COVER SHEET

1	5	3	9	3

SEC Registration Number

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

(Company's Full Name)

3rd Floor Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City

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

Ma. Teresa T. Bautista
(Contact Person)

815-9636
(Company Telephone Number)

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

A A F S
(Form Type)

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE REVISED SECURITIES ACT AND SECTION 141
OF CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2013**

2. SEC Identification Number: **15393** 3. BIR Tax Identification No.: **321-000-463-069**

4. Exact Name of registrant as specified in its charter **House of Investments, Inc.***

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

6. (SEC Use Only)
Industry Classification Code:

7. **3rd Flr., Grepalife Bldg, 219 Sen. Gil Puyat Avenue, Makati City** **1200**
Address of principal office Postal Code

8. **(632) 815-9636**
Registrant's telephone number, including area code

9. **Not Applicable**
Former address, and former fiscal year, if changed since last report

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

Title of Each Class	Number of Shares Outstanding
Common, P1.5 par value	616,196,757
Preferred, P0.40 par value	951,676,032

Total Debt Outstanding as of December 31, 2013: P12.13 Billion

11. Are any or all of these securities listed on the Philippine Stock Exchange: **Yes/Common**

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);
Yes [x] No [ ]

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

****Full Name as it appears in the Company's Charter: House of Investments, Inc. doing business also under the names of Honda Cars Quezon City, Honda Cars Manila, Honda Cars Marikina, Honda Cars Fairview, Honda Cars Tandang Sora, Honda Cars Marcos Highway, Isuzu Manila, Isuzu Commonwealth and Isuzu Greenhills.***

13. As of March 31, 2014, within 60 days prior to the filing of SEC17-A, the aggregate market value of the voting stock held by non-affiliates of the Company is equivalent to One billion, Six Hundred Ninety Four million, Seven Hundred Eighty One thousand and Six Hundred Sixty Three Pesos (₱1,694,781,663) or Two Hundred Sixty Six Million, Fifty Six Thousand and Seven Hundred Seventy Six (266,056,776) shares at ₱ 6.37/share.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference:

(a) 2013 Audited Consolidated Financial Statements

TABLE OF CONTENTS

PART I – BUSINESS AND GENERAL INFORMATION

Item 1: Description of Business

The House of Investments, Inc. (HI) is incorporated in the Republic of the Philippines and is a publicly-listed corporation on the Philippine Stock Exchange (PSE).

HI was incorporated as the first investment bank in the Philippines in 1959. It has evolved into an investment holding company with a diversified portfolio. As of the end of 2013, it has a total consolidated asset base of PhP22.9 billion. Consolidated revenues for 2013 summed to PhP17.74 billion, with consolidated net income of PhP1.83 billion.

Using funding raised through various sources (internally generated cash, equity, debt, or a combination) HI seeks to buy entire businesses (or take majority control in a friendly transaction) with a view towards increasing the returns from such enterprises. By taking control of high return businesses, management seeks to increase the enterprise value of the company as the earnings stream and cash flows from such investments grow.

These returns are then channelled to stockholders primarily through dividends.

HI does have the alternative of exiting investments via sale of such assets. This is also a tool for leaving low-return businesses with the objective of investing additional capital in higher return businesses.

HI's portfolio is organized in seven distinct sectors:

CAR DEALERSHIP

HI operates two car retailing groups: *Honda Cars Quezon City (HCQC Group)* and *Isuzu Manila, Inc. (IMI). HCQC Group* operates five dealerships – Honda Cars Quezon City (HCQC), Honda Cars Manila (HCMA), Honda Cars Marikina (HCMK), Honda Cars Fairview (HCFV), Honda Cars Marcos Highway (HCMH) and one service center in Tandang Sora (HCTS). *IMI* operates four dealerships in Manila (IMI), Commonwealth (ICW), Greenhills (IGH), and Leyte (ILY). HI also owns a majority stake in Honda Cars Kalookan (HKI) that operates two dealerships in Kalookan (HCKI) and Greenhills (HCGH)

CONSTRUCTION

HI owns a majority stake in one of the largest Philippine construction and general contracting firms, EEI Corporation (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.

EDUCATION AND INFORMATION TECHNOLOGY

HI owns a majority stake in iPeople, inc. (IPO). IPO is the vehicle for our investments in the education and information technology sectors.

Education

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

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

Information Technology
IPO wholly owns Pan Pacific Computer Center, Inc. (PPCC). PPCC services the I.T. related requirements of the Yuchengco Group of Companies (YGC) and select clients.

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

MMPCI is the recognized market leader in afterlife services. It sells memorial lots and owns, operates, and maintains memorial parks. While LFPSI provides mortuary services to the bereaved and their loved ones.

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

PROPERTY MANAGEMENT, PROJECT MANAGEMENT, SECURITY
HI wholly owns Landev Corporation (LANDEV). LANDEV is primarily engaged in property management and project management for the YGC.

Landev owns a subsidiary named Greyhounds Security and Investigation Agency Corporation (GSIA). GSIA provides comprehensive security services to leading installations.

PHARMACEUTICALS
HI owns 50% of HI-Eisai Pharmaceuticals, Inc. 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.

The operations of each business in the portfolio, along with a discussion of risks and 2013 performance, will be discussed in the appropriate section.

THE HOLDING COMPANY

Executive management monitors the business performance of companies in the portfolio very closely. Through regular review of actual results compared to budgets and previous year performance, HI is able to determine if the Group is able to perform as expected.

In particular, management watches operating metrics very closely and how these impact the financial metrics. By monitoring operating metrics and financial metrics, executive management can always determine whether the capital deployed to various businesses within the portfolio is being used efficiently, and generating returns that meet hurdle rates.

Executive management also engages in a continuous business development program. These business development activities range from assisting portfolio companies in identifying growth opportunities in existing businesses; assisting portfolio businesses by helping them develop new products and services that increase organic growth; or buying entire companies or controlling stakes in companies which show high growth potential and the returns of which meet hurdle rates.

Competition

HI is subject to competition in the segments in which each of its portfolio companies operate. *Please refer to the related section of each business; there is also a discussion of risks each portfolio company faces.*

HI faces competition in some cases when it is in the process of bidding on prospective deals. There are other holding companies or business groups that are very active in expanding their Philippine portfolio of earning assets. In some situations, HI might find itself bidding against such competitors when prime assets of businesses are for sale.

Risks at the Holding Company Level

The following covers the risk management policies at the holding company level. *For a discussion of risks faced by each portfolio company, please refer to the appropriate section in this report.*

Interest Rate Risk

HI is exposed to interest rate risk because it has borrowings from local banks. It is a company policy to use excess liquidity to pay down borrowings in order to decrease financing costs, and reduce exposure to rising interest rates.

It is also a company policy to actively discuss with lending banks on how to lower financing costs. When possible, HI will use lower cost debt to pay down higher cost debt. HI does not have a practice of speculating on the direction of interest rates. The main objective is to lower financing costs as much as possible.

Foreign Exchange Risk

HI's exposure to foreign exchange risk is minimal. The company does have excess funds denominated in U.S. dollars. Where possible and when warranted, it is the company practice to pay dollar liabilities with its excess dollar funds. The company does not speculate on the direction of foreign exchange rates.

Liquidity Risk

HI seeks to manage its liquidity to be able to service maturing debts, finance capital requirements, and pay for existing operations. HI maintains a consistent level of funding to be able to pay for its day to day operations. HI constantly monitors its projected cash flows through risk meetings that occur on a weekly basis. When major acquisitions are identified, HI assesses market conditions to be able to source the funding as inexpensively as possible.

Credit Risk

HI's holding of cash and short term securities exposes the company to the credit risk of the counterparty. Given HI's diverse body of counterparties, it does not have a concentrated credit risk exposure.

The Group's exposure to credit risk is very minimal because its receivables are mostly from related parties, which are being managed through close account monitoring and limit setting.

Price Risk

Available for sale (AFS) financial instruments are held and are subject to price fluctuation. These securities are vulnerable to price risk due to changes in market values because of specific factors related to these securities, or because of factors related to the overall market for financial assets. These prices change depending on how market participants act in the market.

HI has non-core holdings in its AFS investments. For its non-core holdings, HI's investment policy is to monitor developments in the market and to monitor these securities very closely. The company regularly assesses the opportunity cost of holding these securities. When a more appropriate use of the funds is determined, it is HI's intention to liquefy these investments and put the excess cash to work.

Business Continuity Risk
HI is acutely conscious of the risks posed by natural disasters, acts of God, or other man-made actions that can have an adverse impact on the continuity of regular operations. The firm works to make sure that its business continuity plans are up to date

Succession Risk
HI knows that people are an important resource and that its executive management team is a significant contributor to the value-adding activities of the Company. In order to preserve the management chain of succession and institutional knowledge that comes with it, each member of executive management is accountable for putting a succession plan in place that includes the identification and development of his or her successor.

The respective company presidents, general managers, and chief risk officers of each portfolio company are accountable for making sure that their risk management policies line up with the risk management policies of the holding company. Group internal audit (GIA) provides valuable input to risk management support by conducting regular business unit audits that also incorporate the evaluation of risk management practices.

The Risk Management Committee of the Board meets regularly and exercises and oversight role on executive management who are accountable for managing the risks that arise out of regular business operations.

CAR DIVISIONS

HI operates two car retailing groups: HCQC Group and Isuzu Manila Group. HI also owns 55% of Honda Cars Kalookan, Inc. (HKI)

HONDA CARS QUEZON CITY GROUP AND HONDA CARS KALOOKAN GROUP
HCQC Group has six locations: Quezon Avenue, Manila, Fairview, Marikina, Marcos Highway, and Tandang Sora. HKI has two locations along E. de los Santos Avenue in Balintawak and in Greenhills. 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 HCKI 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 cyclicality 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. HCQC and HCKI retail a vehicle line up in the passenger cars and commercial vehicle category.

ISUZU MANILA GROUP

IMI Group on the other hand has four locations: Manila, Commonwealth, Greenhills, and Leyte.

IMI represents the Isuzu automobile brand and conducts essentially the same business activities as the other members of HI's car division.

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 at the Car Divisions

Macro-economic conditions. The Car Divisions' 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 with Honda and with 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 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.

THE CONSTRUCTION SECTOR

EEI CORPORATION AND SUBSIDIARIES

HI owns a majority stake (50.09%) in one of the largest Philippine construction and general contracting firms, EEI Corporation. 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.

Principal Activities

A. 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.

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

B. 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.

EEI 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.

C. 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.

EEI 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, EEI 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
- SM200 Phase 1 Sarangani Coal-Fired Power Plant
- Manila North Tollways Corporation's Harbor Link Project
- Jetty Piping Modification
- SM Five E-Commerce Center
- Uptown Mall and BPO Offices
- Novotel
- Asian Development Bank
- Admiral Bay Suites
- SM Mezza II Residences
- Maibarara Geothermal Power Plant
- Casecnan Irrigation Project
- Kamanava Flood Control Project
- Bohol Irrigation Project
- LRT Line 1 Expansion Project
- Therma South 2x150 MW Coal-Fired Power Plant
- Festival Mall
- Keppel Batangas Shipyard
- North South Realty and Agricultural Development Corporation (NSRADC) Food Processing Plant
- Grand Hyatt
- 10M Liters Capistrano Concrete
- Reservoir and Pump Station
- The Levels, owned by Filinvest Land, Inc.
- Le Grand Tower 3
- SM Green Residences
- JG Summit Naphtha Cracker Plant
- The Beacon Towers

D. 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.

E. Steel Fabrication
EEI 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. EEI 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.

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.

EEI'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.

Risk Factors at the Construction Sector

EEI may experience reduced profits or losses under contracts if costs increase above estimates.
We conduct our business under various types of contractual arrangements where costs are estimated in advance. If we fail to accurately estimate the resources and time necessary for these contracts, or fail to complete these contracts within the timeframes and costs we have agreed upon, there could be a material impact on our financial results as well as our reputation.

Risks under our contracts which could result in cost overruns, project delays or other problems can include:

- Difficulties related to the performance of our subcontractors, suppliers, equipment providers or other third parties;
- Changes in local laws or difficulties in obtaining permits, rights of way or approvals;
- Unanticipated technical problems, including issues with regard to the design or engineering phases of contracts;

- Unforeseen increases in the cost of raw materials, components, equipment, labor, or the inability to timely obtain them;
- Delays caused by weather conditions;
- Incorrect assumptions related to productivity, scheduling estimates or future economic conditions; and
- Project modifications creating unanticipated costs or delays.

Intense competition in the engineering and construction industry could reduce EEI's market share and profits. We serve markets that are highly competitive and in which a large number of domestic and multinational companies compete. In particular, the engineering and construction markets are highly competitive and require substantial resources and investment in technology and skilled personnel.

Competition also places downward pressure on our contract prices and profit margins. Intense competition is expected to continue in these markets, presenting us with significant challenges in our ability to maintain strong growth rates and acceptable profit margins. If we are unable to meet these competitive challenges, we could lose market share to our competitors and experience an overall reduction in our profits.

EEI's revenue and earnings are largely dependent on the award of new contracts which we do not directly control. A substantial portion of our revenue and earnings is generated from large-scale and increasingly international project awards. The timing of when project awards will be made is unpredictable and outside of our control.

We operate in highly competitive markets where it is difficult to predict whether and when we will receive awards since these awards and projects often involve complex and lengthy negotiations and bidding processes. These processes can be impacted by a wide variety of factors including governmental approvals, financing contingencies, commodity prices, environmental conditions and overall market and economic conditions.

Global economic conditions will likely affect a portion of our client base, partners, subcontractors, and suppliers and could materially affect our backlog and profits. Current global economic conditions have reduced and continue to negatively impact our client's willingness and ability to fund their projects. These conditions make it difficult for our clients to accurately forecast and plan future business trends and activities, thereby causing our clients to slow or even curb spending on our services, or seek contract terms more favorable to them.

Financial market conditions and adverse credit market conditions could adversely affect our clients', our partners' or our own borrowing capacity, which support the continuation and expansion of projects worldwide, and could result in contract cancellations or suspensions, project delays, payment delays or defaults by our clients. Our ability to expand our business would be limited if, in the future, we are unable to access sufficient credit capacity, including capital market funding, bank credit, such as letters of credit, and surety bonding on favorable terms or at all. These disruptions could materially impact our backlog and profits.

If we experience delays and/or defaults in client payments, we could suffer liquidity problems or we could be unable to recover all expenditures. Because of the nature of our contracts, we sometimes commit resources to projects prior to receiving payments from the client in amounts sufficient to cover expenditures as they are incurred.

In difficult economic times, some of our clients may find it increasingly difficult to pay invoices for our services timely, increasing the risk that our accounts receivable could become uncollectible and ultimately be written off.

Delays in client payments may require us to make a working capital investment, which could impact our cash flows and liquidity. If a client fails to pay invoices on a timely basis or defaults in making its payments on a project in which we have devoted significant resources, there could be a material adverse effect on our results of operations or liquidity.

EEI is vulnerable to the cyclical nature of the markets it serves. The demand for our services and products is dependent upon the existence of projects with engineering, procurement, construction and management needs.

EEI has international operations that are subject to foreign economic and political uncertainties. Unexpected and adverse changes in the foreign countries in which we operate could result in project disruptions, increased cost and potential losses. Our business is subject to fluctuations in demand and to changing international economic and political conditions which are beyond our control. We expect that a significant portion of our revenue and profits will continue to come from international projects for the foreseeable future.

Operating in the international marketplace exposes EEI to a number of special risks including:

- abrupt changes in foreign government policies, regulations or leadership;
- embargoes;
- trade restrictions or restrictions on currency movement;
- tax increases;
- currency exchange rate fluctuations;
- changes in labor conditions and difficulties in staffing and managing international operations;
- international hostilities; and
- local unrest.

Civil strife, acts of war, terrorism and insurrection. In addition, military action or continued unrest, especially in the Middle East, could impact the supply or pricing of oil, disrupt our operations in the region and elsewhere, and increase our security costs. Our level of exposure to these risks will vary with respect to each project, depending on the particular stage of each such project.

To the extent that our international business is affected by unexpected and adverse foreign economic and political conditions, we may experience project disruptions and losses. Project disruptions and losses could significantly reduce our overall revenue and profits.

If EEI guarantees the timely completion or performance standards of a project, it could incur additional cost to cover its guarantee obligations. In some instances and in many of our fixed-price contracts, we guarantee a client that we will complete a project by a scheduled date. We sometimes commit that the project, when completed, will also achieve certain performance standards. If we subsequently fail to complete the project as scheduled, or if the project subsequently fails to meet guaranteed performance standards, we may be held responsible for cost impacts to the client resulting from any delay or the cost to cause the project to achieve the performance standards, generally in the form of contractually agreed-upon liquidated damages. The total cost of the project could exceed our original estimates and we could experience reduced profits or, in some cases, a loss for that project.

EEI can be involved in litigation proceedings, potential liability claims and contract disputes which may reduce its profits. We may be subject to a variety of legal proceedings, liability claims or contract disputes. We engage in engineering and construction activities for large facilities where design, construction or systems failures can result in substantial injury or damage to third parties. In addition, the nature of our business results in clients, subcontractors and vendors occasionally presenting claims against us for recovery of cost they incurred in excess of what they expected to incur, or for which they believe they are not contractually liable. We have been and may in the future be named as a defendant in legal proceedings where parties may make a claim for damages or other remedies with respect to our projects or other matters.

EEI's failure to recover adequately on claims against project owners or subcontractors for payment or performance could have a material effect on its financial results. We occasionally bring claims against project owners for additional costs exceeding the contract price or for amounts not included in the original contract price. Similarly, we present change orders and claims to our clients and subcontractors. If we fail to properly document the nature of claims or change orders, or are otherwise unsuccessful in negotiating a reasonable settlement, we could incur reduced profits, cost overruns and in some cases a loss on the project.

EEI is dependent upon third parties to complete many of its contracts. Much of the work performed under our contracts is actually performed by third-party subcontractors. We also rely on third-party suppliers to provide much of the equipment and materials used for projects. If we are unable to hire qualified subcontractors or find qualified suppliers, our ability to successfully complete a project could be impaired.

The success of EEI's joint venture depends on the satisfactory performance by its joint venture partner of its joint venture obligations. The failure of our joint venture partner to perform its joint venture obligations could impose on us additional financial and performance obligations that could result in reduced profits or, in some cases, significant losses for us with respect to the joint venture.

EEI's businesses could be materially and adversely affected by events outside of its control. Extraordinary or force majeure events beyond our control, such as natural or man-made disasters, could negatively impact our ability to operate. For example, example, from time to time we face unexpected severe weather conditions which may result in weather-related delays. We may remain obligated to perform our services after any such natural or man-made event, unless a force majeure clause or other contractual provision provides us with relief from our contractual obligations.

If we are not able to react quickly to such events, our operations may be significantly affected, which could have a negative impact on our operations. In addition, if we cannot complete our contracts on time, we may be subject to potential liability claims by our clients which may reduce our profits.

EEI's backlog is subject to unexpected adjustments and cancellations and, therefore, may not be a reliable indicator of our future revenue or earnings. Our backlog generally consists of projects for which we have an executed contract or commitment with a client and reflects our expected revenue from the contract or commitment, which is often subject to revision over time. We cannot guarantee that the revenue projected in our backlog will be realized or profitable.

Project cancellations, scope adjustments or deferrals may occur, from time to time, with respect to contracts reflected in our backlog and could reduce the absolute amount of our backlog and the revenue and profits that we actually earn.

EEI's government contracts and contracting rights may be terminated or otherwise adversely impacted at any time. We enter into significant government contracts, from time to time. Government contracts are subject to various uncertainties, restrictions and regulations, including oversight audits by government representatives and profit and cost controls, which could result in withholding or delay of payments to us.

Government contracts are also exposed to uncertainties associated with Congressional funding. Changes in these priorities, which can occur due to policy changes or changes in the economy, are unpredictable and may impact our revenues.

In addition, government contracts are subject to specific regulations. These laws impact how we transact business with our governmental clients and, in some instances, impose significant costs on our business operations. If we fail to comply with any of these regulations, requirements or statutes, our existing government contracts could be terminated, and we could be temporarily suspended or even debarred from government contracting or subcontracting.

EEI could suffer from a temporary liquidity crisis if the financial institutions who hold its cash and investments fail. Our cash balances and short-term investments are maintained in accounts held by major banks and financial institutions located primarily in the Philippines. Some of our accounts hold deposits that exceed available insurance. Although none of the financial institutions in which we hold our cash and investments have gone into bankruptcy or forced receivership, there remains the risk that this could occur in the future.

EEI's project execution activities may result in liability for faulty engineering services. Because our projects are often large and complicated, our failure to make judgments and recommendations in accordance with applicable professional standards could result in large damages. Our engineering practice involves professional judgments regarding the planning, design, development, construction, operations, and management of industrial facilities and public infrastructure projects. While we do not generally accept liability for consequential damages, and although we have adopted a range of insurance, risk management and risk avoidance programs designed to reduce potential liabilities, a catastrophic event at one of our project sites or completed projects resulting from the services we have performed could result in significant professional or product liability, warranty or other claims against us as well as reputational harm, especially if public safety is impacted.

Changes in EEI's effective tax rate and tax positions may vary. We are subject to income taxes in the Philippines. A change in tax laws, treaties or regulations, or their interpretation, in any country in which we operate could result in a higher tax rate on our earnings, which could have a material impact on our earnings and cash flows from operations.

We are regularly under audit by tax authorities. Although we believe that our tax estimates and tax positions are reasonable, they could be materially affected by many factors including the final outcome of tax audits and related litigation, the introduction of new tax accounting standards, legislation, regulations and related interpretations, our global mix of earnings, the realizability of deferred tax assets and changes in uncertain tax positions. A significant increase in our tax rate could have a material adverse effect on our profitability and liquidity.

Systems and information technology interruption and breaches in data security could adversely impact EEI's ability to operate and its operating results. As a company with international operations, we are heavily reliant on computer, information and communications technology and related systems in order to properly operate. From time to time, we experience system interruptions and delays.

If we are unable to continually add software and hardware, effectively upgrade our systems and network infrastructure and take other steps to improve the efficiency of and protect our systems, systems operation could be interrupted or delayed or our data security could be breached.

In addition, our computer and communications systems and operations could be damaged or interrupted by natural disasters, power loss, telecommunications failures, acts of war or terrorism, acts of God, computer viruses, physical or electronic break-ins and similar events or disruptions.

Any of these or other events could cause system interruption, delays and loss of critical data, could delay or prevent operations including the processing of transactions and reporting of financial results, could result in the unintentional disclosure of client or our information (including proprietary intellectual property) and could adversely affect our operating results. While management has taken steps to address these concerns by implementing sophisticated network security and internal control measures, there can be no assurance that a system failure or loss or data security breach will not materially adversely affect our financial condition and operating results.

EEI may need to raise additional capital in the future for working capital, capital expenditures and/or acquisitions. It may not be able to do so on favorable terms or at all, which would impair its ability to operate its business or achieve its growth objectives. Our ongoing ability to generate cash is important for the funding of our continuing operations and the servicing of our indebtedness. To the extent that existing cash balances and cash flow from operations, together with borrowing capacity under our credit facilities, are insufficient to make future investments, make acquisitions or provide needed working capital, we may require additional financing from other sources.

Our ability to obtain such additional financing in the future will depend in part upon prevailing capital market conditions, as well as conditions in our business and our operating results; and those factors may affect our efforts to arrange additional financing on terms that are acceptable to us.

Foreign exchange risks may affect EEI's ability to realize a profit from certain projects. We do enter into contracts that subject us to currency risk exposure, particularly to the extent contract revenue is denominated in a currency different than the contract costs. We attempt to minimize our exposure from currency risks by entering into hedging instruments, when there is currency risk exposure that is not naturally mitigated via our contracts.

However, these actions may not always eliminate all currency risk exposure. The company does not enter into derivative instruments or hedging activities for speculative purposes. Our operational cash flows and cash balances, though predominately held in Philipppine Pesos, may consist of different currencies at various points in time in order to execute our project contracts globally.

EEI's employees work on projects that are inherently dangerous and a failure to maintain a safe work site could result in significant losses. We often work on large-scale and complex projects, frequently in geographically remote locations. Our project sites can place our employees and others near large equipment, dangerous processes or highly regulated materials, and in challenging environments.

Safety is a primary focus of our business and is critical to our reputation. Often, we are responsible for safety on the project sites where we work. Many of our clients require that we meet certain safety criteria to be eligible to bid on contracts, and some of our contract fees or profits are subject to satisfying safety criteria. Unsafe work conditions also have the potential of increasing employee turnover, increasing project costs and raising our operating costs.

Past and future environmental, safety and health regulations could impose significant additional cost on us that reduce EEI's profits. We are subject to numerous environmental laws and health and safety regulations. Our projects can involve the handling of hazardous and other highly-regulated materials which, if improperly handled or disposed of, could subject us to civil and criminal liabilities.

EEI may be unable to win new contract awards if it cannot provide clients with letters of credit, bonds, or other security or credit enhancements. In certain of our business lines, it is industry practice for customers to require bonds, letters of credit, bank guarantees or other forms of credit enhancement. These bonds, letters of credit or guarantees indemnify our clients if we fail to perform our obligations under our contracts.

Historically, we have had strong surety bonding capacity due to our industry leading credit rating, but, bonding is provided at the surety's sole discretion. With regard to letters of credit, we believe we have adequate capacity under our credit facilities but any amounts required in excess of our credit limits would be at our lenders' sole discretion. Failure to provide credit enhancements on terms required by a client may result in an inability to compete for or win a project.

EEI's continued success requires it to hire and retain qualified personnel. The success of our business is dependent upon being able to attract and retain personnel, including engineers, project management and craft employees around the globe and who have the necessary and required experience and expertise. Competition for these kinds of personnel is intense. In addition, as some of our key personnel approach retirement age, we need to provide for smooth transitions, and our operations and results may be negatively affected if we are not able to do so.

It can be very difficult or expensive to obtain the insurance EEI needs for its business operations. As part of business operations, we maintain insurance both as a corporate risk management strategy and in order to satisfy the requirements of many of our contracts. Although we have in the past been generally able to cover our insurance needs, there can be no assurances that we can secure all necessary or appropriate insurance in the future.

Any acquisitions, dispositions or other investments may present risks or uncertainties. We have made and expect to continue to pursue selective acquisitions or dispositions of businesses, or investments in strategic business opportunities. We cannot assure you that we will be able to locate suitable acquisitions or investments, or that we will be able to consummate any such transactions on terms and conditions acceptable to us, or that such transactions will be successful.

Acquisitions may bring us into businesses we have not previously conducted and expose us to additional business risks that are different from those we have traditionally experienced. We also may encounter difficulties identifying all significant risks during our due diligence activities or integrating acquisitions and successfully managing the growth we expect to experience from these acquisitions.

EEI maintains a workforce based upon current and anticipated workloads. If it does not receive future contract awards or if these awards are delayed, significant cost may result. Our estimates of future performance depend on, among other matters, whether and when we will receive certain new contract awards, including the extent to which we utilize our workforce.

The rate at which we utilize our workforce is impacted by a variety of factors including our ability to manage attrition, our ability to forecast our need for services which allows us to maintain an appropriately sized workforce, our ability to transition employees from completed projects to new projects or between internal business groups, and our need to devote resources to non-chargeable activities such as training or business development.

While our estimates are based upon our good faith judgment, these estimates can be unreliable and may frequently change based on newly available information. In the case of large-scale domestic and international projects where timing is often uncertain, it is particularly difficult to predict whether and when we will receive a contract award.

The uncertainty of contract award timing can present difficulties in matching our workforce size with our contract needs. If an expected contract award is delayed or not received, we could incur cost resulting from reductions in staff or redundancy of facilities that would have the effect of reducing our profits.

THE EDUCATION SECTOR

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

MCI is widely considered to be the leading engineering and I.T. school in the country.

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*

Health Science

- *BS Nursing*

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 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 13,000 spread across two campuses (Intramuros and Makati). It is the first 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.

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.

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 lived 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 enrolees 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) enrolment 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 the protection and conservation of the environment and its engineering.

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, 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 over 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, MCL is envisioned to be a Center of Excellence for science and technology education in Southern Luzon.

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.

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.

Vision

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

Core Values

Excellence and Virtue

MALAYAN HIGH SCHOOL OF SCIENCE

MHSS is a science and math-oriented high school located in Pandacan, Manila. Modelled 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 300 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.

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 TECHNOLOY 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

Risk Factors at 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, MCI and MCL may not cover the cost increases of operations by raising both tuition and miscellaneous fees. The inability of MCI and MCL 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. MHSSI 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 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 because of the K+12 programme poses a serious short to medium-term risk to IPO profits and cash flows. Both MCI and MCL can offer non-degree, supplemental 12 courses of study to soften the effects of the K-12 program. However, these measures may 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 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 the holding company.

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 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 IPO'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 term.

In certain cases, students who have signed promissory notes cannot pay these notes. The schools do not aggressively pursue collection of defaulted student debt, though, 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 IPO'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 persistently 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.

MCI has two unions, Faculty Association of MIT (FAMIT) and MIT Labor Union (MITLU). MCI is bound by the collective bargaining agreement (CBA) signed between the institution and the two unions.
MCI 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 MCI 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 MCI.

The schools are subject to the regulation, recognition of academic programs, and accreditation procedures of both government, and self-regulating private accreditation organizations. MCI and MCL are governed and regulated by the CHED. MHSS is governed and regulated by the DepEd. In addition, MCI and MCL are also accredited by PACUCOA, the leading accreditation body in the Philippines for colleges and universities. MCI 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 MCI 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 MCI or MCL are not at the cutting edge of their academic fields. This would have a negative impact on enrolment.

Both MCI 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. 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 is 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 MCI 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.

THE INFORMATION TECHNOLOGY SECTOR

PAN PACIFIC COMPUTER CENTER

IPO owns PPCC. PPCC services the I.T. related requirements of the YGC and select clients.

PPCC 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 at the Information Technology Sector

Current stockholders of IPO 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

MANILA MEMORIAL PARK CEMETERIES, INC. AND LA FUNERARIA PAZ SUCAT, INC.

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.

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 at the Afterlife Services Sector

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 plans. Failure to execute any, or all of our strategic plans 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.

PROPERTY MANAGEMENT, PROJECT MANAGEMENT, SECURITY AGENCY

LANDEV CORPORATION, GREYHOUNDS SECURITY AND INVESTIGATION AGENCY AND RCBC REALTY CORPORATION

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 Investigation Agency (GSIA). GSIA provides comprehensive security services to leading installations like RCBC Plaza, all RCBC branches, and RCBC Savings Bank branches.

HI owns 10% of RCBC Realty Corporation, which owns the YGC flagship property, RCBC Plaza.

The RCBC Plaza is the biggest and most modern office development in the Philippines today. Inaugurated in 2001, the complex consists of the 46-storey Yuchengco Tower, 41-storey Tower 2, and a three-level podium. Also housed in RCBC Plaza are the 450-seat Carlos P. Romulo Auditorium, Yuchengco Museum, 200-seat chapel, a VIP lounge, banking chambers, convenience and service shops, food court, seven-level basement parking, gym and health spa, and open-air courtyard. YGC members such as the RCBC and AY Foundation hold their offices here.

RCBC Plaza is the first IT zone in Makati designated by the Philippine Economic Zone Auhority.

Risk Factors at the Property Management and Project Management

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 at the Security 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 SECTOR

HI-EISAI 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.

Risk Factors at the Pharmaceutical Sector

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.

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, labelling, 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. Current or future laws and regulations may influence the prices of drugs and, therefore, could adversely affect the prices that we receive for our products. An example of these includes the laws enacted to provide special discounts to senior citizens as well as to elevate the visibility of generic drugs. Laws like these will have a continuing major impact on our operations and profitability.

Government mandated discounts are essentially government mandated price reductions. When such price cuts occur, pharmaceutical companies have generally experienced significant declines in revenues and profitability and uncertainties continue to exist within the market. Such price reductions could have an adverse effect on our business.

