------------|------------------------------|---------------------------|
| Maestrecampo, Dodjie S. | P30 | P322 | (P145) | P207 |
| Eliquen, Nilda | 269 | — | (76) | 193 |
| Cinco, Arnold | 260 | — | (71) | 189 |
| Bayag, Marina | — | 400 | (218) | 182 |
| Uy, Francis Aldrin | 234 | — | (76) | 158 |
| Francisco, Ruth | 317 | — | (187) | 130 |
| HI-Parent | P3,756 | P3,704 | (P1,814) | P5,646 |
| Tee, Cleto Jr. | P— | P1,043 | (P746) | P297 |
| Villegas, Raoul A. | — | 484 | (220) | 264 |
| Tanjangco, Jose A. III | — | 318 | (58) | 260 |
| Maglaya, Elsie P. | 2 | 292 | (47) | 247 |
| De Lara, Ma. Elisa | 324 | 649 | (718) | 255 |
| Maravilla, Juliet O. | 407 | 7 | (135) | 279 |
| Eugenio, Rolando | 199 | 42 | (16) | 225 |
| Ramirez, Rosalia | 74 | 38 | — | 112 |
| Uy, Perry | 252 | — | — | 252 |
| Sanchez, Emil | 203 | — | — | 203 |
| Capalongan, Allan | 188 | — | — | 188 |
| Aliganga, Justino | 142 | — | — | 142 |
| Damasco, Reyner | 112 | — | — | 112 |
| Landev Corporation | P1,903 | P2,873 | (P1,940) | P2,836 |
| Mario C. Paguio | P500 | P— | P— | P500 |
| Nathaniel Cabungcal | 340 | — | (59) | 281 |
| Total | P840 | P— | (P59) | P781 |
| Total | P11,047 | P8,302 | (P3,315) | P15,156 |

iPeople and HI-Parent's advances mainly pertain to the officers and employees car plan agreements. Such advances are interest-bearing and shall be liquidated on a monthly basis.

There were no amounts written off during the year. All receivables are expected to be collected within the next twelve months.

Schedule C. Amounts Receivable from/Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements

Below is the schedule of receivables (payables) with subsidiaries, which are eliminated in the consolidated financial statements as at December 31, 2011:

| Name and designation of debtor | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Balance at end of period |
|---|--------------------------------------|------------|----------------------|------------------------|-----------------------------|
| Landev Corporation | | | | | |
| Due from affiliates | P3,721,584 | P2,855,638 | P(6,322,171) | P— | P255,051 |
| Dividends receivable | 10,000,000 | 7,000,000 | (10,000,000) | — | 7,000,000 |
| | 13,721,584 | 9,855,638 | (16,322,171) | — | 7,255,051 |
| Greyhounds Security and Investigation Agency Corporation | | | | | |
| Due from affiliates | 2,603,248 | 26,462,801 | (12,534,268) | — | 16,531,781 |

(Forward)

| Name and designation of debtor | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Balance at end of period |
|--|--------------------------------|--------------|-------------------|---------------------|--------------------------|
| <i>Investment Managers, Inc.</i> | | | | | |
| Due from affiliates | 6,698,444 | 3,908,145 | (10,063,062) | - | 543,527 |
| Dividends receivable | 1,200,000 | 2,000,000 | (1,200,000) | - | 2,000,000 |
| | 7,898,444 | 5,908,145 | (11,263,062) | - | 2,543,527 |
| <i>iPeople, Inc. and subsidiaries</i> | | | | | |
| Due from affiliates | P8,198,967 | P48,993,624 | (P39,404,257) | P- | P17,788,334 |
| Dividends receivable | 40,989,245 | 43,219,547 | (40,989,245) | - | 43,219,547 |
| | 49,188,212 | 92,213,171 | (39,404,257) | - | 61,007,881 |
| <i>First Malayan Leasing and Finance Corporation</i> | | | | | |
| Due from affiliates | 8,144 | 2,251,686 | (2,259,830) | - | - |
| <i>EEI Corporation and subsidiaries</i> | | | | | |
| Due from affiliates | 789,453 | 3,508,610 | (2,714,286) | - | 1,583,777 |
| Vehicle accounts receivable | - | 4,187,496 | - | - | 4,187,496 |
| | 789,453 | 7,696,106 | (2,714,286) | - | 5,771,273 |
| <i>Zamboanga Industrial Finance Corporation</i> | | | | | |
| Due from affiliates | 1,701,598 | - | - | (1,329,973) | 371,625 |
| <i>Hexagon Lounge, Inc.</i> | | | | | |
| Due from affiliates | 241,743 | 95,600 | (54,000) | - | 283,343 |
| <i>Xamdu Motors, Inc.</i> | | | | | |
| Due from affiliates | 254,432 | 566,143 | (258,410) | - | 562,165 |
| | P76,406,858 | P145,049,290 | (P84,810,284) | (P1,329,973) | P94,326,646 |

These receivables are non-interest bearing and are expected to be settled within the next twelve months. The Parent Company had written off its receivables from Zamboanga Industrial Finance Corporation, a subsidiary, because management believes that there is a remote possibility that these receivables will be collected in the future.

Schedule D. Intangible Asset - Other Noncurrent Assets

As at December 31, 2011, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of BEI, iPeople, and Honda Cars Group. Details of the Group's intangible assets are as follows:

| Description | Beginning balance | Additions at cost | Charged to cost and expenses | Charged to other accounts | Other changes additions (deductions) | Ending balance |
|-------------------|-------------------|-------------------|------------------------------|---------------------------|--------------------------------------|----------------|
| Goodwill | P512,796,021 | P- | P- | P- | P- | P512,796,021 |
| Computer Software | 4,462,869 | 13,938,542 | (1,190,476) | - | - | 17,210,935 |
| | P517,258,890 | P13,938,542 | (P1,190,476) | P- | P- | P530,006,956 |

In 2011, the Group purchased its Oracle Accounting System for its financial reporting effective January 1, 2012. Total capitalizable costs related to the Oracle software amounted to P13.1 million.

Schedule E. Long-term Debt

Below is the schedule of long-term debt of the Group:

| Type of Obligation | Amount | Current | Noncurrent |
|--|-----------------------|---------------------|-----------------------|
| Parent Company | | | |
| Private placement fixed-rate corporate promissory notes payable after three years from the date of issue with interest of 7.90%. | ₱89,000,000 | ₱- | ₱89,000,000 |
| MCI | | | |
| Peso-denominated syndicated bank loan payable after 10 years since November 2010 without grace period on principal payment, subject to floating rate equal to the 3-month Philippine Dealing System Treasury Reference Rates-Fixing (PDST-F) plus a per annum spread of 1.75% payable in accelerating amounts up to November 22, 2020. | 774,000,000 | 86,000,000 | 688,000,000 |
| MCLI | | | |
| Payable to PTC | 34,807,018 | - | 34,807,018 |
| EEI | | | |
| a) Private placement fixed-rate corporate promissory notes with effective interest of 6.25% per annum for ₱500 million in 2011 and 7.75% per annum for ₱300 million in 2010 | 500,000,000 | - | 500,000,000 |
| FMLFC | | | |
| a) Peso-denominated bank loans with interest ranging from 5.00% to 6.50% in 2011 and 4.85% to 6.00% in 2010. | 503,400,000 | 503,400,000 | - |
| b) Peso-denominated bank loans with interest ranging from 4.94% to 5.13%. | 10,750,758 | - | 10,750,758 |
| | ₱1,911,957,776 | ₱589,400,000 | ₱1,322,557,776 |

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)

The Group is not required to disclose the long term indebtedness to related parties amounting to ₱688.0 million as this do not constitute 5% or more of the total assets of the Group as at December 31, 2011.

Schedule G. Guarantees of Securities of Other Issuers

There are no guarantees of securities of other issuing entities by the Group as at December 31, 2011.

Schedule H. Capital Stock

| <u>Title of issue</u> | <u>Number of shares authorized</u> | <u>Number of shares issued and outstanding as shown under related statement of financial position caption</u> | <u>Number of shares reserved for options, warrants, conversion and other rights</u> | <u>Number of shares held by related parties</u> | <u>Directors, Officers and Employees</u> | <u>Others</u> |
|-----------------------|--|---|---|---|--|---------------|
| Common shares | 1,250,000,000 | 615,977,028 | — | 344,701,851 | 6,163,560 | 265,111,617 |
| Preferred shares | 2,500,000,000 | 1,166,196,823 | — | 494,661,821 | 637,357,511 | 34,177,491 |

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION

| | |
|--|--------------|
| Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning | P558,080,941 |
| Add: Net income actually earned/realized during the year | 238,015,510 |
| Net income during the period closed to Retained Earnings | |
| Less: Non-actual/unrealized gains net of tax Movement in deferred tax assets | 3,111,710 |
| Less: Dividend declarations during the year | 66,537,840 |
| Total Unappropriated Retained Earnings, End Available For Dividend Declaration | P726,446,901 |

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF
DECEMBER 31, 2011 AND 2010

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2011 and 2010:

| Financial ratios | | 2011 | 2010 |
|-------------------------|--|---------------|---------------|
| Current ratio | $\frac{\text{Current assets}}{\text{Current liabilities}}$ | 0.95:1 | 0.86:1 |
| Solvency ratio | $\frac{\text{Net income plus depreciation}}{\text{Total liabilities}}$ | 0.16:1 | 0.17:1 |
| Debt to equity ratio | $\frac{\text{Total liabilities}}{\text{Total equity}}$ | 1.43:1 | 1.42:1 |
| Asset-to-equity ratio | $\frac{\text{Total assets}}{\text{Total equity}}$ | 2.43:1 | 2.42:1 |
| Interest rate coverage | $\frac{\text{EBIT*}}{\text{Interest expense}}$ | 7.60:1 | 6.26:1 |
| Return on assets | $\frac{\text{Net income}}{\text{Average total assets}}$ | 7.26% | 7.34% |
| Return on equity | $\frac{\text{Net income}}{\text{Average total equity}}$ | 17.63% | 19.10% |

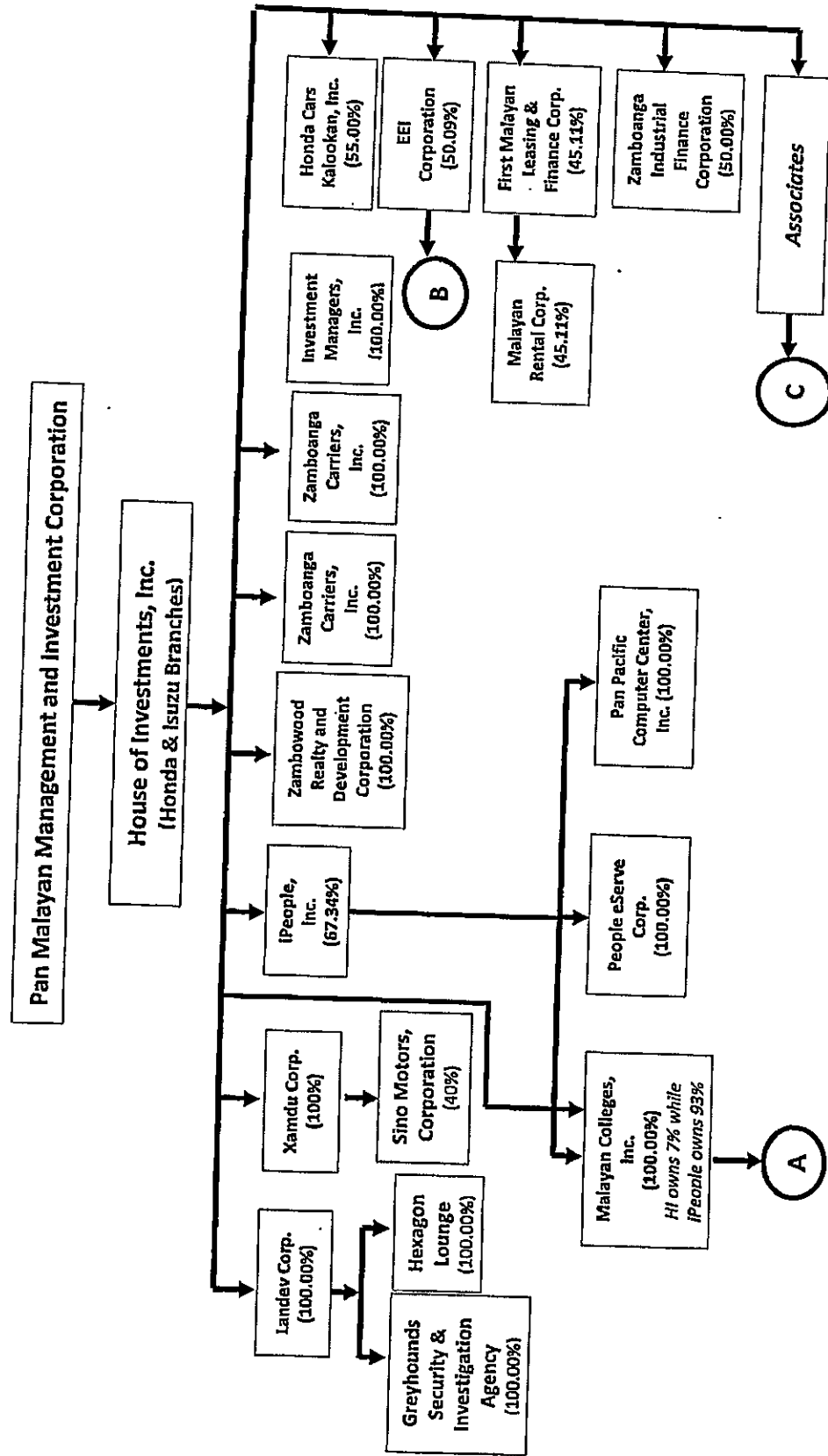
**Earnings before interest and taxes (EBIT)*