Our future success is highly dependent on our continued ability to attract and retain key personnel. Any failure to attract and retain key personnel could have a material adverse effect on our business, financial position and results of operations. It is important that we attract and retain qualified personnel in order to compete effectively. If we fail to attract and retain key technical or management personnel, it could have a material adverse effect on our business, financial position and results of operations.

We are subject to acts of God and other natural phenomena which might disrupt our operations and capability to sell our drugs. Inclement weather has the potential to disrupt our logistics and overall operations.

If the intercompany terms of cross border arrangements we have among our subsidiaries are determined to be inappropriate, our tax liability may increase, which could have a material adverse effect on our business, financial position and results of operations. We have potential tax exposures resulting from the varying application of statutes, regulations and interpretations which include exposures on intercompany terms of cross border arrangements among our subsidiaries in relation to various aspects of our business, including manufacturing, marketing, sales and delivery functions.

Although our cross border arrangements between affiliates are based upon internationally accepted standards, local tax authorities may disagree with and subsequently challenge the amount of profits taxed which may result in increased tax liability, including accrued interest and penalties, which would cause our tax expense to increase. This could have a material adverse effect on our business, financial position and results of operations.

Changes in income tax laws and tax rulings may have a significantly adverse impact on our effective tax rate and income tax expense, which could have a material adverse effect on our business, financial position and results of operations.

Item 2: Properties

The office space used by HI belongs to an affiliate. As a holding company, HI does not use large amounts of office space. The car division uses leased properties to sell and service vehicles. Each dealership site has lease contracts with their respective landlords. The only exception to this is the property used by Honda Cars Quezon Avenue, which is owned by HI.

The following summarizes information on HI and subsidiaries real property ownership as of December 31, 2013.

PROPERTY DESCRIPTION	DATE ACQUIRED	AREA (SQ. M.)	TYPE
HOUSE OF INVESTMENTS			
Quezon Avenue	2002	4,604	Industrial
Talayan, Q.C.	2002	2,700	Warehouse
EEI CORPORATION			
Baguio City	1985	688	Residential
Majada, Canlubang, Laguna	1998	29,483	Equipment yard
Lemery, Batangas	1997	390,049	Industrial
Golden Haven Memorial - Las Pinas	2003	505	Memorial Lot
Minuyan, Norzagaray, Bulacan	2005	138,216	Agricultural
San Jose, Sta Maria, Bulacan	2005	102,633	Industrial
Minuyan, San Jose del Monte, Bulacan	2005	133,371	Agricultural
Bauan, Batangas	2012	118,522	Fabrication Shop
EEI CONSTRUCTION AND MARINE, INC.			
Silang, Cavite	2010	21,197	Fabrication Shop
EEI REALTY CORPORATION			
Trece Martires, Cavite	1995	714,574	Residential
Calamba, Laguna	1995-96	57,164	Residential
Marikina - Suburbia East	1999	4,736	Residential
Ayala Greenfield	2003	820	Residential
EQUIPMENT ENGINEERS			
Irisan, Benguet	2009	3,201	Residential
Itogon, Benguet	2006	2,376	Residential
MALAYAN COLLEGES, INC.			
Intramuros, Manila	1999	17,997	School campus
Sen. Gil Puyat Ave., Makati	2001	8,371	School campus
Paco, Manila	2002	3,624	School campus
MALAYAN COLLEGES, LAGUNA			
Cabuyao, Laguna	2010	60,000	School campus
Cabuyao, Laguna	2012	14,640	Vacant lot for expansion

The following details the properties that House of Investments and subsidiaries have leased:

PROPERTY DESCRIPTION	LOCATION	AREA (IN SQM)	LEASE EXPIRATION
HOUSE OF INVESTMENTS			
2-storey building	Paco, Manila	6,432	2016
2-storey building	Paco, Manila	6,147	2016
2-storey building	Marikina	1,650	2020
2-storey building	Commonwealth, QC	2,754	2020
2-storey building	Commonwealth, QC	1,576	2021
1-storey building	Marcos Highway	2,500	2023
2-storey building	Greenhills	2,573	2028
HONDA CARS KALOOKAN, INC.			
3-storey building	EDSA, Caloocan	4,566	2018
1-storey building	Q.C.	3,198	2022

Certain properties, machinery, equipment, and other fixed assets of the group are used to secure its loans payable and long-term debt from various banks and other financial institutions. These consist mainly of mortgages on various assets of MCI, EEI, and HI.

For additional details on the Group's loans payable and long-term debt and the corresponding encumbrances on their assets, refer to the notes related to loans payable, and to the notes related to long term debt in the Consolidated Financial Statements.

The principal assets reflected in the consolidated balance sheets are registered mainly under HI's main subsidiaries that are engaged in construction and infrastructure, education, and car dealership. As a holding company, HI's indirect ownership on the said properties covers/applies only to the extent of, and is limited by the amount of holdings it has in these subsidiaries.

No property is intended to be acquired within the next twelve months.

Item 3 – Legal Proceedings

EEI has substantial claims against various parties in connection with completed projects. The majority of these claims came from EEI's various claims for cost of variation orders, time extension, and loss and expense due to prolongation and disturbance costs. Any recoveries from these claims will be reported as income in the year when the recoverability of the claims is determined to be probable.

There are pending legal cases against EEI that are being contested by EEI and its legal counsel. Management and its legal counsel believe that the final resolutions of these cases will not have a material effect on the financial position and results of operations of EEI.

MCI is facing various labor lawsuits and disputes. There are other suits and claims filed for or against certain subsidiaries. Management believes that these suits and claims will ultimately be settled in the normal course of operations and will not adversely affect the subsidiaries' financial position and operating results.

Item 4 - Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the period covered by this Annual Report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5 – Market for Issuer's common equity and related stockholder matters

The common stock (PSE: HI) is traded on the Philippine Stock Exchange.

PERIOD	STOCK PRICE HIGH	LOW
2014 First Quarter	6.49	6.37
2013 Fourth Quarter	6.28	6.18
2013 Third Quarter	6.03	6.00
2013 Second Quarter	7.70	7.15
2013 First Quarter	7.81	7.70
2012 Fourth Quarter	6.29	6.25
2012 Third Quarter	6.00	5.69
2012 Second Quarter	4.50	4.27
2012 First Quarter	4.75	4.45

The market price of IPO's common stock as of April 29, 2014 (latest practicable trading date) is P6.33 with a high of P6.40 and a low of P6.32.

Stockholders

The top 20 owners of common stock as of March 31, 2014 are as follows:

STOCKHOLDER	COMMON SHARES	% OF TOTAL
PAN MALAYAN MANAGEMENT & INVESTMENT CORP.	294,758,580	47.84%
PCD NOMINEE CORPORATION (FIL.)	213,834,066	34.70%
PCD NOMINEE CORPORATION (NON-FIL.)	49,135,184	7.97%
MALAYAN INSURANCE CO., INC.	8,861,694	1.44%
A.T. YUCHENGCO, INC.	7,036,070	1.14%
GDSK DEVELOPMENT CORPORATION	5,064,840	0.82%
GO SOC & SONS AND SY GUI HUAT, INC.	4,019,890	0.65%
Y REALTY CORPORATION	3,545,890	0.58%
MALAYAN SECURITIES CORPORATION	2,790,000	0.45%
SEAFRONT RESOURCES CORP.	2,484,000	0.40%
MEER, ALBERTO M.	2,217,030	0.36%
RCBC TA#76-299-7	1,791,000	0.29%
ENRIQUE T. YUCHENGCO, INC.	1,211,360	0.20%
YU, JOHN PETER C. YU &/OR JUAN G.	1,080,000	0.18%
CHENG, BERCK Y.	850,000	0.14%
VILLONCO, VICENTE S.	803,800	0.13%
RP LAND DEVELOPMENT CORP.	726,720	0.12%
LIM, TEK HUI	627,000	0.10%
FIRST NATIONWIDE ASSURANCE CORP.	508,901	0.08%
EBC SECURITIES CORPORATION	485,320	0.08%
SUB-TOTAL	**601,831,345**	**97.67%**
OTHERS	**16,442,279**	**2.33%**
TOTAL COMMON STOCK	**616,196,757**	**100.0%**

HI has a total of 413 common shareholders owning a total of 616,196,757 shares as of March 31, 2014.

Top 20 owners of preferred stock as of March 31, 2012

STOCKHOLDER	PREFERRED SHARES	% OF TOTAL
YUCHENGCO, ALFONSO T.	519,742,938	54.61%
PAN MALAYAN MGT. & INVT CORP.	356,825,339	37.49%
ALFONSO T. YUCHENGCO, INC.	24,244,296	2.55%
ENRIQUE T. YUCHENGCO, INC.	22,896,597	2.41%
GOMEZ, ERIBERTO H.	13,345,211	1.40%
SIGUION-REYNA, LEONARDO	2,644,151	0.28%
ALVENDIA JR., CARMELINO P.	1,827,584	0.19%
RP LAND DEVELOPMENT CORP.	1,657,805	0.17%
ROSARIO, RODOLFO P. DEL	1,017,531	0.11%
TANTUCO, ELOISA G.	761,495	0.08%
WILSON, ISABEL CARO	756,225	0.08%
GUIDO, EDWARD	444,837	0.05%
JAKA INVESTMENT CORP.	409,247	0.04%
PADILLA, ALEXANDER A.	329,467	0.03%
PADILLA, FELIPE A.	311,073	0.03%
PADILLA, FRANCISCO A.	311,073	0.03%
PADILLA, MERCEDES A.	311,073	0.03%
VILLONCO, ROMEO	218,678	0.02%
CHAN, FREDERICK	211,561	0.02%
GALVEZ, MARIA ROSARIO P.	207,380	0.02%
SUB-TOTAL	**948,473,561**	**99.66%**
OTHERS	3,202,471	0.34%
TOTAL PREFERRED STOCK	**951,676,032**	**100.0%**

HI has a total of 49 preferred shareholders owning a total of 951,676,032 shares as of March 31, 2014.

Dividends

In accordance with the Corporation Code of the Philippines, HI intends to declare dividends (either in cash or stock or both) in the future. Common and preferred stockholders of HI are entitled to receive a proportionate share in cash dividends that may be declared by the Board of Directors out of surplus profits derived from HI's operations after satisfying the cumulative interest of preferred shares.

The same right exists with respect to a stock dividend of which the declaration is subject to the approval of stockholders representing at least two-thirds (2/3) of the outstanding shares entitled to vote. The amount will depend on HI's profits and its capital expenditure and investment requirements at the relevant time.

The company has declared cash dividends as follows:

YEAR	DIVIDEND PER COMMON SHARE	DIVIDEND PER PREFERRED SHARE	TOTAL AMOUNT
Q1 2014	N/A	P0.00305	P2.90 MM
Q4 2013	N/A	P0.00200	P1.95 MM
Q3 2013	N/A	P0.00270	P2.71 MM
Q2 2013	P0.060	P0.01838	P55.85 MM
Q1 2013	N/A	P0.00206	P2.17 MM
Q4 2012	N/A	P0.00244	P2.64 MM
Q3 2012	N/A	P0.00360	P3.99 MM
Q2 2012	P0.05439583	P0.01884	P54.93 MM
Q1 2012	N/A	P0.00379	P4.42 MM

HI has not identified any restriction that limits the ability to pay dividends on common equity or that are likely to do so in the future.

Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

There was no sale of unregistered or exempt securities, nor recent issuance of securities constituting an exempt transaction in 2013.

Description of Registrant's Securities: Common Stock and Preferred Stock

The equity capital structure of the firm as of December 31, 2013 is shown below:

	Common Stock	Preferred Stock
Authorized Capital	1,250,000,000	2,500,000,000
Issued	616,196,757	951,676,032
Paid Up Capital	P924,295,136	P380,670,413
Par Value	P1.50	P0.40
Features	**Common Stock**	**Preferred Stock**
Dividends		
General	Dividends shall be declared only from the surplus profits 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.	
Other Features	Not Applicable	• Entitled to dividends at the rate of average 91-day T-Bill plus two percent; • Fully participating as to distribution of dividends
Voting	All common and preferred shareholders shall have voting rights	
Liquidation Rights	Not Applicable	All preferred shareholders shall have preferences as to assets upon dissolution of the Parent Company over common shareholders.

Conversion	Not Applicable	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 Php1.5 per common share subject to adjustments
Redemption and Sinking Fund Provision	Not Applicable	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 HI shall provide for a sinking fund
Pre-emption Rights	All stockholders shall have no pre-emptive rights with respect to any shares of any other class or series of the present capital or on future or subsequent increases in capital	

Item 6 – Management Discussion and Analysis of Operations

Plan of Operations within the next twelve months

(a) The management believes that HI can satisfy its cash requirements within the next twelve months without the need to raise additional funds;
(b) There are no product research and development that HI will perform within the next twelve months;
(c) There are no expected purchase or sale of plant and significant equipment within the next twelve months; and
(d) There are no expected significant changes in the number of employees.

Management Discussion and Analysis

CONSOLIDATED RESULTS - Year 2013 vs. Year 2012

INCOME STATEMENT

Total consolidated net income grew by 17.57% from restated net income of P1.56 billion in 2012 to P1.83 billion this year.

Total revenues dropped from P20.62 billion to P17.74 billion this year or 14% lower than last year. Sales of services went down due to concluded offshore projects of EEI in Singapore and New Caledonia, which contributed largely to its income last year. Sale of goods dropped by 5% due to lower auto sales from Honda Cars Quezon City, Honda Cars Kalookan and Isuzu Manila. However, this was softened by a significant increase in dividend income from an investment in affiliate, which brought in a P308 million additional income.

Revenues from school and related operations showed a 7% growth, from P1.74 billion to P1.85 billion this year. Increase is attributable to increase in student enrolment coupled by minimal increase in fees.

Interest revenues increased from P3.43 million in 2012 to P10.84 million this year. This represents primarily interest earnings of Zamboanga Industrial Financing Corporation.
Costs of sales and services dropped by 16% from P17.54 billion to P14.74 billion in 2013. Reduced costs of services were primarily driven by lower costs pertaining to local construction contracts of EEI.

Costs of goods sold went down by 4% due to lower sales volume compared to previous year.
Costs of school and related operations were up by 10% due to higher personnel and student related expenses. Increase in compensation and benefits were due to adjustments provided in CBA agreement signed with the faculty and non-teaching staff. While student related expenses are volume driven.

General and administrative expenses went up by 7% due to increase in rent and utilities, depreciation, and taxes and licenses. Taxes and licenses were higher by 10% due to increase in local business taxes paid in 2013 and settlement of prior years' business taxes.

Other Income grew by 77%, from P333.33 million to P590.50 million. Increase was driven by higher commission income, gain on sale of AFS securities, investment property and recovery of inventory losses which were provided for in previous years.

Equity in net earnings of associates also showed a growth of 28%, from P475.70 million in 2012 to P610.31 million this year. This was driven by additional equity earnings from new investments in RCBC Realty Corporation (RRC) and Petro Energy Resources Corporation (PERC), and higher intake of EEI from Al Rushaid Construction Company Ltd. (ARCC), a joint venture construction company for construction projects in Saudi Arabia.

Interest and finance charges were higher by 13% due to mainly due to additional loans taken on during the year by the Group.

BALANCE SHEET

Total assets grew by 15%, from P19.96 billion in 2012 to P22.94 billion this year.

Total current assets slightly grew by 3%. Cash and cash equivalents were almost the same as last year. Accounts receivable was reduced by 4% as EEI collected its outstanding receivables and retention from Singapore projects. Costs and estimated earnings in excess of billings on uncompleted contracts represent costs incurred on major on-going domestic projects. Inventories are lower by 5% as car dealerships managed its stock due to lower unit sales. Due from related parties are significantly higher due to outstanding receivables of GAIC Manpower Services Inc (GAMSI), a subsidiary of EEI, from entities outside the Group but under common control of Pan Malayan Management and Investment Corporation. Prepaid expenses and other current assets were reduced by 46% mainly because of reclassification of the retirement fund of EEI to non-current assets. Financial asset at FVPL represents investment of schools in UITF.

Total non-current assets increased by 28% primarily because of reclassification of EEI's retirement fund from current to non-current. Increase was also driven by new and additional investments in associates and joint ventures of the Group. House of Investments (HI) invested in PERC and RRC, whereas EEI put in additional investments in ARCC and invested in Petro Wind Energy Inc. Investment properties decreased by 13% due to sale of EEI of condominium units and parking lot. Goodwill dropped by 8% due to write down of goodwill from Honda Quezon City. Significant change in other noncurrent assets represents the retirement fund of EEI.

Total liabilities of the Group rose from P10.91 billion to P12.13 billion, or 11% higher than 2012.

Total current liabilities were down by 8% due to settlement of current portion of long term debt, current portion of lease liability and income tax payable. Billings in excess of costs and estimated earnings on uncompleted contracts dropped significantly by 51% due to completion of several major projects of EEI. Unearned tuition fees were lower compared to 2012 because of lower number of enrolees who advanced their tuition fees for January to March 2014 school term. Loans payable went up by 66% because of additional loans taken in by the Group to refinance high interest bearing loans.

Total noncurrent liabilities are significantly higher compared to previous year, from P1.20 billion to P3.19 billion, primarily because of long term debts availed by the Group to finance new projects and developments, which increased to P2.70 billion from P0.81 billion. Retirement liability increased due to change in defined benefit obligation.

Total equity before non-controlling interest grew by 22%, mainly because of increase in retained earnings, net of dividends declared.

CONSOLIDATED RESULTS - Year 2012 vs. Year 2011

INCOME STATEMENT

For the House of Investments, total consolidated net income for 2012 increased by 16% to P1.560 billion from P1.35 billion the previous year.

Total revenues rose by P5.22 billion, or 33% to P20.62 billion from P15.48 billion in 2011. The largest driver of the revenue increase came from sales of services. Sales of services jumped 50% to P14.16 billion from P9.46 billion in 2011. This rise came from EEI: revenues from local construction projects, and from offshore projects in Singapore largely contributed to this result.

The sale of goods rose by 11% to P4.71 billion from P4.23 billion. Auto sales from our Honda Cars Quezon City, Honda Cars Kalookan, and Isuzu Manila units recovered as the supply chain normalized from the disruptions experienced in 2011.

Revenues from school and related operations rose by 12% to P1.74 billion from P1.55 billion. Our schools continue to reap the benefits of a relatively young, school-age population. Malayan Colleges Laguna reported an enrolment greater than 4,000, the highest in its history. Malayan Colleges Inc. (operating under the name of Mapua Institute of Technology) has also seen applications increase in the double digits from the previous year.

Interest revenue dropped by 98% to P3.43 million, from P221.32 million in 2011. The decrease in interest revenue came from the sale of First Malayan Leasing & Finance Corporation to RCBC, which closed in late March of 2012. This revenue represents the interest earnings from only the first quarter of 2012.

Cost of services rose by 57% to P12.30 billion from P7.85 billion in 2011. This was mainly driven by the higher volume of business from EEI.

Cost of goods sold also increased by 11% from P3.92 billion in 2011 to P4.36 billion in 2012. This was also volume driven, arising from the higher unit sales, parts sales, and service sales compared to the previous year.

Cost of school and related operations stepped higher by 9% to P878 million from P803 million the previous year. This increase came from higher depreciation at the school campuses arising from higher maintenance capital spending. Also, the schools experienced a programmed increase in compensation and benefits expense due to an adjustment provided for in the CBA signed with the faculty and non-teaching staff.

General and administrative expenses remained under control, decreasing by 14% to P1.64 billion from P1.90 billion. The contributors to the decrease include the non-occurrence in 2012 of the P88.1 million in casualty losses incurred by EEI in 2011 which arose from the attack by the New People's Army on the Taganito mine project.

Other income decreased by 34% to P333.3 million – this occurred because there were a number of non-recurring items that were booked in 2011, which were no longer relevant to the current year. These included income from the reversal of payables and recoveries from previously written off receivables from EEI.

The equity in net earnings of associates rose to P475.7 million from P378.4 million, an increase of 26%. This was driven by better performance from the joint venture EEI has with ARCC in the Kingdom of Saudi Arabia.

Interest and finance charges were drastically reduced to P148.5 million from P322.1 million. There were several factors that contributed to this development. First, HI had sold its stake in FMLFC to RCBC as of the end of March 2012. Second, the Group overall reduced its outstanding borrowings by more than P460 million. Third, the relatively lower interest rate environment means that financing charges drifted lower as overall interest rates decreased.

Provision for taxes rose by 41% in 2012 to P548.45 million, a reflection of the higher pre-tax income for the year.

BALANCE SHEET

Total assets remained virtually unchanged, ending 2012 at P19.9 billion from P20.0 billion from the prior year.

Accounts receivable rose by 22% to P4.78 billion from P3.93 billion the previous year. This reflects the higher level of sales from EEI, from the schools, and from the car division.

The current portion of loans receivable, and overall loans receivable, dropped by 99%. Both reflected the first quarter sale of First Malayan Leasing to RCBC.

Inventories rose 44% to P947.4 million from P656.8 million. This arose from the increase in stock in anticipation of higher sales at the Honda and Isuzu units.

Due from related parties decreased by 75% to P15.5 million. This decreased due to the settlement of expense reimbursements, construction contracts, and disposition of administrative service agreements.

Prepaid expenses and other current assets increased by 34% to end 2012 at P984.8 million from P736.0 million in 2011. The increase was driven by reclassification of receivable from EEI Retiremement Fund, Inc. to current assets because collection is expected by EEI within 2013.

Investments in associates and joint ventures rose by 4% to P1.38 billion from P1.32 billion. This reflects the adjustment in carrying value arising from the relatively strong results arising from associates from whom HI equitizes earnings, like ARCC and Manila Memorial Park Cemetery inc.

Available for sale securities rose 11% to P500.4 million, arising from the adjustment in market values of HI's portfolio of listed securities.

Investment properties dropped by 12% to P280.27 million. EEI Realty continued to whittle down its inventory of land held for capital appreciation, through incremental sales throughout the year.

PP&E at cost rose 25% to P4.09 billion from P3.27 billion in 2011. This is mainly driven by capital spending at EEI, who continues to scale upwards its equipment to be able to accommodate the ever increasing pipeline of projects.

Deferred tax assets dropped by 11% to P163.4 million. This was driven by a drop in the allowance for doubtful accounts, inventory obsolescence, and a decrease in accrued retirement expense.

Other non-current assets decreased by 82% to P117.7 million from P649.2 million. The majority of the change was driven by the reduction in the receivable from the EEI Retirement Fund arising from the sale of land to the former, by EEI Corporation.

Loans payable dropped by P2.1 billion to P1.95 billion, a reduction of 52%. Aside from the reduction in bills payable arising from the sale of FMLFC, the Group has been using excess cash to reduce its outstanding loans.

Accounts payable and accrued expenses increased by 22% to P3.92 billion. This arose from the general rise in operating expenses associated with the rise in revenues from the year.

The current portion of long term debt rose 24% to P731.1 million, reflecting the maturity profile of short term loans within the Group.

Billings in excess of cost and estimated earnings on uncompleted contracts rose by 46% to more than P2.7 billion. This represents the overall effects from the expansion in the project pipeline for EEI Corporation, and the corresponding rise in unrecouped downpayments from said projects.

Unearned tuition fees decreased by 62% to P63.6 million. The reduction is a function of timing as more tuition revenues had been recognized as of the end of the cut off in reporting date.

Income tax payable rose by 30% to P269.37 million, reflecting the strong growth in pre-tax income.

Due to related parties decreased by 44% to P32.7 million.

Customers deposits decreased by 49% to P30.1 million, reflecting the higher deliveries of autos sold before the end of the year, compared to the previous year.

Lease liability dropped by 70% to P6.9 million, reflecting the settlement of leases held by the Malayan Colleges Laguna.

Accrued retirement liability rose by 9% to P154.8 million. This was driven by an increase in the present value of defined benefit obligation.

The HI Group finished 2012 with total liabilities down 9% to P10.75 billion.

Preferred stock decreased by 10% to P421.28 million. This reflects the periodic redemption of preferred shares. Also, some preferred stockholders elected during the year to convert their shares into common shares.

The revaluation increment on land rose by 7% to P291.7 million reflecting the increase in the appraised value of the Group's real properties.

The cumulative translation adjustment loss of P73 million reflects the exchange differences arising from the translation of financial statements of the foreign subsidiary , EE BVI, whose functional currency is the U.S. dollar, and the foreign associate, ARCC, whose functional currency is the Saudi Riyal. This is the effect of the peso appreciation against these foreign currencies, respectively.

The net unrealized gain on available for sale securities rose by 25% to P94.7 million reflecting the rise in the value of the listed securities that HI holds in its portfolio.

Retained earnings, net of dividends, rose 27% to P3.91 billion, a result of the strong 2012 the Group had.

The HI Group finished 2012 with total equity of P9.172 billion, 11% higher than the P8.23 billion of equity in 2011.

CONSOLIDATED RESULTS - 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.
- 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 changes dropped from P369.9 million in 2010 to P324.5 million in 2011. The lower interest charges reflect 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.

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.

Financial Ratios

Below are the financial ratios that are relevant to the Group's for the year ended December 31, 2013:

Financial ratios		**2013**	2012
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets Current Liabilities	**1.18:1**	1.06:1
Solvency Ratio *Shows how likely a company will be to continue meeting its debt obligations*	Net Income+Depreciation Total liabilities	**0.20:1**	0.19:1
Debt-to-equity ratio *Measures the Group's leverage*	Total Debt Total Equity	**1.12:1**	1.21:1
Asset to Equity Ratio *Measures the group's leverage and long-term solvency*	Total Assets Total Equity	**2.12:1**	2.21:1
Interest Rate Coverage *Shows how easily a company can pay interest on outstanding debt*	EBIT* Interest Expense	**14.18:1**	14.71:1
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income Average Total Assets	**8.54%**	7.80%
Return on Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income Average Total Equity	**18.46%**	18.18%

**Earnings before interest and taxes*

Other qualitative and quantitative factors

(i) There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in HI's liquidity increasing or decreasing in any material way;

   a. HI does not anticipate any cash flow or liquidity problems within the next twelve months;
   b. HI is not in default or breach of any note, loan, lease, or other indebtedness or financing arrangement which will require HI to make payments;
   c. There is no significant amount of trade payable that have not been paid within the stated terms; and
   d. HI's depends on dividends from its subsidiaries as its source of liquidity.

(ii) There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;

(iii) There are no 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;

(iv) There are no material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described;

(v) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;

(vi) There are no significant elements of income or loss that did not arise from the HI's continuing operations;

(vii) The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item are discussed above;

(viii) There are no seasonal aspects that had a material effect on the financial condition or results of operations.

Item 7 – Financial Statements

The 2013 audited consolidated financial statements of HI are incorporated herein by reference. The schedules listed in the accompanying index to Supplementary Schedules are filed as part of this Form 17-A.

Item 8 – Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

The Accounting firm of Sycip Gorres Velayo and Company (SGV & Co.), with office address at 6760 Ayala Avenue, SGV Building, Makati City, Philippines, has been the Company's Independent Auditors since the Company's incorporation, and has been recommended to serve as such for the current year.

Pursuant to Memorandum Circular No. 8, series of 2003 (Rotation of External Auditors), the Company has engaged Mr. Michael C. Sabado, as the Engagement Partner of SGV & Co. effective 2013 until 2017.

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

SEC rules mandate the compulsory rotation of audit partners after 5 years. SGV & Co. nominated a new engagement partner for the audit year 2013 because at the conclusion of the 2012 external audit, Ms. Cyril Jasmin B. Valencia had been the engagement partner for five years. The succeeding engagement partner for the year 2013 was named during the Annual Stockholders' Meeting for 2012.

Disagreement with Accountants on Accounting and Financial Disclosure
There was no event for the last 5 years where SGV & Co. had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Attendance of Accountants at the Meeting
Representatives of SGV & Co. are expected to be present at the annual stockholders meeting with the opportunity to make any statement, if they so desire, and will be available to respond to appropriate questions on the Company's financial statements.

External Audit Fees and Services
The Company has engaged SGV & Co. as the external auditor, and is tasked to conduct the financial audit of the Company. For this service, SGV & Co. has billed the company the following amounts:

YEAR	AUDIT FEE BILLING
2013	P2,800,374
2012	P2,707,341

The Company has not engaged SGV & Co. for any other services aside from its annual audit for the last six (7) years.

Tax Fees
The Company has not engaged the services of the external auditor for tax accounting, compliance, advice, planning and any other form of tax services.

All Other Fees
There are no other fees billed in each of the last two years for the products and services provided by the external auditor, other than the services reported under the items mentioned above.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9 – Directors and Executive Officers of the Issuer

HI's Board of Directors (BOD) has eleven (11) members elected by and from among the stockholders. The Board is accountable for providing overall management and direction of the firm. 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. The information below includes positions currently held by the directors and executive officers, as well as positions held during the past five years.

DIRECTORS		
Name	**Position**	**Length of Service**
Amb. Alfonso T. Yuchengco	Director	8 Years
Helen Y. Dee	Chairperson	12 Years
Medel T. Nera	President and CEO	2 Years
Yvonne S Yuchengco	Director	6 Years
Atty. Wilfrido E. Sanchez	Director	13 Years
Dr. Reynaldo B. Vea	Director	3 Years

INDEPENDENT DIRECTORS		
Name	**Position**	**Length of Service**
Amb. Isabel Caro Wilson	Director	15 Years
Renato C. Valencia	Director	8 Years
Roberto F. de Ocampo	Director	13 Years
Antonino L. Alindogan, Jr.	Director	7 Years
Francisco H. Licuanan III	Director	7 Years

EXECUTIVE OFFICERS	
Mr. Jose Ma. G. Castillo III	SVP-Finance & Treasurer and Compliance & Chief Information Officer
Mr. Porfirio S. de Guzman, Jr.	SVP – Internal Audit
Mr. Alexander Anthony G. Galang	SVP – Internal Audit
Mr. Raoul A. Villegas*	VP – Finance
Ms. Ma. Esperanza F. Joven*	VP – Finance
Mr. Godofredo C. Cualteros, Jr.*	VP – Internal Audit
Ms. Ruth C. Francisco	VP Seconded to Mapua as SVP-CFO
Ms. Ma. Elisa E. Delara	VP - Internal Audit
Ms. Maria Teresa T. Bautista	AVP and Corporate Controller
Mr. Jose A. Tanjangco III	AVP and Chief Risk Officer
Ms. Sonia P. Villegas	AVP and Human Resources Head
Mr. Aloysius Nathaniel S. Costales	AVP Seconded to MCL as CFO
Ms. Marina B. Bayag	AVP Seconded to Mapua as Asst. Treasurer
Ms. Grace A. Rivera	AVP Shared Services Center Head, Car Division
Atty. Maria Eloisa R. Gan	Legal and Admin Head
Atty. Samuel V. Torres	Corporate Secretary
Atty. Mary Anne D. Roque*	Asst. Corporate Secretary

**Mr. Godofredo C. Cualteros resigned on June 16, 2013. Mr. Raoul A. Villegas resigned as IPO's VP-Finance effective January 31, 2014, while Atty. Mary Anne Roque resigned as the Asst. Corporate Secretary effective December 31, 2013. Ms. Ma. Esperanza F. Joven came on board on February 3, 2014.*

AMB. ALFONSO T. YUCHENGCO (91, Filipino): Director	
Position	**Company**
Chairman	Advisory Board of Confederation of Asia-Pacific Chambers of Commerce and Industries AY Foundation Bantayog ng mga Bayani Enrique T. Yuchengco, Inc. GPL Holdings, Inc. Honda Cars Kalookan, Inc. Master of Business Administration (MBA)- Juris Doctor (JD) dual degree program De La Salle University-Manila and Far Eastern University Institute of Law MICO Equities Pan Malayan Management and Investment Corp. Philippine Ambassadors Foundation RCBC Realty Corp. YGC Corporate Services, Inc. Yuchengco Center Yuchengco Museum
Honorary Chairman	Compania Operatta ng Pilipinas, Inc. Rizal Commercial Banking Corp.
CEO	Pan Malayan Management and Investment Corp.
Director	GPL Holdings, Inc. International Insurance Society Malayan Insurance Co., Inc. Philippine-Japan Economic Cooperation Committee RCBC Land, Inc. Sunlife Grepa Financial, Inc.
Chairman of Board of Trustees	Bayanihan Folk Arts Foundation, Inc. EEI Corp. Malayan Colleges, Inc.
Vice Chairman of the Board of Judges	Blessed Teresa Calcutta Awards
Chairman Emeritus	Philippine Constitutional Association
Member	Advisory Board of Ritsumeikan Asia Pacific University Board of Governors of Pacific Forum based in Hawaii Board of Overseers, Columbia University, Business School Board of Trustees, University of St. La Salle Affiliate College, Roxas City Honors Committee, International Insurance Society
	International Advisory Board, Waseda Institute for Asia Pacific Studies International Business Advisory Board Culverhouse College of Commerce & Business Administration of University of Alabama
Trustee Emeritus	The Asia Society University of San Francisco
President Emiritus	Confederation of Asia-Pacific Chamber of Commerce & Industry
Honorary Member	Dabaw Kaisa Foundation, Inc.