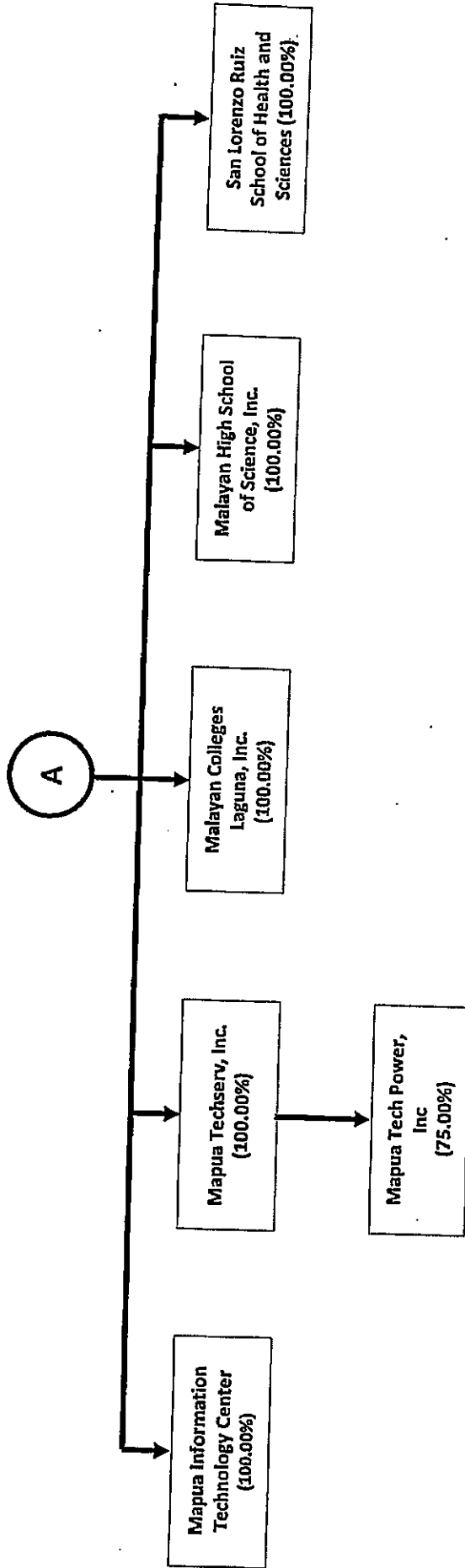
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

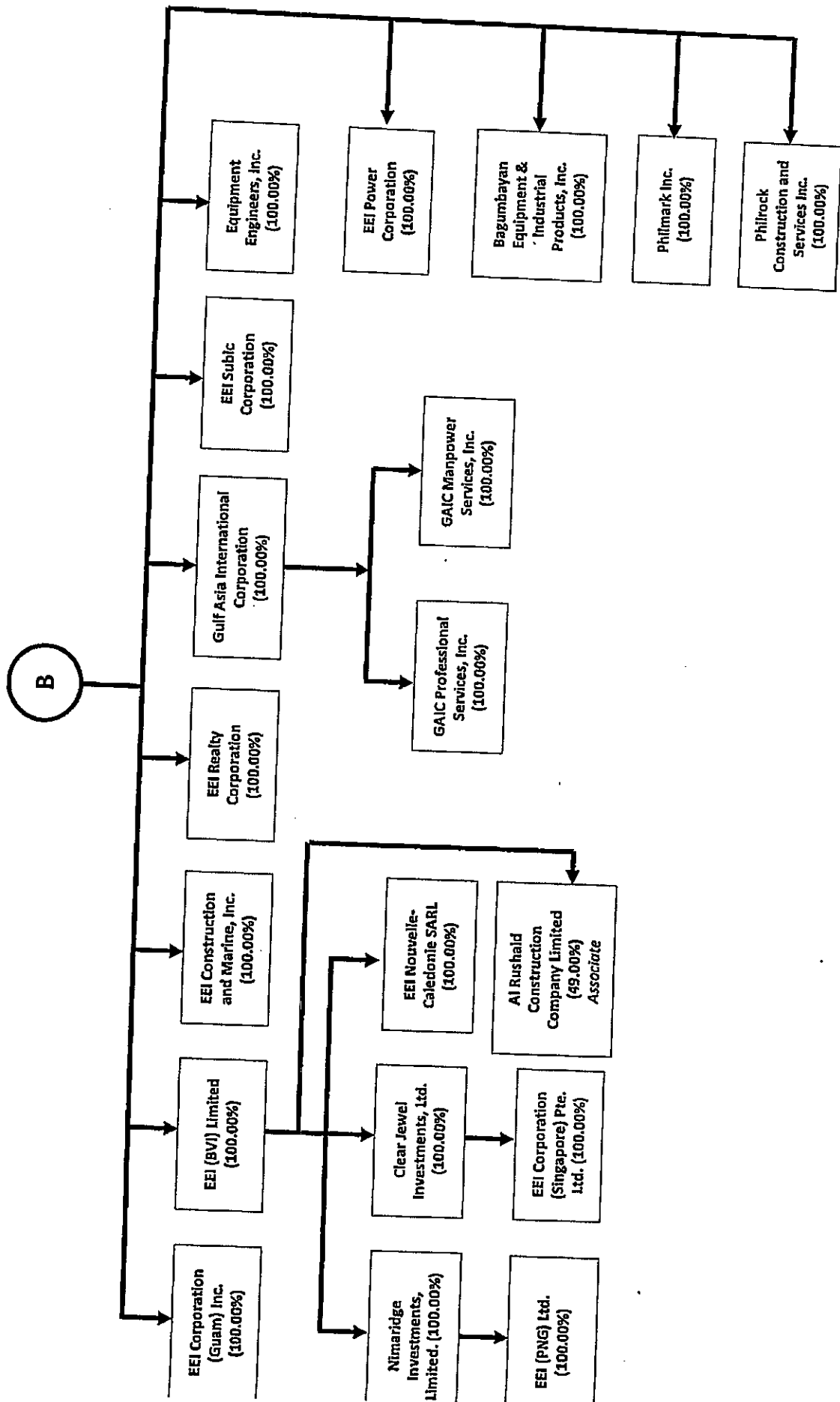
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

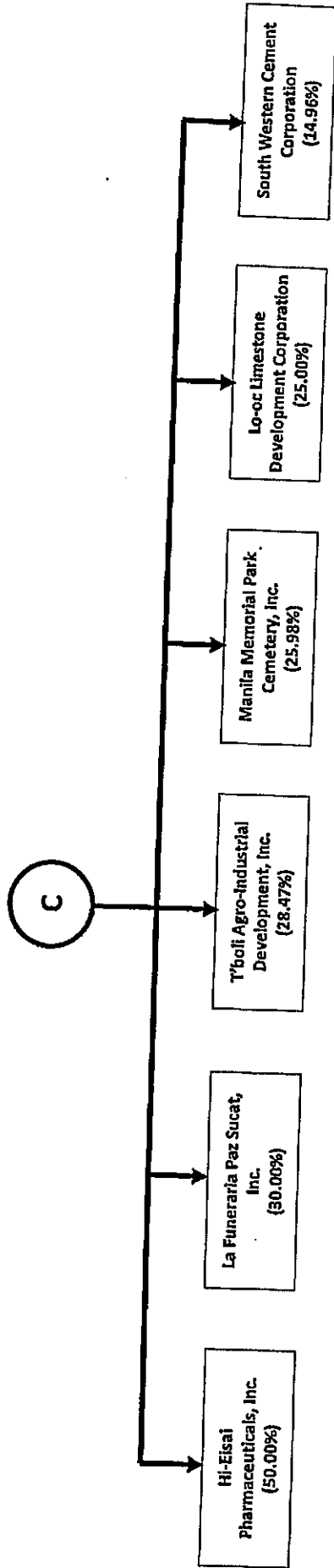
Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2011:









**The Group has more than 20% effective interest in SWCC since LLDC (in which the Group has 25% interest) has more than 50% interest in SWCC.*



HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND
INTERPRETATIONS UNDER PFRS AS OF DECEMBER 31, 2011

Below is the list of all effective Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as at December 31, 2011:

I. List of PFRS effective as at December 31, 2011

| PFRSs | Adopted/Not adopted/Not applicable |
|---|---|
| PFRS 1, <i>First-time Adoption of Philippine Financial Reporting Standards</i> | |
| PFRS 2, <i>Share-based Payment</i> | Adopted |
| PFRS 3, <i>Business Combinations</i> | Adopted |
| PFRS 4, <i>Insurance Contracts</i> | Adopted |
| PFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i> | Not applicable |
| PFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i> | Adopted |
| PFRS 7, <i>Financial Instruments: Disclosures</i> | Not applicable |
| PFRS 8, <i>Operating Segments</i> | Adopted |
| PAS 1, <i>Presentation of Financial Statements</i> | Adopted |
| PAS 2, <i>Inventories</i> | Adopted |
| PAS 7, <i>Statement of Cash Flows</i> | Adopted |
| PAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> | Adopted |
| PAS 10, <i>Events after the Reporting Period</i> | Adopted |
| PAS 11, <i>Construction Contracts</i> | Adopted |
| PAS 12, <i>Income Taxes</i> | Adopted |
| PAS 16, <i>Property, Plant and Equipment</i> | Adopted |
| PAS 17, <i>Leases</i> | Adopted |
| PAS 18, <i>Revenue</i> | Adopted |
| PAS 19, <i>Employee Benefits</i> | Adopted |
| PAS 20, <i>Accounting for Government Grants and Disclosure of Government Assistance</i> | Adopted |
| PAS 21, <i>The Effects of Changes in Foreign Exchange Rates</i> | Not applicable |
| PAS 23, <i>Borrowing Costs</i> | Adopted |
| PAS 24, <i>Related Party Disclosures</i> | Adopted |
| PAS 26, <i>Accounting and Reporting by Retirement Benefit Plans</i> | Adopted |
| PAS 27, <i>Consolidated and Separate Financial Statements</i> | Not applicable |
| PAS 28, <i>Investments in Associates</i> | Adopted |

(Forward)

| PFRSs | Adopted/Not adopted/Not applicable |
|---|--|
| PAS 29, <i>Financial Reporting in Hyperinflationary Economies</i> | |
| PAS 31, <i>Interests in Joint Ventures</i> | Not applicable |
| PAS 32, <i>Financial Instruments: Presentation</i> | Adopted |
| PAS 33, <i>Earnings per Share</i> | Adopted |
| PAS 34, <i>Interim Financial Reporting</i> | Adopted |
| PAS 36, <i>Impairment of Assets</i> | Adopted |
| PAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i> | Adopted |
| PAS 38, <i>Intangible Assets</i> | Adopted |
| PAS 39, <i>Financial Instruments: Recognition and Measurement</i> | Adopted |
| PAS 40, <i>Investment Property</i> | Adopted |
| PAS 41, <i>Agriculture</i> | Adopted |
| Philippine Interpretation IFRIC-1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i> | Not applicable |
| Philippine Interpretation IFRIC-2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i> | Not applicable |
| Philippine Interpretation IFRIC-4, <i>Determining whether an Arrangement contains a Lease</i> | Not applicable |
| Philippine Interpretation IFRIC-5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i> | Adopted |
| Philippine Interpretation IFRIC-6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i> | Not applicable |
| Philippine Interpretation IFRIC-7, <i>Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies</i> | Not applicable |
| Philippine Interpretation IFRIC-9, <i>Reassessment of Embedded Derivatives</i> | Not applicable |
| Philippine Interpretation IFRIC-10, <i>Interim Financial Reporting and Impairment</i> | Adopted |
| Philippine Interpretation IFRIC-12, <i>Service Concession Arrangements</i> | Adopted |
| Philippine Interpretation IFRIC-13, <i>Customer Loyalty Programmes</i> | Not applicable |
| Philippine Interpretation IFRIC-14, <i>PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i> | Adopted |
| Philippine Interpretation IFRIC-16, <i>Hedges of a Net Investment in a Foreign Operation</i> | Adopted |
| Philippine Interpretation IFRIC-17, <i>Distributions of Non-cash Assets to Owners</i> | Adopted |
| Philippine Interpretation IFRIC-18, <i>Transfers of Assets from Customers</i> | Not applicable |
| Philippine Interpretation IFRIC-19, <i>Extinguishing Financial Liabilities with Equity Instruments</i> | Not applicable |
| | Adopted |