Awards Received	
Outstanding Lam-An Townmates Award Philippine Lam-An Association Inc.	Nov 19, 2012
Icons of the Industry Philippine Insurers and Reinsurers Association	Oct 18, 2012
Distinguished Service Award Department of Foreign Affairs	Feb 24, 2012
Business Icons of the Decade Award Presented by Biz News Asia	Nov 25, 2011
Distinguished Service Award Presented by the Confederation of Asia-Pacific Chambers of Commerce and Industry	Oct 23, 2011
First Recipient of the F.A.I.R. Hall of Fame Presented by the Federation of Afro-Asian Insurers & Reinsurers	Oct 5, 2011
Leadership Award Presented by the Philippine Constitution Association	Sep 26, 2011
Philconsa Maharlika Award Presented by the Philippine Constitution Association	2010
Lifetime Achievement Award Asia Insurance Industry Awards	Oct 17, 2010
Philippine Legion of Honor With the Degree of Grand Commander Presented by President Gloria Macapagal- Arroyo	Jun 29, 2010
Adopted Son of Davao Exemplary Leadership in Business and Government	Jul 14, 2009
CEO EXCEL Award International Association of Business Communicators	Mar 2009
First Recipient of the Global Insurance Humanitarian Award Conferred by the University of Alabama	2008
Hall of Fame Awardee Far Eastern University	Dec 13, 2003
First Receipient of the Order of Lakandula with the rank of Bayani Presented by President Gloria Macapagal-Arroyo	Nov 20, 2003
Outstanding Alumni Awardee Far Eastern University	May 2003
Lifetime Achievement Award Dr. Jose P. Rizal Awards for Excellence	Jun 2002
Parangal San Mateo Philippine Institute of Certified Public Accountants Foundation, Inc.	Oct 2001
The Outstanding Filipino Awardee TOFIL	2000
Gold Medallion Confederation of Asia-Pacific Chambers of Commerce & Industry	2000
Grand Cordon of the Order of the Rising Sun Presented by His Majesty, the Emperor of Japan	1998
Order of Sikatuna with the Rank of Datu Presented by President Fidel V. Ramos	1998
Knight’s Grand Officer of Rizal Presented by the Knights of Rizal	1998
First Asean to be Elected to the “Insurance Hall of Fame”, International Insurance Society, Inc.	1997
Hall of Fame Award Philippine Institute of Certified Public Accountants	1997
Outstanding Certified Public Accountant in International Relations Philippine Institute of Certified Public Accountants	1996
Outstanding Manilan in Diplomacy	1995
Medal of Merit Philippines-Japan Society	1995
Order of the Sacred Treasurer, Gold and Silver Star, Awarded by His Majesty, The Emperor of Japan	1993
Outstanding Service to Church & Nation De La Salle University	1993
Management Man of the Year Management Association of the Philippines	1992
Distinguished La Sallian Award for Insurance & Finance	1981
International Insurance Society (IIS) Founders’ Gold Medal Award of Excellence International Insurance Society	1979
Most Outstanding JCI Senator in the Field of Business and Economics XXXIII Jaycee International (JCI) World Congress	1978
Presidential Medal of Merit Far Eastern University	1978
Outstanding Citizen in the Field of Business City of Manila	1976
Insurance Man of the Year Business Writers Association of the Philippines	1955

Most Distinguished Alumnus Far Eastern University	1955
Positions held in Philippine Government	
Under the Administration of President Gloria Macapagal Arroyo	
Presidential Adviser on Foreign Affairs with Cabinet Rank, Office of the President	Jan 30 2004 – Jun 2010
Member, Consultative Commission to Propose Revision to the 1987 Constitution	Aug 2005 – Mar 2006
Philippine Permanent Representative to the United Nations with the rank of Ambassador	Nov 2001 – Dec 2002
Presidential Special Envoy to Greater China, Japan and Korea	2001
Under the Administration of President Joseph Ejercito Estrada	
Presidential Assistant on APEC Matter with Cabinet Rank	1998 – 2000
Under the Administration of President Fidel V. Ramos	
Member, Philippine Centennial Commission	1998
Ambassador Extraordinary & Plenipotentiary of the Republic of the Philippines to Japan	1995 – 1998
Chairman, Council of Private Sector Advisers to the Philippine Government on the Spratly issue	1995 – 1998
Under the Administration of President Corazon C. Aquino	
Ambassador Extraordinary & Plenipotentiary of the Republic of the Philippines to the People's Republic of China	1986 – 1988

Other Positions Held

Position	Company
Chairman	Asian Bankers Association Asia's Emerging Dragon Corp. Bantayog ng mga Bayani BA Savings Bank Benguet Corp. DOLE Philippine, Inc. Enrique T. Yuchengco, Inc. House of Investments, Inc. International Insurance Society Malayan Insurance Co., Inc. MICO Equities, Inc.
	Philippine Delegation to the Asian-Japanese Businessmen's Meetings Philippine Fuji Xerox Corp. Philippine-Japan Economic Cooperation Committee Philippine Long Distance Telephone Co. RCBC Land, Inc. Rizal Commercial Banking Corp. YGC Corporate Services, Inc.
Vice Chairman	Asian Bankers Association Bantayog ng mga Bayani International Insurance Society Malayan Insurance Co., Inc.
Director	Chamber of Commerce of the Philippines House of Investments, Inc. International Insurance Society Philippines-Japan Society, Inc.
	Rizal Commercial Banking Corp.
Honorary	Our Lady of Peace Mission

Chairman	 Philippine Ballet Theatre Rizal Commercial Banking Corp.
Chairman of Board of Trustees	Mapua Institute of Technology
Conferred Chairman Emeritus	Philippine Ambassadors Foundation
Member	Board of Governors, Pacific Forum based in Hawaii Board of Trustees Alliant International University Board of Trustees De la Salle University, Manila Board of Trustee Insurance Institute for Asia & the Pacific Board of Trustees St. Paul's College Board of Trustees, The Asia Society, New York International Board of Trustees, University of San Francisco
Chairman of the Coordinating Council	International Insurance Society
Adviser	Philippines-Japan Society, Incorporated
President	Confederation of Asia-Pacific Chambers of Commerce and Industries Federation of Afro-Asian Insurers and Re-insurers Filipino Life Insurance Association Manila Downtown Y's Men Club Manila Junior Chamber of Commerce Philippine Ambassador's Association Philippine Chamber of Insurance & Surety

HELEN Y. DEE (69, Filipino): Chairperson	
Position	**Company**
Chairman	Financial Brokers Insurance Agency, Inc. HI-Eisai Pharmaceuticals, Inc. Hydee Management & Resources, Inc. La Funeraria Paz Sucat, Inc. Landev Corp. Maibarara Geothermal, Inc. Malayan Insurance Co., Inc. Manila Memorial Park Cemetery, Inc. Mapua Information Technology Center, Inc. Mijo Holdings, Inc. National Reinsurance Corp. of the Philippines Pan Malayan Realty Corp. PetroEnergy Corp. RCBC Forex Brokers Corp. RCBC Leasing & Finance Corp. RCBC Savings Bank Rizal Commercial Banking Corp. Seafront Resources Corp. Tameena Resources, Inc. Xamdu Motors, Inc.

Vice Chairman	Pan Malayan Management & Investment Corp. West Spring Development Corp.
Director	AY Holdings, Inc. Financial Brokers Insurance Agency, Inc. Great Life Financial Assurance Corp. Honda Cars Kalookan, Inc. Honda Cars Philippines, Inc. iPeople, Inc. Isuzu Philippines, Inc. La Funeraria Paz-Sucat, Inc. Malayan Insurance Co., Inc. MICO Equities, Inc. Mijo Holdings, Inc. Pan Malayan Express, Inc. Pan Malayan Management & Investment Corp. Petro Energy Resources Corp. Philippine Integrated Advertising Agency, Inc. Philippine Long Distance Telephone Co. RCBC Forex Brokers Corp. RCBC Leasing & Finance Corp. Seafront Resources Corp. South Western Cement Corp. Sunlife Grepa Financial, Inc.
President	Financial Brokers Insurance Agency, Inc. GPL Holdings
	Hydee Management & Resources, Inc. Mijo Holdings, Inc. Moira Management, Inc. YGC Corporate Services, Inc.
Vice-President	A.T. Yuchengco, Inc.
CEO	Tameena Resources, Inc.
Board Member	EEI Corporation Rizal Commercial Banking Corp.
Excom Member	Great Life Financial Assurance Corp.
Board Member Trustee	Philippine Business for Education, Inc.
Member	Mapua Board of Trustees
Treasurer	Business Harmony Realty, Inc.

MEDEL T. NERA (58, Filipino): Director	
President and CEO	House of Investments, Inc.
President and Director	Honda Cars Kalookan, Inc. RCBC Realty Corp.
Chairman and Director	Greyhounds Security Hexagon Lounge Southwestern Cement Corp.
Chairman	Management Association of the Philippines (Nomination and Election Committee)
Director	Blackhounds Security & Investigation Agency Corp. EEI Corp. EEI Realty Hi-Eisai Pharmaceuticals, Inc. Investment Managers, Inc. iPeople, inc. Landev Corp. Malayan Colleges Laguna, Inc. Manila Memorial Park Cemetery, Inc. People eServe Corp. RCBC Forex Rizal Commercial Banking Corp. Sino Motors, Inc. YGC Corporate Services, Inc.
Independent Director	National Reinsurance Corp.
Former Senior Partner	Sycip, Gorres, Velayo and Co., CPAs, Financial Services Practice Head
Treasurer and Director	CRIBS Foundation, Inc. Seafront Resources Corp.

ANTONIO L. ALINDOGAN, JR. (76, Filipino) Independent Director	
Chairman	AN-Cor Holdings, Inc.
	Landrum Holdings, Inc.
President	Landrum Holdings, Inc.
Independent Director	ETON Properties Phil Inc
	Great Life Financial Assurance
	LT Group
	PAL Holdings
	RCBC Bankard Serivces Corp
	RCBC Forex Brokers Inc
	Rizal Commercial Banking Corp.
Other Positions Held	
Chairman	Development Bank of the Philippines
Member of Monetary Board	Bangko Sentral ng Pilipinas
Chairman of AuditCom	Philippine Air Lines
EXCOM Member	Bankard Inc.
	ETON Properties Phil Inc
	Great Life Financial Assurance LT Group
	Rizal Commercial Banking Corp.

FRANCISCO H. LICUANAN, III (70, Filipino) Independent Director	
Other Positions within the last 5 years	
Chairman	Geo State Development Corp. New Pacific Resource Management
President	Innovative Property Solutions, Inc.
CEO	Innovative Property Solutions, Inc. Geo State Development Corp. New Pacific Resource Management
Other Positions Held	
Chairman	Subic Bay Metropolitan Authority
President	Ayala Land, Inc.
Senior Vice President	Real Estate Group of Ayala Corp.
CEO	Ayala Land, Inc.
Adviser	Subic Clark Area Development

ROBERTO F. DE OCAMPO. (68, Filipino): Independent Director	
Other Positions within the last 5 years	
Officer of the Most Excellent Order	British Empire (OBE) by Queen Elizabeth II and as Chevalier of the Legion d' Honneur by France
Chairman	Regional Economic Cooperation RFO Center for Public Finance
Board of Trustees Member	Asian Institute of Management
Advisory Board Member	BOAO Forum Asia Emerging Markets Forum The Conference Board Trilateral Commission
Other Positions Held	
Secretary of Finance	Republic of the Philippines
Member of the Board of Governors	World Bank Asian Development Bank
Chairman	APEC Finance Ministries ASEAN Finance Ministries Committee on Privatization Development Bank of the Philippines Land Bank of the Philippines Philippine Deposit Insurance Corp. Philippine Export Foreign Loan Guarantee Corp.
CEO	Development Bank of the Philippines
President	Asian Institute of Management

WILFRIDO E. SANCHEZ (77, Filipino): Director	
Other Positions within the last 5 years	
Tax Counsel	Quiason Makalintal Barot Torres & Ibarra Law Offices
Director	Adventure International Tours, Inc. Amon Trading Corp. Center for Leadership & Change, Inc. EEI Corp. Eton Properties Philippines, Inc. EMCOR, Inc. J-DEL Investment and Management Corp. JVR Foundation, Inc. Jubilee Shipping Corp. Kawasaki Motor Corp. K Servico, Inc. Magellan Capital Holdings Corp. PETNET, Inc. PETPLANS, Inc. Philippine Pacific Ocean Lines, Inc. Rizal Commercial Banking Corporation LT Group, Inc. Transnational Diversified Corp. Transnational Diversified Group, Inc. Transnational Financial Services, Inc. Universal Robina Corp.
Other Positions Held	
Managing Director	Tax Division, SGV & Co.
Chairman	Taxes & Tariff of the Philippine Committee, American Chamber of Commerce Tax Committee, Philippine Chamber of Commerce
Head	Tax Division, SGV & Co. Tax Division, Goh Tab & Go (Singapore)
Legal Researcher	Court of Appeals

RENATO C. VALENCIA (72, Filipino): Independent Director	
Other Positions within the last 5 years	
Chairman	Hypercash Payment System, Inc. iPeople, inc.
Vice Chairman	Asia Pacific Network Holdings, Inc. Habitat for Humanity Philippines
Director	Roxas & Company, Inc.
Independent Director	Anglo Philippine Holdings, Inc. Bases Conversion Dev. Authority, Inc. Fort Bonifacio Development Corp. Grepalife Fixed Income Fund Corp. House of Investments, Inc.
	Malayan Insurance Co., Inc. Metropolitan Bank & Trust Co. Roxas Holdings, Inc.
Advisory Board Member	Coca-Cola Philippines, Inc.
President & CEO	Roxas Holdings, Inc.

Other Positions Held	
CEO	Social Security System
Administrator	Social Security System
President	Social Security System
Board Member	San Miguel Corp. Far East Bank & Trust Co. Union Bank of the Phils.

DR. REYNALDO B. VEA (62, Filipino): Director	
Other Positions within the last 5 years	
President	Mapua Institute of Technology Malayan Colleges Laguna, Inc. Malayan High School of Science Mapua IT Center, Inc. Mapua Techserv
CEO	Mapua Institute of Technology
Trustee	AY Foundation Yuchengco Center of De La Salle University
Other Positions Held	
Director	Grepalife Dollar Bond Fund Grepalife Fixed Income Fund Maibarara Geothermal, Inc. Petrogen Energy Corp Rizal Commercial Banking Corp. Seafront Resources Group
Member	UNESCO National Commission Philippine Fullbright Commission
Trustee	Philippine Association Colleges and Universities
Chairman	Committee on Science and Technology in UNESCO
Dean	UP College of Engineering

AMB. ISABEL CARO WILSON (83,Filipino): Independent Director	
Other Positions within the last 5 years	
Chairman	Business Machines Corporation
	Carson Holding & Development Corporation
President	Aquila Resources & Holdings, Inc.
Director	Asian Cultural Council
	Pandiman Philippines, Inc.
	Survey Specialist, Inc.
Trustee	Cultural Center of the Philippines
	Memorare Manila
Other Positions Held	
Ambassador	Philippine Ambassador to Spain
Chairman	National Movement for Free Elections in Makati
President	Asian Cultural Council of the Philippines
	Cultural Center of the Philippines
	Dasmariñas Village Association
	Dasmariñas Village Street Children Foundation
	Manila Polo Club
	Zonta Club of Makati
Senior Adviser	Spain & Portugal, Philippine Chamber of Commerce & Industry
Director	INDRA Philippines, Inc
	Makati Business Club
	Memorare Manila
	Philippine Business for Social Progress
	Philippine Spanish Business Council
Treasurer	Fundacion Amigos del Instituto Cervantes
Kagawad	Dasmariñas Baranggay Council
Member	Heritage Conservation Society
	Makati Business Club
	National Museum Foundation
Columnist	Manila Chronicle

YVONNE S. YUCHENGCO (60, Filipino): Director	
Other Positions within the last 5 years	
Chairman	First Nationwide Assurance Corporation Malayan Plaza Condominium Asso. Inc. RCBC Capital Corp. XYZ Assets Corp.
Director	Honda Cars Kalookan, Inc. HYDee Management & Resource Corp. iPeople, inc. La Funenaria Paz-Sucat, Inc. Luisita Industrial Park Corp. Malayan College, Inc. Malayan College Laguna, Inc. Malayan High School of Science, Inc. Malayan Insurance (H.K.) Malayan Insurance (U.K.) Malayan Insurance Co., Inc. Malayan International Insurance Corp. Manila Memorial Park, Inc. Mapua Institute of Technology MICO Equities, Inc.
	National Reinsurance Corp. of the Phils. Pan Malayan Management & Investment Corp. Pan Malayan Realty Corp. Petro Energy Resources Corp. Philippine Integrated Advertising Agency, Inc. RCBC Capital Corp. Seafront Resources Corp.
President	Malayan Insurance Co., Inc. MICO Equities, Inc. Philippine Integrated Advertising Agency, Inc.
Member Board of Trustees	AY Foundation, Inc.
Member Advisory Com	Rizal Commercial Banking Corp.
Treasurer	Honda Cars Kalookan, Inc. Pan Malayan Management & Investment Corp.
Assistant Treasurer	Enrique T. Yuchengco, Inc.
CFO	Pan Malayan Management & Investment Corp.
Trustee	Yuchengco Museum, Inc.

RESIGNATION OF DIRECTORS

To date, no director has resigned or declined to stand for re-election for the Board of Directors due to any disagreement with the Corporation relative to the Corporation's operations, policies and practices.

ELECTION OF DIRECTORS

The Directors of HI 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.

KEY OFFICERS	POSITION	AGE	CITIZENSHIP
Ms. Helen Y. Dee	Chairperson	69	Filipino
Mr. Medel T. Nera	President & CEO	58	Filipino
Mr. Porfirio S. de Guzman, Jr.	SVP – Internal Audit	75	Filipino
Mr. Jose Ma. G. Castillo III	SVP-Finance & Treasurer and Compliance & Chief Information Officer	70	Filipino
Mr. Alexander Anthony G. Galang	SVP – Internal Audit	53	Filipino
Ms. Ruth C. Francisco	SVP Seconded to Mapua as EVP-Finance and Administration	51	Filipino
Mr. Raoul A. Villegas*	VP – Finance	45	Filipino
Ms. Ma. Esperanza F. Joven*	VP – Finance	43	Filipino
Mr. Godofredo C. Cualteros, Jr.*	VP – Internal Audit	48	Filipino
Ms. Ma. Elisa E. Delara	VP - Internal Audit	44	Filipino
Ms. Maria Teresa T. Bautista	AVP and Corporate Controller	41	Filipino
Mr. Jose A. Tanjangco III	AVP and Chief Risk Officer	52	Filipino
Ms. Sonia P. Villegas	AVP and Human Resources Head	45	Filipino
Mr. Aloysius Nathaniel S. Costales	AVP Seconded to MCL as CFO	55	Filipino
Ms. Marina B. Bayag	AVP Seconded to Mapua as Asst. Treasurer	64	Filipino
Atty. Maria Eloisa R. Gan	Legal and Admin Head	44	Filipino
Atty. Samuel V. Torres	Corporate Secretary	49	Filipino
Atty. Mary Anne D. Roque*	Asst. Corporate Secretary	45	Filipino

**Mr. Godofredo C. Cualteros resigned on June 16, 2013. Mr. Raoul A. Villegas resigned as IPO's VP-Finance effective January 31, 2014, while Atty. Mary Anne Roque resigned as the Asst. Corporate Secretary effective December 31, 2013. Ms. Ma. Esperanza F. Joven came on board on February 3, 2014.*

For the past ten (10) years, Mrs. Helen Y. Dee, Mr. Perry Y. Uy, Mr. Porfirio S. de Guzman, Jr., and Mr. Jose Ma. G. Castillo III have been officers of HI and have held the positions indicated opposite their respective names.

Porfirio S. De Guzman, Jr., 75, Filipino, has been a Senior Vice President for more than ten (10) years. He is a director of Landev Corp., Grepaland, Inc., and Philippine Integrated Advertising Agency. He is the Vice President & Deputy CFO of Pan Malayan Management & Investment Corp., Enrique T. Yuchengco, Inc., and Y Realty Corp.. He was a former partner of Sycip Gorres Velayo & Co.

Jose Ma. G. Castillo III, 70, Filipino, has been Senior Vice President, Treasurer, Chief Information Officer, and Compliance Officer of HI and IPO for more than ten (10) years. He is a Director, Chief Financial Officer, and Treasurer of Landev Corp., Greyhounds Security & Investigation Agency Corp., and Mapua Information Technology Center. He is also the Chief Financial Officer and Treasurer of Pan Pacific Computer Center, Inc., and HI-Eisai Pharmaceutical, Inc. He is a Director of Malayan Colleges Laguna, Inc., Zamboanga Industrial Finance Corp., and Manila Memorial Park Inc. He is also the Chief Financial Officer of RCBC Realty Corp. He is the Treasurer of Malayan Colleges Laguna, Inc. and Malayan Colleges Inc.

Alexander Anthony G. Galang , 53, Filipino, was appointed as Vice President of HI in 2004 and became a Senior Vice President in 2009. Prior to joining HI, he was Vice President for Audit & Special projects of Anglo Asian Strategic Management Inc. from 1993-2004. He was also a regional auditor of Triumph International, and Senior International Corporate Auditor of International Semi-Tech Microelectronics, Inc. He was an Internal Audit Manager of Honda Philippines, Inc., prior to that, Finance Comptroller of Midas Touch Foods Corp. He was a senior auditor with SGV and Co. He is a Certified Public Accountant and placed 12th in the 1981 board exams for accountancy. He also holds a global certification as a Certified Fraud Examiner.

Ruth C. Francisco, 51, Filipino, is the Senior Vice President for Finance seconded to Malayan Colleges, Inc. as Executive Vice President for Finance and Administration. She is also the Treasurer of the MIT Retirement Fund, Inc. from 2010 up to the present. Prior to joining HI in 2010, she was the Vice President for Finance and Administration of PhilamCare Health Systems, Inc.

Raoul A. Villegas, 45, Filipino, was the Vice President for Finance. He is a director and Treasurer of HI-Eisai Pharmaceuticals. He is a director of Southwestern Cement Corp. He is a director of People eServe Corp. Prior to joining HI, he was a Managing Director and Chief Financial Officer of Citadel Holdings, Inc. He was also the Director for Philippine Operations of Integreon Managed Solutions Inc. (Philippines), the multi-national knowledge process outsourcing firm under Live It Solutions of the Ayala Corp. From 2004-2007, he was with HI where he rose to Assistant Vice President and Head of Corporate Finance & Business Development. In 2014, Mr. Villegas resigned as the VP-Finance to pursue greater opportunities outside the Company.

Ma. Esperanza F. Joven, 43, Filipino, is the Vice President for Finance. Prior to re-joining HI in 2014, she was the Assistant Vice President for Financial Reporting, Corporate and Investment Bank at J.P.Morgan Chase Bank N.A. She also worked at E*TRADE Information Services LLC as Manager II for Stock Plans where she held the Series 7, 63, and 24 licences with the Financial Industry Regulatory Authority (FINRA), The Nasdaq Stock Market, and 52 states and territories of the United States of America and at PeopleSupport Philippines, Inc. as Manager for Equity/Stock Plan Administration, US Finance Team. She was with HI from 2002 to 2007 as a Manager and Assistant to the SVP for Finance & Treasurer, Chief Information Officer, Chief Compliance Officer. Prior to working at HI, she worked at All AsiaSecurities Management Corp. as an Assistant Manager with the Institutional Desk where she was a licensed Certified Securities Representative with the SEC and an Authorized Trader with the Philippine Stock Exchange (PSE). Ms. Joven is currently an Assistant Professional Lecturer 1 for the Financial Management Department at the College of Business at De La Salle University-Manila. She is also the Program Coordinator for the Master of Science in Computational Finance at the same University since 2009.

Godofredo C. Cualteros, Jr., 48, Filipino, was the Vice President for Group Internal Audit. He was formerly a Senior Audit Manager with Shea Labagh Dobberstein CPAs, San Francisco CA. He also worked as Senior Audit Manager with Hein & Associates LLP, Irvine CA; and Grant Thorton, Irvine CA. He was also a former Director of KPMG-Philippines, a Senior Audit Manager of Ernst & Young-Brunei, Punongbayan & Araullo; and worked with SGV & Co CPAs.

Maria Elisa E. De Lara, 44, Filipino, joined the Company in October 2010 and was appointed as Assistant Vice President for Group Internal Audit effective January 2011. In 2013, she was then promoted to Vice President. 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.

Maria Teresa T. Bautista, 41, 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 Certified Public Accountant, a Certified Internal Auditor, and holds a Six Sigma Green Belt.

Jose A. Tanjangco III, 52, Filipino, is an Assistant Vice President and Chief Risk Officer of HI 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 at 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.

Sonia P. Villegas, 45, Filipino, is an Assistant Vice President for Human Resources since 2013 and was with the Human Resources Department and the Administrative Executive Assistant of the SVP for Finance & Treasurer, Chief Information Officer, Chief Compliance Officer since 2000. She was with the Business Development Department as a Research Assistant from 1990 to 1993. Prior to joining HI, she was the executive assistant to the Dean of College of Computer Institute for Studies and Systems Instructor from 1988-1990.

Aloysius Nathaniel S. Costales, 55, Filipino, is an Assistant Vice President and Deputy CFO/Controller. From March 2010, he has been seconded to the Malayan Colleges Laguna Inc. as Chief Finance Officer. Prior to his current position, he was anInternal Audit Manager from March 2002 to March 2010, with brief stints as Acting General Manager of Greyhounds Security and Investigation Agency Corporation (2009) and as Acting Head of the YGC-Coordinating Center for Procurement (2007). He used to be the Financial Controller of SKF Philippines Inc. (1993-2001) and Finance and Administration Manager of Shoden Philippines, Inc. (1989-1993). He was connected with SyCip, Gorres, Velayo & Co. from 1978 to 1989 as Audit Staff and in 2002 as Consultant. He is currently the Chairman of the Board of Directors of Bluehounds Security and Investigation Agency Inc.

Marina B. Bayag, 64, Filipino, is the Assistant Vice President of House of Investments, Inc. duly seconded to Malayan Colleges, Inc. (operating under the name Mapua Institute of Technology, Inc.). She joined HI in 1975 as Financial Analyst and has held several positions in the organization until she was seconded to Mapua Institute of Technology in 2000 as its Assistant Treasurer for the Mapua Group, namely, Malayan Colleges Laguna, Inc., Malayan High School of Science, Inc., Mapua Information Technology Center, and Mapua Techserv, Inc. She is also a member of the Board of Directors of Bluehounds Security and Investigation Agency, Inc.

Maria Eloisa Gan, 43, Filipino, is Assistant Vice President – Legal and Administrative Head. She was formerly the Chief Legal and Compliance Officer of Great Life Financial Assurance Corporation, head of the Legal Department and Assistant Corporate Secretary of Sun Life Grepa Financial, Inc. (formerly Great Pacific Life Assurance Corporation) as well as Assistant Corporate Secretary of Grepalife Asset Management Corp., Grepalife Fixed Income Fund Corp., Grepalife Dollar Bond Fund Corp., and Grepalife Bond Fund Corp. Until September 2005, Atty. Gan was head of the Complaints and Investigations Division, Compliance and Enforcement Department (now the Enforcement and Prosecution Department) of the Securities and Exchange Commission.

Samuel V. Torres, 49, Filipino, is the Corporate Secretary of HI and concurrently the Corporate Secretary of Rizal Commercial Banking Corp. His other present positions include: General Counsel & Corporate Secretary of Pan Malayan Management & Investment Corp., Corporate Secretary of Bankard, Inc., Great Pacific Life Assurance Corp., First Malayan Leasing and Finance Corporation, GPL Cebu Tower Office Condominium Corp., iPeople, inc., RCBC Land, Inc., RCBC Forex Brokers Corp., RCBC Realty Corp., RCBC Securities, Inc., Malayan High School of Science, Inc., Mapua Information Technology Center, Inc., Malayan Colleges, Inc., GPL Holdings, Petro Energy Resources Corp., Seafront Resources Corp., Pan Pacific Computer Center, Inc., Honda Cars Kalookan, Inc., Hi-Eisai Pharmaceutical, Inc., People eServe Corp., La Funeraria Paz Sucat, Inc., Landev Corp., Pan Malayan Realty Corp. He is also the Assistant Corporate Secretary of First Nationwide Assurance Corp., Malayan Insurance Co., Inc., Malayan Reinsurance Corp., Malayan Zurich Insurance Corp., MICO Equities, Inc., and Tokio Marine Malayan Insurance Corp. He was formerly the International Counsel, South Pacific for Federal Express Corporation.

Mary Ann Emily D. Roque, 41, Filipino, is the Assistant Corporate Secretary. She is also the Corporate Secretary of the Yuchengco Tower Office Condominium Corp., Orophil Stonecraft, Inc., Oro Filipino Enterprises & Development Corp., and Golden Tower Industrial Development Corp. She is also the Assistant Corporate Secretary of Bankard, Inc., iPeople, inc., and the Legal Officer of Pan Malayan Management & Investment Corp. She was formerly a Legal Officer with UCPB, and before that an Associate of Quasha Ancheta Peña & Nolasco Law Office.

APPOINTMENT AND RESIGNATION OF OFFICERS

Officers are appointed or elected annually by the Board of Directors at its first 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.

Mr. Godofredo C. Cualteros resigned as VP-Internal Audit on June 16, 2013. Mr. Raoul A. Villegas resigned as IPO's VP-Finance effective January 31, 2014 for better opportunities, while Atty. Mary Anne Roque resigned as the Asst. Corporate Secretary effective December 31, 2013 to pursue private practice.

SIGNIFICANT EMPLOYEE

There is no person who is not an executive officer that is expected by the issuer to make a significant contribution to the business.

FAMILY RELATIONS

Mrs. Helen Y. Dee and Ms. Yvonne S. Yuchengco are siblings and are daughters of Amb. Alfonso T. Yuchengco.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Company is not aware of the following events during the past 5 years up to March 31, 2014:

(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 proceeding domestic or foreign or being subject to a pending criminal proceeding 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.