(Forward)

| PFRSs | Adopted/Not adopted/Not applicable |
|---|--|
| Philippine Interpretation SIC-7, <i>Introduction of the Euro</i> | |
| Philippine Interpretation SIC-10, <i>Government Assistance - No Specific Relation to Operating Activities</i> | Not applicable |
| Philippine Interpretation SIC-12, <i>Consolidation - Special Purpose Entities</i> | Not applicable |
| Philippine Interpretation SIC-13, <i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i> | Adopted |
| Philippine Interpretation SIC-15, <i>Operating Leases - Incentives</i> | Adopted |
| Philippine Interpretation SIC-21, <i>Income Taxes - Recovery of Revalued Non-Depreciable Assets</i> | Adopted |
| Philippine Interpretation SIC-25, <i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i> | Adopted |
| Philippine Interpretation SIC-27, <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i> | Not applicable |
| Philippine Interpretation SIC-29, <i>Service Concession Arrangements: Disclosures</i> | Adopted |
| Philippine Interpretation SIC-31, <i>Revenue - Barter Transactions Involving Advertising Services</i> | Not applicable |
| Philippine Interpretation SIC-32, <i>Intangible Assets - Web Site Costs</i> | Not applicable |
| *Standards tagged as "Not applicable" have been adopted by the Company but it has no significant covered transactions for the years ended December 31, 2011 and 2010. | |

II. List of New and Amended Standards and Interpretations and Improvements to PFRS that became effective as at January 1, 2011

| PFRSs | Adopted/Not adopted/Not applicable |
|--|--|
| <i>New and Amended Standards and Interpretations</i> | |
| PAS 24 (Amended), <i>Related Party Disclosures</i> | Adopted |
| PAS 32, <i>Financial Instruments: Presentation</i> (Amendment) – Classification of Rights Issues | Adopted |
| Philippine Interpretation IFRIC 14 (Amendment), <i>Prepayments of a Minimum Funding Requirement</i> | Adopted |
| PFRS 1, <i>First-time Adoption of IFRS</i> – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters | Not applicable |

(Forward)

| PFRSs | Adopted/Not adopted/Not applicable |
|---|------------------------------------|
| Improvements to PFRS | |
| PFRS 1, <i>First-time Adoption of IFRS</i> : | |
| <ul style="list-style-type: none"> Accounting policy changes in the year of adoption Revaluation basis as 'deemed cost' Use of 'deemed cost' for operations subject to rate regulation | Not applicable |
| PFRS 3, <i>Business Combinations</i> : | |
| <ul style="list-style-type: none"> Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. Measurement of non-controlling interests Un-replaced and voluntarily replaced share-based payment rewards | Not applicable |
| PFRS 7, <i>Financial Instruments: Disclosures</i> – Clarification of disclosures | Adopted |
| PAS 1, <i>Presentation of Financial Statements</i> – Clarification of statement of changes in equity | Adopted |
| PAS 27, <i>Consolidated and Separate Financial Statements</i> – Transition requirements for amendments made as a result of IAS 27 Consolidated and Separate Financial Statements | Adopted |
| PAS 34, <i>Interim Financial Reporting</i> – Significant events and transactions | Adopted |
| Philippine Interpretation IFRIC 13, <i>Customer Loyalty Programmes</i> – Fair value of award credits | Not applicable |
| Philippine Interpretation IFRIC 19, <i>Extinguishing Financial Liabilities with Equity Instruments</i> | Not applicable |
| *Standards tagged as "Not applicable" have been adopted by the Company but it has no significant covered transactions for the years ended December 31, 2011 and 2010. | |

III. Standards Issued but not yet Effective as at December 31, 2011

| Standard(s)/Interpretation(s) /Amendment (s) issued but not yet effective | Applicable to annual period beginning on or after | Early application allowed | Adopted/Not adopted/Not applicable |
|---|---|---------------------------|------------------------------------|
| Amendments to PAS 1: <i>Presentation of Items of Other Comprehensive Income</i> | July 1, 2012 | Yes | Not adopted |
| Amendments to PAS 12 - <i>Deferred Tax: Recovery of Underlying Assets</i> | January 1, 2012 | Yes | Not adopted |
| PAS 19, <i>Employee Benefits (Revised)</i> | January 1, 2013 | Yes | Not adopted |
| PAS 27, <i>Separate Financial Statements</i> | January 1, 2013 | Yes | Not adopted |

(Forward)

| Standard(s)/Interpretation(s) /Amendment (s) issued but not yet effective | Applicable to annual period beginning on or after | Early application allowed | Adopted/Not adopted/Not applicable |
|---|--|---------------------------------|--|
| PAS 28, <i>Investments in Associates and Joint Ventures</i> | January 1, 2013 | Yes | Not adopted |
| Amendments to PAS 32, <i>Offsetting Financial Assets and Financial Liabilities</i> | January 1, 2014 | Yes | Not adopted |
| Philippine Interpretation IFRIC - 15, <i>Agreements for the Construction of Real Estate</i> | Deferred by SEC and FRSC | No | Not adopted |
| Philippine Interpretation IFRIC - 20, <i>Stripping Costs in the Production Phase of a Surface Mine</i> | January 1, 2013 | Yes | Not adopted |
| Philippine Interpretations Committee (PIC) Q&A No. 2011-02: PFRS 3.2 - Common Control Business Combinations | January 1, 2012 | Yes | Not adopted |
| PIC Q&A No. 2011-03: Accounting for Inter-company Loans | January 1, 2012 | Yes | Not adopted |
| PIC Q&A No. 2011-04: PAS 32.37-38 - Costs of Public Offering of Shares | January 1, 2012 | Yes | Not adopted |
| PIC Q&A No. 2011-05: PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost | January 25, 2012 | Not mentioned | Not adopted |

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

Ms. Maria Teresa T. Bautista
(Contact Person)

815-9636
(Company Telephone Number)

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Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

| | | | | | | | | | |
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 – Q

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

1. For the quarterly period ended March 31, 2012
2. SEC Identification Number 15393
069
3. BIR Tax Identification No. 321-000-463-
4. Exact name of registrant as specified in its charter: HOUSE OF INVESTMENTS, INC.
5. Makati City, Philippines
Province, Country or other jurisdiction
of incorporation or organization
6. / / (SEC Use Only)
Industry Classification Code:
7. 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City
Address of principal office 1200
Postal Code
8. +63 (2) 8940320; +63 (2) 8134537
Issuer's telephone number, including area code
9. Not Applicable
Former name, or former address, if changed.
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8

| <u>Title of Each Class</u> | <u>Number of Shares of Common Stock Outstanding and Amount of Debt</u> |
|-------------------------------------|--|
| <u>Outstanding</u> | |
| Common Stock, P1.50 par value | 615,977,028 shares of common stock |
| Preferred Stock, P0.40 par value | 1,166,196,823 shares of preferred stock |
| Amount of debt as of March 31, 2012 | P10.50 Billion |

11. Are any or all of these securities listed on the Stock Exchange.
Yes (X) No ()
Only the common stock is listed on the Philippine Stock Exchange

12. Check whether the registrant:

(a) has filled all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA 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 (X) No ()

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

Yes (X) No ()

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House of Investments Inc and Subsidiaries
Consolidated Statements of Financial Position
(In Thousand Pesos)

| | 31-Mar-12 (Unaudited) | 31-Dec-11 (Audited) |
|---|---------------------------------|-------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 2,498,729 | 2,167,119 |
| Accounts Receivable | 4,123,451 | 3,926,141 |
| Current portion of loans receivable | - | 400,919 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 1,783,364 | 1,729,877 |
| Inventories | 729,930 | 656,807 |
| Due from related parties | 95,504 | 61,331 |
| Prepaid Expenses and other current assets | 515,718 | 736,027 |
| Total Current Assets | 9,746,696 | 9,678,221 |
| Non-Current Assets | | |
| Investments in associates and joint ventures | 1,426,829 | 1,324,630 |
| Available for sale securities | 464,703 | 451,543 |
| Investment properties | 291,427 | 328,240 |
| Property and Equipment | | |
| At cost | 3,645,665 | 3,273,300 |
| At revalued amount | 2,485,752 | 2,485,752 |
| Loans receivable - net of current portion | 16,851 | 1,131,781 |
| Deferred tax assets - net | 145,331 | 184,623 |
| Goodwill | 512,796 | 512,796 |
| Other noncurrent assets - net | 406,248 | 649,175 |
| Total Noncurrent Assets | 9,395,601 | 10,341,840 |
| | 19,142,297 | 20,020,061 |

House of Investments Inc and Subsidiaries
Consolidated Statements of Financial Position
(In Thousand Pesos)

LIABILITIES and EQUITY

Current Liabilities

| | | |
|--|------------------|-------------------|
| Loans payable | 2,967,393 | 4,088,090 |
| Accounts payable and accrued expenses | 3,453,140 | 3,201,210 |
| Current portion of long term debt | 86,000 | 589,400 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 2,213,709 | 1,862,748 |
| Unearned tuition fees | 149,725 | 167,724 |
| Income tax payable | 37,105 | 207,830 |
| Due to related parties | 49,494 | 58,235 |
| Customers' Deposits | 81,817 | 59,301 |
| Total Current Liabilities | 9,038,383 | 10,234,539 |

Noncurrent Liabilities

| | | |
|---|-------------------|-------------------|
| Long-term debt - net of current portion | 1,255,500 | 1,322,558 |
| Lease liability | 24,726 | 22,784 |
| Accrued retirement liability | 138,865 | 142,210 |
| Deferred tax liabilities | 43,749 | 69,682 |
| Total Noncurrent Liabilities | 1,462,840 | 1,557,234 |
| Total Liabilities | 10,501,223 | 11,791,773 |

Equity

| | | |
|---|-------------------|-------------------|
| Capital stock | | |
| Preferred stock | 454,825 | 466,479 |
| Common stock | 923,966 | 923,966 |
| Additional paid in capital | 154,578 | 154,578 |
| Revaluation increment on land | 273,067 | 273,067 |
| Cumulative translation adjustment | (22,421) | (22,421) |
| Net accumulated unrealized gain on available-for-sale securities | 89,172 | 76,012 |
| Retained Earnings | 3,347,425 | 3,085,799 |
| | 5,220,612 | 4,957,481 |
| Noncontrolling interest | 3,420,461 | 3,270,807 |
| Total Equity | 8,641,074 | 8,228,288 |
| | 19,142,297 | 20,020,061 |

House of Investments Inc and Subsidiaries
Unaudited Consolidated Statements of Income
For the periods ended March 31, 2012, 2011 and 2010
(In Thousand Pesos)

| | January 1 to March 31 | | |
|--|-----------------------|------------------|------------------|
| | 2012 | 2011 | 2010 |
| REVENUES | | | |
| Sales of services | 3,316,463 | 1,743,473 | 1,814,349 |
| Sales of goods | 1,105,488 | 1,426,478 | 1,425,560 |
| School and related operations | 399,504 | 354,665 | 320,168 |
| Interest and discounts | 28,236 | 133,698 | 106,327 |
| Dividends | 31 | 1,013 | 35 |
| | 4,849,721 | 3,659,327 | 3,666,439 |
| COSTS OF SALES AND SERVICES | | | |
| Cost of services | 2,741,877 | 1,433,495 | 1,416,944 |
| Cost of goods sold | 1,075,983 | 1,323,226 | 1,400,242 |
| Cost of school and related operations | 24,936 | 22,334 | 16,702 |
| | 3,842,796 | 2,779,055 | 2,833,888 |
| GROSS PROFIT | 1,006,925 | 880,272 | 832,551 |
| GENERAL AND ADMINISTRATIVE EXPENSES | (615,151) | (611,764) | (570,710) |
| OTHER INCOME | 102,865 | 130,968 | 190,716 |
| EQUITY IN NET EARNINGS OF ASSOCIATES | 61,734 | 83,519 | 76,363 |
| INTEREST AND FINANCE CHARGES | (27,887) | (108,708) | (132,351) |
| INCOME BEFORE INCOME TAX | 528,486 | 374,287 | 396,569 |
| PROVISION FOR INCOME TAX | (112,788) | (73,919) | (71,990) |
| NET INCOME | 415,698 | 300,368 | 324,579 |
| NET INCOME ATTRIBUTABLE TO: | | | |
| Equity Holders of the Parent Company | 266,044 | 201,423 | 199,051 |
| Noncontrolling Interest | 149,654 | 98,945 | 125,528 |
| | 415,698 | 300,368 | 324,579 |
| EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY | | | |
| HOLDERS OF THE PARENT COMPANY - BASIC AND DILUTED | 0.277 | 0.210 | 0.200 |

House of Investments Inc and Subsidiaries
Unaudited Consolidated Statements of Comprehensive Income
For the periods ended March 31, 2012, 2011 and 2010
(In Thousand Pesos)

| | January to March 31 | | |
|---|---------------------|----------------|----------------|
| | 2012 | 2011 | 2010 |
| NET INCOME | 415,698 | 300,368 | 324,580 |
| OTHER COMPREHENSIVE INCOME | | | |
| Cumulative Translation Adjustment | - | | |
| Unrealized gain(loss) on available -for-sale financial assets-net | 13,160 | 44,500 | 10,842 |
| Total Other Comprehensive Income | 13,160 | 44,500 | 10,842 |
| TOTAL COMPREHENSIVE INCOME-NET OF TAX | 428,858 | 344,868 | 335,422 |
| | | | |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | |
| Equity holders of the Parent Company | 279,204 | 245,923 | 209,954 |
| Noncontrolling interest | 149,654 | 98,945 | 125,568 |
| | 428,858 | 344,868 | 335,522 |

House of Investment
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED MARCH 31, 2012

| | Capital Stock | Additional paid-in | Unrealized gain(loss) On Available for Sale Financial Assets | Revaluation increment in property | Equity in Cumulative Trans | Retained Earnings | Total | Noncontrolling Inte | Total |
|--|---------------|--------------------|--|--------------------------------------|-------------------------------|-------------------|-----------|---------------------|-----------|
| Balances as at December 31, 2011 | 1,378,790 | 154,578 | 76,012 | 273,067 | (22,421) | 3,085,799 | 4,954,569 | 3,270,807 | 8,225,376 |
| Comprehensive Income | | | | | | | | | |
| Net Income | - | - | - | - | - | - | - | - | - |
| Other Comprehensive Income | - | - | 13,159 | - | - | 266,044 | 266,044 | 149,654 | 415,698 |
| Total Comprehensive Income | - | - | 13,159 | - | - | 266,044 | 266,044 | 149,654 | 415,698 |
| Purchase of noncontrolling interest (Nc) | - | - | - | - | - | - | - | - | - |
| Dividends Declared by Parent Compa | - | - | - | - | - | - | - | - | - |
| Dividends Declared by subsidiaries | - | - | - | - | - | - | - | - | - |
| Balances as at March 31, 2012 | 1,378,790 | 154,578 | 89,171 | 273,067 | (22,421) | 3,351,843 | 5,220,613 | 3,420,461 | 8,641,074 |
| Balances as at December 31, 2010 | 1,440,160 | 154,578 | 63,473 | 258,318 | (17,998) | 2,346,866 | 4,245,397 | 2,848,843 | 7,094,240 |
| Comprehensive Income | | | | | | | | | |
| Net Income | - | - | - | - | - | 201,423 | 201,423 | 98,945 | 300,368 |
| Other Comprehensive Income | - | - | 44,500 | - | - | - | 44,500 | - | 44,500 |
| Total Comprehensive Income | - | - | 44,500 | - | - | 201,423 | 245,923 | 98,945 | 344,868 |
| Purchase of noncontrolling interest (Nc) | - | - | - | - | - | - | - | - | - |
| Dividends Declared by Parent Compa | - | - | - | - | - | - | - | - | - |
| Dividends Declared by subsidiaries | - | - | - | - | - | - | - | (14,676) | (14,676) |
| Balances as at March 31, 2011 | 1,440,160 | 154,578 | 107,973 | 258,318 | (17,998) | 2,548,289 | 4,491,320 | 2,933,112 | 7,424,432 |

House of Investments Inc and Subsidiaries
Unaudited Consolidated Statements of Cash Flows
For the periods ended March 31, 2012, 2011 and 2010
(In Thousand Pesos)

| | January to March 31 | | |
|---|---------------------|----------------|----------------|
| | 2012 | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax | 528,486 | 374,287 | 396,570 |
| Depreciation and amortization | 10,993 | 87,819 | 80,003 |
| Interest and Finance Charges | 27,887 | 108,708 | 132,351 |
| Dividend Income | (9,820) | (41,442) | 9,907 |
| Movement in accrued retirement liability | (3,345) | | |
| Interest income | (28,236) | (133,698) | (106,327) |
| Equity earnings in associates | (48,235) | (83,519) | (76,363) |
| Probable losses and doubtful accts | - | | 3,477 |
| <i>Operating income before working capital changes</i> | <i>477,730</i> | <i>312,155</i> | <i>439,618</i> |
| Decrease (Increase) in | | | |
| Accounts receivable | (197,310) | (211,556) | (196,432) |
| Loans receivable | 1,515,849 | - | 35,000 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | (53,487) | 687,871 | 121,479 |
| Inventories | (144,706) | (105,861) | (15,741) |
| Prepaid Expenses and other current assets | (64,159) | 127,517 | 2,955 |
| Increase (decrease) in | | | |
| Accounts payable and accrued expenses | 251,930 | 113,590 | 118,897 |
| Customers' deposits | 22,516 | 2,617 | |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 350,961 | 243,351 | |
| Unearned tuition fees | (17,999) | (125,963) | (11,281) |
| Net cash generated from operations | 2,141,324 | 1,043,721 | 494,495 |
| Interest received | 28,236 | 133,698 | 106,327 |
| Interest and finance charges paid | (27,887) | (108,708) | (132,351) |
| Income tax paid | (276,533) | (73,918) | (71,990) |
| Net cash flows provided by operating activities | 1,865,140 | 994,793 | 396,481 |

House of Investments Inc and Subsidiaries
Unaudited Consolidated Statements of Cash Flows
For the periods ended March 31, 2012, 2011 and 2010
(In Thousand Pesos)

| | January to March 31 | | |
|---|---------------------|------------------|------------------|
| | 2012 | 2011 | 2010 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments received from (advances to) related parties | (34,173) | | |
| Investments in associates and joint ventures | (37,146) | (535,218) | (138,530) |
| Increase (decrease) in other noncurrent assets | (113,124) | 275,993 | 14,612 |
| Proceeds from disposals (acquisitions) of available-for-sale securities | (95,427) | | |
| Proceeds from disposal of property and equipment | 489,104 | | |
| Property plant and Equipment net | - | (495,223) | (301,725) |
| Dividends received | 9,820 | | |
| Land Held for future development | - | 33,654 | 104 |
| Net Addition (deduction) to minority interest | - | 299,171 | 57,072 |
| Net cash flows used in investing activities | 219,054 | (421,623) | (368,467) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from: | | | |
| Loans payable | (1,120,697) | (1,036,606) | 242,763 |
| Long-term debt | (570,458) | (29,866) | (57,143) |
| Lease liability | 8,320 | - | - |
| Advances from related parties | (8,741) | 78,374 | 91,810 |
| Redemption of preferred shares | (11,654) | - | (14,649) |
| Cash dividends paid | (49,355) | - | (76,891) |
| Net cash flows provided by (used in) financing activities | (1,752,584) | (988,098) | 185,890 |
| Net INCREASE (DECREASE)IN CASH AND CASH EQUIVALENTS | 331,610 | (414,928) | 213,904 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 2,167,119 | 2,072,400 | 1,858,496 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 2,498,729 | 1,657,472 | 2,072,400 |

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

1. Corporate Information

House of Investments, Inc. (the Parent Company) is a stock corporation incorporated under the laws of the Republic of the Philippines on May 21, 1959. The Company is a holding and management company and is also engaged in car dealership.

The registered office address of the Parent Company is at 3rd Floor Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City.

The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE). The ultimate parent company of the Group is Pan Malayan Management and Investment Corporation (PMMIC).

2. The accompanying interim consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards.

3. Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared under the historical cost basis, except for land, which is carried at revalued amount and available-for-sale (AFS) securities which are measured at fair value. The accompanying consolidated financial statements are presented in Philippine Peso (Php, ₱), which is also the Parent Company's functional currency. Except as indicated, all amounts are rounded off to the nearest peso.

4. Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. All subsidiaries are incorporated and operating in the Philippines.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. All intragroup balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the noncontrolling interest until the balance is reduced to nil. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Where ownership on certain subsidiaries is 50% or below but the Group has demonstrated that it has the power to govern the financial and operating policies (i.e., through representation by the majority members of the BOD) and the other stockholders have not organized their interest in

such a way that they exercise more votes than the Group, these subsidiaries are also consolidated.

Noncontrolling interest represents the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within the equity in the consolidated statement of financial position, separately from the Group's shareholders' equity.

5. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) interpretations which were adopted as of January 1, 2011. Except as otherwise indicated, the adoption of these new accounting standards and amendments have no material impact on the Group's financial statements.

- PAS 24 (Amended), *Related Party Disclosures*, effective for annual periods beginning on or after January 1, 2011
- PAS 32 Amendment, *Classification of Rights Issues*, effective for annual periods beginning on or after February 1, 2010
- Philippine Interpretation IFRIC 14 Amendment - *Prepayments of a Minimum Funding Requirement*, effective for annual periods beginning on or after January 1, 2011
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, effective for annual periods beginning on or after July 1, 2010
- 2010 Improvements to PFRSs
- PFRS 3, *Business Combinations*, effective for annual periods beginning on or after July 1, 2010
 - PFRS 7, *Financial Instruments: Disclosures*, effective for annual periods beginning on or after January 1, 2011
 - PAS 1, *Presentation of Financial Statements*, effective for annual periods on or after January 1, 2011
 - PAS 27, *Consolidated and Separate Financial Statements*, effective for annual periods on or after July 1, 2010
 - PAS 34, *Interim Financial Reporting*, effective for annual periods on or after January 1, 2011
 - Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, effective for annual periods on or after January 1, 2011

Standards Issued but not yet Effective

Standards, interpretations, amendments and improvements to standards issued but not effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group will adopt these standards, interpretations, amendments and improvements to standards when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI)*
The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012.
- PAS 12, *Income Taxes - Recovery of Underlying Assets*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*,

should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012. The Group will assess the impact to the consolidated financial statements when the amendment becomes effective.

- **PAS 19, *Employee Benefits* (Amendment)**
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the impact of the amendment to PAS 19. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- **PAS 27, *Separate Financial Statements* (As revised in 2011)**
As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- **PAS 28, *Investments in Associates and Joint Ventures* (As revised in 2011)**
As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements***
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment affects disclosures only and has no impact on the Group's financial position or performance.
- **PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities***
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a) The gross amounts of those recognized financial assets and recognized financial liabilities;
 - b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
 - c) The net amounts presented in the statement of financial position;
 - d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:

- i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
- ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- **PFRS 10, *Consolidated Financial Statements***
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The Group is currently assessing the impact of the amendment to the consolidated financial statements. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 11, *Joint Arrangements***
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC 13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 12, *Disclosure of Interests in Other Entities***
PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 13, *Fair Value Measurement***
PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **PFRS 9, *Financial Instruments: Classification and Measurement***
PFRS 9 as issued reflects the first phase on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement*, and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- *PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group is currently assessing impact of the amendments to PAS 32.

- *Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.
- *Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

6. The accounting policies, judgments and estimates that the Group adopted are the same as those that were disclosed in its 2011 annual financial reports.

7. Operating Segment Information

For management purposes, the Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment financial information is reported on the basis that it is used internally for evaluating segment performance and allocating resources to segments.

The Group derives its revenues from the following reportable segments:

Construction and Infrastructure - mainly consists of revenues from EEI Corporation and subsidiaries as a general contractor and trader of construction equipment and parts. The subsidiaries of EEI are mainly involved in the provision for manpower services, construction, trading of equipment, power generation, steel fabrication, real estate and others.

Consumer Finance - represents the general financing and investment business of ZIFC.

Education and Information Technology - primarily consists of revenues from iPeople and subsidiaries (including MCI) in education, consulting, development, installation and maintenance of information technology systems.

Car Dealership - represents automotive dealerships of the Company.

Other Services - represent support services which cannot be directly identified with any of the reportable segments mentioned above. These include sale of pharmaceutical products, trading of consumer goods and rendering various services to the consumers.

Segment assets and liabilities exclude deferred income tax assets and liabilities. Inter-segment income arise from transactions that were made on terms equivalent to those that prevail in an arms-length transactions.

Management monitors construction revenue and segment net income for the purpose of making decisions about resource allocation. Segment performance is evaluated based on net income and construction revenue.

Segment reporting is consistent in all periods presented as there are no changes in the structure of the Group's internal organization that will cause the composition of its reportable segment to change.

8. Nature and amount of items affecting assets, liabilities, equity, net income or cash flows:

Cash and Cash Equivalents

| <i>(In Thousand Pesos)</i> | 2012 | 2011 |
|----------------------------|-----------|-----------|
| Cash on hand and in banks | 1,735,278 | 1,468,284 |
| Short term investments | 763,451 | 698,835 |
| | 2,498,729 | 2,167,119 |

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments have terms with varying periods of up to three months and can be liquidated depending on the immediate cash requirements of the Group. These assets earn interest at the prevailing short-term investment rates.