Item 10 – EXECUTIVE COMPENSATION

Information as to the aggregate compensation paid or accrued during the last two fiscal years and to be paid in the ensuing fiscal year to the Company's Chief Executive Officer and other officers follows:

<table>
<tr><th>NAME AND POSITION</th><th>YEAR</th><th>SALARY</th><th>BONUS</th><th>OTHER ANNUAL COMPENSATION</th><th>TOTAL</th></tr>
<tr><td colspan="6">The top 5 executives of the Company are as follows:

A. Medel T. Nera, President and CEO
B. Porfirio S. de Guzman, SVP Internal Audit
C. Jose Ma. G. Castillo, III, SVP-Finance, Treasurer, Chief Information Officer, Compliance Officer
D. Alexander Anthony G. Galang, SVP-Internal Audit
E. All other officers and directors as a group combined</td></tr>
<tr><td>All key officers and directors as group</td><td>2014</td><td>P17.8M (est)</td><td>nil</td><td>P1.2M (est)</td><td>P19.0M (est)</td></tr>
<tr><td>All key officers and directors as group</td><td>2013</td><td>P20.5M</td><td>nil</td><td>P1.2M</td><td>P21.7M</td></tr>
<tr><td>All key officers and directors as group</td><td>2012</td><td>P19.5M</td><td>nil</td><td>P1.2M</td><td>P20.7M</td></tr>
</table>

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, other than those stated on the above table during the Company's last completed fiscal year, and the ensuing year, for any service provided as an executive officer or member of the Board of Directors.

Directors are paid a per diem of P25,000 for attendance in a Board meeting. Board meetings are scheduled every quarter in a year. A director is also paid a per diem of P3,000 for participation in committee meetings.

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

Item 11 – Security Ownership of Certain Beneficial Owners and Management

Owners of more than 5% of voting securities as of March 31, 2014.
The following table shows the beneficial owners directly or indirectly owning more than 5% of the Company's capital stock as of March 31, 2014:

COMMON STOCK

SHARE CLASS	NAME AND ADDRESS OF RECORD OWNER	NAME OF BENEFICIAL OWNER & RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NUMBER OF SHARES BENEFICIALLY OWNED	% OF TOTAL
Common	**PAN MALAYAN MANAGEMENT & INVESTMENT CORP.** 48/F, Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City *Principal Stockholder*	**Ms. Helen Y. Dee** *Chairperson* is authorized to direct voting of the shares held by House of Investments	Filipino	294,758,580	47.84%
Common	**RCBC SECURITIES, INC.** *7/F Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City*	**Mr. Raul Ruiz** *VP - Research* **Mr. Diosdado Salang** *Asst. Vice President* are authorized to direct voting of the shares held by RCBC Securities	Filipino	90,443,035	14.68%

PREFERRED STOCK

SHARE CLASS	NAME AND ADDRESS OF RECORD OWNER	NAME OF BENEFICIAL OWNER & RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NUMBER OF SHARES BENEFICIALLY OWNED	% OF TOTAL
Preferred	**YUCHENGCO, ALFONSO T.** 48/F, Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City *Principal Stockholder*	Not Applicable	Filipino	519,742,938	54.61%
Preferred	**PAN MALAYAN MANAGEMENT & INVESTMENT CORP.** 48/F, Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City	**Ms. Helen Y. Dee** *Chairperson* is authorized to direct voting of the shares held by House of Investments	Filipino	356,825,339	37.49%

There are no arrangements that may result in change in control.

SECURITY OWNERSHIP OF MANAGEMENT

Securities beneficially owned by the directors, nominees, officers, other than qualifying shares, as of March 31, 2014 according to the records of its stock and transfer agent, Rizal Commercial Banking Corporation (RCBC):

COMMON STOCK

NAME OF BENEFICIAL OWNER	CITIZENSHIP	NATURE OF OWNERSHIP	SHARES OWNED	% OF CLASS
Amb. Alfonso T. Yuchengco	Filipino	Direct	794,450	0.1289%
Helen Y. Dee	Filipino	Direct	1,125,345	0.1826%
		Indirect	528,520	0.0858%
Antonino L. Alindogan, Jr.	Filipino	Direct	500	0.0001%
Francisco H. Licuanan III	Filipino	Direct	500	0.0001%
Medel T. Nera	Filipino	Direct	5	0.0000%
Roberto F. de Ocampo	Filipino	Direct	5	0.0000%
Atty. Wilfrido E. Sanchez	Filipino	Direct	5	0.0000%
Renato C. Valencia	Filipino	Direct	1,000	0.0002%
Dr. Reynaldo B. Vea	Filipino	Direct	10	0.0000%
Amb. Isabel Caro Wilson	Filipino	Indirect	1,883,970	0.3057%
Yvonne S Yuchengco	Filipino	Direct	90,255	0.0146%
Sub-Total			**4,424,565**	**0.7180%**
Total Common Shares			**616,196,757**	**100%**

PREFERRED STOCK

NAME OF BENEFICIAL OWNER	CITIZENSHIP	NATURE OF OWNERSHIP	SHARES OWNED	% OF CLASS
Amb. Alfonso T. Yuchengco	Filipino	Direct	543,987,234	57.16%
Amb. Isabel Caro Wilson	Filipino	Direct	756,225	0.08%
Sub-Total			**544,743,459**	**57.24%**
Total Preferred Shares			**951,676,032**	**100%**

Item 12 – Certain Relationships and Related Transactions

There is no director, executive officer, nominee for director, beneficial holder, or any family member involved in any business transaction with HI.

In the normal conduct of business, aside from transactions disclosed in audited financial statements, other transactions with certain affiliates include sharing in general and administrative expenses and cash advances.

Please refer to Note 22 to the consolidated financial statements for the details of related party transactions. As discussed in the notes, in the normal conduct of business, aside from transactions disclosed in Note 19 (Loans Payable) and Note 20 (Long-term Debt), other transactions with certain affiliates include sharing in general and administrative expenses and cash advances.

PART IV – CORPORATE GOVERNANCE

Item 13 – Corporate Governance

In compliance with SEC Memo Circular No. 5, the Corporate Governance section in the Annual Report (SEC Form 17-A) shall be deleted as this will be covered in the Annual Corporate Governance Report to be submitted on March 31, 2014.

PART V – EXHIBITS AND SCHEDULES

Item 14 - Exhibits and Reports on SEC Form 17-C

SUMMARY OF SEC FORM 17-C

July 19, 2013

- First quarter consolidation report (SEC 17Q) of House of Investments, Inc.
- Declaration of PhP53,400,205.39 in cash dividends to the stockholders of 616,196,757 common shares and 1,026,774,998 preferred shares which is equivalent to 273,806,666 common shares as of July 2, 2013. The equivalent dividend per common share is PhP0.06. The equivalent dividend per preferred share is PhP0.016. The record date is August 16, 2013 and the payment date is September 9, 2013.
- Declaration of PhP2,449,577.11 cash dividends to the preferred stockholders covering the second quarter of FY2013, i.e. April to June. The equivalent dividend per preferred share is PhP0.0023857. The record date is August 16, 2013 and the payment date is September 4, 2013.
- Redemption of two and one-half percent (2.5%) of 1,026,774,998 preferred shares, representing 25,669,375 preferred shares at PhP0.40 per preferred share amounting to PhP10,267,749.98. The record date is August 16, 2013 and the payment date is September 6, 2013.
- Approval to draw down up to PhP1.5 billion loan to fund the purchase of 10% of RCBC Realty Corporation.
- 2012 Audited consolidated financial statements of House of Investments, Inc. and its subsidiaries
- Elections of members of the board of directors for the year 2013-2014
- Re-appointment of SGV & Co., as external auditors for the fiscal year ending 2013
- Election of officers of House of Investments, Inc. and the appointment of Chairmen/members of the various committees.

August 28, 2013

- Amendment of the record date from September 9, 2013 to September 5, 2013 related to the declaration of P53,400,205.39 in cash dividends to the stockholders of 616,196,757 common shares and 1,026,774,998 preferred shares which is equivalent to 273,806,666 common shares as of July 2, 2013. The equivalent dividend per common share is P0.06. The equivalent dividend per preferred share is P0.016. The record date is August 16, 2013 and the payment date is September 5, 2013.

September 26, 2013

- Second Quarter Consolidation Report (SEC 17Q) of House of Investments, Inc.
- Declaration of PhP2,709,992.92 (PHILIPPINE PESOS TWO MILLION SEVEN HUNDRED NINE THOUSAND NINE HUNDRED NINETY TWO AND NINETY TWO CENTAVOS) cash dividends to the preferred stockholders of HI covering the 3rd quarter of 2013 (July 2013 to September 2013). The equivalent dividend per preferred share is PhP 0.002707. The record date is October 24, 2013 and the payment date is November 15, 2013.

- Redemption of 2 ½% (two and one half percent) of 1,001,105,623 shares of preferred stock of House of Investments, representing 25,027,640 (TWENTY FIVE MILLION TWENTY SEVEN THOUSAND SIX HUNDRED FORTY) preferred shares at PhP 0.40 per share, amounting to PhP 10,011,056 (PHILIPPINE PESOS TEN MILLION ELEVEN THOUSAND FIFTY SIX). The record date is October 24, 2013 and the payment date is November 20, 2013.

December 5, 2013

- Third Quarter Consolidation Report (SEC 17Q) of House of Investments, Inc.
- Declaration of PhP1,953,132.04 (PHILIPPINE PESOS One Million Nine Hundred Fifty Three Thousand One Hundred Thirty Two and 4/100) cash dividends to the preferred stockholders of HI covering the 4th quarter of 2013 (October to December). The equivalent dividend per preferred share is PhP0.002001. The record date is January 2, 2014 and the payment date is January 23, 2014.
- Redemption of 2 1/2% (Two and One Half Percent) of 976,077,982 shares of preferred stock of House of Investments, representing 24,401,950 (Twenty Four Million Four Hundred One Thousand Nine Hundred Fifty) preferred shares at PhP0.40 per share, amounting to PhP9,760,780 (PHILIPPINE PESOS Nine Million Seven Hundred Sixty Thousand Seven Hundred Eighty). The record date is January 2, 2014 and the payment date is January 24, 2014.

March 28, 2014

- Approval of the 2013 Audited Financial Statements of House of Investments, Inc. and its subsidiaries.
- Declaration of PhP2,902,611.90 (PHILIPPINE PESOS TWO MILLION NINE HUNDRED TWO THOUSAND SIX HUNDRED ELEVEN and 90/100 ONLY) to the preferred stockholders of the House of Investments covering the 1st quarter of 2014 (January to March). The equivalent dividend per preferred share is PhP0.00305. The record date is April 25, 2014 and the payment date is May 20, 2014.
- Redemption of 2 1/2% (Two and a half percent) of 951,676,032 (NINE HUNDRED FIFTY ONE MILLION SIX HUNDRED SEVENTY SIX THOUSAND THIRTY TWO) shares of preferred stock of the House of Investments, representing 23,791,900 (TWENTY THREE MILLION SEVEN HUNDRED NINETY ONE THOUSAND NINE HUNDRED) preferred shares at PhP0.40 per share, amounting to PhP9,516,760.32 (PHILIPPINE PESO NINE MILLION FIVE HUNDRED SIXTEEN THOUSAND SEVEN HUNDRED SIXTY and 32/100 ONLY). The record date is April 25, 2014 and the payment date is May 21, 2014.
- Annual stockholders' meeting of the company will be held on July 17, 2014 at 2:30pm at the RCBC Plaza, Ayala Avenue corner Gil Puyat Avenue, Makati City, Metro Manila. The Company has fixed June 17, 2014 as the record date to determine the stockholders entitled notice of, and to vote in, the said meeting.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Makati on April 30 APR 2014, 2014.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this 30 APR 2014 day of April, 2014 at Makati City.

By:

Medel T. Nera
President & CEO

Ma. Esperanza F. Joven
VP – Finance

Maria Teresa T. Bautista
AVP – Finance & Controller

Atty. Samuel V. Torres
Corporate Secretary

30 APR 2014

SUBSCRIBED AND SWORN to before me this ____day of _____ 2014, at MAKATI CITY.
Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

Names	Document No.	Date & Place of Issue/Expiration
Medel T. Nera	DL#15-82-012443	6-29-2012 Manila / 7-5-2015
Ma. Esperanza F. Joven	DL#N03-99-266038	1-27-2014 Makati / 2-21-2017
Maria Teresa T. Bautista	SSS#33-3061733-5	
Atty. Samuel V. Torres	09378741	1-28-2014 Quezon City

ARCHIBALD R. RELLOSA
NOTARY PUBLIC
UNTIL DEC. 31, 2014
PTR NO. 4225722 MAKATI CITY
IBP NO. 867717 PASIG CITY
APPOINTMENT NO. M-245/2013-2014
MCLE EXEMPTION NO.I-003093
ROLL NO. 4375

Doc. No. 75;
Page No. 16;
Book No. 2;
Series of 2014

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A

CONSOLIDATED FINANCIAL STATEMENTS

Statement of Management's Responsibility for Consolidated Financial Statements

Report of Independent Auditors' Report

Consolidated Statements of Financial Position as at December 31, 2013 and 2012

Consolidated Statements of Income for the years ended
December 31, 2013, 2012 and 2011

Consolidated Statements of Comprehensive Income for the years ended
December 31, 2013, 2012 and 2011

Consolidated Statements of Changes in Equity for the years ended
December 31, 2013, 2012 and 2011

Consolidated Statements of Cash Flows for the years ended
December 31, 2013, 2012 and 2011

Notes to Consolidated Financial Statements

SUPPLEMENTARY SCHEDULES

Report of Independent Auditors' on Supplementary Schedules

Schedules Required under SRC Rule 68-E

A. Financial Assets
B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
C. Amounts Receivable from / Payables to Related Parties which are Eliminated during the Consolidation of Financial Statements
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H. Capital Stock

Schedule of Retained Earnings Available for Dividend Declaration

Schedule of Financial Soundness Indicators

Map of the relationships of the Companies within the Group

Schedule of all the effective standards and interpretations under PFRS as of December 31, 2013

HI
HOUSE OF INVESTMENTS, INC.
A YGC Member

SECURITIES AND EXCHAGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

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, 2013, 2012 and 2011, 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
Chairman of the Board

MEDEL T. NERA
Chief Executive Officer

JOSE MARI G. CASTILLO III
Senior Vice President for Finance

Signed this 28th day of March, 2014

SUBSCRIBED AND SWORN TO BEFORE ME A
MAKATI CITY THIS 0 2 MAY 2014
THE AFFIANT EXHIBITING TO ME HIS/HER
CTC NO. ________ ISSUED AT ________ ON

DANILO B. BAÑARES
NOTARY PUBLIC
Notarial Commission No. 2014-084/Until Dec. 31, 2015
Roll of Attorney No. 29011, IBP Life Roll No. 0413
TIN No. 138-811-889, PTR No. 2540256/Jan. 2, 2014/Manila
R-708-A, Manufacturers Bldg., Sta. Cruz, Mla

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BOOK NO. 116
SERIES OF 2014

SyCip Gorres Velayo & Co.
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ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

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, 2013 and 2012, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2013, 2012 and 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.

SGV
Building a better working world

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, 2013 and 2012, and their financial performance and their cash flows for the years ended December 31, 2013, 2012 and 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-2 (Group A),
March 26, 2014, valid until March 25, 2017
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225212, January 2, 2014, Makati City

March 28, 2014

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31		January 1
	2013	2012 (As restated, Notes 3 and 31)	2012 (As restated, Notes 3 and 31)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 4, 6 and 22)	**₱2,111,510,291**	₱2,126,214,931	₱2,167,119,236
Accounts receivable (Notes 4 and 8)	**4,603,299,912**	4,779,775,167	3,926,140,870
Current portion of loans receivable (Notes 4 and 7)	**10,253,050**	13,262,879	400,919,333
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 9)	**1,964,460,533**	1,390,688,809	1,729,876,639
Inventories (Notes 10 and 20)	**899,009,330**	947,452,970	656,807,317
Receivables from related parties (Notes 4 and 22)	**61,495,568**	15,521,030	61,330,556
Prepaid expenses and other current assets (Notes 4 and 11)	**533,119,933**	984,776,563	736,027,116
Financial asset at FVPL (Note 4)	**363,264,505**	–	–
Total Current Assets	**10,546,413,122**	10,257,692,349	9,678,221,067
Noncurrent Assets			
Investments in associates and joint venture (Notes 13 and 35)	**3,322,896,911**	1,381,325,564	1,324,629,998
Available-for-sale (AFS) financial assets (Notes 4 and 12)	**521,475,571**	500,414,941	451,542,999
Investment properties (Notes 16 and 19)	**250,316,945**	287,267,988	328,240,451
Property and equipment (Notes 14 and 20)			
At cost	**4,415,070,357**	4,093,611,162	3,273,300,109
At revalued amount	**2,727,358,837**	2,605,448,126	2,485,751,926
Loans receivable - net of current portion (Notes 4 and 7)	**4,554,796**	6,120,099	1,131,780,716
Deferred tax assets - net (Notes 32 and 35)	**220,421,008**	218,334,840	240,621,116
Goodwill (Note 15)	**471,357,459**	512,796,021	512,796,021
Other noncurrent assets - net (Notes 4, 17, 22 and 31)	**463,362,283**	94,970,893	608,075,787
Total Noncurrent Assets	**12,396,814,167**	9,700,289,634	10,356,739,123
	₱22,943,227,289	₱19,957,981,983	₱20,034,960,190

LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable (Notes 4, 19 and 22)	**₱3,229,400,000**	₱1,951,100,000	₱4,088,090,020
Accounts payable and accrued expenses (Notes 4 and 18)	**3,860,114,471**	3,917,180,704	3,201,210,185
Current portion of long-term debt (Notes 4, 20 and 22)	**261,234,257**	731,076,104	589,400,000
Current portion of lease liability (Notes 4 and 34)	**432,858**	941,995	–
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 9)	**1,332,956,704**	2,713,871,480	1,862,748,047
Unearned tuition fees	**9,110,987**	63,621,615	167,724,182
Income tax payable (Notes 32 and 35)	**175,360,616**	269,372,013	207,830,175
Due to related parties (Notes 4 and 22)	**41,030,230**	32,713,060	58,234,792
Customers' deposits	**34,520,552**	30,114,903	59,301,429
Total Current Liabilities	**8,944,160,675**	9,709,991,874	10,234,538,830

	December 31		January 1
	2013	2012 (As restated, Notes 3 and 31)	2012 (As restated, Notes 3 and 31)
Noncurrent Liabilities			
Long-term debt - net of current portion (Notes 4, 20 and 22)	**₱2,696,888,610**	₱811,750,000	₱1,322,557,776
Lease liability - net of current portion (Notes 4 and 34)	**3,366,881**	6,878,279	22,784,043
Retirement liability (Note 31)	**372,891,089**	306,577,634	285,905,750
Deferred tax liabilities - net (Notes 32 and 35)	**115,380,116**	70,173,082	69,682,493
Total Noncurrent Liabilities	**3,188,526,696**	1,195,378,995	1,700,930,062
Total Liabilities	**12,132,687,371**	10,905,370,869	11,935,468,892
Equity			
Capital stock (Note 37)			
Preferred stock	**380,670,413**	421,284,050	466,478,729
Common stock	**921,687,536**	924,252,111	923,965,542
Additional paid-in capital	**154,578,328**	154,578,328	154,578,328
Revaluation increment on land (Note 14)	**352,767,062**	291,703,332	273,067,196
Cumulative translation adjustment (Notes 13 and 40)	**5,584,596**	(72,974,883)	(22,420,704)
Unrealized gain on available-for-sale financial assets (Note 12)	**93,233,426**	94,703,117	76,012,323
Remeasurement losses on net retirement liability	**(61,731,769)**	(62,615,644)	(81,008,012)
Retained earnings (Note 38)	**5,034,498,263**	3,909,567,025	3,090,241,046
	6,881,287,855	5,660,497,436	4,880,914,448
Noncontrolling interest	**3,929,252,063**	3,392,113,678	3,218,576,850
Total Equity	**10,810,539,918**	9,052,611,114	8,099,491,298
	₱22,943,227,289	₱19,957,981,983	₱20,034,960,190

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2013	2012 (As restated, Notes 3 and 31)	2011 (As restated, Notes 3 and 31)
REVENUES (Note 35)			
Sales of services - net	**₱11,086,638,781**	₱14,164,147,800	₱9,462,913,802
Sales of goods - net	**4,476,930,830**	4,709,095,547	4,232,880,851
School and related operations	**1,850,441,868**	1,737,001,921	1,553,867,070
Interest and discounts	**10,839,465**	3,432,013	221,320,917
Dividends (Note 38)	**317,226,790**	9,032,242	9,160,275
	17,742,077,734	20,622,709,523	15,480,142,915
COSTS OF SALES AND SERVICES (Note 24)			
Cost of services (Note 26)	**9,606,196,558**	12,302,867,765	7,850,206,165
Cost of goods sold (Notes 10 and 25)	**4,171,149,443**	4,355,700,774	3,917,219,324
Cost of school and related operations (Note 27)	**961,978,397**	877,831,564	803,354,247
	14,739,324,398	17,536,400,103	12,570,779,736
GROSS PROFIT	**3,002,753,336**	3,086,309,420	2,909,363,179
OTHER INCOME - Net (Notes 2 and 23)	**590,491,118**	333,327,349	669,777,663
EQUITY IN NET EARNINGS OF ASSOCIATES (Notes 13 and 35)	**610,307,799**	475,682,381	378,384,802
GENERAL AND ADMINISTRATIVE EXPENSES (Note 28)	**(1,747,635,702)**	(1,639,694,620)	(1,885,203,983)
INTEREST AND FINANCE CHARGES (Notes 19, 20, 22, 30 and 35)	**(167,787,622)**	(148,528,151)	(322,072,768)
INCOME BEFORE INCOME TAX	**2,288,128,929**	2,107,096,379	1,750,248,893
PROVISION FOR INCOME TAX (Notes 32 and 35)	**455,469,537**	548,250,096	392,866,586
NET INCOME	**₱1,832,659,392**	₱1,558,846,283	₱1,357,382,307
Net income attributable to:			
Equity holders of the Parent Company (Notes 33 and 35)	**₱1,189,694,820**	₱882,999,685	₱810,133,968
Noncontrolling interest in consolidated subsidiaries	**642,964,572**	675,846,598	547,248,339
	₱1,832,659,392	₱1,558,846,283	₱1,357,382,307
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT - BASIC AND DILUTED (Note 33)	**₱1.3573**	₱0.984	₱0.874

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2013	2012 (As restated, Notes 3 and 31)	2011 (As restated, Notes 3 and 31)
NET INCOME	**₱1,832,659,392**	₱1,558,846,283	₱1,357,382,307
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustments (Notes 13 and 40)	**156,853,562**	(100,937,572)	(8,829,237)
Net unrealized gain on available-for-sale securities (Note 12)	**(1,691,512)**	20,213,896	12,653,445
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Revaluation increment on land - net of tax (Notes 14 and 32)	**92,698,068**	26,627,838	16,721,351
Remeasurement gains (losses) on net retirement liability	**(61,453,242)**	6,095,808	(194,048,228)
Income tax effect	**7,687,732**	2,127,005	59,002,904
Total other comprehensive income (loss)	**194,094,608**	(45,873,025)	(114,499,765)
TOTAL COMPREHENSIVE INCOME	**₱2,026,754,000**	₱1,512,973,258	₱1,242,882,542
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱1,326,158,263**	₱890,663,712	₱751,992,144
Noncontrolling interest in consolidated subsidiaries	**700,595,737**	622,309,546	490,890,398
	₱2,026,754,000	₱1,512,973,258	₱1,242,882,542

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the Group										
	Preferred Stock (Note 37)	Common Stock (Note 37)	Additional Paid-in Capital	Revaluation Increment on Land - Net (Note 14)	Cumulative Translation Adjustment (Notes 13 and 40)	Net Accumulated Unrealized Gain on Available-for-Sale Securities (Note 12)	Remeasurement losses on Net Retirement Liability (Note 31)	Retained Earnings (Note 38)	Total	Attributed to Noncontrolling Interest	Total
	For the Year Ended December 31, 2013										
Balances as at January 1, 2013	**₱421,284,050**	**₱924,252,111**	**₱154,578,328**	**₱291,703,332**	**(₱72,974,883)**	**₱94,703,117**	**₱–**	**₱3,905,379,248**	**₱5,718,925,303**	**₱3,453,293,822**	**₱9,172,219,125**
Redemption of preferred shares	**(40,570,612)**	–	–	–	–	–	–	–	**(40,570,612)**	–	**(40,570,612)**
Conversion to common stock	**(43,025)**	**43,025**	–	–	–	–	–	–	–	–	–
Cost of shares held in treasury	–	**(2,607,600)**	–	–	–	–	–	–	**(2,607,600)**	–	**(2,607,600)**
Effects of change in accounting for employee benefits (Notes 3 and 31)	–	–	–	–	–	–	**(62,615,644)**	**4,187,777**	**(58,427,867)**	**(61,180,144)**	**(119,608,011)**
Balance at January 1, 2013	**380,670,413**	**921,687,536**	**154,578,328**	**291,703,332**	**(72,974,883)**	**94,703,117**	**(62,615,644)**	**3,909,567,025**	**5,617,319,224**	**3,392,113,678**	**9,009,432,902**
Net income	–	–	–	–	–	–	–	**1,189,694,820**	**1,189,694,820**	**642,964,572**	**1,832,659,392**
Other comprehensive income (loss)	–	–	–	**61,063,730**	**78,559,479**	**(1,469,691)**	**883,875**	**(2,081,283)**	**136,956,110**	**57,138,498**	**194,094,608**
Total comprehensive income	–	–	–	**61,063,730**	**78,559,479**	**(1,469,691)**	**883,875**	**1,187,613,537**	**1,326,650,930**	**700,103,070**	**2,026,754,000**
Dividends declared by Parent Company	–	–	–	–	–	–	–	**(62,682,299)**	**(62,682,299)**	–	**(62,682,299)**
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	–	**(162,964,685)**	**(162,964,685)**
Total dividends declared	–	–	–	–	–	–	–	**(62,682,299)**	**(62,682,299)**	**(162,964,685)**	**(225,646,984)**
Balances as at December 31, 2013	**₱380,670,413**	**₱921,687,536**	**₱154,578,328**	**₱352,767,062**	**₱5,584,596**	**₱93,233,426**	**(₱61,731,769)**	**₱5,034,498,263**	**₱6,881,287,855**	**₱3,929,252,063**	**₱10,810,539,918**
	For the Year Ended December 31, 2012										
Balances as at January 1, 2012, as previously restated	₱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	₱3,270,807,452	₱8,228,288,296
Redemption of preferred shares	(44,908,110)	–	–	–	–	–	–	–	(44,908,110)	–	(44,908,110)
Conversion to common stock	(286,569)	286,569	–	–	–	–	–	–	–	–	–
Sale of subsidiary	–	–	–	–	–	–	–	–	–	(337,736,180)	(337,736,180)
Effects of change in accounting for employee benefits (Notes 3 and 31)	–	–	–	–	–	–	(81,008,012)	4,441,616	(76,566,396)	(52,230,602)	(128,796,998)
Balance at January 1, 2012, as restated	421,284,050	924,252,111	154,578,328	273,067,196	(22,420,704)	76,012,323	(81,008,012)	3,090,241,046	4,836,006,338	2,880,840,670	7,716,847,008
Net income, as restated	–	–	–	–	–	–		882,999,685	882,999,685	675,846,598	1,558,846,283
Other comprehensive income (loss)	–	–	–	18,636,136	(50,554,179)	18,690,794	18,392,368	2,302,784	7,467,903	(53,340,928)	(45,873,025)
Total comprehensive income	–	–	–	18,636,136	(50,554,179)	18,690,794	18,392,368	885,302,469	890,467,588	622,505,670	1,512,973,258
Dividends declared by Parent Company	–	–	–	–	–	–	–	(65,976,490)	(65,976,490)	–	(65,976,490)
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	–	(111,232,662)	(111,232,662)
Total dividends declared	–	–	–	–	–	–	–	(65,976,490)	(65,976,490)	(111,232,662)	(177,209,152)
Balances as at December 31, 2012	₱421,284,050	₱924,252,111	₱154,578,328	₱291,703,332	(₱72,974,883)	₱94,703,117	(₱62,615,644)	₱3,909,567,025	₱5,660,497,436	₱3,392,113,678	₱9,052,611,114

	Attributable to the Group										
	Preferred Stock (Note 37)	Common Stock (Note 37)	Additional Paid-in Capital	Revaluation Increment on Land - Net (Note 14)	Cumulative Translation Adjustment (Notes 13 and 40)	Net Accumulated Unrealized Gain on Available-for-Sale Securities (Note 12)	Remeasurement losses on Net Retirement Liability (Note 31)	Retained Earnings (Note 38)	Total	Attributed to Noncontrolling Interest	Total
	For the Year Ended December 31, 2011										
Balances as at January 1, 2011	₱516,287,973	₱923,872,075	₱154,578,328	₱258,317,765	(₱17,998,139)	₱63,473,002	₱–	₱2,346,866,419	₱4,245,397,423	₱2,848,843,029	₱7,094,240,452
Redemption of preferred shares	(49,715,777)	–	–	–	–	–	–	–	(49,715,777)	–	(49,715,777)
Conversion to common stock	(93,467)	93,467	–	–	–	–	–	–	–	–	–
Purchase of noncontrolling interest	–	–	–	–	–	–	–	–	–	(5,786,652)	(5,786,652)
Effects of change in accounting for employee benefits (Note 3)	–	–	–	–	–	–	–	(221,501)	(221,501)	(613,749)	(835,250)
Balance at January 1, 2011, as restated	466,478,729	923,965,542	154,578,328	258,317,765	(17,998,139)	63,473,002	–	2,346,644,918	4,195,460,145	2,842,442,628	7,037,902,773
Net income, as restated	–	–	–	–	–	–	–	810,133,968	810,133,968	547,248,339	1,357,382,307
Other comprehensive income (loss)	–	–	–	14,749,431	(4,422,565)	12,539,321	(81,008,012)	–	(58,141,825)	(56,357,941)	(114,499,766)
Total comprehensive income (loss), as restated	–	–	–	14,749,431	(4,422,565)	12,539,321	(81,008,012)	810,133,968	751,992,143	490,890,398	1,242,882,541
Dividends declared by Parent Company	–	–	–	–	–	–	–	(66,537,840)	(66,537,840)	–	(66,537,840)
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	–	(114,756,176)	(114,756,176)
Total dividends declared	–	–	–	–	–	–	–	(66,537,840)	(66,537,840)	(114,756,176)	(181,294,016)
Balances as at December 31, 2011, as restated	₱466,478,729	₱923,965,542	₱154,578,328	₱273,067,196	(₱22,420,704)	₱76,012,323	(₱81,008,012)	₱3,090,241,046	₱4,880,914,448	₱3,218,576,850	₱8,099,491,298

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2013	2012 (As restated, Notes 3 and 31)	2011 (As restated, Notes 3 and 31)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,288,128,929**	₱2,107,096,379	₱1,750,248,893
Adjustments for:			
Depreciation and amortization (Notes 14, 16, 17 and 29)	**542,297,282**	475,027,189	489,852,132
Interest and finance charges (Note 30)	**167,787,622**	148,528,151	324,458,944
Reversal of provision for losses	**166,142,054**	–	–
Impairment loss on other assets	**139,338,325**	–	–
Provision for probable losses	**73,194,466**	–	–
Effects of exchange rates (Note 23)	**24,930,685**	(19,398,002)	46,235,307
Impairment of property and equipment	**8,225,220**	–	–
Casualty losses	**–**	–	88,087,868
Loss on write off of investment properties	**–**	16,152,771	–
Gain on sale of property and equipment (Notes 14 and 23)	**(921,522)**	(1,330,148)	(5,099,241)
Gain on sale of investment properties (Notes 16 and 23)	**(5,021,400)**	(1,460,384)	(45,214,942)
Gain on sale of a subsidiary	**(11,072,373)**	(43,975,648)	–
Income from reversal of payables	**(24,614,339)**	–	–
Recovery from inventory obsolescence	**(29,384,710)**	–	–
Gain on sale of AFS financial assets (Notes 12 and 23)	**(37,258,378)**	(12,537,522)	(22,326,927)
Interest income (Note 23)	**(77,096,099)**	(71,301,381)	(89,652,041)
Impairment loss (recovery) on investment in associates (Notes 13 and 28)	**(103,843,643)**	(1,205,357)	(3,200,000)
Dividend income	**(317,226,790)**	(9,032,242)	(9,160,275)
Equity in net earnings of associates and joint ventures (Note 13)	**(610,307,799)**	(475,682,381)	(378,384,802)
Operating income working capital changes	**2,193,297,530**	2,110,881,425	2,145,844,916
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	**326,986,867**	(959,275,611)	(626,243,392)
Loans receivable	**4,575,132**	(14,319,351)	(171,485,589)
Costs and estimated earnings in excess of billings on uncompleted contracts	**(573,771,724)**	349,762,882	(1,265,789,515)
Inventories	**(66,276,394)**	(312,682,963)	355,995,258
Prepaid expenses and other current assets	**410,194,913**	(43,274,911)	(205,445,294)
Retirement asset (Note 31)	**(28,428,838)**	9,273,800	(1,392,864)
Investments in FVPL	**(363,264,505)**	–	–
Increase (decrease) in:			
Accounts payable and accrued expenses	**(625,986,156)**	923,651,421	285,708,850
Customers' deposits	**4,405,649**	(29,186,526)	6,582,168

(Forward)

	Years Ended December 31		
	2013	2012 (As restated, Notes 3 and 31)	2011 (As restated, Notes 3 and 31)
Billings in excess of costs and estimated earnings on uncompleted contracts	**(₱1,380,914,776)**	₱851,123,433	₱612,089,634
Accrued retirement liability (Note 31)	**151,755,904**	13,897,496	(27,840,982)
Unearned tuition fees	**(54,510,628)**	(104,102,567)	30,409,033
Net cash generated from operations	**(1,937,026)**	2,795,748,528	1,138,432,223
Interest received	**74,158,194**	70,758,814	90,897,791
Interest and finance charges paid	**159,581,801**	(155,698,823)	(324,881,812)
Income tax paid	**(263,066,608)**	(478,376,222)	(344,727,145)
Net cash flows provided by operating activities	**(31,263,639)**	2,232,432,297	559,721,057
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 14 and 39)	**(925,374,066)**	(1,986,323,576)	(1,372,515,252)
Available-for-sale securities (Note 12)	**(385,963,400)**	(16,120,524)	–
Investments in associates and joint ventures (Note 13)	**(1,143,870,283)**	–	–
Noncontrolling interest	–	–	(5,786,652)
Investment properties (Notes 16 and 39)	–	(231,391)	–
Proceeds from sale of:			
Available-for-sale securities (Note 12)	**99,638,377**	–	32,118,806
Investment properties (Note 16)	**16,956,524**	11,085,718	90,429,884
Subsidiary/associate (Note 39)	**6,096,933**	(259,818,383)	–
Property and equipment	**4,310,414**	8,143,193	25,168,557
Payments received from (advances to) related parties	**108,819,083**	45,809,526	39,986,330
Dividends received	**308,877,163**	363,676,085	369,917,433
Increase (decrease) in other noncurrent assets	**(489,585,984)**	33,299,387	(101,955,372)
Net cash flows used in investing activities	**(2,400,095,239)**	(1,800,479,965)	(922,636,266)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loans payable	**4,554,000,000**	2,591,167,252	4,093,498,009
Long-term debt	**2,170,708,000**	209,750,000	673,630,912
Payments of:			
Loans payable	**(3,275,700,000)**	(2,917,347,252)	(3,442,150,758)
Long-term debt	**(755,411,237)**	(64,730,914)	(580,619,940)
Repurchase of common stock	**(2,607,600)**	–	–
Lease liability	**(4,020,535)**	(14,963,769)	22,784,043
Payable to related parties	**(37,657,368)**	(25,521,732)	(81,698,605)
Redemption of preferred shares	**(40,570,612)**	(44,908,110)	(49,715,777)
Cash dividends paid	**(225,646,984)**	(186,450,188)	(182,474,547)
Net cash flows provided by (used in) financing activities	**2,383,093,664**	(453,004,713)	453,253,337
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**33,560,574**	(19,851,924)	4,381,071
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(14,704,640)**	(40,904,305)	94,719,199
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,126,214,931**	2,167,119,236	2,072,400,037
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱2,111,510,291**	₱2,126,214,931	₱2,167,119,236

See accompanying 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 principal activities of the Parent Company and its subsidiaries (collectively known as the Group) are described in Note 35.