Receivables

| <i>(In Thousand Pesos)</i> | 2012 | 2011 |
|--|-----------|-----------|
| Trade | | |
| Construction and infrastructure (including retention receivable of P997 million in March 2012) | 2,906,650 | 2,751,176 |
| Car dealership | 372,776 | 225,939 |
| Education and information technology | 102,178 | 77,542 |
| Other Services | 111,808 | 73,241 |
| Other receivables | | |
| Advances to suppliers and contractors | 498,402 | 501,330 |
| Consultancy fee | 153,582 | 149,764 |
| Rent receivable | 184,778 | 109,852 |
| Advances to officers and employees | 115,408 | 56,828 |
| Receivable from plant | 67,968 | 51,104 |
| Other-school related receivables | 38,767 | 42,671 |
| Due from PTC | 36,230 | 28,934 |
| Others | 242,706 | 194,344 |
| | 4,831,254 | 4,262,726 |
| Less: Allowance for impairment | 707,803 | 336,585 |
| | 4,123,451 | 3,926,141 |

Inventories

| <i>In Thousand Pesos</i> | 2012 | 2011 |
|--|---------|---------|
| At cost | | |
| Land and land development | 213,146 | 213,146 |
| Subdivision lots and contracted units for sale | 147,057 | 147,147 |
| Raw lands | 38,432 | 38,432 |
| Merchandise | 266,366 | |
| Spare parts and supplies | 104,453 | |
| | 769,453 | 398,725 |
| at NRV | | |
| Merchandise | 20,801 | 247,780 |
| Spare parts and supplies | 5,079 | 10,152 |
| Construction materials | 6,180 | 150 |
| | 32,060 | 258,083 |
| | 801,513 | 656,807 |

Prepaid Expenses

| <i>(In Thousand Pesos)</i> | 2012 | 2011 |
|---------------------------------|---------|---------|
| Prepaid Expenses | 189,332 | 199,059 |
| Noncurrent assets held for sale | 249,513 | 179,151 |
| Prepaid Taxes | 98,374 | 153,732 |
| Value added tax | 192,872 | 151,998 |
| Miscellaneous deposits | 53,641 | 48,071 |
| Unused office supplies | 8,201 | 3,110 |
| Others | 8,253 | 907 |
| | 800,186 | 736,027 |

Investment in Associates and Joint Venture

| <i>(In Thousand Pesos)</i> | 2012 | 2011 |
|---|-----------|-----------|
| Acquisition Cost | | |
| Balance at beginning of year | 429,287 | 429,287 |
| Acquisitions | - | - |
| Balance at end of quarter/year | 429,287 | 429,287 |
| Accumulated impairment loss | | |
| Balance at beginning of year | 116,463 | 119,663 |
| Impairment loss (recovery) | - | (3,200) |
| Balance at end of quarter/year | 116,463 | 116,463 |
| Accumulated equity in net earnings | | |
| Balance at beginning of year | 1,106,958 | 1,085,806 |
| Equity in net earnings | 61,734 | 378,385 |
| Dividends received | (9,820) | (357,232) |
| Balance at end of quarter/year | 1,158,872 | 1,106,958 |
| Equity in cumulative translation adjustment | (44,868) | (95,153) |
| | 1,426,829 | 1,324,630 |

Property and Equipment

| | 2012 | 2011 |
|---|-----------|-----------|
| At Cost | | |
| Land, Buildings and Improvements | 2,109,994 | 2,050,148 |
| Machinery, Tools and Construction Equipment | 2,252,764 | 1,881,165 |
| Transportation and Service Equipment | 1,300,919 | 1,293,900 |
| Furniture, Fixtures and Office Equipment | 1,292,174 | 1,269,632 |
| | 6,955,851 | 6,494,845 |
| Less: Accumulated Depreciation | 3,443,105 | 3,360,957 |
| | 3,512,745 | 3,133,888 |
| Construction in Progress | 132,919 | 139,412 |
| Net book value at Cost | 3,645,665 | 3,273,300 |
| Land at revalued amount | 2,485,752 | 2,485,752 |
| | 6,131,417 | 5,759,052 |

Accounts Payable and Accrued Expenses

| <i>(In Thousand Pesos)</i> | 2012 | 2011 |
|----------------------------|-----------|-----------|
| Accounts Payable | 2,379,817 | 2,325,555 |
| Accrued Expenses | 656,729 | 650,381 |
| Dividends Payable | 4,420 | 17,911 |
| Subscriptions Payable | 13,125 | 13,882 |
| Accrued Interest Payable | - | 10,378 |
| Others | 399,049 | 183,103 |
| | 3,453,140 | 3,201,210 |

The normal trade credit terms of accounts payable and accrued expenses of the Group are expected to be settled within the next twelve months.

Subscriptions payable represents unpaid subscriptions on AFS securities.

Cost of Sales and Services

| <i>(In Thousand Pesos)</i> | 2012 | 2011 |
|---------------------------------------|-----------|-----------|
| Cost of Services | | |
| Cost of construction contracts | 2,235,821 | 1,141,258 |
| Cost of manpower and other services | 506,056 | 292,237 |
| | 2,741,877 | 1,433,495 |
| Cost of Goods Sold | | |
| Cost of merchandise sold | 1,075,983 | 1,323,226 |
| | 1,075,983 | 1,323,226 |
| Cost of school and related operations | 24,936 | 22,334 |
| | 3,842,796 | 2,779,055 |

9. Aging of Trade Receivables As of March 31 2012

(In Thousand Pesos)

| | TOTAL | No. of Days Due | | |
|------------------------|-----------|-----------------|---------|--------------|
| | | 0-30 | 31-60 | Over 61 days |
| Construction | 2,906,650 | 2,356,562 | 70,879 | 479,209 |
| Education | 55,998 | 36,511 | 12,460 | 7,026 |
| Information Technology | 46,180 | 12,764 | 23,291 | 10,125 |
| Parent and Others | 484,584 | 169,942 | 106,709 | 105,181 |
| | 3,493,412 | 219,218 | 142,461 | 122,333 |

10. There was no change in amount reported in prior financial year that have material effect in the current interim period.

11. As of 31 March 2012, availment of loans amounted to P755 million while repayment is P375 million.

12. In a board meeting held on 21 March 2012, the Board of Directors of the Parent Company declared a cash dividend of P0.003793 per share or P 4.42 million to its preferred stockholders of record, payable on May 11, 2012.
13. There was no material event subsequent to the end of the interim financial period that has not been reflected in the interim consolidated financial statements.
14. There was no material change in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.
15. There was no any known event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
16. There are no any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), or/and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
17. There are no any significant elements of income or loss that did not arise from the issuer's continuing operations.
18. There are no any seasonal aspects that had a material effect on the financial condition or results of operations.

19. Operating Segment Information

For management purposes, the Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment financial information is reported on the basis that it is used internally for evaluating segment performance and allocating resources to segments.

The Group derives its revenues from the following reportable segments:

Construction and Infrastructure - mainly consists of revenues from EEI Corporation and subsidiaries as a general contractor and trader of construction equipment and parts. The subsidiaries of EEI are mainly involved in the provision for manpower services, construction, trading of equipment, power generation, steel fabrication, real estate and others.

Consumer Finance - represents the general financing and investment business of FMLFC and ZIFC.

Education and Information Technology - primarily consists of revenues from iPeople and subsidiaries (including MCII) in education, consulting, development, installation and maintenance of information technology systems.

Car Dealership - represents automotive dealerships of the Company.

Other Services - represent support services which cannot be directly identified with any of the reportable segments mentioned above. These include sale of pharmaceutical products, trading of consumer goods and rendering various services to the consumers.

Segment assets and liabilities exclude deferred income tax assets and liabilities. Inter-segment income arise from transactions that were made on terms equivalent to those that prevail in an arms-length transactions.

Management monitors construction revenue and segment net income for the purpose of making decisions about resource allocation. Segment performance is evaluated based on net income and construction revenue.

Segment reporting is consistent in all periods presented as there are no changes in the structure of the Group's internal organization that will cause the composition of its reportable segment to change.

| | Construction and Infrastructure | | Consumer Finance | | Education and Information Technology | | Other Services | | Eliminations | | Consolidated | |
|---------------------------|---------------------------------|-----------|------------------|-----------|--------------------------------------|-----------|----------------|-----------|--------------|-------------|--------------|------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues | 3,324,069 | 1,774,510 | 115,715 | 117,054 | 438,810 | 399,247 | 968,469 | 1,605,483 | 2,658 | (22,481) | 4,849,721 | 3,873,813 |
| Net Income (Loss) | 214,925 | 118,581 | (577) | 10,374 | 128,221 | 103,572 | 59,631 | 60,393 | (136,156) | (91,497) | 266,044 | 201,423 |
| Other Information | | | | | | | | | | | | |
| Segment Assets | 11,763,566 | 8,209,397 | 23,037 | 2,785,714 | 4,044,932 | 3,657,143 | 4,730,570 | 5,214,480 | (1,464,745) | (1,914,873) | 19,097,360 | 17,951,861 |
| Segment Liabilities | 7,301,683 | 4,464,293 | 4,273 | 2,345,520 | 1,513,636 | 1,651,829 | 2,101,360 | 2,616,928 | (419,729) | (549,141) | 10,501,223 | 10,529,429 |
| Investments in Associates | 1,017,800 | 1,041,966 | - | - | - | - | 2,165,865 | 2,569,055 | (1,773,654) | (2,123,565) | 1,410,011 | 1,487,456 |

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

Financial Condition

Consolidated total assets as of March 31, 2012 was P19.14 billion, compared to P20.02 billion as of December 31, 2011.

Cash and cash equivalents were P2.498 billion as of March 31, 2012, compared to P2.167 billion on December 31, 2011 or an increase of 15%. Continued strong Q1 results at EEI, and from the educational subsidiaries of iPeople, contributed to the rise in cash balances.

Consolidated accounts receivable rose by 5% to P4.123 billion as of the end of Q1 2012, compared to P3.926 at the end of 2011. The majority of this was driven by higher receivables at both EEI and from higher receivables at our Car Division.

EEI continues to enjoy a higher take up of domestic construction project revenue. Meanwhile, the Car Division of HI has benefited from the restoration of inventory supply of cars for sale, which was interrupted due to the flooding in Thailand during 2011. Sales have picked up in Q1 2012, compared to the end of 2011, when inventory stocks were not available for sale.

The current portion of notes receivable declined 100%, falling to zero from P400.9 million as of the end of 2011. This represents the effect of the divestment of First Malayan Leasing from the HI portfolio. First Malayan leasing was sold to RCBC and the sale closed on March 28, 2012.

Inventories as of the end of the first quarter of 2012 rose by 22% to P801.5 million from P656.8 million at the end of 2011. The rise in inventory reflects the increase in automobile stock on hand as the supply from Thailand has begun to normalize. Also, inventories of construction materials at EEI rose on stronger take up of local projects. We anticipate that these construction material inventories will get reduced as projects are completed.

Due from related parties pertain to receivable of EEI from its foreign associate.

Prepaid expenses and other current assets increased by 9% due to increase in input value added taxes and creditable withholding taxes. Other current assets mainly consist of iPeople's Fund for Engineering Development and Institutional Linkages (FEDIL), which is a restricted deposit for the purpose of undertaking socio-economic studies and development projects.

Investment in associates and joint ventures was up by 6% due to higher equity of EEI from net earnings of its associates.

Available for sale securities rose from P451.5 million at the end of 2011 to P560.1 million as of the end of Q1 2012. This rise reflects the increase in market value of the publicly listed stocks that HI holds in its portfolio.

Investment properties represent various parcel of land, condominium units and parking slots held for capital appreciation and rental. It dropped by 11% as EEI Marine disposed its land held for capital appreciation located in Pasig in March 2012.

Total property and equipment dropped to P5.295 billion from P5.759 billion, a decrease of 8%. Property and equipment assets decline because of the sale of First Malayan Leasing at the end of Q1 2012.

Loans receivable, net of current portion, fell by 99% to P16.85 million from P1.131 billion. This is the effect of the divestment of First Malayan Leasing.

Deferred tax assets went down by 21% due to utilization of tax credits.

Other noncurrent assets consist mainly of receivable from EEI's retirement fund. The receivable from EEI Retirement Fund, Inc. (the Fund) resulted from the sale of land held for sale by EEI to the Fund. The amount is to be paid by the Fund within seven years from 2006 with interest rate based on bank's internal average lending rate. Other noncurrent assets also include capitalized computer software, noncurrent deferred charges, deposit on contracts, refund from Meralco and others. The capitalized software is carried net of accumulated amortization.

Consolidated loans payable declined by 27% to P2.967 billion from P4.088 billion. This drop came as a result of the reduction in bills payable due to the divestment of First Malayan Leasing.

Accounts payable and accrued expenses rose by 8% to P3.453 billion in Q1 2012 from P3.201 billion as of the end of 2011. Most of this was caused by higher payables at the Car Division and at the education subsidiaries.

The Car Division had higher trade payables for the quarter as inventory levels recovered. The education subsidiaries had a timing difference between the end of the cut off of the reporting period, compared to the end of the academic quarter. The education subsidiaries usually accrue the full expenses to match revenue towards the end of the academic quarter. In this case, the cut off of the reporting period occurred before the end of the academic quarter.

The current portion of long term debt dropped by P503.4 million or 85% to end Q1 2012 at P86 million. This was a result of the sale of First Malayan Leasing as its short term debt was removed from HI's books.

Billings in excess of costs and estimated earnings on uncompleted contracts rose by 19% to P2.213 billion in Q1 2012 compared to P1.862 billion at the end of 2011. This reflects a rise in overall project and construction revenues attributed to EEI in 2012.

Unearned tuition fees decreased by 11% to P149.7 million in Q1 2012 compared to P167.7 million at the end of 2011. Unearned tuition fees at the education subsidiaries decreased because as of the end of Q1 2012, compared to the end of 2011, there was less time remaining in the academic quarter as of the cut off of the reporting period.

On a consolidated basis, income tax payable dropped by 82% to end Q1 2012 at P37.1 million compared to P207.8 million. This reflects two developments: the income tax payable attributed to First Malayan Leasing was reduced reflecting the sale of said subsidiary. Also, the group paid off a portion of its income tax liabilities.

Due to related parties decreased by P8.7 million or 15% as the Group settled its obligations to its affiliates which are not part of the HI group.

Customers' deposits went up by 38% due to increase in EEI's domestic construction projects.

Lease liability, which increased by P1.94 million or 9%, pertains mainly to lease obligation of MCL.

Long term debt, net of the current portion, dropped by P67.1 million, or 5% to end Q1 2012 at P1.255 billion from P1.322 billion as of the end of 2011. The group has been very proactive in reducing the negative interest carry by paring down its debt level.

Total equity, net of dividends paid, is at P8.6 billion, 4% higher than the year end 2011 equity of P8.2 billion.

Q1 2012 – Results of Operations

Total revenues for the quarter ended March 31, 2012 were P4.849 billion compared to P3.659 billion in the comparable quarter for the previous year, a rise of 33%. The main driver of this increase was strength in construction and project revenues from EEI.

Sales of services as of the first quarter of 2012 was P3.316 billion, about 90% higher than the P1.743 billion recorded in the previous year. Higher revenues primarily from domestic construction projects propelled sales higher.

Sales of goods for the first quarter of 2012 was P1.105 billion, or 23% lower than the P1.426 billion recorded in the quarter a year ago. The drop in sale of goods came from the Car Division, as our Honda and Isuzu dealerships continued to wrestle with the problem of a lack of inventory in the first 2 months of the quarter due to the flooding in Thailand.

Revenues from school and related operations ended the first quarter of 2012 at P399.5 million, which was 13% higher compared to the first quarter of 2011. The revenues were higher at our education subsidiaries, Malayan Colleges Inc.; and Malayan Colleges Laguna, because of higher enrolment, and a higher number of average academic units taken per student.

Interest and discount revenue declined by 79%, to P28.2 million from P133.69 million in the year ago quarter. This reflects the sale of First Malayan Leasing.

Cost of services rose by 91% to end the first quarter of 2012 at P2.742 billion, from P1.433 billion in the first quarter of 2011. This is volume-related and reflects the rise in construction project revenues from EEI.

Cost of goods sold dropped by 19% to P1.075 billion from P1.323 billion. This is also volume-related and reflects the decrease in unit sales at our car dealerships due to a lack of inventory.

Total gross profit rose 14% to P1.006 billion, from P880.27 million.

General and administrative expenses only rose by 1%, to P615.15 million from P611.76 million from the year ago period.

Other income went down by 21% primarily due to lower commission income.

Equity in net earnings of associates was lower by 26% compared to same period last year because the net earnings of First Malayan Leasing and HI-Eisai were far better in Q1 last year compared to this period.

Interest and finance charges dropped by 74%, to P27.9 million in the first quarter of 2012 compared to P108.70 million in the first quarter of 2011. This reflects the fact that management has tried to lower aggressively the group's negative interest carry. Further, there was a much lower requirement for inventory financing in the car division because of the lack of stock to sell.

This brought net income after tax to P415.69 million, which was 38% higher compared to the net income of P300.37 million in the first quarter of 2011.

HOUSE OF INVESTMENTS INC and SUBSIDIARIES

**Item 3: SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AND 68.1 AS AMENDED
FOR THE FIRST QUARTER ENDED MARCH 31, 2012**

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labelled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68 and 68.1 as amended that are relevant to the Group. This information is presented for purposes of filing with SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

The Group is not required to disclose the financial assets in equity securities as the total available-for-share securities amounting to P560.1 million do not constitute 5% or more of the total assets of the Group as at March 31, 2012.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Below is the schedule of advances to officers and employees of the Group with balances above P100,000 as at March 31, 2012:

| Name | Balance at beginning of year | Additions | Collections/ Liquidations | Balance at end of year |
|------------------------------|---------------------------------|------------------|------------------------------|---------------------------|
| EEI | | | | |
| Apolonio, Ferdinand D. Group | 300,000 | 3,691,380 | (900) | 3,992,280 |
| Arcega, Wilson | 142,108 | | | 142,108 |
| Cabrera, Lovette | 624,840 | | (157,740) | 782,580 |
| Garcia, Raul | 100,000 | 124,000 | (60,000) | 284,000 |
| Brutas, Crisanto | | 200,900 | (9,526) | 210,426 |
| Misa, Alexander | | 105,485 | | 105,485 |
| Lazaro, Romulo | 111,205 | | (77,325) | 188,530 |
| Castro, Romeo | 121,512 | | | 121,512 |
| Constantino, Edwin P | 255,741 | 204,945 | (171,015) | 631,701 |
| Enriquez, Emmanuel | | 250,000 | | 250,000 |
| Macapagal, Norman | 1,960,000 | | | 1,960,000 |
| Mercado, Oscar | 1,441,523 | | | 1,441,523 |
| Munji, Divina F | 836,376 | | | 836,376 |
| | 5,893,305 | 4,576,710 | (476,506) | 9,993,509 |

Forward

| Name | Balance at beginning of year | Additions | Collections/ Liquidations | Balance at end of year |
|------------------------------|---------------------------------|----------------|------------------------------|---------------------------|
| IPEOPLE | | | | |
| Bitor, Rolando | 478,000 | | (67,827) | 545,827 |
| Tablante, Dennis | 397,000 | | (22,841) | 419,841 |
| Caluyo, Felicito | 391,000 | | (19,525) | 410,525 |
| Songsong, Maribel | 386,000 | | (23,741) | 409,741 |
| Sabino, Lilibeth | 365,000 | | (25,177) | 390,177 |
| Salvacion, Jonathan | 361,000 | | (19,125) | 380,125 |
| Costales, Aloysius Nathaniel | 354,000 | | (14,820) | 368,820 |
| Benitez, Ethelwolda | 320,000 | | (15,655) | 335,655 |
| Lansangan, Emerald | 319,000 | | (19,125) | 338,125 |
| Co, Brian | 291,000 | | (19,400) | 310,400 |
| Robielos, Rex Aurelius | 260,000 | | (19,250) | 279,250 |
| Balatazar, Amalia | 227,000 | | (19,125) | 246,125 |
| Bonifacio, Donna | | 199,000 | | 199,000 |
| Lozano, Luz | 227,000 | | (19,125) | 246,125 |
| Sauquillo, Dante | 211,000 | | (17,875) | 228,875 |
| Maestrecampo, Dodjie S | 207,000 | | (11,959) | 218,959 |
| Eliquen, Nilda | 193,000 | | (19,000) | 212,000 |
| Cinco, Arnold | 189,000 | | (17,750) | 206,750 |
| Bayag, Marina | 182,000 | | (5,317) | 187,317 |
| Uy, Francis Aldrin | 158,000 | | (19,002) | 177,002 |
| Francisco, Ruth | 130,000 | | (7,751) | 137,751 |
| | 5,646,000 | 199,000 | (403,389) | 5,441,611 |
| HI PARENT | | | | |
| Tee, Cleto Jr | 296,482 | | (24,852) | 321,334 |
| Villegas, Raoul A | 263,761 | 31,404 | (41,046) | 336,211 |
| Tanjanco, Jose | 260,447 | 6,000 | (24,146) | 290,593 |
| Maglaya, Eslsie | 246,634 | | (17,727) | 264,361 |
| De Lara, Ma. Elisa | 255,000 | | | 255,000 |
| Maravilla, Juliet O | 278,755 | 600 | (34,425) | 313,780 |
| Eugenio, Rolando | 225,165 | 85,884 | (80,709) | 391,757 |
| Ramirez, Rosalia | 111,887 | | | 111,887 |
| Uy, perry | 252,000 | | | 252,000 |
| Sanchez, Emil | 203,000 | | | 203,000 |
| Capalongan, Allan | 188,500 | | | 188,500 |
| Aliganga, Justino | 142,000 | | | 142,000 |
| Damasco, Reyner | 112,000 | | | 112,000 |
| | 2,835,631 | 123,887 | (222,906) | 2,736,612 |
| LANDEV | | | | |
| Mario C. Pagio | 500,000 | | | 500,000 |
| Nathaniel Cabungcal | 281 | | (10,359) | 10,640 |
| | 500,281 | - | (10,359) | 489,922 |

Schedule C. Amounts Receivable/Payables from and to Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivables/payables with related parties, which are eliminated in the consolidated financial statements as at March 31, 2012:

| <u>Name and Designation of Debtor</u> | <u>Balance at Beginning Period</u> | <u>Additions</u> | <u>Amounts Collected</u> | <u>Amount Written off</u> | <u>Balance at end of period</u> |
|--|---|-------------------------|---------------------------------|----------------------------------|--|
| <i>Landev Corp</i> | | | | | |
| Due fr Affiliates | 255,051 | 38,895 | 264,913 | | 29,033 |
| Dividends Receivable | 7,000,000 | | | | 7,000,000 |
| | 7,255,051 | 38,895 | 264,913 | - | 7,029,033 |
| <i>Greyhounds Security and Investigation Agency</i> | | | | | |
| Due fr Affiliates | 16,531,781 | 290,222 | 6,429,306 | | 10,392,697 |
| <i>Investment Managers Inc</i> | | | | | |
| Due fr Affiliates | 543,527 | | 442,960 | | 100,567 |
| Dividends Receivable | 2,000,000 | | | | 2,000,000 |
| | 2,543,527 | - | 442,960 | - | 2,100,567 |
| <i>Ipeople Inc. and subsidiary</i> | | | | | |
| Due fr Affiliates | 17,788,334 | | | | 17,788,334 |
| Dividends Receivable | 43,219,547 | | | | 43,219,547 |
| | 61,007,881 | - | - | - | 61,007,881 |
| <i>EEI Corporation and Subsidiaries</i> | | | | | |
| Due fr Affiliates | 1,583,777 | 1,312,927 | 6,032 | | 2,890,672 |
| Vehicle Receivable | 4,187,496 | 4,383,300 | 6,266,544 | | 2,304,252 |
| | 5,771,273 | 5,696,227 | 6,272,576 | - | 5,194,924 |
| <i>Zamboanga Industrial Finance Corp</i> | | | | | |
| Due fr Affiliates | 371,625 | | | | 371,625 |
| | 371,625 | - | - | - | 371,625 |
| <i>Hexagon Lounge</i> | | | | | |
| Due fr Affiliates | 283,343 | | | | 283,343 |
| | 283,343 | - | - | - | 283,343 |
| <i>Xamdu Motors Inc</i> | | | | | |
| Due fr Affiliates | 562,165 | | | | 562,165 |
| | 562,165 | - | - | - | 562,165 |

Schedule D. Intangible Asset - Other Noncurrent Assets

As at March 31, 2012, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of EEI, iPeople, and Honda Cars Group. Details of the Group's intangible assets are as follows:

| Description | Beginning balance | Additions at cost | Charged to cost and expenses | Charged to other accounts | Other changes additions (deductions) | Ending balance |
|-------------------|-------------------|-------------------|------------------------------|---------------------------|--------------------------------------|----------------|
| Goodwill | ₱512,796,021 | ₱- | ₱- | ₱- | ₱- | ₱512,796,021 |
| Computer Software | 17,210,935 | - | (297,619) | - | - | 16,913,316 |
| | ₱530,006,956 | ₱- | (₱297,619) | ₱- | ₱- | ₱529,709,337 |

In 2011, the Group purchased its Oracle Accounting System for its financial reporting effective January 1, 2012. Total capitalizable costs related to the Oracle software amounted to ₱13.1 million.