The Parent Company is the holding company of the House of Investments Group (collectively referred to herein as the Group), which is primarily engaged in car dealership, construction, education and information technology, afterlife services, consumer finance, property management, project management, security and pharmaceuticals.

The Parent Company's common stock was listed with the Philippine Stock Exchange (PSE) on July 2, 1962, the Parent Company's initial public offering (IPO).

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. 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) financial assets which are measured at fair value. The accompanying consolidated financial statements are presented in Philippine Peso (Php, ₱), which is also the Group's functional currency. Except as indicated, all amounts are rounded off to the nearest peso.

Statement of Compliance
The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional consolidated statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional consolidated statement of financial position as of January 1, 2012 is presented in these consolidated financial statements due to retrospective application of Philippine Accounting Standards (PAS) 19, *Employee Benefits (Revised 2011)* (Note 3).

Basis of Consolidation

The consolidated financial statements include the accounts of the Group and the following subsidiaries. All subsidiaries are incorporated and operating in the Philippines, except as otherwise indicated below:

Subsidiaries	Percentage of ownership 2013	2012	2011
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
EEI Corporation (EEI) and subsidiaries	**50.09**	50.09	50.09
Zamboanga Industrial Finance Corporation (ZIFC)	**50.00**	50.00	50.00
First Malayan Leasing and Finance Corporation (FMLFC) and subsidiary	**–**	–	45.11
Malayan Rental Corporation (MRC)	**–**	–	45.11

Landev Corporation and subsidiaries includes Greyhounds Security and Investigation Agency Corp. (Greyhounds) and Hexagon Lounge, Inc.

On December 8, 2011, the BOD authorized the Group to sell 210,336,069 common shares of FMLFC, registered in the name of the Group and its nominees, to RCBC for ₱1.53 per share under such terms and conditions mutually agreed upon and is subject to the approval of the Bangko Sentral ng Pilipinas (BSP). On March 12, 2012, BSP approved the 100% acquisition of FMLFC by RCBC. On March 28, 2012, the Group sold its 210,336,069 common shares in FMLFC to RCBC for a consideration of ₱158.0 million. The carrying value of FMLFC's net assets at the time of sale amounted to ₱204.0 million, resulting to a gain on loss of control amounting ₱44.0 million, which is presented under other income in the consolidated statements of income.

iPeople's percentage of ownership in the shares of its subsidiaries follows:

Subsidiaries	Percentage of ownership 2013	2012	2011
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	75.00
San Lorenzo Ruiz Institute of Health Sciences, Inc. (SLRHSI)	**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**	100.00	100.00

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 2013	2012	2011
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	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
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

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

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. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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; and
- 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 equity holders of the Parent Company.

3. **Changes in Accounting Policies and Disclosures**

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial years except for the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations which became effective beginning January 1, 2013. Except as otherwise indicated, the adoption of these new standards and amended Philippine Interepretations did not have any impact on the consolidated financial statements.

- 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 financial reporting date:

  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 Group is not offsetting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements, the amendment did not have an impact on the Group.

- 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, *Consolidated and Separate Financial Statements*. The adoption of PFRS 10 had no significant impact on the financial statements of the Group.

- 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 adoption of PFRS 10 had no impact on the Group's financial position or performance.

- PFRS 12, *Disclosures of Interest with 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. The Group provides disclosures on Notes 2 and 13.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The amendments affect disclosures and the valuation of the Group's investments in FVPL, AFS financial assets and investments properties in Notes 12 and 16.

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 36.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*
  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 financial position or performance.

- Revised PAS 19, *Employee Benefits*
  On January 1, 2013, the Group adopted the Revised PAS 19.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses immediately to profit or loss while past service cost, if any, is recognized immediately to profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service cost is amortized on a straight-line basis over the vesting period. Upon adoption of the

Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur. Moving forward, the Group will retain the recognized actuarial gains and losses in other comprehensive income and will not transfer this to other items of equity.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact on the Group's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of first time adoption of the Revised PAS 19 on the financial statements are as follows:

	December 31, 2012	January 1, 2012
Consolidated statements of financial position		
Increase (decrease) in:		
Retirement liability	₱155,918,470	₱143,036,255
Retirement assets	(22,733,883)	(40,923,998)
Retained earnings	2,106,494	4,663,117
Other comprehensive income	(62,615,643)	(81,008,011)
Noncontrolling interest	(61,180,144)	(52,230,602)

	2012
Consolidated statement of income	
Retirement expense	₱1,285,677
Provision for income tax	(198,595)
Net income	
Attributable to Parent Company	2,556,623
Attributable to noncontrolling interest	(1,469,541)
Other comprehensive income	
Attributable to Parent Company	18,392,367
Attributable to noncontrolling interest	(8,949,542)

The adoption did not have any significant impact on the statement of cash flows and the basic and diluted earnings per share (EPS).

Restatement

The statements of financial position as at December 31, 2012 and January 1, 2012 and the statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2012 have been restated to effect the retrospective application of Revised PAS 19.

The effects of the above restatements on the December 31, 2012 and January 1, 2012 deferred tax asset, retirement liability, retirement assets, retained earnings, net income and other comprehensive income for the year ended December 31, 2012 follow:

As at December 31, 2012

	Deferred tax asset (Note 32)	Retirement liabilities (Note 31)	Retirement assets (Note 31)	Unappropriated retained earnings, beg.	Net income	OCI	NCI
As previously stated	₱163,453,063	₱154,821,730	₱33,271,102	₱3,905,379,248	₱1,559,933,365	₱–	₱3,453,293,822
Effects of change on accounting for employee benefits:							
Recognition of actuarial losses	–	151,755,904	(22,733,883)	2,081,283	–	(91,182,034)	(94,688,921)
Deferred tax assets on the adjustment on actuarial losses	58,185,168	–	–	–	–	28,566,390	29,618,776
Adjustment on actuarial losses recognized as part of retirement expense	–	–	–	3,184,120	(1,285,677)	–	5,618,178
Deferred tax assets on the adjustment	(3,303,391)	–	–	(1,077,626)	198,595	–	(1,728,177)
	54,881,777	151,755,904	(22,733,883)	4,187,777	(1,087,082)	(62,615,644)	(61,180,144)
As restated	₱218,334,840	₱306,577,634	₱10,537,219	₱3,909,567,025	₱1,558,846,283	(₱62,615,644)	₱3,392,113,678

As at January 1, 2012

	Deferred tax asset (Note 32)	Retirement liabilities (Note 31)	Retirement assets (Note 31)	Unappropriated retained earnings, beg.	Net income	OCI	NCI
As previously stated	₱184,622,610	₱142,209,911	(₱42,544,902)	₱3,085,799,430	₱1,350,298,730	₱–	₱3,270,807,452
Effects of change on accounting for employee benefits:							
Recognition of actuarial losses	–	143,695,839	41,099,664	(221,501)	–	(116,484,205)	(78,177,772)
Deferred tax assets on the adjustment on actuarial losses	59,002,904	–	–	–	–	35,476,193	23,526,710
Adjustment on actuarial losses recognized as part of retirement expense	–	–	–	6,645,857	10,087,975	–	3,442,118
Deferred tax assets on the adjustment	(3,004,398)	–	–	(1,982,740)	(3,004,398)	–	(1,021,658)
	55,998,506	143,695,839	41,099,664	4,441,616	7,083,577	(81,008,012)	(52,230,602)
As restated	₱240,621,116	₱285,905,750	(₱1,445,238)	₱3,090,241,046	₱1,357,382,307	(₱81,008,012)	₱3,218,576,850

- Revised PAS 27, *Separate Financial Statements*
  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 revisions did not have significant impact on the separate financial statements of the entities in the Group.

- Revised PAS 28, *Investments in Associates and Joint Ventures*
  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 revisions had no significant impact on the financial statements of the Group's subsidiary.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group.

Improvements to PFRS 2012
The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year. Except as otherwise indicated, the following new and amended PFRS and PAS will not have significant impact on the financial statements of the Group:

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first time adopter of the PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for comparative information*
  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. An additional statement of financial position as at January 1, 2012 is presented due to retrospective application of accounting policies as a result of the adoption of PAS 19 Revised.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment did not impact the Group's consolidated financial statement.

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The adoption did not impact the Group's consolidated financial statement.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The adoption did not impact the Group's consolidated financial statement.

Future Changes in Accounting Policies
The Group will adopt the following new and amended PFRS and Philippine Interpretations enumerated below when these become effective. Except as otherwise indicated, the following new and amended PFRS and Philippine Interpretations will not have significant impact on the Group's consolidated financial statements:

Effective in 2014

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)* (effective for annual periods beginning on or after January 1, 2014)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Philippine Interpretation IFRIC 21, *Levies* (effective for annual periods beginning on or after January 1, 2014)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Group does not expect that IFRIC 21 will have material financial impact in the Group's consolidated financial statements.

- Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities* (effective for annual periods beginning on or after January 1, 2014)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The Group does not expect that these amendments will have material financial impact in consolidated financial statements.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2014)
  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. The amendments affect the presentation only and have no impact on the Group's financial position or performance. The amendments affect disclosures only and will have no impact on the future Group's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)* (effective for annual periods beginning on or after January 1, 2014)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group does not expect that these amendments will have material financial impact in consolidated financial statements.

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

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment has no significant impact on the financial position or performance of the Group.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment has no impact Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

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

- PFRS 1*, First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

Standard with No Mandatory Effective Date

- PFRS 9, *Financial Instruments: Classification and Measurement* (effective for annual periods beginning on or after January 1, 2015)
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model hedge accounting is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities designated as at FVPL using the fair value option,

the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology.

The Group will assess the impact of PFRS 9 in its financial statements upon completion of all phases of PFRS 9.

Interpretation with Deferred Effective Date

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
  This Philippine Interpretation, which may be early applied, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine 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 the 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. The amendment will have no impact on the Group's financial position or performance as the Group is not engaged in real estate businesses. The adoption of the interpretation when it becomes effective will not have significant impact on the consolidated financial statements of the Group.

4. **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 (3) months or less from date of placement and that are subject to an insignificant risk of changes 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 financial 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 of December 31, 2013 and 2012, financial assets at FVPL amounted to ₱363.3 million and nil, respectively.

As of December 31, 2013, the Group's FVPL pertains to the investment in Unit Investment in Trust Fund (UITF) amounting to ₱363.3 million.

The Group’s financial assets consist of FVPL, loans and receivables and AFS financial securities. There have been no HTM investments and financial liability at FVPL.

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.

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

'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 or liability. 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, receivables 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 financial assets
AFS financial assets are those nonderivative financial assets that are designated as AFS or are not classified in any of the other categories. After initial recognition, AFS financial assets 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 financial assets are classified as current assets when it is expected to be sold or realized within twelve (12) months after the reporting date or within the normal operating cycle, whichever is longer.

The Group's AFS financial assets 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 (12) months from the financial reporting date or the Group does not have an unconditional right to defer settlement for at least 12 months from financial 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.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial asset
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 liability
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 financial reporting date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortized cost
The Group first assesses whether an 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.

AFS 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 financial assets carried at fair value
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.

<u>Inventories</u>
Inventories are valued at the lower of cost and net realizable value (NRV). Cost of inventories is generally determined primarily using the moving-average method, except for automotive units of the car delearships 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.
Cost includes purchase price and other costs directly attributable to its acquisition such as non-refundable taxes, handling and transportation cost. The cost of real estate inventories includes (a) land cost; (b) freehold and leasehold rights for land; (c) amounts paid to contractors for construction; (d) borrowing costs, planning and design cost, cost of site preparation, professional

fees, property taxes, construction overheads and other related costs.
Non refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

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 financial reporting date. These typically compose of value added tax, creditable withholding taxes and deposits.

Investments in Associates and Joint Venture
An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in associates and joint venture, which are jointly controlled entities are accounted for under the equity method of accounting.

Under the equity method, the investment in the investee company is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee company, less any impairment in value. The profit or loss reflects the share of the results of the operations of the investee company reflected as "Equity in net earnings of an associate" in the consolidated statement of comprehensive income. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The Group's share in the investee's post acquisition movements in the investee's equity reserves is recognized directly in equity. Profit and losses resulting from transactions between the Group and the investee company are eliminated to the extent of the interest in the investee company and for unrealized losses to the extent that there is no evidence of impairment of the assets transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investment in investee company is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee company. When the investee company subsequently reports net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee company and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount under "Other expenses" in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

Investments in associates and joint venture accounted for under the equity method are as follows:

	Percentage of ownership	
	2013	2012
Associates:		
Hi-Eisai Pharmaceutical, Inc.	**50.00%**	50.00%
Al Rushaid Construction Company (ARCC) (operations in Saudi Arabia)	**49.00**	49.00
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
Petroenergy Resources Corporation[2]	**20.00**	7.96
RCBC Realty Corporation (RRC)[3]	**10.00**	–
South Western Cement Corporation (SWCC)[1]	–	14.96
Joint venture:		
ECW Joint Venture Inc.	**50.00**	50.00

[1] On July 19, 2013, 14.94% direct ownership was sold resulting to the loss of significant influence since the remaining interest is the 15.85% indirect ownership through LLDC.
[2] On February 21, 2013, significant influence was obtained through piecemeal acquisition.
[3] On September 17, 2013, the Parent Company acquired 10.00% ownership in RRC as investment in associate. The Parent Company was able to exercise significant influence since it has the capacity to participate in the financial and operating decisions of RRC through block voting consultation with Parent Company on Board Matters and representation to the Board of Directors.

The reporting dates of the associates and joint ventures and the Group are identical except for Hi-Eisai Pharmaceutical, Inc., the financial 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 financial reporting date of the Group for the application of equity method. Except for ARCC and HI-Eisai, all associates are operating in the Philippines.

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 (EUL):

	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 EUL of the improvement or term of the lease, whichever is shorter.

The useful lives 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 comprehensive 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.

<u>Investment Properties</u>
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 EUL 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 financial reporting date. 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 Venture and Investment Properties
For property and equipment, computer software, investments in associates and joint venture 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.

Business Combination and Goodwill

PFRS 3 provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as bargain purchase gain.

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of income any excess remaining after reassessment.

<u>Revenue Recognition</u>
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 Equipment Engineers, Inc. (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.

Cancellation of real estate sales
Income from cancellation of real estate sales is recognized once the sale has been cancelled and the related refundable portions of paid amortizations have been paid to the buyer. This is included in the "Other income" account under the statement of comprehensive income. Such is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

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.

For cost of real estate sales, cost is recognized consistent with the revenue recognition method applied. Cost of subdivision land and residential units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property and an allocation of any non-specific cost based on the relative size of the property sold.

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
Defined benefit plan
The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate and the aggregate of 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.

Defined benefit costs on the Group's defined benefit retirement plan are actuarially computed using the projected unit credit (PUC) valuation method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to the services rendered in the current period.

Defined benefit costs comprise the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets 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 price information.

When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

Income Tax

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantially enacted by the end of the financial reporting date.

Deferred Tax

Deferred 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 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 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 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 tax assets is reviewed by the end of each financial 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 tax asset to be used. Unrecognized deferred tax assets are reassessed at the end of each financial reporting date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax assets to be recovered.

Deferred 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 by the end of the financial reporting date.

Deferred 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 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 remain 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 Group 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 21).

Events After the Financial Reporting Date

Post year-end events that provide additional information about the Group's position at the end of the financial 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 35.

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.

Other Comprehensive Income
OCI are items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRS. The Group's OCI in 2013 and 2012 pertains to remeasurement gains and loss on net retirement liability and revaluation increment on land which cannot be reclassified to profit or loss and unrealized gain and loss on AFS financial assets and cumulative translation adjustments which can be reclassified to profit or loss in subsequent periods.

5. **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.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ for such estimates.

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:

Investment in Subsidiaries
The Group determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Group's voting rights and potential voting rights

Consolidation of entities in which the Group holds only 50% or less than majority of voting rights
The Parent Company determined that it controls certain entities even though it owns 50% or less than majority of the voting rights. The factors considered include, among others, the size of its block of voting shares, the relative size and dispersion of holdings of other shareholders, and contractual agreements to direct the relevant activities of the entities.

Investment in Associates
The Group determined that it exercises significant influence over its associates by considering, among others (Note 13), its ownership interest (holding 20% or more of the voting power of the investee), board representation and participation on board sub-committees, and other contractual terms.

Revenue recognition
Management exercises judgment in determining whether the Group is acting as a principal or an agent. The Group is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods, otherwise it is acting as an agent.

Going concern
The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Group financial statements continue to be prepared on a going concern basis.

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, 2013 and 2012 amounted to ₱390.6 million and ₱338.2 million, respectively (Note 34).

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, 2013 and 2012 amounted to ₱35.5 million and ₱36.1 million, respectively (Note 34).

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 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 at December 31, 2013 and 2012, future minimum lease payments and present value of minimum lease payments amounted to ₱1.6 million and ₱8.7 million, respectively; and ₱1.6 million and ₱7.8 million, respectively (Note 34).

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 2013, 2012 and 2011 are based on management's best estimate and have met the requirements set forth in PAS 11.

As at December 31, 2013 and 2012, the costs and estimated earnings in excess of billings on uncompleted contracts amounted to ₱2.0 billion and ₱1.4 billion, respectively, and billings in excess of costs and estimated earnings on uncompleted contracts amounted to ₱1.3 billion and ₱2.7 billion, respectively (Note 9).

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, 2013 and 2012 amounted to ₱4.7 billion and ₱4.8 billion, respectively (Note 8).

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, 2013 and 2012 amounted to ₱544.7 million and ₱583.9 million, respectively (Note 10).

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, 2013 and 2012, the net book value of the depreciable property and equipment amounted to ₱4.4 billion and ₱4.1 billion, respectively (Note 14). Net book value of computer software (included in other noncurrent assets) as at December 31, 2013 and 2012 amounted to ₱39.8 million and ₱48.7 million, respectively (Note 17). Net book value of depreciable investment properties as at December 31, 2013 and 2012 amounted to ₱39.7 million and ₱65.7 million, respectively (Note 16).

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, 2013 and 2012. 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 (Note 14).

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. 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 18.26% in 2013 and 8.94% in 2012 for MCI. Cash flow projection was not made for Honda Cars Group in 2013 and the Parent Company recognized impairment loss. In 2012, a discount rate of 9.32% was used. The cash flow projections considered the impact of the Enhanced K+12 Basic Education Program on MCI's financial performance is effective in 2016. Cash flows beyond the five-year period are assumed to be without growth. The recoverable value for EEI was determined based on fair value at ₱9.55 and ₱10.10 in 2013 and 2012, respectively, per listed price of EEI shares. For iPeople, the recoverable value is based on listed price of ₱12.00 and ₱9.30 in 2013 and 2012, respectively. In 2013, the Group recognized impairment loss on goodwill amounting to ₱41.4 million. There is no impairment loss on goodwill in 2012 and 2011 as a result of the above assessments.

The value in use calculation above is most sensitive to the growth rates and discount rates.

In 2013 and 2012, 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 2013 and 2012.

Investments in SWCC and Sino, associates, have been fully impaired as at December 31, 2010 after considering the above factors. In 2013 and 2012, the Parent Company reversed a portion of the impairment loss provided in the previous year amounting to ₱103.8 million and ₱1.2 million, respectively. The recovery on impairment loss is presented as part of general and administrative expenses in the consolidated statements of income (Note 28).

The carrying values of the Group's non-financial assets follow:

	2013	2012
Property and equipment (Note 14)	**₱7,142,429,194**	₱6,699,059,288
Investments in associates and joint venture (Note 13)	**3,322,896,911**	1,381,325,564
Goodwill (Note 15)	**471,357,459**	512,796,021
Investment properties (Note 16)	**250,316,945**	287,267,988
Computer software (Note 17)	**39,844,284**	48,726,688

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 31. 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, 2013 and 2012, subsidiaries with net accrued retirement liability position has outstanding liability of ₱372.9 million and ₱306.6 million, respectively and subsidiaries with net retirement asset position has net assets of ₱30.7 million and ₱10.5 million, respectively (Note 31).

Deferred tax assets
The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred 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 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 tax assets to be utilized, deferred tax assets are not recognized.

Deferred tax assets recognized amounted to ₱220.4 million and ₱218.3 million as at December 31, 2013 and 2012, respectively. The temporary differences on which deferred tax assets were not recognized amounted to ₱284.8 million and ₱345.2 million, respectively (Note 32).

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 (Notes 18 and 34).

Determination of control in Investment in Subsidiaries
The Group determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee;

- Rights arising from other contractual agreements; and
- The Group's voting rights and potential voting rights.

Determination of significant influence in Investment in Associates
The Group determined that it exercises significant influence over its associates by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee), board representation and participation on board sub-committees, and other contractual terms.

Classification of joint arrangements
The Group's investments in joint ventures are structured in separate incorporated entities. Even though the Group holds various percentage of ownership interest on these arrangements, their respective joint arrangement agreements requires unanimous consent from all parties to the agreement for the relevant activities identified. The Group and the parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements.

6. **Cash and Cash Equivalents**

This account consists of:

	2013	2012
Cash on hand and in banks	**₱1,089,009,898**	₱1,073,749,709
Short-term investments	**1,022,500,393**	1,052,465,222
	₱2,111,510,291	₱2,126,214,931

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 annual interest at the respective short-term investment rates.

Interest income from cash in banks and short-term investments amounted to ₱45.1 million, ₱50.3 million and ₱59.4 million for the years ended December 31, 2013, 2012 and 2011, respectively (Note 23).

7. **Loans Receivable**

Loans receivable consists of:

	2013	2012
Gross receivables	**₱18,571,215**	₱23,219,778
Less allowance for impairment	**3,763,369**	3,836,800
	14,807,846	19,382,978
Less noncurrent portion	**4,554,796**	6,120,099
Current portion	**₱10,253,050**	₱13,262,879

Loans receivables is composed of receivables of ZIFC with the following details:

	2013	2012
Time loan principals	**₱25,496,988**	₱32,189,662
Unearned discount and interest	**(6,925,773)**	(8,969,884)
	18,571,215	23,219,778
Less allowance for impairment	**3,763,369**	3,836,800
	₱14,807,846	₱19,382,978

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% in 2013 and 2012. The term of the loan ranges from one (1) to twelve (12) months.

Details of receivables follow:

a) As to secured and unsecured and type of security for secured loans

	2013	2012
Secured loans		
Chattel mortgage	**₱4,357,503**	₱2,576,983
Real estate mortgage	**20,683,486**	28,121,764
	25,040,989	30,698,747
Unsecured loans	**455,999**	1,490,915
	₱25,496,988	₱32,189,662

b) As to maturity

	2013	2012
Maturing within one year	**₱19,207,421**	₱23,629,443
Maturing one year to five years	**6,289,567**	8,560,219
	₱25,496,988	₱32,189,662

The changes in individually assessed allowance for impairment as at December 31 follow:

	2013	2012
Balance at beginning of year	**₱3,836,800**	₱55,361,008
Provision for impairment losses (Note 28)	**500,000**	1,562,817
Accounts written off	**(573,431)**	(430,140)
Derecognition due to loss on control of a subsidiary (Note 2)	**–**	(52,656,885)
Balance at end of year	**₱3,763,369**	₱3,836,800

8. **Accounts Receivable**

This account consists of:

	2013	2012
Trade		
Construction and infrastructure (including retention receivable of ₱1.3 billion in 2013 and 2012)	**₱3,005,420,684**	₱3,228,453,310
Car dealership	**467,944,318**	636,407,115
Education and information technology	**159,263,925**	104,578,693
Other services	**26,905,474**	67,344,194
Other receivables		
Advances to suppliers and contractors	**607,299,312**	495,618,357
Consultancy fee	**235,775,538**	166,068,077
Receivables from plant	**58,062,943**	60,987,768
Advances to officers and employees	**54,653,704**	50,127,508
Due from PTC	**70,145,768**	46,920,134
Other school-related receivables	**–**	36,686,221
Rent receivable	**₱496,950**	₱–
Others	**205,155,757**	229,836,427
	4,891,124,373	5,123,027,804
Less allowance for impairment	**287,824,461**	343,252,637
	₱4,603,299,912	₱4,779,775,167

Trade receivables
The trade receivables at amortized cost are noninterest-bearing and collectible within one (1) year.

This consists of the following:

Receivable from construction and infrastructure
Receivables from construction and infrastructure represent amounts arising from domestic and foreign construction contracts. These receivables are based on the monthly progress billings provided to customers over the period of the construction and collectible over a period of thirty (30) to ninety (90)-day period. Retention receivables are recouped upon completion of the construction contract.

Receivables from car dealership
Receivables from car dealership represent amounts arising from the sale of car, parts and accessories and services collectible within 30 days.
Receivables from education and information technology
Receivables from education and information technology represent amounts arising from tuition and other fees generally collectible within 90 days and from computer and service sales collectible within 30 days.

Receivables from other services
Receivables from other services represent amounts arising from management and consultancy services provided by the Group generally collectible within 30 days.

Other receivables
Advances to suppliers and subcontractors represent down payment to subcontractors for the contract work to be performed and advance payment for the purchase of various construction materials and machineries and equipment items.

Consultancy fees pertain to receivables arising from contract negotiations, administration of commercial issues and claims, sales leads and application of computerization programs.

Receivables from plant pertain to non-interest bearing 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 Group's business.

Advances to officers and employees mainly pertain to interest-bearing advances and loans made by officers and employees. Annual interest of 8.0% shall be liquidated on a monthly basis through salary deduction and therefore collectible within a year.

Receivables classified as "Others" consist of interest, dividends, commission, rebates, insurance and various receivables.

No trade receivables are used as collaterals to secure obligations in 2013 and 2012.

The changes in allowance for impairment as at December 31 follow:

	2013					
	Construction and Infrastructure	**Car Dealership**	**Education and Information Technology**	**Other Services**	**Other Receivables**	**Total**
Balances at beginning of year	**₱148,361,875**	**₱30,466,469**	**₱41,398,052**	**₱15,682,180**	**₱107,344,061**	**₱343,252,637**
Provisions - net of recoveries (Notes 27 and 28)	**(25,749,349)**	**17,317,977**	**2,283,626**	**2,461,210**	**11,873,357**	**8,186,821**
Write-offs	**(29,908,957)**	**–**	**–**	**–**	**(33,706,040)**	**(63,614,997)**
Balances at end of year	**92,703,569**	**47,784,446**	**43,681,678**	**18,143,390**	**85,511,377**	**287,824,461**
Individually impaired	**84,705,482**	**–**	**–**	**–**	**–**	**84,705,482**
Collectively impaired	**7,998,087**	**47,784,447**	**43,681,678**	**18,143,390**	**85,511,377**	**203,118,979**
Total	**92,703,569**	**47,784,447**	**43,681,678**	**18,143,390**	**85,511,377**	**287,824,461**
Gross receivables*	**₱1,031,377,061**	**₱467,944,318**	**₱159,078,635**	**₱26,905,474**	**₱665,168,694**	**₱2,350,474,182**

* *Gross amount of receivables individually and collectively determined to be impaired, before deducting any assessed impairment allowance*

	2012					
	Construction and Infrastructure	Car Dealership	Education and Information Technology	Other Services	Other Receivables	Total
Balances at beginning of year	₱172,090,272	₱26,325,885	₱32,573,479	₱15,433,860	₱90,161,302	₱336,584,798
Provisions - net of recoveries (Notes 27 and 28)	(17,454,858)	4,140,584	8,824,573	248,320	17,182,759	12,941,378
Write-offs	(6,273,539)	–	–	–	–	(6,273,539)
Balances at end of year	148,361,875	30,466,469	41,398,052	15,682,180	107,344,061	343,252,637
Individually impaired	140,363,788	–	–	–	–	140,363,788
Collectively impaired	7,998,087	30,466,469	41,398,052	15,682,180	107,344,061	202,888,849
Total	148,361,875	30,466,469	41,398,052	15,682,180	107,344,061	343,252,637
Gross receivables*	₱1,087,035,367	₱636,407,115	₱104,578,693	₱22,522,465	₱834,998,936	₱2,685,542,576

* *Gross amount of receivables individually and collectively determined to be impaired, before deducting any assessed impairment allowance*

9. Costs, Estimated Earnings and Billings on Uncompleted Contracts

The details of the costs, estimated earnings and billings on uncompleted contracts follow:

	2013	2012
Total costs incurred	**₱31,819,834,030**	₱26,703,380,291
Add: estimated earnings	**4,139,451,763**	4,699,140,348
	35,959,285,793	31,402,520,639
Less total billings (including unliquidated advances from contract owners of ₱2.6 billion and ₱2.5 billion in 2013 and 2012, respectively)	**35,327,781,964**	32,725,703,310
	₱631,503,829	(₱1,323,182,671)

The foregoing balances are reflected in the consolidated statements of financial position under the following accounts:

	2013	2012
Costs and estimated earnings in excess of billings on uncompleted contracts	**₱1,964,460,533**	₱1,390,688,809
Billings in excess of costs and estimated earnings on uncompleted contracts	**(1,332,956,704)**	(2,713,871,480)
	₱631,503,829	(₱1,323,182,671)

10. Inventories

This account consists of:

	2013	2012
At cost		
Land and land development	**₱219,366,970**	₱219,380,780
Subdivision lots and contracted units for sale	**90,023,470**	99,227,951
Raw lands	**44,916,103**	44,916,103
	354,306,543	363,524,834
At NRV		
Merchandise	**516,165,825**	571,744,498
Spare parts and supplies	**24,629,228**	12,073,195
Construction materials	**3,907,734**	110,443
	544,702,787	583,928,136
	₱899,009,330	₱947,452,970

The related costs of inventories recorded at NRV follow:

	2013	2012
Merchandise	**₱549,511,477**	₱634,496,238
Spare parts and supplies	**24,629,228**	13,446,698
Construction materials	**14,256,490**	9,064,318
	₱588,397,195	₱657,007,254

The total cost of goods sold recognized in the Group' statements of comprehensive income amounted to ₱4,104.5 million and ₱4,304.4 million in 2013 and 2012, respectively (Note 25).

The rollforward of allowance for inventory obsolescence is as follows:

	2013	2012
Balances at beginning of year	**₱73,079,118**	₱67,486,508
Provisions (recoveries) (Note 28)	**(29,384,710)**	5,613,854
Write-off	**–**	(21,244)
Balances at end of year	**₱43,694,408**	₱73,079,118

A summary of the movement in real estate inventories is set out below:

	2013	2012
Balances at beginning of year	**₱363,524,834**	₱398,724,780
Construction/development costs incurred	**31,092,237**	38,218,705
Disposals (recognized as cost of sales)	**(66,629,164)**	(51,267,530)
Transfers from (to) investment property (Note 16)	**22,037,310**	(22,037,310)
Repossessed inventories	**4,267,514**	–
Other adjustments/reclassifications	**13,811**	(113,811)
Balances at end of year	**₱354,306,542**	₱363,524,834

The Group reversed previously recognized allowance for inventory obsolescence on inventory amounting to ₱15.3 million and ₱5.6 million in 2013 and 2012, respectively.

The actual inventories written off amounted to ₱14.12 million and ₱0.02 million in 2013 and 2012, respectively.

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 expenses 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, 2013 and 2012, 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 (Note 17).

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, 2013 and the EEI Realty expects to complete all developments on August 31, 2014.

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 (Cottonwood) for the building of residential housing units on the lots owned by EEI Realty. Under the terms of the JV agreement, EEI Realty will contribute approximately 6,400 square meters of land located at Grosvenor's Place, Brgy. Tanauan, Tanza, Cavite. The land consisted of 200 subdivision lots. Upon signing of the JV agreement, Cottonwood shall advance cash equivalent to 20% of the minimum lot price valued at ₱3,190 per square meter for the 200 lots of EEI Realty. Cottonwood shall also executes Deed of Assignment in favor of EEI Realty and the corresponding Letter of Guaranty to Home Development Mutual Fund (HDMF) covering the latter's take out of the house and lot totaling 200 from EEI Realty on the other hand. EEI Realty shall pay Cottonwood 10% of the total lot price as marketing commission deductible from the 80% releases of HDMF. Cottonwood shall arrange and ensure that the said 80% take out by the HDMF for the lot portion shall be payable in the name of EEI Realty and paid by HDMF directly to EEI Realty.

   On June 14, 2012, under the Revised Memorandum of Agreement, EEI Realty and Cottonwood agreed that EEI Realty undertakes the construction of residential buildings in the lots, covering an area of 5,633 square meters, which EEI Realty has contributed in the JV and Cottonwood will sell and market the lots and residential houses built therein, secure a funding commitment line and arrange the loan take-out for buyers with HDMF with the purpose of yielding the optimal price and ensuring appreciation over time.

There were no capitalized borrowing costs in 2013, 2012 and 2011.

The Group has no purchase commitments pertaining to its inventories as at December 31, 2013 and 2012.

No inventories are pledged as security to obligations as of December 31, 2013 and 2012.

11. Prepaid Expenses and Other Current Assets

This account consists of:

	2013	2012
Input value added tax (VAT)	**₱271,886,826**	₱226,150,743
Prepaid taxes	**106,739,126**	118,301,430
Prepaid expenses	**79,376,184**	92,913,220
Miscellaneous deposits - net	**47,358,951**	53,709,001
Restricted cash investment	**4,773,519**	6,565,578
Unused office supplies	**4,020,292**	6,109,834
Receivable from EEI Retirement Fund, Inc. - net (Notes 14 and 17)	**–**	476,022,379
Others	**18,965,035**	5,004,378
	₱533,119,933	₱984,776,563

Input VAT represents taxes imposed to the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. This will be used against future output VAT liabilities or will be claimed as tax credits. Management has estimated that all input VAT is recoverable at its full amount.

Prepaid taxes pertain mainly to the Group's creditable withholding taxes and tax credit certificates.

Prepaid expenses include prepayments for freight and insurance.

Miscellaneous deposits mainly represent the Group's refundable rental, utilities and guarantee deposits on various machineries and equipment.

Restricted cash investment represents the Group's time deposits used as security for the payment of the Group's obligations and liabilities.

Receivable from EEI Retirement Fund, Inc. (EEI RFI) resulted from the sale of land by EEI to EEI Retirement Fund, Inc. The amount is to be paid by the Fund within seven years from December 2006 with interest rate based on bank's internal average lending rate. The outstanding receivable from EEI Retirement Fund, Inc. as at December 31, 2013 and 2012 amounted to ₱368.1 million and ₱476.0 million, respectively. EEI reclassified the account to current assets in 2012 because the receivable is expected to be collected in the following year. In 2013, the receivable from the Fund amounting to ₱368.1 million was reclassified to other noncurrent assets as a result of restructuring the obligation. Starting 2013, the payment terms are longer and go beyond one (1) year.

The Group's provision for doubtful accounts on miscellaneous deposit amounted to nil, ₱0.8 million and ₱2.0 million in 2013, 2012 and 2011, respectively (Note 28). As at December 31, 2013 and 2012, the Group's allowance for impairment on its miscellaneous deposits account amounted to ₱3.7 million.

12. **Available-for-Sale Financial Assets**

This account consists of:

	2013	2012
Quoted shares - at fair value	**₱70,015,419**	₱370,625,891
Unquoted shares - at cost	**451,460,152**	129,789,050
	₱521,475,571	₱500,414,941

Movements in the net accumulated unrealized gain on AFS financial assets are as follows:

	2013	2012
Attributable to equity holders of the parent:		
Balance at beginning of year	**₱94,703,117**	₱76,012,323
Gain (loss) recognized in equity	**(1,469,691)**	18,690,794
Balance at end of year	**93,233,426**	94,703,117
Noncontrolling interest:		
Balance at beginning of year	**5,806,977**	4,283,875
Gain (loss) recognized in equity	**(221,821)**	1,523,102
Balance at end of year	**5,585,156**	5,806,977
	₱98,818,582	₱100,510,094

The unquoted shares consist of shares of the following nonlisted companies:

	2013	2012
RCBC Realty Corporation (RRC)	**₱287,253,380**	₱–
Hermosa Ecozone Development Corporation	**100,000,000**	85,000,000
Brightnote Assets Corporation	**25,000,000**	25,000,000
Philippine Hybrid Energy Systems	**20,000,000**	–
Heritage Park	**9,331,285**	9,906,264
Sta. Elena Properties	**7,680,033**	7,680,033
Subic Power Corporation	**37,500**	37,500
Others	**2,157,954**	2,165,253
	₱451,460,152	₱129,789,050

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 AFS financial assets amounting to ₱62.4 million and ₱3.3 million was sold in 2013 and 2012, respectively, which resulted to a gain amounting to ₱37.3 million and ₱12.5 million, respectively (Note 23).

On September 17, 2013, the Group purchased 1.4 million preferred A shares, 0.7 million preferred B shares and 0.7 common shares of RRC for ₱167.91, ₱167.91 and ₱1,408.42 per share, respectively. In the same year, the Group also sold its 370,000 preferred A shares in RRC amounting to ₱62.2 million for ₱262.50 per share. The sale resulted to a gain of ₱35.0 million. During the year, the Group acquired 20.0 million shares of Philippine Hybrid Energy Systems at ₱1 par for an aggregate amount of ₱20.0 million and Hermosa Ecozone Development Corporation's shares from Seafront Resources Corporation by the Parent Company amounting ₱15.0 million. After the acquisitions, the Group remains as minority shareholder.

In 2013 and 2012, the Parent Company purchased additional 11.2 million and 5.4 million shares from Petroenergy Resources Corporation (PERC) for ₱6.00 and ₱5.93 per share, respectively. The additional investments resulted to change in classification of investment from an AFS investments to investments in an associate. Unrealized gain amounting to ₱57.2 million, recognized under the caption “Other comprehensive income”, pertains to the unrealized gain from the piecemeal acquisition of PERC.

As of December 31, 2013 and 2012, AFS investments pledged as security to obligations amounted to ₱463.1 million and nil, respectively.

13. **Investments in Associates and Joint Ventures**

The details of investments accounted for under the equity method are as follows:

	2013	2012
Acquisition cost		
Balances at beginning	**₱540,493,013**	₱540,493,013
Additions	**1,445,319,791**	–
Disposals	**(151,926,410)**	–
Balance at end of year	**1,833,886,394**	540,493,013
Accumulated impairment loss		
Balance at beginning of year	**226,463,019**	227,668,376
Disposals	**(48,082,767)**	–
Recovery of impairment loss (Note 28)	**(103,843,643)**	(1,205,357)
Balance at end of year	**74,536,609**	226,463,019
Accumulated equity in net earnings		
Balance at beginning of year	**1,224,136,102**	1,106,958,247
Equity in net earnings	**610,307,799**	475,682,381
Dividends received	**(212,418,546)**	(358,504,526)
Balance at end of year	**1,622,025,355**	1,224,136,102
Equity in cumulative translation adjustment	**(58,478,229)**	(156,840,532)
	₱3,322,896,911	₱1,381,325,564

The recovery of investment amounting to ₱103.8 million and ₱1.2 million in 2013 and 2012, respectively, pertains to the Group’s investment in SWCC and Sino as discussed in Note 5.

Summarized financial information of the Group’s share in significant associates and joint venture are as follows:

			2013		
	PERC	**RRC**	**MMPC**	**ARCC**	**ECW**
Current assets	**₱1,038,080,471**	**₱1,163,780,365**	**₱815,080,092**	**₱2,970,497,638**	**₱11,813,456**
Noncurrent assets	**4,090,369,596**	**6,994,019,623**	**703,914,640**	**1,021,282,593**	**–**
Total assets	**₱5,128,450,067**	**₱8,157,799,988**	**₱1,518,994,732**	**₱3,991,780,231**	**₱11,813,456**
Current liabilities	**₱306,559,728**	**₱1,421,352,279**	**₱754,857,663**	**₱2,164,368,801**	**₱21,199**
Noncurrent liabilities	**2,559,776,677**	**4,268,864,903**	**234,382,217**	**343,322,526**	**–**
Total liabilities	**₱2,866,336,405**	**₱5,690,217,182**	**₱989,239,880**	**₱2,507,691,327**	**₱21,199**
Revenues	**₱582,024,728**	**₱2,144,683,458**	**₱497,113,290**	**₱6,433,449,935**	**₱–**
Cost and expenses	**(517,387,052)**	**(1,325,565,122)**	**(333,298,511)**	**(5,904,354,351)**	**–**
Net income	**₱64,637,676**	**₱819,118,336**	**₱163,814,779**	**₱529,095,584**	**₱–**

	2012		
	MMPC	ARCC	ECW
Current assets	₱842,403,222	₱2,209,757,073	₱11,813,456
Noncurrent assets	680,800,569	1,144,634,917	–
Total assets	₱1,523,203,791	₱3,354,391,990	₱11,813,456
Current liabilities	₱830,918,998	₱2,097,135,302	₱21,199
Noncurrent liabilities	258,051,077	269,954,851	–
Total liabilities	₱1,088,970,075	₱2,367,090,153	₱21,199
Revenues	₱202,736,366	₱6,104,997,414	₱–
Cost and expenses	(168,586,729)	(5,673,882,351)	–
Net income	₱34,149,637	₱431,115,063	₱–

The Group's share in the net income of ARCC is subject to 20% Saudi Arabia income taxes.

The reconciliation of the net assets of the associates to the carrying amounts of the Investments in associates recognized in the consolidated financial statements is as follow:

	2013	2012
Net assets of associate attributable to common shareholders	**₱7,020,667,019**	₱999,094,094
Proportionate ownership in the associates	**19%**	28%
Share in net identifiable assets	**1,331,334,226**	585,682,683
Notional Goodwill	**1,991,562,685**	795,642,881
	₱3,322,896,911	₱1,381,325,564

Investments in associates and joint venture pledged as security to obligations amounted to ₱787.6 million and nil as of December 31, 2013 and 2012, respectively.

14. Property and Equipment

The rollforward analysis of this account follows:

	2013					
	Land, Buildings and Improvements	**Machinery, Tools and Construction Equipment**	**Transportation and Service Equipment**	**Furniture, Fixtures, and Office Equipment**	**Construction in Progress** (Note 19)	**Total**
Cost						
At beginning of year	**₱2,464,282,390**	**₱2,524,453,964**	**₱461,711,692**	**₱1,426,016,855**	**₱354,549,801**	**₱7,231,014,702**
Additions	**52,889,931**	**141,850,385**	**71,401,465**	**172,718,697**	**461,206,751**	**900,067,229**
Disposals/retirements	**(2,352,510)**	**(37,197,797)**	**(20,335,994)**	**(13,315,585)**		**(73,201,886)**
Reclassifications/adjustments	**11,650,975**	**621,358,936**	**(100,422)**	**(32,622,245)**	**(671,316,468)**	**(71,029,224)**
Transfers	**28,968,441**	–	–	–	**(28,968,441)**	–
Derecognition	**(7,945,426)**	–	**(297,667)**	**(2,161,432)**	–	**(10,404,525)**
At end of year	**2,547,493,801**	**3,250,465,488**	**512,379,074**	**1,550,636,290**	**115,471,643**	**7,976,446,296**
Accumulated Depreciation and Amortization						
At beginning of year	**1,025,963,654**	**855,707,553**	**286,858,642**	**968,873,691**	–	**3,137,403,540**
Depreciation and amortization (Note 29)	**102,607,772**	**176,493,230**	**52,881,326**	**192,656,424**	–	**524,638,752**
Disposals/retirements	**(1,476,239)**	**(35,859,852)**	**(15,482,730)**	**(42,372,489)**	–	**(95,191,310)**
Reclassifications/adjustments	**260,803**	**82,580**	**13,166**	**(3,995,792)**	–	**(3,639,243)**
Derecognition	**(1,137,436)**	–	–	**(698,364)**	–	**(1,835,800)**
At end of year	**1,126,218,554**	**996,423,511**	**324,270,404**	**1,114,463,470**	–	**3,561,375,939**
Net Book Value at Cost	**₱1,421,275,247**	**₱2,254,041,977**	**₱188,108,670**	**₱436,172,820**	**₱115,471,643**	**₱4,415,070,357**
Land at Revalued Amounts						**₱2,727,358,837**

	2012					
	Land, Buildings and Improvements	Machinery, Tools and Construction Equipment	Transportation and Service Equipment	Furniture, Fixtures, and Office Equipment	Construction in Progress (Note 19)	Total
Cost						
At beginning of year	₱1,837,144,518	₱1,881,165,210	₱1,294,590,922	₱1,243,523,868	₱139,411,738	₱6,395,836,256
Additions	534,013,708	685,994,755	111,860,899	214,474,942	349,211,272	1,895,555,576
Disposals/retirements	−	(51,195,427)	(21,160,216)	(27,338,410)	−	(99,694,053)
Reclassifications/adjustments	(5,569,585)	(11,803,627)	(1,277,657)	(11,355,170)	(3,175,720)	(33,181,759)
Transfers	99,851,631	20,293,053	−	10,752,805	(130,897,489)	−
Derecognition due to loss on control of a subsidiary	(1,157,882)	−	(922,302,256)	(4,041,180)	−	(927,501,318)
At end of year	2,464,282,390	2,524,453,964	461,711,692	1,426,016,855	354,549,801	7,231,014,702
Accumulated Depreciation and Amortization						
At beginning of year	938,669,665	754,148,962	590,728,639	838,988,881	−	3,122,536,147
Depreciation and amortization (Note 29)	95,996,405	151,273,413	44,795,082	170,134,556	−	462,199,456
Disposals/retirements	−	(48,649,603)	(16,962,395)	(27,269,010)	−	(92,881,008)
Reclassifications/adjustments	(8,259,443)	(1,065,219)	(3,743,258)	(9,538,787)	−	(22,606,707)
Derecognition due to loss on control of a subsidiary	(442,973)	−	(327,959,426)	(3,441,949)	−	(331,844,348)
At end of year	1,025,963,654	855,707,553	286,858,642	968,873,691	−	3,137,403,540
Net Book Value at Cost	₱1,438,318,736	₱1,668,746,411	₱174,853,050	₱457,143,164	₱354,549,801	₱4,093,611,162
Land at Revalued Amounts						₱2,605,448,126

Depreciation and amortization expense charged to cost of goods sold and services amounted to ₱363.6 million and ₱329.0 million in 2013 and 2012, respectively (Note 29). Depreciation charged to general and administrative expenses amounted to ₱178.7 million and ₱146.0 million in 2013 and 2012, respectively (Notes 28 and 29).

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 loss on damaged properties is recorded under the general and administrative expenses account (Note 28).

In 2012, EEI received compensation on the damaged properties amounting to ₱79.9 million. The amount of recovery on damaged properties is recorded under general and administrative expenses account (Note 28).

On December 12, 2012, EEI acquired certain parcels of land including improvements located in Bauan, Batangas from EEI Retirement Fund Inc., the trustee of EEI's employees retirement fund, amounting to ₱581.8 million, inclusive of 12% VAT (Note 22). As at December 31, 2012, total cash paid amounted to ₱416.0 million with a remaining balance amounting to ₱165.8 million, which is presented under accounts payable and accrued expenses in the Group's consolidated statements of financial position (Note 18). The operating lease agreement of the said properties between the EEI and EEI Retirement Fund Inc. was terminated on the same date.

On January 28, 2012, a Power Supply Agreement was entered by the EEI Power Corporation and Davao del Norte Electric Cooperative (DANECO), an electric cooperative, to construct, own, operate, maintain and manage power generation facilities, including a 15 MW bunker/diesel-fired power plant to be constructed in Davao Del Norte, to generate electricity for sale to distribution utilities. EEI Power desires to sell and DANECO intends to take power generated by the power plant for distribution to end users in DANECO's franchise area under mutually beneficial terms. Period of commercial operations is ten years commencing on the commercial operations date stipulated in the agreement.

As at December 31, 2012, construction in progress includes the construction of power generation facilities being constructed in Tagum, Davao del Norte. The carrying value of the 15MW generator sets and auxiliary equipment and spare parts amounting to ₱98.8 million were held as collateral on EEI Power's long-term loan (Note 20). In 2012, the Group has capitalized borrowing costs amounting to ₱3.0 million. Borrowing costs were capitalized at the rate of 6.50% per annum.

Movements in the revalued land are as follow:

	2013	2012
Balance at beginning of year	**₱2,605,448,126**	₱2,485,751,926
Additions during the year:		
Acquisition	**25,306,837**	90,768,000
Appraisal increase	**96,603,874**	28,928,200
Capitalizable costs directly related to land purchased	**–**	–
Balance at end of year	**₱2,727,358,837**	₱2,605,448,126

Land at cost amounted to ₱1.8 billion as at December 31, 2013 and 2012. Land includes the land leased from RCBC accounted for as finance lease in 2009 (Note 34).

The revalued amounts in 2013 and 2012 are based on the latest appraisal reports by an independent appraiser dated January 2013 and November and February 2012. Fair value is determined using Market Data Approach 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 January 2013, November and February 2012 approximate the fair values as at December 31, 2013 and 2012.

As of December 31, 2013 and 2012, fully depreciated assets that are still in use amounted to ₱1,233.5 million and ₱1,064.1 million, respectively.

As at December 31, 2012, construction in progress includes the construction of power generation facilities being constructed in Tagum, Davao del Norte. The carrying value of the 15MW generator sets and auxiliary equipment and spare parts amounting ₱108.8 million were held as collateral on EEI Power's long-term loan. As at December 31, 2013, the construction was completed and the cost of power generation facility was transferred from construction in progress account to land, building and improvement account.

There are no temporary idle property and equipment as of December 31, 2013 and 2012.

15. Goodwill

Goodwill arose from acquisitions of EEI, iPeople and Honda Cars Group.

In 2013, the Group recognized impairment losses on goodwill pertaining to Honda Cars Group amounting to ₱41.4 million (Notes 5 and 28).

16. Investment Properties

The rollforward analysis of this account follows:

	2013		
	Land Held for Capital Appreciation	**Condominium Units and Parking Slots**	**Total**
Cost			
Balances at beginning of year	**₱221,550,013**	**₱84,574,516**	**₱306,124,529**
Transfers to inventories (Note 10)	**(10,408,096)**	**(11,629,214)**	**(22,037,310)**
Disposals	**(512,458)**	**(13,538,191)**	**(14,050,649)**
Adjustments	**–**	**(3,915,137)**	**(3,915,137)**
Balances at end of year	**210,629,459**	**55,491,974**	**266,121,433**
Accumulated Depreciation and Amortization			
Balances at beginning of year	**–**	**18,856,541**	**18,856,541**
Depreciation and amortization (Notes 28 and 29)	**–**	**(936,528)**	**(936,528)**
Disposals	**–**	**(2,115,525)**	**(2,115,525)**
Balances at end of year	**–**	**15,804,488**	**15,804,488**
Net Book Value	**₱210,629,459**	**₱39,687,486**	**₱250,316,945**

	2012		
	Land Held for Capital Appreciation	Condominium Units and Parking Slots	Total
Cost			
Balances at beginning of year	₱261,177,688	₱83,505,911	₱344,683,599
Additions	–	231,391	231,391
Transfers from inventories (Note 10)	10,408,096	11,629,214	22,037,310
Disposals	–	(10,792,000)	(10,792,000)
Derecognition due to loss of control over a subsidiary	(33,883,000)	–	(33,883,000)
	237,702,784	84,574,516	322,277,300
Impairment losses (Note 28)	(16,152,771)	–	(16,152,771)
Balances at end of year	221,550,013	84,574,516	306,124,529
Accumulated Depreciation and Amortization			
Balances at beginning of year	–	16,443,148	16,443,148
Depreciation and amortization (Notes 28 and 29)	–	3,580,059	3,580,059
Disposals	–	(1,166,666)	(1,166,666)
Balances at end of year	–	18,856,541	18,856,541
Net Book Value	₱221,550,013	₱65,717,975	₱287,267,988

Investment properties represent various parcels of land, condominium units and parking slots held for capital appreciation and rental, respectively.

In 2013 and 2012, EEI Realty transferred inventories to investment properties pertaining to the leased properties consisting of land held for capital appreciation and residential units amounting to ₱10.4 million and ₱11.6 million, respectively (Note 10).

In 2013, the Group sold investment properties with carrying value of ₱11.9 million for ₱17.0 million, resulting to a gain on sale of ₱5.0 million (Note 23).

The total rental income derived from the investment properties amounted to ₱7.1 million, ₱4.3 million and ₱0.9 million in 2013, 2012 and 2011, respectively (Note 22). Total direct operating expenses incurred in relation to these investment properties amounted to ₱0.2 million in 2013, nil in 2012 and ₱0.4 million in 2011 (Note 28).

As at December 31, 2013 and 2012, the fair value of investment properties amounted to ₱330.3 million and ₱355.9 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.

None of the investment properties were pledged as a security to obligations as of December 31, 2013 and 2012.

17. Other Noncurrent Assets

This account consists of:

	2013	2012 (As restated)
Receivable from EEI Retirement Fund, Inc. (Notes 5, 11 and 22)	**₱368,094,020**	₱–
Computer software	**39,844,284**	48,726,688
Retirement asset (Note 31)	**30,705,576**	10,537,219
Others	**24,718,403**	35,706,986
	₱463,362,283	₱94,970,893

Computer software is amortized over a period of three years. Amortization of computer software charged to operations in 2013 and 2012 amounted to ₱17.7 million and ₱9.2 million, respectively (Notes 28 and 29). The capitalized software is carried net of accumulated amortization. There were no impairment recognized for computer software during the year and in prior periods.

Rollforward of computer software is as follows:

	2013	2012
Cost		
Balance at the beginning of the year	**₱70,691,654**	₱29,933,698
Additions	**8,776,126**	40,757,956
Balance at the end of the year	**79,467,780**	70,691,654
Accumulated Amortization		
Balance at the beginning of the year	**21,964,966**	12,717,292
Amortization (Note 29)	**17,658,530**	9,247,674
Balance at the end of the year	**39,623,496**	21,964,966
Net Book Value	**₱39,844,284**	₱48,726,688

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 (Note 22).

As at December 31, 2013, the outstanding balance of the receivable from EEI Retirement Fund, Inc. amounting to ₱368.1 million was reclassified as noncurrent since the receivable is not expected to be realized within the following year.

Other noncurrent assets include noncurrent deferred charges, deposit on contracts, refund from Meralco and others.

18. Accounts Payable and Accrued Expenses

This account consists of:

	2013	2012
Accounts payable	**₱3,104,360,413**	₱2,924,918,168
Accrued expenses	**626,655,980**	686,799,467
Subscriptions payable	**58,007,218**	58,466,651
Dividends payable	**24,231,737**	8,670,409
Accrued interest payable	**11,412,996**	3,207,175
Payable to EEI Retirement Fund, Inc.	**–**	165,821,160
Others	**35,446,127**	69,297,674
	₱3,860,114,471	₱3,917,180,704

The normal trade credit terms of accounts payable and accrued expenses of the Group are expected to be settled within the next twelve (12) months.

Subscriptions payable represents unpaid subscriptions on AFS securities.

Payable to EEI-RFI amounting ₱165.8 million as at December 31, 2012 pertains to the remaining amount payable by the Parent Company to EEI-RFI in relation to the parcels of land and improvements acquired (Note 14). This was fully settled in January 13, 2013.

Accrued expenses consist of:

	2013	2012
Accrued salaries and wages	**₱239,348,706**	₱372,623,073
Accrued rent	**122,172,353**	50,427,077
Withholding taxes and others	**93,008,875**	119,539,348
SSS and other contributions	**20,543,195**	24,658,105
Payable to security guards	**9,643,027**	9,860,692
Chattel mortgage payable	**7,007,065**	3,503,621
Payable to Land Transportation Office	**5,514,032**	2,747,222
Deferred income	**3,674,104**	3,129,409
Accrued professional fee	**3,206,579**	3,155,560
Accrued commission	**9,083**	4,461,697
Rust proofing payable	**4,027**	1,907,013
Others	**122,524,934**	90,786,650
	₱626,655,980	₱686,799,467

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.

In 2011, MCI re-evaluated its level of accrual and has determined that ₱21.9 million are not expected to be settled anymore and was reversed. Reversal was charged to other income shown in the consolidated statements of income (Note 23).

As at December 31, 2013 and 2012, total accumulated payments to the permanent faculty members amounted to ₱213.9 million and ₱213.0 million, respectively. Related accrual as at December 31, 2013 and 2012 amounted to ₱66.0 million and ₱66.9 million, respectively.

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 (Note 23).

Other accrued expenses pertain to due to bookstore, unearned seminar fees, unearned interest income, deferred commission income, deferred credits and liabilities other than those owed to suppliers and contractors and those arising from ordinary accruals.

19. **Loans Payable**

This account consists of:

	2013	2012
Loans payable (Note 22)		
Secured bank loans	**₱1,770,000,000**	₱1,193,000,000
Unsecured bank loans	**1,459,000,000**	754,800,000
Bills payable		
Unsecured bills	**400,000**	3,300,000
	₱3,229,400,000	₱1,951,100,000

<u>Unsecured</u>
Unsecured bank loans were obtained from local banks and related party financial institutions with annual interest rates ranging from 3.25% to 4.5% and 3.75% to 6.5% in 2013 and 2012, respectively.

Secured
Certain loans from local banks are secured by the Group's investment in a subsidiary. The carrying value of the investment in subsidiary (at cost) held as collateral amounted to ₱255.2 million as of December 31, 2013 and 2012.

Certain loans from RCBC, a related party, are secured by the Group's investment in an associate (Note 13). The carrying value of the investment held as collateral amounted to ₱120.2 million as of December 31, 2013 and 2012. This loan has been fully paid as of December 31, 2012.

Certain loans from RCBC are secured by the Group's investment property amounting to ₱3.5 million as of December 31, 2013 and 2012. This loan has been fully paid as of December 31, 2012 (Note 16).

Certain loans from RCBC are secured by a parcel of land of the Group recorded at the revalued amount of ₱255.7 million as of December 31, 2012 (Note 14).

The secured bank loans in 2013 and 2012 are collateralized by an assignment of the Group's construction contract with certain customers with a total contract value of ₱2.6 billion and ₱2.0 billion as at December 31, 2013 and 2012, respectively.

Bills Payable
Bills payable pertains to unsecured short-term borrowings from private firms, related companies and individuals with annual interest rate of 10% in 2013 and 2012.

The Group has no externally imposed capital requirements on its bank loans as at December 31, 2013 and 2012.