Schedule E. Long-term Debt

Below is the schedule of long-term debt of the Group:

| Type of Obligation | Amount | Current | Noncurrent |
|--|----------------|-------------|----------------|
| Parent Company | | | |
| Private placement fixed-rate corporate promissory notes payable after three years from the date of issue with interest of 7.90%. | ₱89,000,000 | ₱- | ₱89,000,000 |
| MCI | | | |
| Peso-denominated syndicated bank loan payable after 10 years since November 2010 without grace period on principal payment, subject to floating rate equal to the 3-month Philippine Dealing System Treasury Reference Rates-Fixing (PDST-F) plus a per annum spread of 1.75% payable in accelerating amounts up to November 22, 2020. | 752,500,000 | 86,000,000 | 666,500,000 |
| EEI | | | |
| a) Private placement fixed-rate corporate promissory notes with effective interest of 6.25% per annum for ₱500 million in 2011 and 7.75% per annum for ₱300 million in 2010 | 500,000,000 | - | 500,000,000 |
| | ₱1,341,500,000 | ₱86,000,000 | ₱1,255,500,000 |

Payable to Philippine Transmarine Carriers, Inc. (PTC)

As at March 31, 2012 and December 31, 2011, payable to PTC amounted to ₱33.12 million and ₱34.8 million, respectively for its share in the income of tuition and other matriculation fees of students of the Malayan-PTC Center for Maritime Education and Training (CMET). This account is payable in 2013.

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)

The Group is not required to disclose the long term indebtedness to related parties amounting to P666.5 million as this do not constitute 5% or more of the total assets of the Group as at March 31, 2012.

Schedule G. Guarantees of Securities of Other Issuers

There are no guarantees of securities of other issuing entities by the Group as at March 31, 2012.

Schedule H. Capital Stock

| Title of issue | Number of shares authorized | Number of shares issued and outstanding as shown under related statement of financial position caption | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by related parties | Directors, Officers and Employees | Others |
|-----------------------|--|---|---|---|--|---------------|
| Common shares | 1,250,000,000 | 615,977,028 | — | 344,701,851 | 6,163,560 | 265,111,617 |
| Preferred shares | 2,500,000,000 | 1,166,196,823 | — | 494,661,821 | 637,357,511 | 34,177,491 |

HOUSE OF INVESTMENTS, INC. and SUBSIDIARIES

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

| | |
|--|--------------|
| Unappropriated Retained Earnings, <i>as adjusted to available for dividend distribution, beginning</i> | ₱729,559,000 |
| Add: Net income actually earned/realized during the year | 226,044,000 |
| Net income during the period closed to Retained Earnings | |
| Less: Non-actual/unrealized gains net of tax Movement in deferred tax assets | 61,734,000 |
| Less: Dividend declarations during the year | 4,420,000 |
| Total Unappropriated Retained Earnings, End Available For Dividend Declaration | ₱889,449,000 |

Group Structure

```

graph TD
    PMMIC[Pan Malayan Management and Investment Corporation] --> HOI[House of Investments, Inc.  
(Honda & Isuzu Branches)]
    PMMIC --> IM[Investment Managers, Inc.  
(100.00%)]
    PMMIC --> ZIFC[Zamboanga Industrial Finance Corporation  
(50.00%)]
    PMMIC --> ZC[Zamboanga Carriers, Inc.  
(100.00%)]
    PMMIC --> ZRDC[Zamboom Realty and Development Corporation  
(100.00%)]
    PMMIC --> IP[IPeople, Inc.  
(67.34%)]
    PMMIC --> X[Xandu Corp.  
(100%)]
    PMMIC --> SMC[Sino Motors, Corporation  
(40%)]
    PMMIC --> MC[Malyan Colleges, Inc.  
(100.00%)  
HI owns 7% while IPeople owns 93%]
    PMMIC --> LC[Landev Corp.  
(100.00%)]
    PMMIC --> HL[Hexagon Lounge  
(100.00%)]
    PMMIC --> GSA[Greyhounds Security & Investigation Agency  
(100.00%)]
    PMMIC --> HCK[Honda Cars Kalookan, Inc.  
(55.00%)]
    PMMIC --> ECC[EET Corporation  
(50.09%)]
    PMMIC --> A[Associates]

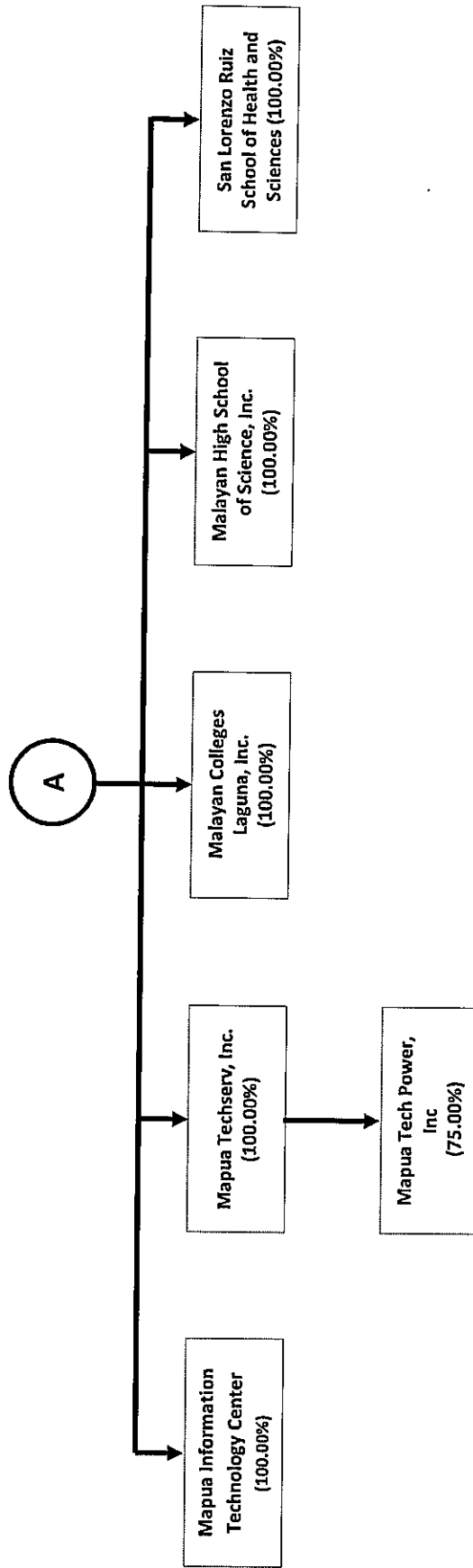
    HOI --> ZIFC
    HOI --> ZC
    HOI --> ZRDC
    HOI --> IP
    HOI --> X
    HOI --> SMC
    HOI --> MC
    HOI --> LC
    HOI --> HL
    HOI --> GSA

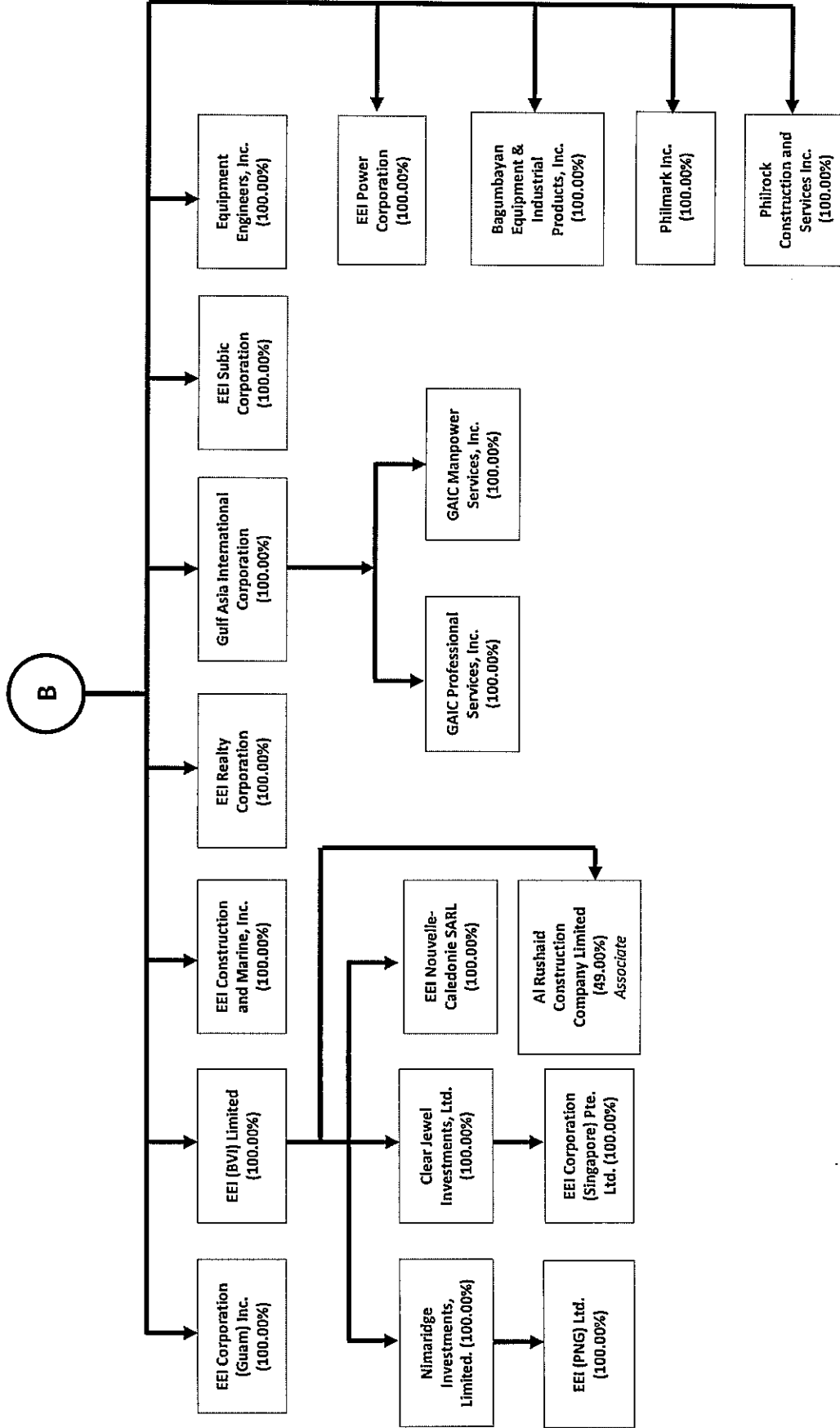
    X --> SMC
    SMC --> MC
    SMC --> ECC
    SMC --> A

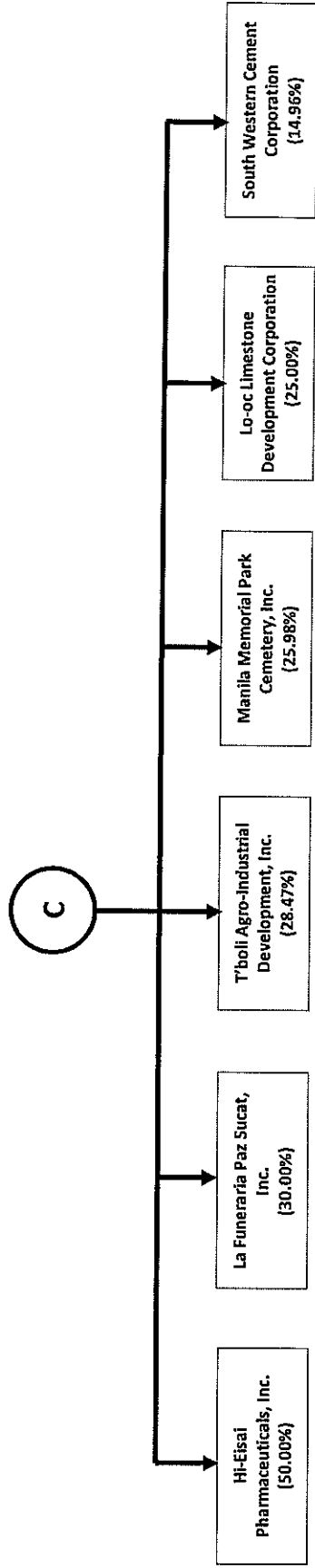
    IP --> ECC
    IP --> A

    ECC --> B((B))
    ECC --> A

    A --> C((C))
    C --> A
  
```







**The Group has more than 20% effective interest in SWCC since LLDC (in which the Group has 25% interest) has more than 50% interest in SWCC.*

HOUSE OF INVESTMENTS, INC. and SUBSIDIARIES**Item 4: SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF MARCH 31, 2012 AND DECEMBER 31, 2011***Financial Soundness Indicator*

Below are the financial ratios that are relevant to the Group for the year ended March 31, 2012 and December 31, 2011:

| Financial ratios | | 2012 | 2011 |
|-------------------------|--|----------------|-------------|
| Current ratio | $\frac{\text{Current assets}}{\text{Current liabilities}}$ | 1.08:1 | 0.95:1 |
| Solvency ratio | $\frac{\text{Net income plus depreciation}}{\text{Total liabilities}}$ | 0.05:1 | 0.16:1 |
| Debt to equity ratio | $\frac{\text{Total liabilities}}{\text{Total equity}}$ | 1.22:1 | 1.43:1 |
| Asset-to-equity ratio | $\frac{\text{Total assets}}{\text{Total equity}}$ | 2.22:1 | 2.43:1 |
| Interest rate coverage | $\frac{\text{EBIT*}}{\text{Interest expense}}$ | 18.94:1 | 7.60:1 |
| Return on assets | $\frac{\text{Net income*}}{\text{Average total assets}}$ | 8.49% | 7.26% |
| Return on equity | $\frac{\text{Net income*}}{\text{Average total equity}}$ | 19.71% | 17.63% |