20. **Long-term Debt**

This pertains to the long-term debt of the following companies:

	2013	2012
Parent Company		
Peso-denominated syndicated bank loan payable within 10 years which shall commence after 3 years from the date of issue with a floating rate per annum based on the higher of (i) the three (3) - month Philippine Dealing System Treasury Reference Rates - Fixing (PDST-F) plus a spread of two (2.0%) per annum or (ii) the BSP overnight rate plus a spread of 1.5%.	**₱641,562,869**	₱–
Peso-denominated syndicated bank loan payable within 10 years which shall commence after 3 years from the date of issue with a fixed rate per annum based on the highest of (i) 5-year PDST-F, plus a spread of two (2.0%) per annum or (ii) floating rate per annum based on the higher of (i) the three (3) - month Philippine Dealing System Treasury Reference Rates - Fixing (PDST-F) plus a spread of two (2.0%) per annum or (ii) the BSP overnight rate plus a spread of 1.5% or (iii) 5.5% per annum.	**641,562,868**	–

(Forward)

	2013	2012
Peso-denominated five (5) year term loan, payable quarterly starting March 2014 with interest of 5.00% per annum	**₱497,539,130**	₱–
Private placement fixed-rate corporate promissory notes payable after three years from the date of issue with interest of 7.90%.	**–**	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.	**523,452,255**	688,000,000
EEI Power		
Peso-denominated seven (7) year term loan, payable quarterly starting June 2014 with interest of 6.50% per annum inclusive of two (2) year grace period on principal amortization	**575,458,000**	209,750,000
EEI		
Private placement fixed-rate corporate promissory notes with effective interest of 6.25% per annum for ₱500 million in 2013 and 2012	**–**	500,000,000
MCLI		
Payable to PTC	**78,547,745**	56,076,104
	2,958,122,867	1,542,826,104
Less current portion of long-term debt	**261,234,257**	731,076,104
	₱2,696,888,610	₱811,750,000

Parent Company

On September 17, 2013, the Parent Company obtained interest-bearing loans from various local commercial banks (Eastwest Bank, Robinsons Bank and Philippine Bank of Communications) which were executed through individual loan agreements with chattel mortgage. Each interest-bearing loan has a term of ten years. Fifty percent (50%) of the total loan will be paid on the 10th year, while the remaining 50% of the loan, inclusive of a three (3) year grace period on principal payment, will be paid in 28 quarterly instalments commencing on the 13th quarter.

The proceeds of the loan were used for the purchase of the 10% ownership from RCBC Realty Corporation (RRC). A portion of each loan bears a fixed annual effective interest rate of 5.5%, subject to repricing on the fifth (5) year while the remaining portion bears a floating effective interest rate of 5%, subject to quarterly repricing.

Loans financed by Eastwest Bank are secured by the Parent Company's investment in an associate. The carrying value of the investment held as collateral amounted to ₱817.6 million as of December 31, 2013.

Loans financed by Robinsons Bank are secured by the Parent Company's investment in an associate and investment in a subsidiary with carrying values amounting to ₱522.9 million and ₱435.0 million, respectively, as of December 31, 2013.

Loans financed by Philippine Bank of Communications are secured by the Parent Company's investment in subsidiary. The carrying value of the investment held as collateral amounted to ₱958.2 million as of December 31, 2013.

On December 16, 2013, the Parent Company acquired from RCBC loan amounting to ₱500.0 million, payable within five (5) years. The proceeds of the loan were used for general financing requirements. This loan is pledged by the all the shares of the Parent Company to a subsidiary. The carrying value of the shares amounted to ₱1,080.0 million as of December 31, 2013.

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.

<u>MCI</u>
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 2013 and 2012.

<u>EEI</u>
On October 7, 2011, EEI sold ₱500.0 million private placement fixed-rate corporate promissory notes to various investors. RCBC Capital Corporation (RCBCCC), 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 6.25% per annum. The proceeds of the loan were used for general corporate and project financing requirements.

<u>EEI Power</u>
On June 13, 2012, EEI Power entered into a 6.5% fixed-rate term loan in the aggregate principal amount of ₱385.0 million with Rizal Commercial Banking Corporation (RCBC) to finance the acquisition, design, construction, operation of the 15MW diesel generator set to be installed in Tagum, Davao del Norte (Notes 14 and 22).

The loan shall have a term of seven (7) years inclusive of two (2) years grace period on the principal amortization reckoned from the initial drawdown date. The loan shall be payable on equal quarterly amortization to commence at the end of the 8th quarter.

The loan shall be available in staggered drawdowns within the following conditions:
i. Initial loan release shall be lesser than or equivalent to the loan value of existing collateral and/or additional collateral;
ii. Subsequent loan releases shall depend on the value of submitted collateral.

As at December 31, 2012, the carrying value of collateral held on the loan amounted to ₱789.6 million consisting of certain machineries and construction equipment items of EEI amounting to ₱706.9 million and certain merchandise stocks of EE (Equipment Engineers, Inc.) amounting to ₱82.7 million.

Interest capitalized on this loan in 2012 amounted to ₱3.0 million recorded under "Construction in progress" account in property and equipment (Note 14). Borrowing costs were capitalized at the rate of 6.50% per annum.

The loan is subjected to loan covenants which include that EEI Power must not allow its total debt to equity ratio and current ratio, computed in accordance with generally accepted accounting principles consistently applied, to exceed 3:1 and 1:1, respectively.

MCLI
As at December 31, 2013 and 2012, payable to PTC amounted to ₱78.6 million and ₱56.1 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. The outstanding balance of ₱56.08 million is payable in 2013 and is recorded under current liabilities.

The Group has complied with all the loan covenants for the years ended December 31, 2013 and 2012.

21. EEI's Stock Option Plan

The Parent Company'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 the Parent Company and its subsidiaries.

Under the Amended Plan, the option or subscription price must be equal to the book value of the Parent Company's common stock but not less than 80% of the average market price quoted in 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

The Parent Company opted to avail the exemption in PFRS 1 from applying PFRS 2 upon adoption on January 1, 2005 as it allows non-adoption of PFRS 2 for equity instruments that were granted on or before November 7, 2002. 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.

22. 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. 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 and transactions with respect to related parties included in the consolidated financial statements are as follows (amounts in thousands):

	2013			
Category	**Amount/ Volume**	**Outstanding Balance**	**Terms**	**Conditions**
Parent Company – PMMIC				
a. Accounts payable	**₱–**	**₱2,188**	**Non-interest bearing**	**Unsecured**
Miscellaneous expense	**225**	–	–	–
b. Dividends payable	–	**(732)**	**Non-interest bearing**	**Unsecured**
Associates				
c. Dividends receivable	**34,940**	**11,321**	**Non-interest bearing**	**Unsecured, no impairment**
d. Due from related parties	–	**9,348**	**Non-interest bearing**	**Unsecured**
Management and audit fee income	**3,389**	–	–	–
e. Subscriptions payable	–	**(9,375)**	**Non-interest bearing**	**Unsecured**
Other affiliates				
f. Receivable from EEI Retirement Fund, Inc.	–	**368,094**	**Interest bearing, 5% per annum**	**Unsecured, no impairment**
Rental expense	**45,000**	–	–	–
Interest income	**18,928**	–	–	–
Entities under common control				
g. Cash and cash equivalents	**1,716,249**	**1,716,249**	**Interest bearing at prevailing bank deposit rates**	**Unrestricted**
Interest income	**31,741**	–	–	–
h. Accounts receivable	**419,617**	**40,872**	**Non-interest bearing**	**Unsecured, no impairment**
Vehicle sales	**16,888**	–	–	–
Agency fee income	**30,786**	–	–	–
i. Dividends receivable	**320,170**	–	**Non-interest bearing**	**Unsecured, no impairment**
Dividends income	**320,170**	–	–	–
j. Commission receivables	–	–	**Non-interest bearing**	**Unsecured, no impairment**
Commission income	**1,222**	–	–	–
k. Due from related parties	–	**52,148**	**Non-interest bearing**	**Unsecured, no impairment**
Service revenue	**156,693**	–	–	–
(Forward)				
Other income	**₱381**	**₱–**	–	–
Rental income	**23,281**	–	–	–
Audit fee income	**10,319**	–	–	–
l. Management fee receivable	**86,334**	**12,705**	**Non-interest bearing**	**Unsecured, no impairment**

Category	Amount/ Volume	Outstanding Balance	Terms	Conditions
	2013			
Management fee income	**86,334**	–	–	–
m. Accounts payable and accrued expenses	**1,181**	**5,099**	**Non-interest bearing**	**Unsecured**
Rental expense	**5,209**	–	–	–
n. Due to related parties	–	**(41,030)**	**Non-interest bearing**	**Unsecured**
Rental expense	**4,175**	–	–	–
Insurance expense	**5,665**	–	–	–
o. Lease liability	–	**(1,567)**	**Interest bearing, 2.03% - 2.45% per annum (EEI); non-interest bearing (iPeople)**	**Secured**
Interest expense - finance lease	**1,281**	–	–	–
p. Loans payable	**612,000**	**612,000**	**Interest bearing; 5.5% to 6.5% per annum**	**Secured**
Interest expense	**34,512**	–		
q. Long-term debt (including current portion of long-term debt)	**575,458**	**(1,091,458)**	**Interest bearing, 6.25% - 6.50% per annum (EEI); 10-year, interest at 3-mo. PDST-F plus spread per quarter (iPeople)**	**Secured**
Interest expense	**40,482**	–	–	–

Category	Amount/ Volume	Outstanding Balance	Terms	Conditions
	2012			
Parent Company - PMMIC				
a. Accounts payable	₱–	₱98	Non-interest bearing	Unsecured
Miscellaneous expense	146	–	–	–
b. Dividends payable	–	989	Non-interest bearing	Unsecured
Associates				
c. Dividends receivable	–	6,821	Non-interest bearing	Unsecured, no impairment
d. Due from related parties		11,353	Non-interest bearing	Unsecured
Management and audit fee income	3,876	–	–	–
e. Subscriptions payable	–	9,375	Non-interest bearing	Unsecured
Other affiliates				
f. Receivable from EEI Retirement Fund, Inc.	–	476,022	Interest bearing, 5% per annum	Unsecured, no impairment
g. Payable to EEI Retirement Fund, Inc.	–	165,821	Non-interest bearing	Unsecured
h. Cost of contraction contracts	44,168	–	–	–
i. Rental expense	45,000	–	–	–
j. Interest income	20,961	–	–	–

(Forward)

Category	Amount/ Volume (2012)	Outstanding Balance (2012)	Terms (2012)	Conditions (2012)
Entities under common control				
k. Cash and cash equivalents	₱1,319,038	₱1,319,038	Interest bearing at prevailing bank deposit rates	Unrestricted
Interest income	31,228	–	–	–
l. Accounts receivable	–	51,643	Non-interest bearing	Unsecured, no impairment
Vehicle sales	3,876	–	–	–
Agency fee income	32,607	–	–	–
m. Dividends receivable	–	3,845	Non-interest bearing	Unsecured, no impairment
Dividends income	9,032	–	–	–
n. Commission receivables	–	871	Non-interest bearing	Unsecured, no impairment
Commission income	1,085	–	–	–
o. Due from related parties	–	4,168	Non-interest bearing	Unsecured, no impairment
Service revenue	149,603	–	–	–
Other income	305	–	–	–
Rental income	21,584	–	–	–
Audit fee income	2,143	–	–	–
p. Management fee receivable	–	9,723	Non-interest bearing	Unsecured, no impairment
Management fee income	74,575	–	–	–
q. Accounts payable and accrued expenses	–	3,006	Non-interest bearing	Unsecured
Rental expense	4,847	–	–	–
r. Due to related parties	–	32,713	Non-interest bearing	Unsecured
Rental expense	11,746	–	–	–
Insurance expense	3,028	–	–	–
s. Lease liability	–	7,820	Interest bearing, 2.03% - 2.45% per annum (EEI); non-interest bearing (iPeople)	Secured
Interest expense - finance lease	3,968	–	–	–
t. Loans payable	–	556,000	Interest bearing; 5.5% to 6.5% per annum	Secured
Interest expense	856	–		
u. Long-term debt (including current portion of long-term debt)	–	1,397,750	Interest bearing, 6.25% - 6.50% per annum (EEI); 10-year, interest at 3-mo. PDST-F plus spread per quarter (iPeople)	Secured
Interest expense	76,308	–	–	–

Parent Company - PMMIC

a. Accounts payable to PMMIC pertains to unpaid expenses to PMMIC which represents shared costs such as legal expenses which are included under “Miscellaneous expense”. Accounts payable to PMMIC as at December 31, 2013 and 2012 amounted to ₱2.2 million and ₱0.1 million, respectively.

b. Dividends declared in 2013 and 2012 by the Parent Company amounted to ₱62.3 million and ₱66.0 million, respectively. Out of the total declared dividends, the amount of dividends payable to PMMIC as at December 31, 2013 and 2012 amounted to ₱0.7 million and ₱1.0 million, respectively.

Associates

c. Outstanding dividends receivable from associates as at December 31, 2013 and 2012 amounted to ₱11.3 million and ₱6.8 million, respectively.

    a. Due from related parties arises from services rendered by the Parent Company to its associates. These services include management consultancy and internal audit fees. As at December 31, 2013 and 2012, the Group has an outstanding receivable from associates of ₱3.5 million and ₱11.4 million, respectively. Management fee income charged to associates is fixed per month while audit fee income depends on the audit engagement letter agreed by both parties.

d. Outstanding subscription payable to an associate amounted to ₱9.4 million as at December 31, 2013 and 2012.

Other affiliates

e. In 2006, the EEI sold parcels of land to EEI Retirement Fund, Inc., a trustee of the EEI 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 (Note 14). Interest income recognized from the receivables from EEI Retirement Fund, Inc. is disclosed in Note 23. The receivables are interest bearing with rates ranging from 5% to 6% in 2013, 2012 and 2011.

   Starting January 2007, EEI Parent 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 Parent 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 three years ended December 31, 2012 (Note 28). 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 three years ended December 31, 2012 (Note 24).

   On December 12, 2012, EEI Parent acquired certain parcels of land including land improvements located in Bauan, Batangas from EEI Retirement Fund Inc. amounting to ₱581.8 million, inclusive of 12% VAT. As at December 31, 2012, total cash paid amounted to ₱416.0 million and the remaining balance amounting to ₱165.8 million presented under accounts payable and accrued expenses in the Group's consolidated statements of financial position (Note 18). The operating lease agreement of the said properties between EEI Parent and EEI Retirement Fund Inc. was terminated on the same date. Accordingly, no rental for the year 2013.

Entities under common control of PMMIC

f. The Group maintains cash and cash equivalents with RCBC, an entity under common control. As at December 31, 2013 and 2012, cash and cash equivalents with RCBC amounted to ₱1.7 billion and ₱1.3 billion, respectively. The related deposits earn interest at the prevailing bank deposit rates. Interest income earned from cash and cash equivalents amounted to ₱31.9 million and ₱31.2 million in 2013 and 2012, respectively.

g. The Group generates income by providing security services at a 15% mark-up to entities under common control. In 2013 and 2012, the Group's agency fee income is attributable to security services provided to a majority of RCBC branches in the country. As at December 31, 2013 and 2012, the Company's accounts receivable from RCBC amounted to ₱33.3 million and ₱44.4 million, respectively.

The Parent Company sold vehicle units to various entities under common control of PMMIC with terms ranging from 30-60 days. The outstanding receivable from the sale amounted to ₱7.5 million and ₱7.2 million as at December 31, 2013 and 2012, respectively.

h. Dividend income earned in 2013 and 2012 from entities under common control of PMMIC amounted to ₱320.2 million and ₱9.0 million, respectively. Unpaid dividends as at December 31, 2012 amounted to ₱3.8 million.

i. The Group earns commission income in 2013 and 2012 from affiliates through referrals to the Company's customers of insurance offered by an affiliate. As at December 31, 2013 and 2012, commission receivables amounted to ₱1.7 million and ₱0.9 million, respectively.

j. Due from entities under common control of PMMIC arises from RCBC's rental of the Group's office spaces in its Makati and Intramuros properties. The term of the lease is for three years and future minimum rental payments receivable under the aforementioned lease agreement amounted to ₱35.5 million and ₱36.1 million (Note 34).

   Another receivable from related parties arises from janitorial services rendered by EEI (GAMSI) to the Group's affiliates. The service revenue earned from janitorial serviced rendered in 2013 and 2012 amounted to ₱204.7 million and ₱198.8 million, respectively.

k. One of the subsidiaries enters into various agreements with entities under common control to perform property and project management services. Receivable from this transaction is accounted under "Management fee receivable". The Group's outstanding receivable from property and project management fees amount to ₱12.7 million and ₱9.7 million as at December 31, 2013 and 2012, respectively.

l. Payable to an entity under common control pertains to rental of office space and share in the utilities expense of the Group amounting to ₱4.9 million and ₱3.0 million as at December 31, 2013 and 2012, respectively.

m. As at December 31, 2013 and 2012, the outstanding intercompany payables presented under "Due to related parties" account in the consolidated statements of financial position amounted to ₱41.0 million and ₱32.7 million, respectively.

   iPeople maintains property and personnel insurance with its affiliated insurance company, Malayan Insurance Company, Inc. (MICO). Insurance contract coverage pertains to the Group's fire, accident, group and other insurance policies. Insurance contracts with related parties amounted to ₱1,246.0 million, ₱47.3 million and ₱29.1 million in 2013, 2012 and 2011, respectively.

   EEI's insurance contract with MICO is entered into for EEI Caledonia workers amounting to ₱14.1 million in 2013 and ₱8.2 million in 2012.

n. EEI Group entered into various lease agreements with MRC and FMLFC, entities under common control. The terms shall be for 4 to 5 years and payable monthly based on the due dates set forth in the contracts without the necessity of any formal demand. Rent expense charged to operations amounted to ₱1.6 million, ₱11.7 million and ₱7.0 million in 2013, 2012 and 2011, respectively (Notes 28 and 34). As at December 31, 2013 and 2012, the outstanding lease liability amounted to ₱1.6 million and ₱6.5 million, respectively and the interest expense on finance lease presented in the consolidated statements of income in 2013 and 2012 amounted to ₱1.3 million and ₱4.0 million, respectively.

iPeople also entered into lease agreement with FMLFC for the lease of its furniture, fixtures and equipment. The future minimum lease payments under the finance lease are as follows (Note 34):

	2013	2012
Within one year	**₱–**	₱1,075,548
More than one year	**–**	448,145
	–	1,523,693
Less amount representing interest	**–**	148,820
Present value of minimum lease payments	**₱–**	₱1,374,873

o. The Group entered into various loan agreements with entities under common control of PMMIC. The loan agreement is interest bearing with 4.5%-5.5% and 5.5%-6.5% interest per annum in 2013 and 2012, respectively. Outstanding loan balance as at December 31, 2013 and 2012 amounted to ₱612.0 million and ₱556.0 million, respectively (Note 19).

p. On June 13, 2012, EEI Power entered into a 6.5% fixed-rate term loan in the aggregate principal amount of ₱385.0 million with Rizal Commercial Banking Corporation (RCBC) to finance the acquisition, design, construction, operation of the 15MW diesel generator set to be installed in Tagum, Davao del Norte (Note 20). Interest expense pertaining to these borrowings amounted to ₱3.5 million in 2012. Interest rates are disclosed in Note 20. Interest expense capitalized on this loan in 2012 amounted to ₱3.5 million recorded under "Construction in progress" account in property and equipment (Note 14).

   iPeople's long term debt pertains to the Group's ₱860.0 million long-term loan to refinance its previous loans with RCBC collateralized by the Company's Makati and Manila properties. In 2013 and 2012, payments made in relation to the principal amount totaled ₱86.0 million (Note 20). Corresponding interest expense for the loan amounted to ₱19.9 million and ₱26.1 million in 2013 and 2012, respectively.

The Group maintains its retirement fund with RCBC trust division. As at December 31, 2013 and 2012, the fair value of the plan assets of the retirement fund amounted to ₱990.2 million and ₱836.6 million, respectively (Note 31). Trust fees amounting to ₱5.3 million and ₱5.0 million were recognized by the retirement plan arising from its transactions with RCBC for the years ended December 31, 2013 and 2012, respectively.

Remuneration of key management personnel
The remuneration of directors and other members of key management of the Group are as follows:

	2013	2012 (As restated)	2011 (As restated)
Compensation and short-term benefits	**₱189,177,679**	₱185,031,212	₱169,522,901
Post-employment benefits	**20,052,712**	15,031,896	13,812,732
	₱209,230,391	₱200,063,108	₱183,335,633

23. **Other Income** - Net

This account consists of:

	2013	2012	2011
Commission income	**₱125,911,434**	₱74,784,800	₱100,727,913
Recovery of provision for inventory losses	**166,142,054**	4,632,235	3,834,380
Interest income (Notes 6 and 35)	**77,096,099**	71,301,381	89,652,041
Finance income	**31,689,057**	38,503,311	21,283,061
Income from reversal of payables	**24,614,339**	–	108,852,881
Rental income (Note 16)	**15,882,714**	10,082,816	8,704,218
Insurance income	**8,807,685**	8,959,200	11,567,860
Space and car rental	**7,151,765**	10,909,942	10,443,872
Income from sale of pre-owned car	**943,142**	5,212,165	2,722,466
Income from defaults	**10,000**	8,931,619	6,598,111
Gain on sale from:			
AFS securities (Note 12)	**37,258,378**	12,537,522	22,326,927
Loss of control of a subsidiary (Note 2)	**11,072,373**	43,975,648	–
Investment property (Note 16)	**5,021,400**	1,460,384	45,214,942
Property and equipment (Note 14)	**921,522**	1,330,148	5,099,241
Assets held for sale	**–**	–	8,137,194
Tax reimbursement	**–**	34,080,387	51,561,642
Recoveries from previously written-off receivables	**–**	–	91,320,425
Initial recognition of lease deposits at fair value	**–**	–	38,628,058
Liquidating dividend	**–**	–	31,041,970
Foreign exchange loss	**(24,930,685)**	(19,851,924)	(3,329,505)
Miscellaneous	**102,899,841**	26,477,715	15,389,966
	₱590,491,118	₱333,327,349	₱669,777,663

Interest income consists of income from:

	2013	2012	2011
Savings deposit and short-term investments (Note 6)	**₱45,102,387**	₱50,340,474	₱59,368,277
Receivable from EEI Retirement Fund, Inc. (Note 22)	**31,993,712**	20,960,907	30,283,764
	₱77,096,099	₱71,301,381	₱89,652,041

The gain on loss of control of a subsidiary pertains to the sale of the Group's shares in FMLFC to RCBC.

Reversal of provision for contingent liability pertains to the reversal of previously recognized liability.

In 2011, certain payables that are outstanding for more than five years amounting to ₱108.9 million were reversed because the Group is not expecting the settlement of which that will result to an outflow or resources embodying economic benefits.

Recoveries of previously written off receivable amounting to ₱91.3 million recognized in 2011 pertains to the receipt from the Group's 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).

In 2011, liquidating dividend pertains to the cash received by the Group from the liquidation of IFC Development Corporation.

24. Costs of Sales and Services

This account consists of:

	2013	2012	2011
Cost of services (Note 26)			
Cost of construction contracts	**₱8,452,691,358**	₱9,498,460,556	₱5,426,999,999
Cost of manpower and other services	**1,153,505,200**	2,804,407,209	2,423,206,166
	9,606,196,558	12,302,867,765	7,850,206,165
Cost of goods sold			
Cost of merchandise sold (Note 25)	**4,104,520,279**	4,304,433,244	3,840,503,973
Cost of real estate sold	**66,629,164**	51,267,530	76,715,351
	4,171,149,443	4,355,700,774	3,917,219,324
Cost of school and related operations (Note 27)	**961,978,397**	877,831,564	803,354,247
	₱14,739,324,398	₱17,536,400,103	₱12,570,779,736

25. Cost of Merchandise Sold

This account consists of (Note 10):

	2013	2012	2011
Inventories	**₱4,092,255,432**	₱4,292,875,781	₱3,821,698,181
Personnel expenses (Note 31)	**7,976,860**	8,350,235	8,929,003
Others	**4,287,987**	3,207,228	9,876,789
	₱4,104,520,279	₱4,304,433,244	₱3,840,503,973

26. Cost of Services

	2013	2012	2011
Cost of construction contracts			
Labor (Note 31)	**₱2,757,793,750**	₱3,377,795,607	₱1,909,385,308
Equipment costs and others	**2,718,291,108**	3,217,339,226	1,785,575,186
Materials	**2,715,301,194**	2,707,819,084	1,622,236,418
Depreciation and amortization (Note 29)	**261,305,306**	195,506,639	109,803,087
Subtotal	**₱8,452,691,358**	₱9,498,460,556	₱5,426,999,999

(Forward)

	2013	2012	2011
Cost of manpower and other services			
Personnel expenses (Note 31)	**₱937,351,835**	₱2,389,381,509	₱2,026,969,395
Parts and accessories	**96,759,734**	262,710,861	276,152,784
Materials	**24,553,884**	72,382,199	72,105,116
Depreciation and amortization (Note 29)	**4,955,473**	4,098,828	8,174,380
Others	**89,884,274**	75,833,812	39,804,491
Subtotal	**1,153,505,200**	2,804,407,209	2,423,206,166
	₱9,606,196,558	₱12,302,867,765	₱7,850,206,165

27. Cost of School and Related Operations

This amount consists of:

	2013	2012	2011
Personnel expenses	**₱509,882,745**	₱462,104,336	₱439,888,198
Student-related expenses	**105,620,122**	83,566,759	82,368,691
Depreciation and amortization (Note 29)	**96,794,226**	128,972,148	80,847,876
Utilities	**81,957,954**	71,254,794	70,411,623
Management and other professional fees	**77,754,398**	36,231,735	32,577,032
Seminars	**16,294,387**	12,342,439	11,262,133
Tools and library books	**11,453,742**	10,192,833	12,878,638
Repairs and maintenance	**10,132,197**	11,577,964	11,752,208
Advertising	**9,012,368**	19,222,390	15,264,461
Periodicals	**7,477,266**	5,879,741	9,210,935
Office supplies	**6,287,212**	5,960,859	7,617,389
Research and development fund	**6,182,896**	2,688,032	2,330,794
Laboratory supplies	**5,571,977**	4,909,899	5,236,755
Insurance	**4,983,208**	3,368,317	4,233,122
Accreditation costs	**2,812,803**	1,603,161	4,323,282
Transportation and travel	**2,384,600**	1,945,754	1,831,576
Rent	**1,217,284**	1,095,952	1,192,407
Taxes and licenses	**1,173,844**	1,056,687	1,449,402
Entertainment, amusement, and recreation	**1,051,090**	1,192,290	1,254,594
Provision for impairment	**–**	8,824,573	3,824,274
Miscellaneous	**3,934,078**	3,840,901	3,598,857
	₱961,978,397	₱877,831,564	₱803,354,247

28. General and Administrative Expenses

This account consists of:

	2013	2012, As restated	2011, As restated
Personnel expenses (Note 31)	**₱662,858,533**	₱721,316,972	₱637,331,951
Rent, light and water (Note 22)	**182,802,944**	158,310,128	146,884,654
Depreciation and amortization (Note 29)	**178,721,639**	146,018,938	291,026,789
Taxes and licenses	**102,079,416**	93,182,585	91,684,462
Professional fees	**75,845,203**	90,706,191	67,727,510
Transportation and travel	**64,458,496**	79,173,987	68,719,740
Provision for impairment (Notes 7, 8 and 22)	**139,338,325**	67,234,916	75,859,025

(Forward)

	2013	2012, As restated	2011, As restated
Entertainment, amusement and recreation	**₱52,967,944**	₱45,245,460	₱58,361,891
Direct expenses	**31,156,337**	35,774,459	19,926,946
Securities and utilities	**38,407,681**	28,320,725	21,308,148
Provision for probable losses	**73,194,466**	27,500,000	43,294,000
Commissions	**18,776,722**	24,785,217	32,604,691
Repairs and maintenance	**33,473,907**	24,301,531	33,386,606
Management and other fees	**58,798,334**	18,532,997	26,466,297
Office expenses	**19,439,250**	17,786,168	20,647,767
Advertising and promotions	**53,445,247**	16,613,880	22,481,222
Impairment loss on investment properties (Note 16)	**–**	16,152,771	61,017,413
Insurance	**8,433,731**	8,940,862	9,441,534
Provision (recovery) for inventory obsolescence (Note 10)	**(29,384,710)**	5,613,854	(16,360,294)
Donations and contributions	**6,567,031**	5,576,574	4,510,857
Seminars	**715,795**	835,615	4,822,632
Recovery on investments in associates (Note 13)	**(103,843,643)**	(1,205,357)	(3,200,000)
Accreditation cost	**214,506**	–	–
Loss (recovery) on damaged properties (Note 14)	**8,225,220**	(79,929,982)	88,087,868
Miscellaneous	**70,943,328**	88,906,129	79,172,274
	₱1,747,635,702	₱1,639,694,620	₱1,885,203,983

Below are the details of net provision for (recovery of) doubtful accounts:

	2013	2012	2011
Loans receivable (Note 7)			
Provision	**₱500,000**	₱1,562,817	₱31,911,834
Recoveries	–	–	(43,231)
Accounts receivable			
Provision (Note 8)	**45,855,717**	33,210,686	44,376,461
Recoveries (Note 8)	**(37,668,897)**	(29,093,881)	(34,278,008)
Direct write-off	**42,007,646**	59,409,036	–
Due from related parties (Note 22)			
Provision	**23,000,000**	–	38,640,119
Recoveries	**–**	–	(7,000,000)
Direct write-off	**–**	656,684	208,712
Others	**–**	1,489,574	2,043,138
	₱73,694,466	₱67,234,916	₱75,859,025

Provision for impairment in 2013, 2012 and 2011 that was charged to cost of school and related operations amounted to nil, ₱8.8 million and ₱3.8 million, respectively (Note 27).

29. Depreciation and Amortization

This account consists of depreciation and amortization included in (Notes 14 and 17):

	2013	2012	2011
General and administrative expenses (Note 28)	**₱178,721,639**	₱146,018,938	₱291,026,789
Cost of construction contracts (Note 26)	**261,305,306**	195,506,639	109,803,087
Cost of school and related operations (Note 27)	**96,794,226**	128,972,148	80,847,876
Cost of manpower and other services (Note 26)	**4,955,473**	4,098,828	8,174,380
Cost of merchandise sold (Note 25)	**520,638**	430,636	566,323
	₱542,297,282	₱475,027,189	₱490,418,455

30. Interest and Finance Charges

The Group's interest and finance charges consist of interest on the following:

	2013	2012	2011
Loans payable (short-term) (Note 19)	**₱138,293,242**	₱83,827,551	₱262,676,266
Long-term debt (Note 20)	**23,519,211**	54,351,940	52,861,812
Advances to affiliates and other finance charges (Note 22)	**5,975,169**	10,348,660	6,534,690
	₱167,787,622	₱148,528,151	₱322,072,768

31. 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 most recent actuarial valuation was carried out on February 25, 2014 for the retirement plan of the Group as of December 31, 2013.

The following tables summarize the components of the benefit expense recognized in the Group statements of comprehensive income and amounts recognized in the Group statements of financial position for the retirement plan.

Based on the actuarial valuation as of December 31, 2013 and 2012 computed using the PUC method, the Group's retirement liabilities, retirement assets and expenses are summarized as follows:

	December 31		January 1,
	2013	2012 (As restated)	2012 (As restated)
Retirement liabilities	**₱372,891,089**	₱306,577,634	₱285,905,750
Retirement assets	**(30,705,576)**	(10,537,219)	(1,445,238)
Net retirement expenses	**128,546,577**	121,365,475	85,953,051

The amounts recognized in the consolidated statements of financial position follow:

	December 31		January 1,
Retirement liabilities	**2013**	2012 (As restated)	2012 (As restated)
Present value of defined benefit obligation	**₱1,207,128,993**	₱1,013,604,239	₱970,402,011
Fair value of plan assets	**(834,237,904)**	(707,026,605)	(684,496,261)
	₱372,891,089	₱306,577,634	₱285,905,750

	December 31		January 1,
Retirement assets	**2013**	2012 (As restated)	2012 (As restated)
Present value of defined benefit obligation	**₱125,281,033**	₱118,976,255	₱2,678,399
Fair value of plan assets	**(155,986,609)**	(129,513,474)	(4,123,637)
	(₱30,705,576)	(₱10,537,219)	(₱1,445,238)

The retirement asset is included in "Other Noncurrent Assets - net" account in the consolidated statements of financial position.