**Earnings before interest and taxes (EBIT)*

**Annualized*

HOUSE OF INVESTMENTS, INC. and SUBSIDIARIES**SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PFRS AS OF MARCH 31, 2012**

Below is the list of all effective Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as at March 31, 2012:

I. List of PFRS effective as at March 31, 2012

| PFRSs | Adopted/Not adopted/Not applicable |
|---|---|
| PFRS 1, <i>First-time Adoption of Philippine Financial Reporting Standards</i> | Adopted |
| PFRS 2, <i>Share-based Payment</i> | Adopted |
| PFRS 3, <i>Business Combinations</i> | Adopted |
| PFRS 4, <i>Insurance Contracts</i> | Not applicable |
| PFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i> | Adopted |
| PFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i> | Not applicable |
| PFRS 7, <i>Financial Instruments: Disclosures</i> | Adopted |
| Amendments to PAS 1: <i>Presentation of Items of Other Comprehensive Income</i> | Adopted |
| PFRS 8, <i>Operating Segments</i> | Adopted |
| PAS 1, <i>Presentation of Financial Statements</i> | Adopted |
| PAS 2, <i>Inventories</i> | Adopted |
| PAS 7, <i>Statement of Cash Flows</i> | Adopted |
| PAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> | Adopted |
| PAS 10, <i>Events after the Reporting Period</i> | Adopted |
| PAS 11, <i>Construction Contracts</i> | Adopted |
| PAS 12, <i>Income Taxes</i> | Adopted |
| PAS 16, <i>Property, Plant and Equipment</i> | Adopted |
| PAS 17, <i>Leases</i> | Adopted |
| PAS 18, <i>Revenue</i> | Adopted |
| PAS 19, <i>Employee Benefits</i> | Adopted |
| PAS 20, <i>Accounting for Government Grants and Disclosure of Government Assistance</i> | Not applicable |
| PAS 21, <i>The Effects of Changes in Foreign Exchange Rates</i> | Adopted |
| PAS 23, <i>Borrowing Costs</i> | Adopted |
| PAS 24, <i>Related Party Disclosures</i> | Adopted |
| PAS 26, <i>Accounting and Reporting by Retirement Benefit Plans</i> | Not applicable |
| PAS 27, <i>Consolidated and Separate Financial Statements</i> | Adopted |
| (Forward) | |
| PAS 28, <i>Investments in Associates</i> | Adopted |
| PAS 29, <i>Financial Reporting in Hyperinflationary Economies</i> | Not applicable |
| PAS 31, <i>Interests in Joint Ventures</i> | Adopted |
| PAS 32, <i>Financial Instruments: Presentation</i> | Adopted |
| PAS 33, <i>Earnings per Share</i> | Adopted |
| PAS 34, <i>Interim Financial Reporting</i> | Adopted |

| | |
|---|----------------|
| PAS 36, <i>Impairment of Assets</i> | Adopted |
| PAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i> | Adopted |
| PAS 38, <i>Intangible Assets</i> | Adopted |
| PAS 39, <i>Financial Instruments: Recognition and Measurement</i> | Adopted |
| PAS 40, <i>Investment Property</i> | Adopted |
| PAS 41, <i>Agriculture</i> | Not applicable |
| Philippine Interpretation IFRIC-1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i> | Not applicable |
| Philippine Interpretation IFRIC-2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i> | Not applicable |
| Philippine Interpretation IFRIC-4, <i>Determining whether an Arrangement contains a Lease</i> | Adopted |
| Philippine Interpretation IFRIC-5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i> | Not applicable |
| Philippine Interpretation IFRIC-6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i> | Not applicable |
| Philippine Interpretation IFRIC-7, <i>Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies</i> | Not applicable |
| Philippine Interpretation IFRIC-9, <i>Reassessment of Embedded Derivatives</i> | Adopted |
| Philippine Interpretation IFRIC-10, <i>Interim Financial Reporting and Impairment</i> | Adopted |
| Philippine Interpretation IFRIC-12, <i>Service Concession Arrangements</i> | Not applicable |
| Philippine Interpretation IFRIC-13, <i>Customer Loyalty Programmes</i> | Adopted |
| Philippine Interpretation IFRIC-14, <i>PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i> | Adopted |
| Philippine Interpretation IFRIC-16, <i>Hedges of a Net Investment in a Foreign Operation</i> | Adopted |
| Philippine Interpretation IFRIC-17, <i>Distributions of Non-cash Assets to Owners</i> | Not applicable |
| Philippine Interpretation IFRIC-18, <i>Transfers of Assets from Customers</i> | Not applicable |
| Philippine Interpretation IFRIC-19, <i>Extinguishing Financial Liabilities with Equity Instruments</i> | Adopted |
| (Forward) | |
| Philippine Interpretation SIC-7, <i>Introduction of the Euro</i> | Not applicable |
| Philippine Interpretation SIC-10, <i>Government Assistance - No Specific Relation to Operating Activities</i> | Not applicable |
| Philippine Interpretation SIC-12, <i>Consolidation - Special Purpose Entities</i> | Adopted |
| Philippine Interpretation SIC-13, <i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i> | Adopted |
| Philippine Interpretation SIC-15, <i>Operating Leases - Incentives</i> | Adopted |
| Philippine Interpretation SIC-21, <i>Income Taxes - Recovery of Revalued Non-Depreciable Assets</i> | Adopted |
| Philippine Interpretation SIC-25, <i>Income Taxes - Changes in</i> | Not applicable |

| | |
|---|----------------|
| <i>the Tax Status of an Entity or its Shareholders</i> | |
| Philippine Interpretation SIC-27, <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i> | Adopted |
| Philippine Interpretation SIC-29, <i>Service Concession Arrangements: Disclosures</i> | Not applicable |
| Philippine Interpretation SIC-31, <i>Revenue - Barter Transactions Involving Advertising Services</i> | Not applicable |
| Philippine Interpretation SIC-32, <i>Intangible Assets - Web Site Costs</i> | Not applicable |

*Standards tagged as "Not applicable" have been adopted by the Company but it has no significant covered transactions for the years ended December 31, 2011 and 2010.

II. List of New and Amended Standards and Interpretations and Improvements to PFRS that became effective as at January 1, 2011

| PFRSs | Adopted/Not adopted/Not applicable |
|--|------------------------------------|
| <i>New and Amended Standards and Interpretations</i> | |
| PAS 24 (Amended), <i>Related Party Disclosures</i> | Adopted |
| PAS 32, <i>Financial Instruments: Presentation</i> (Amendment) – Classification of Rights Issues | Adopted |
| Philippine Interpretation IFRIC 14 (Amendment), <i>Prepayments of a Minimum Funding Requirement</i> | Adopted |
| PFRS 1, <i>First-time Adoption of IFRS</i> – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters | Not applicable |
| <i>Improvements to PFRS</i> | |
| PFRS 1, <i>First-time Adoption of IFRS</i> : | |
| • Accounting policy changes in the year of adoption | |
| • Revaluation basis as 'deemed cost' | |
| • Use of 'deemed cost' for operations subject to rate regulation | |
| | Not applicable |
| PFRS 3, <i>Business Combinations</i> : | |
| • Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. | |
| • Measurement of non-controlling interests | |
| • Un-replaced and voluntarily replaced share-based payment rewards | |
| | Not applicable |
| PFRS 7, <i>Financial Instruments: Disclosures</i> – Clarification of disclosures | Adopted |
| PAS 1, <i>Presentation of Financial Statements</i> – Clarification of statement of changes in equity | Adopted |
| PAS 27, <i>Consolidated and Separate Financial Statements</i> – Transition requirements for amendments made as a result of IAS 27 Consolidated and Separate Financial Statements | Adopted |
| PAS 34, <i>Interim Financial Reporting</i> – Significant events and transactions | Adopted |

Philippine Interpretation IFRIC 13, *Customer Loyalty*

Programmes – Fair value of award credits

Not applicable

Philippine Interpretation IFRIC 19, *Extinguishing Financial*

Liabilities with Equity Instruments

Not applicable

*Standards tagged as “Not applicable” have been adopted by the Company but it has no significant covered transactions for the years ended December 31, 2011 and 2010.

III. Standards Issued but not yet Effective as at December 31, 2011

| Standard(s)/Interpretation(s) /Amendment (s) issued but not yet effective | Applicable to annual period beginning on or after | Early application allowed | Adopted/Not adopted/Not applicable |
|---|--|---------------------------------|--|
| Amendments to PAS 12 - <i>Deferred Tax: Recovery of Underlying Assets</i> | January 1, 2012 | Yes | Not adopted |
| PAS 19, <i>Employee Benefits (Revised)</i> | January 1, 2013 | Yes | Not adopted |
| PAS 27, <i>Separate Financial Statements</i> | January 1, 2013 | Yes | Not adopted |
| (Forward) | | | |
| PAS 28, <i>Investments in Associates and Joint Ventures</i> | January 1, 2013 | Yes | Not adopted |
| Amendments to PAS 32, <i>Offsetting Financial Assets and Financial Liabilities</i> | January 1, 2014 | Yes | Not adopted |
| Philippine Interpretation IFRIC - 15, <i>Agreements for the Construction of Real Estate</i> | Deferred by SEC and FRSC | No | Not adopted |
| Philippine Interpretation IFRIC - 20, <i>Stripping Costs in the Production Phase of a Surface Mine</i> | January 1, 2013 | Yes | Not adopted |
| Philippine Interpretations Committee (PIC) Q&A No. 2011-02: PFRS 3.2 - Common Control Business Combinations | January 1, 2012 | Yes | Not adopted |
| PIC Q&A No. 2011-03: Accounting for Inter- company Loans | January 1, 2012 | Yes | Not adopted |
| PIC Q&A No. 2011-04: PAS 32.37-38 - Costs of Public Offering of Shares | January 1, 2012 | Yes | Not adopted |
| PIC Q&A No. 2011-05: PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost | January 25, 2012 | Not mentioned | Not adopted |

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main purpose of the Group's financial instruments is to raise finances for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, market risk, and credit risk. The BOD reviews and agrees on the policies for managing these risks, as well as approving and authorizing risk limits set by management, summarized below. There were no changes in the policies for managing these risks.

a. *Liquidity Risk*

Liquidity risk is the risk that the Group will be unable to meet its payment obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. As an inherent part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long-term credit facilities. As at March 31, 2012 and December 31, 2011, the Group has available credit facilities with banks aggregating to ₱5.1 billion and ₱4.5 billion, respectively.

b. *Market Risk*

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in equity prices, foreign currency exchange rates, and interest rates.

Equity Price Risk

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as AFS securities.

Quoted AFS securities assets are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

Foreign Currency Risk

Currency risk is the potential decline in the value of the financial instruments due to exchange rate fluctuations. Exposure to currency risk arises mainly when receivables and payables are denominated in a currency other than the Group's functional currency or will be denominated in such currency in the planned course of business.

Foreign currency risk is monitored and analyzed systematically and is managed centrally by the central finance department. The Group's policy is to maintain foreign currency exposure within existing internal regulations, and within acceptable risk limits as approved by the BOD.

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term and long-term obligations.

c. *Credit Risk*

The Group's exposure to credit risk on its receivables relates primarily to the inability of the debtors to pay and fully settle the unpaid balance of receivables owed to the Group. The Group manages its credit risk in accordance with its credit risk policies which requires the evaluation of the

creditworthiness of the debtors. The Group's exposure to credit risk on its other receivables from debtors and related parties is managed through close account monitoring and setting limits.

There can be some credit exposures on project commitments and contingencies as of March 31, 2012 and December 31, 2011 represented by work accomplishments on backlog of projects which are not yet invoiced. These exposures are however limited to a few months work accomplishment as work are frozen as soon as the Group is able to determine that the risk of non-collection materializes. This risk is, however, mitigated by the Group's contractor's lien on the project. A contractor's lien is the legal right of a contractor (the Group) to takeover the project in-progress and has priority in the settlement of contractor's receivables and claims on the project in the event of insolvency of the project owner. The Group assesses that the value of projects in-progress is usually higher than receivables from and future commitments with the project owners.


Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.


Except for ZIFC which is involved in financing activities, and except for the cash and cash equivalents deposited to RCBC, the Group does not have any significant exposure to any individual customer or counterparty. ZIFC monitors concentrations of credit risk by sector.

S I G N A T U R E S

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

Issuer : HOUSE OF INVESTMENTS, INC.

Signature and Title : 
JOSE MA. G. CASTILLO III
SVP - Finance / Treasurer & Compliance Officer


RAOUL A. VILLEGAS
VP - Finance


MA. TERESA T. BAUTISTA
AVP - Finance & Controller

Date : May 21, 2012