The movements in the net retirement liability follow:

	December 31		January 1,
	2013	2012 (As restated)	2012 (As restated)
At beginning of year	**₱296,040,415**	₱284,460,512	₱177,404,412
Contribution paid during the year	**(143,677,581)**	(98,310,715)	(110,900,392)
Net retirement expense	**128,546,577**	121,365,475	85,953,051
Transfer from (to) affiliate	**–**	–	65,114
Asset ceiling adjustment	**–**	–	3,420,586
Derecognition due to loss control of a subsidiary	**–**	(10,487,756)	–
Amount to be recognized in OCI	**61,276,102**	(987,101)	128,517,741
At end of the year	**₱342,185,513**	₱296,040,415	₱284,460,512

The changes in the defined benefit obligation as a result of the retroactive application of Revised PAS 19 follow:

	December 31, 2012	January 1, 2012
As previously stated - *net of retirement asset*	**₱120,725,342**	₱100,500,259
Restatements (Note 3):		
Recognition of actuarial losses	**187,952,420**	194,048,228
Adjustment on actuarial losses recognized as part of retirement expense	**(8,802,298)**	(10,087,975)
Derecognition due to loss of control of subsidiary	**(3,835,049)**	–
As restated - *net of retirement asset*	**₱296,040,415**	₱284,460,512

Remeasurement effect recognized in OCI:

	2013	2012 (As restated)
Actuarial loss	**(₱61,276,102)**	₱987,101
Return on assets excluding amount included in net interest cost	**(177,139)**	5,108,707
Total remeasurements recognized in OCI	**(₱61,453,241)**	₱6,095,808

Movement of cumulative remeasurement effect recognized in OCI:

	December 31		January 1,
	2013	2012 (As restated)	2011 (As restated)
Balance at beginning of year	**(₱187,952,420)**	(₱194,048,228)	₱–
Actuarial loss	**(61,276,102)**	987,101	(128,517,741)
Return on assets excluding amount included in net interest cost	**(177,139)**	5,108,707	(65,530,487)
Total amounts recognized in OCI	**(₱249,405,661)**	(₱187,952,420)	(₱194,048,228)

The movements in the present value of defined obligation follow:

	December 31		January 1,
	2013	2012 (As restated)	2011 (As restated)
Balance at beginning of year	**₱1,132,580,494**	₱973,080,410	₱779,450,045
Current service cost	**111,603,063**	103,924,189	71,119,175
Interest cost on obligation	**64,041,102**	57,771,118	56,849,476
Actuarial losses	**65,870,743**	47,163,399	116,911,875
Past service cost	**–**	684,365	–
Transfer to (from) affiliate	**(1,724,590)**	–	65,114
Derecognition due to loss on control of a subsidiary	**–**	(11,351,099)	–
Benefits paid	**(39,960,786)**	(38,691,888)	(51,315,275)
Balance at end of year	**₱1,332,410,021**	₱1,132,580,494	₱973,080,410

The movements in the fair value of plan assets follow:

	December 31		January 1,
	2013	2012 (As restated)	2011 (As restated)
Balance at beginning of year	**₱836,540,079**	₱688,619,898	₱589,224,807
Contributions	**44,408,006**	98,310,715	110,900,392
Actuarial (gains) loss	**143,677,581**	53,973,305	(2,245,281)
Asset return in net interest cost	**(39,960,786)**	40,851,424	42,055,255
Derecognition due to loss on control of a subsidiary	**–**	(6,523,375)	–
Benefits paid	**5,559,633**	(38,691,888)	(51,315,275)
Balance at end of year	**₱990,224,513**	₱836,540,079	₱688,619,898

The major categories of plan assets and its fair value are as follows:

	2013	**%**	2012	%
Cash	**₱246,849,478**	24.93%	₱219,411,604	26.23%
Investment in government securities	**497,949,729**	50.29%	410,096,725	49.02%
Investments in shares of stock	**181,804,171**	18.36%	118,857,741	14.21%
Investments in other securities and debt instruments	**59,143,725**	5.97%	83,148,218	9.94%
Interest receivables and other receivables	**6,019,354**	0.61%	6,304,634	0.75%
Accrued trust fees and other payables	**(1,541,944)**	(0.16%)	(1,278,843)	(0.15%)
	₱990,224,513	100.00%	₱836,540,079	100.00%

The Group expects to contribute ₱108.1 million to its defined benefit pension plans in 2014.

The Retirement fund (Fund) of the Group is being maintained and managed, in trust, by RCBC Trust and Investment Group (TIG), an affiliate financial institution.

Trust fee paid in 2013 and 2012 amounted to ₱5.3 million and ₱5.0 million, respectively.

The composition of the fair value of the trust fund includes:

Investment in government securities - include investment in Philippine Retail Treasury Bonds (RTBs) and Fixed Rate Treasury Notes (FXTNs).

Cash - include savings and time deposit with affiliated bank and special deposit account with Bangko Sentral ng Pilipinas (BSP SDA).

Investment in equity securities - include investment in common and preferred shares traded in the Philippine Stock Exchange.

Investment in debt and other securities - include investment in long-term debt notes and retail bonds.

Interest and other receivables - pertain to interest and dividends receivable on the investments in the fund.

The carrying value of the fund as at December 31, 2013 and 2012 amounted to ₱1,015.6 million and ₱875.3 million, respectively.

In 2013, the fund has investment in securities of related parties as follows:

Type of Investment in Securities	Fair Value	Accumulated Gain (Loss)
Equity securities	₱139,695,907	₱80,788,812
Debt securities	19,717,667	942,667
	₱159,413,574	₱81,731,479

The voting rights of the above equity securities were assigned to RCBC TIG, being the investment manager who manages and administers the investments and reinvestments of the fund.

The net retirement expenses recognized by the Group (included in personnel expense in the consolidated statements of income) are as follows:

	2013	2012 (As restated)	2011 (As restated)
Current service cost	**₱111,603,063**	₱103,924,189	₱71,119,175
Interest cost on obligation	**14,435,316**	16,919,694	14,768,762
Recognized actuarial losses	**70,223**	(162,773)	–
Past service cost	**–**	684,365	–
Transfer to affiliates	**–**	–	65,114
	₱126,108,602	₱121,365,475	₱85,953,051

The actual return on the plan assets amounted to ₱49.8 million, ₱49.6 million and ₱39.8 million in 2013, 2012 and 2011, respectively.

Amounts for the current and previous periods are as follows:

	2013	2012	2011	2010	2009
Present value of defined benefit obligation	**(₱1,331,374,452)**	(₱1,132,580,489)	(₱973,080,410)	(₱782,930,192)	(₱610,230,436)
Fair value of the plan assets	**990,224,513**	836,540,079	688,619,898	585,804,221	491,777,244
Deficit on the plan	**(₱341,149,939)**	(₱296,040,410)	(₱284,460,512)	(₱197,125,971)	(₱118,453,192)

The principal actuarial assumptions used in determining retirement expense are as follows:

	2013	2012
Discount rate		
Beginning	**5.12%-12.00%**	9.16%-10.94%
End	**4.41%-6.00%**	5.12%-6.00%
Future salary increases		
Beginning	**2.50%-12.00%**	3.00%-10.00%
End	**6.00%-8.00%**	2.50%-12.00%

Experience adjustments and unrecognized actuarial losses for the current and previous periods are as follows:

	2013	2012	2011	2010	2009
Plan liabilities	**₱40,977,888**	(₱119,408,033)	₱26,009,643	₱9,456,776	(₱46,459,830)
Plan assets	**8,903,105**	52,542,933	10,237,779	24,421,726	10,513,833

The sensitivity analysis that follows has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of the end of financial reporting date, assuming all other assumptions were held constant.

		Effect on defined benefit obligation
Discount rate	+50bps to +100bps	(₱1,020,447,781)
	-50bps to -100bps	1,148,395,561
Salary rate	+50bps to +100bps	1,211,429,304
	-50bps to -100bps	(976,846,521)

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. It is the policy of the Trustee that immediate and near-term retirement liabilities of the Parent Company's Retirement Fund are adequately covered by its assets. As such, due considerations are given that portfolio maturities are matched in accordance with due benefit payments. The Retirement Fund's expected benefits payments are determined through the latest actuarial reports.

32. Income Taxes

The significant components of deferred income tax assets and liabilities are as follows:

	2013 (As restated)	2012 (As restated)
Net deferred income tax assets on a per subsidiary level:		
Accrued retirement expense	**₱99,077,092**	₱91,339,750
Allowance for doubtful accounts, inventory, obsolescence and other expenses	**48,057,737**	100,574,946
Operating lease differential	**–**	23,462,516
Accrued rent	**14,888,770**	15,969,567
NOLCO	**10,911,288**	635,753
Unrealized foreign exchange loss	**5,735,967**	1,148,682
Revaluation increment on land	**–**	(25,336,200)
Others	**41,750,154**	10,539,826
	₱220,421,008	₱218,334,840
Net deferred income tax liabilities on a per subsidiary level:		
Revaluation increment on land	**₱131,842,795**	₱94,323,965
Capitalized interest	**1,842,102**	2,745,793
Accrued retirement expense	**(2,036,683)**	(14,722,902)
Allowance for doubtful accounts, inventory obsolescence and other expenses	**(4,880,816)**	(4,403,251)
Accrued expenses	**(6,602,031)**	(8,642,866)
Others	**(4,785,251)**	872,343
	₱115,380,116	₱70,173,082

In 2012, the Group derecognized ₱12.2 million net deferred tax assets as a result of loss of control in FMLFC.

The Group did not recognize deferred 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.

	2013	2012
NOLCO	**₱80,688,128**	₱126,907,537
Allowance for doubtful accounts, inventory obsolescence and other expenses	**106,239,008**	103,618,142
Impairment loss	**52,036,275**	52,031,090
MCIT	**31,392,690**	35,125,089
Accrued retirement expense	**6,963,639**	6,072,256
Others	**7,507,792**	21,481,408
	₱284,827,532	₱345,235,522

The Group did not recognize deferred 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 tax liabilities on unremitted earnings of the Group's investments in associates and joint venture amounting to ₱610.3 million and ₱475.7 million as at December 31, 2013 and 2012, respectively.

Provision for income tax consists of:

	2013	2012	2011
Current	**₱435,220,049**	₱539,918,060	₱426,741,466
Deferred	**20,249,488**	8,332,036	(33,874,880)
	₱455,469,537	₱548,250,096	₱392,866,586

As of December 31, 2013, the amount of NOLCO still available for offset against future tax payable over a period of three (3) years from the year of inception are as follows:

Taxable Period	Amount	Applied/Expired	Balance	Expiry Year
December 31, 2013	₱41,589,786	₱–	₱41,589,786	2016
December 31, 2012	72,846,184	–	72,846,184	2015
December 31, 2011	26,080,781	–	26,080,781	2014
December 31, 2010	29,288,542	29,288,542	–	2013
	₱169,805,293	₱29,288,542	₱140,516,751	

As of December 31, 2013, the amounts of MCIT still allowable as tax credit consist of:

Taxable Period	Amount	Applied	Expired	Balance	Expiry Year
December 31, 2013	₱14,069,006	₱42,198	₱–	₱14,026,808	2016
December 31, 2012	11,659,806	211,274	–	11,448,532	2015
December 31, 2011	13,412,371	35,209	–	13,377,162	2014
December 31, 2010	10,289,782	–	10,289,782	–	2013
	₱49,430,965	₱288,681	₱10,289,782	₱38,852,502	

The details of NOLCO and MCIT as at December 31, 2012 are as follows:

Taxable Year Incurred	NOLCO	MCIT	Expiry Year
2013	₱41,589,786	₱14,069,006	2016
2012	72,846,184	11,659,806	2015
2011	26,080,781	13,412,371	2014
	₱140,516,751	₱39,141,183	

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:

	2013	2012	2011
Income before income tax	**30.00%**	30.00%	30.00%
Add (deduct) reconciling items:			
Equity in net earnings	**(6.38)**	(6.13)	(5.75)
Movement of deferred income tax assets not recognized	**(4.58)**	1.02	5.72
Income subject to lower tax rate and others	**0.87**	1.12	(7.57)
	19.91%	26.01%	22.40%

The revaluation increment on land shown in the consolidated statements of comprehensive income is net of tax. Tax related to revaluation increment amounted to ₱12.2 million and ₱4.3 million in 2013 and 2012, respectively.

33. Basic/Diluted Earnings Per Share

Basic and diluted earnings per share amounts attributable to equity holders of the Group are computed as follows:

Basic/diluted earnings per share

	2013	2012 (As restated)	2011 (As restated)
Net income attributable to equity holders of parent company	**₱1,189,694,820**	₱882,999,685	₱810,133,968
Less dividends attributable to preferred shares	**353,300,879**	276,465,047	271,791,018
Net income applicable to common shares	**836,393,941**	606,534,638	538,342,950
Divided by the weighted average number of common shares (Note 37)	**616,196,757**	616,168,078	615,977,028
Basic/diluted earnings per share	**₱1.3573**	₱0.984	₱0.874

Convertible preferred shares have anti-dilutive effect on the earnings per share.

34. Contingencies and Commitments

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 ₱5.8 billion, ₱7.0 billion and ₱5.7 billion as at December 31, 2013, 2012 and 2011, respectively.

b. Standby Letters of Credit

The Group has outstanding irrevocable domestic standby letters of credit amounting to ₱2.4 million and ₱942.4 million in 2013 and 2012, 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 USD1.9 million and JPY13.4 million in 2013 and 2012.

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.

Lease Commitments

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:

	2013	2012
Within one year	**₱62,041,332**	₱52,751,890
After one year but not more than five years	**232,222,219**	202,824,220
More than five years	**96,362,398**	82,647,232
	₱390,625,949	₱338,223,342

The Group has entered into operating lease agreements with MRC for the rental of its various construction machineries and equipment and company vehicles.

Future minimum rental payables under non-cancellable operating lease are as follows:

	Amount
Within one year	₱–
After one year but not more than 5 years	–
Present value of minimum lease payments	₱–

The Group entered into finance lease transactions with a third party lessor for the lease of its various construction machineries and furniture and equipment. Future minimum lease payments under the finance lease are as follows:

	2013	2012
Within one year	**₱1,286,279**	₱6,601,682
After one year but not more than five years	**280,800**	2,105,203
Total minimum lease payment	**1,567,079**	8,706,885
Less amounts representing interest	–	886,611
Present value of minimum lease payments	**₱1,567,079**	₱7,820,274

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 receivable under the aforementioned lease agreement follows:

	2013	2012
Within one year	**₱23,862,590**	₱23,862,590
More than one year but not more than 5 years	**11,640,288**	12,222,302
	₱35,502,878	₱36,084,892

35. **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 Group.

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.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The Group has no significant customer which contributes 10.0% or more to the revenues of the Group in 2013, one customer in 2012 amounting ₱1.7 billion and two customers in 2011 amounting ₱1.9 billion.

(Amounts in Millions)

	Construction and Infrastructure			Consumer Finance			Education and Information Technology			Car Dealership			Other Services			Elimination			Consolidation		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Revenues																					
Domestic	**₱10,524**	₱13,691	₱8,775	**₱11**	₱–	₱225	**₱2,045**	₱1,887	₱1,716	**₱4,773**	₱4,932	₱4,495	**₱776**	₱438	₱269	**(₱387)**	(₱326)	₱–	**₱17,742**	₱20,622	₱15,480
Foreign	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–
Intersegment sales	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–	**387**	328	359	**(387)**	(328)	(359)	**–**	–	–
	₱10,524	₱13,691	₱8,775	**₱11**	₱–	₱225	**₱2,045**	₱1,887	₱1,716	**₱4,773**	₱4,932	₱4,495	**₱824**	₱438	₱628	**(₱387)**	(₱329)	(₱359)	**₱17,742**	₱20,622	₱15,480
Net Income attributable to share of parent	**₱916**	₱975	₱741	**₱3**	₱2	₱31	**₱585**	₱550	₱477	**(₱67)**	(₱31)	(₱45)	**₱577**	₱217	₱324	**(₱824)**	(₱830)	(₱718)	**₱1,190**	₱883	₱810
Other Information																					
Segment assets	**₱13,601**	₱12,372	₱10,521	**₱26**	₱27	₱2,192	**₱4,728**	₱4,202	₱3,938	**₱1,782**	₱1,839	₱1,137	**₱4,361**	₱3,959	₱4,130	**(₱1,555)**	(₱2,394)	(₱1,883)	**₱22,943**	₱19,958	₱20,035
Deferred income tax assets	**(174)**	(119)	(131)	**(1)**	(1)	(13)	**(8)**	(2)	–	**(35)**	(30)	(31)	**(3)**	(50)	(44)	**1**	(16)	(22)	**(220)**	(218)	(241)
Net segment assets	**₱13,427**	₱12,253	₱10,390	**₱25**	₱26	₱2,179	**₱4,720**	₱4,200	₱3,938	**₱1,747**	₱1,809	₱1,106	**₱4,358**	₱3,909	₱4,086	**(₱1,554)**	(₱2,410)	(₱1,905)	**₱22,723**	₱19,794	₱19,850
Segment liabilities	**₱7,818**	₱7,388	₱6,277	**₱5**	₱7	₱1,780	**₱1,393**	₱1,396	₱1,552	**₱653**	₱812	₱487	**₱2,410**	₱2,199	₱2,337	**(₱146)**	(₱746)	(₱355)	**₱12,133**	₱10,905	₱11,935
Income tax payable	**(151)**	(247)	(178)	**–**	(1)	(6)	**(24)**	(20)	(21)	**–**	–	–	**–**	(1)	(3)	**–**	–	–	**(175)**	(269)	(208)
Deferred income tax liabilities	**(1)**	(3)	(4)	**–**	–	–	**(74)**	(67)	(66)	**(33)**	–	–	**7**	–	–	**(15)**	–	–	**(115)**	(70)	(70)
Net segment liabilities	**₱7,666**	₱7,138	₱6,095	**₱5**	₱6	₱1,774	**₱1,295**	₱1,309	₱1,465	**₱620**	₱812	₱487	**₱2,417**	₱2,198	₱2,334	**(₱161)**	(₱746)	(₱355)	**₱11,842**	₱10,566	₱11,657
Investments in associates and joint ventures	**₱1,612**	₱1,040	₱1,002	**₱–**	₱–	₱50	**₱–**	₱–	₱–	**₱–**	₱–	₱–	**₱3462**	₱2,150	₱2,432	**(₱1,751)**	(₱1,809)	(₱2,159)	**₱3,323**	₱1,381	₱1,325
Equity in net earnings of associates	**₱529**	₱431	₱332	**₱–**	₱–	₱–	**₱–**	₱–	₱–	**₱–**	₱–	₱–	**₱–**	₱–	₱–	**₱81**	₱45	₱46	**₱610**	₱476	₱379
Cash flows arising from:																					
Operating activities	**(₱1,191)**	₱2,305	(₱497)	**₱9**	₱1	(₱82)	**₱887**	₱607	₱600	**₱249**	(₱193)	₱130	**₱31**	₱458	₱410	**₱65**	(₱988)	(₱1)	**₱31**	₱2,232	₱560
Investing activities	**(1,426)**	(1,399)	(504)	**–**	(1)	(65)	**(562)**	(175)	(140)	**(17)**	(17)	(5)	**681**	356	(49)	**(1,156)**	(564)	(160)	**(2,400)**	(1,800)	(923)
Financing activities	**2,467**	(712)	898	**5**	1	215	**(323)**	(263)	(304)	**(221)**	188	(107)	**(349)**	131	(407)	**804**	202	158	**2,383**	(453)	453
Capital expenditures	**1,313**	1,799	894	**–**	–	1	**196**	165	130	**38**	14	5	**8**	38	343	**(655)**	(30)	–	**925**	1,986	1,373
Interest income	**48**	37	53	**–**	12	18	**24**	17	12	**–**	1	2	**3**	31	20	**2**	(27)	(15)	**77**	71	90
Interest expense	**44**	40	46	**–**	–	96	**20**	27	38	**48**	37	33	**73**	71	131	**(17)**	(26)	(22)	**168**	149	324
Provision for income tax	**373**	467	309	**1**	–	13	**66**	61	57		6	(3)	**16**	16	16	**(1)**	2	–	**455**	548	393
Noncash items:																					
Additional revaluation increment on land	**₱–**	₱–	₱–	**₱–**	₱–	₱–	**₱64**	₱19	₱6	**₱–**	₱–	₱10	**₱–**	₱5	₱–	**₱17**	(₱6)	₱–	**₱93**	₱27	₱17
Depreciation and amortization	**335**	267	171	**–**	–	1	**152**	153	101	**–**	–	48	**8**	9	169	**–**	–	–	**542**	475	490
Impairment loss of property and equipment	**–**	14	–	**–**	–	–	**–**	–	–	**–**	–	–	**–**	22	(3)	**–**	–	–	**8**	–	–
Receipt of investment property	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–

36. 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, 2013 and 2012, the Group has available credit facilities with banks aggregating to ₱5.1 billion.

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.

	2013					
	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	Total
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	₱2,111,510,291	₱–	₱–	₱–	₱–	₱2,111,510,291
Accounts receivable	2,181,693,477	2,308,597,687	57,410,017	55,598,731	–	4,603,299,912
Loans receivable	–	10,253,050	4,554,796	–	–	14,807,846
Due from related parties	55,522,836	5,972,732	–	–	–	61,495,568
Other assets:						
Miscellaneous deposits	5,973,679	41,385,272	–	–	–	47,358,951
Receivable from EEI Retirement Fund, Inc. (including future interest receivable)	–	–	18,928,483	368,094,020	–	387,022,503
AFS securities:						
Quoted	33,908,786	36,106,633	–	–	–	70,015,419
Unquoted	304,572,886	146,887,266	–	–	–	451,460,152
	₱4,693,181,955	₱2,549,202,640	₱80,893,296	₱423,692,751	₱–	₱7,746,970,642
Financial Liabilities						
Loans payable (including future interest payable)	₱400,000	₱3,313,549,332	₱–	₱–	₱–	₱3,313,949,332
Accounts payable and accrued expenses						
Accounts payable	1,065,334,786	2,050,348,623	–	–	–	3,115,683,409
Accrued expenses	615,242,984	–	–	–	–	615,242,984
Accrued interest payable	7,200,219	4,212,777	–	–	–	11,412,996
Subscriptions payable	40,375,713	–	17,631,505	–	–	58,007,218
Dividends payable	–	24,231,737	–	–	–	24,231,737
Others	35,446,127	–	–	–	–	35,446,127
Lease liability	–	432,858	3,366,881	–	–	3,799,739
Due to related parties	22,267,271	18,762,959	–	–	–	41,030,230
Long-term debt (including future interest payable)	–	353,842,776	1,999,943,560	620,804,490	93,452,255	3,068,043,081
	₱1,786,267,100	₱5,765,381,062	₱2,020,941,946	₱620,804,490	₱93,452,255	₱10,286,846,853

	2012					
	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	Total
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	₱1,449,680,340	₱676,534,591	₱–	₱–	₱–	₱2,126,214,931
Accounts receivable	2,303,317,455	1,822,806,394	127,349,986	16,507,667	–	4,269,981,502
Loans receivable	–	13,262,879	1,494,447	1,146,399	3,479,253	19,382,978
Due from related parties	6,200,470	9,320,560	–	–	–	15,521,030
Other assets:						
Miscellaneous deposits	4,066,885	49,642,116	–	–	–	53,709,001
Receivable from EEI Retirement Fund, Inc. (including future interest receivable)	–	499,372,498	–	–	–	499,372,498
AFS securities:						
Quoted	–	–	350,182,204	20,443,687	–	370,625,891
Unquoted	–	–	17,909,186	111,879,864	–	129,789,050
	₱3,763,265,150	₱3,070,939,038	₱496,935,823	₱149,977,617	₱3,479,253	₱7,484,596,881
Financial Liabilities						
Loans payable (including future interest payable)	₱36,400,000	₱1,946,636,290	₱–	₱–	₱–	₱1,983,036,290
Accounts payable and accrued expenses						
Accounts payable	431,552,971	2,090,346,132	–	–	–	2,521,899,103
Accrued expenses	186,259,594	419,605,216	–	–	–	605,864,810
Accrued interest payable	3,207,175	–	–	–	–	3,207,175
Subscriptions payable	58,466,651	–	–	–	–	58,466,651
Dividends payable	–	8,670,409	–	–	–	8,670,409
Others	20,722,038	48,575,636	–	–	–	69,297,674
Payable to EEI Retirement Fund, Inc.	–	165,821,160	–	–	–	165,821,160
Lease liability	–	6,468,129	2,089,936	–	–	8,558,065
Due to related parties	26,228,894	6,484,166	–	–	–	₱32,713,060
Long-term debt (including future interest payable)	–	698,605,363	314,748,100	386,825,000	285,336,875	1,685,515,338
	₱762,837,323	₱5,391,212,501	₱316,838,036	₱386,825,000	₱285,336,875	₱7,143,049,735

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.

	2013		2012	
Market Index	**Change in variable**	**Effect on Equity**	Change in variable	Effect on Equity
PSE	**+1%**	**₱2,070,489**	+32%	₱17,841,189
	-1%	**(2,070,489)**	-32%	(17,841,189)
Others	**+5%**	**446,600**	+27%	2,945,000
	-5%	**(446,600)**	-27%	(2,945,000)

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 32% and 27% in 2012, respectively, and 4% and 34% in 2011, respectively.

The impact of sensitivity of equity prices on the Group's equity already excludes the impact on transactions affecting the consolidated statements 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.

EEI incurred a gain of ₱4.5 million and ₱2.3 million in 2013 and 2012, respectively 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, US$), Singaporean dollar (SGD, S$), Euro (EUR, €) and Japanese yen (JPY, ¥) 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).

	2013		2012	
	Percentage increase/ decrease in foreign currency	**Effect on profit before tax**	Percentage increase/ decrease in foreign currency	Effect on profit before tax
USD	**+0.4%**	**₱3,121,974**	+0.5%	₱1,464,147
SGD	**+5.8%**	**506,315**	+5.5%	92,252
EUR	**+2.0%**	**6,933**	+2.0%	52,005

(Forward)

	2013		2012	
JPY	**+16.5%**	**₱11,860**	+14.9%	12,352
USD	**+0.4%**	**(3,121,974)**	-0.5%	(1,464,147)
SGD	**-5.8%**	**(506,315)**	-5.5%	(92,252)
EUR	**-2.0%**	**(6,933)**	-2.0%	(52,005)
JPY	**-16.5%**	**(11,860)**	-14.9%	(12,352)

The sensitivity analyses shown above are based on the assumption that the movements in US dollars, Singapore dollars, Euro and Japanese yen will more likely be limited to the upward or downward fluctuation of 0.6%, 5.8%, 2.0% and 16.5%, respectively, in 2013 and 0.5%, 5.5%, 2.0% and 14.9%, respectively, in 2012. There was no Japanese yen maintained for 2011.

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, 2013 and 2012.

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:

	2013				
	USD	**SGD**	**EUR**	**JPY**	**Equivalents in PHP**
Financial assets					
Cash	**US$ 20,141,767**	**SG$250,676**	**€5,306**	**¥169,188**	**₱903,660,796**
Receivables	**4,751,383**	**–**	**530**	**–**	**211,041,154**
	23,656,822	**250,676**	**5,836**	**169,188**	**1,114,701,950**
Financial liability					
Accounts payable and accrued expenses	**–**	**–**	**–**	**–**	**–**
	US$23,656,822	**SG$250,676**	**€5,836**	**¥169,188**	**₱–**

	2012				
	USD	SGD	EUR	JPY	Equivalents in PHP
Financial assets					
Cash	US$2,905,769	S$41,173	€43,736	¥169,177	₱123,135,381
Receivables	4,770,459	8,599	4,166	–	196,344,326
	7,676,228	49,772	47,902	169,177	319,479,707
Financial liability					
Accounts payable and accrued expenses	542,747	–	217	–	22,291,611
	US$7,133,481	S$49,772	€47,685	¥169,177	₱297,188,096

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, EUR and JPY amounting to ₱44.41, ₱34.99, ₱60.82 and ₱0.42, respectively in 2013 and ₱41.05, ₱33.70, ₱54.53 and ₱0.49, respectively in 2012.

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:

	2013						
	Below 1 Year	**1-2 Years**	**2-3 Years**	**3-4 Years**	**4-5 Years**	**Over 5 Years**	**TOTAL In Php**
Peso floating rate receivable	**₱368,094,024**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱368,094,024**
Long-term debt							
Philippine Peso	**₱86,000,000**	**₱86,000,000**	**₱86,000,000**	**₱86,000,000**	**₱86,000,000**	**₱86,000,000**	**₱516,000,000**
Interest rate	**3-month PDST-F rate plus 1.75%**						

	2012						
	Below 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	TOTAL In Php
Peso floating rate receivable	₱476,022,379	₱–	₱–	₱–	₱–	₱–	₱476,022,379
Long-term debt							
Philippine Peso	₱86,000,000	₱86,000,000	₱86,000,000	₱86,000,000	₱86,000,000	₱258,000,000	₱688,000,000
Interest rate	3-month PDST-F rate plus 1.75%						

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 receivable from EEI Retirement Fund, Inc. is earning interest based on bank's internal average lending rate. The outstanding principal amounted to ₱368.1 million and ₱476.0 million as at December 31, 2013 and 2012, respectively with last floating rate of 5.0% (Notes 10 and 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):

	2013		2012	
	Increase/decrease in basis points	**Effect on profit before tax**	Increase/decrease in basis points	Effect on profit before tax
Peso floating rate receivables	**+50**	**₱1,840,470**	+50	₱1,551,007
	-50	**(1,840,470)**	-50	(1,551,007)
Peso floating rate borrowing	**+11**	**(₱434,560)**	+10	(666,672)
	-11	**434,560**	-10	666,672

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 points and ten basis points upward or downward fluctuation, respectively in 2012 and fifty basis point and one hundred thirty five basis point upward or downward fluctuation, respectively in 2011. 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, 2013 and 2012.

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, 2013 and 2012 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 monitor concentrations of credit risk by sector.

An analysis of concentrations of credit risk all pertains to FMLFC (which was sold on March 2012), except for the Others which pertains to ZIFC, as of December 31 is shown below:

	2013	2012
Loans receivable at gross	**₱25,496,988**	₱32,189,662
Less: Allowance for probable loss	**3,763,369**	3,836,800
Unearned discount and interest	**6,925,773**	8,969,884
	₱14,807,846	₱19,382,978

The Group's maximum credit risk exposure for its secured loans receivables is equal to its carrying value amounting to ₱25.0 million and ₱30.7 billion in 2013 and 2012, respectively. 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 in 2011. This resulted to a nil net exposure as at December 31, 2013 and 2012.

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:

	2013						
			Past due but not impaired				
	Total	Neither past due nor impaired	< 30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired Assets
Loans receivable	₱14,807,846	₱14,807,846	₱–	₱–	₱–	₱–	₱–
Receivables from:							
Construction and infrastructure	3,005,420,684	2,059,711,031	449,653,715	161,408,563	60,876,414	202,749,140	71,021,821
Car dealership	467,944,318	278,633,984	76,111,316	21,328,148	15,476,014	61,860,733	14,534,123
Education and information technology	159,263,925	80,422,524	–	11,245,820	4,249,549	12,109,662	51,236,370
Other services	26,905,474	14,542,187	5,000,000	–	–	7,132,196	231,091
Other receivables:							
Consultancy fee	235,775,538	27,376,612	18,697,367	15,454,572	19,308,996	154,937,991	–
Others	1,066,605,956	807,930,604	49,426,129	35,487,144	25,169,520	111,209,873	37,382,686
Due from related parties	112,058,841	104,777,650	–	6,507,824	–	486,142	286,869
Receivable from EEI Retirement Fund, Inc.	368,094,020	368,094,020	–	–	–	–	–
Miscellaneous deposits	47,358,951	3,743,459	139,000	141,500	1,940,420	37,632,145	3,762,427
	₱5,504,235,553	₱3,760,039,917	₱599,027,527	₱251,573,571	₱127,020,913	₱588,117,882	₱178,455,387

	2012						
		Neither	Past due but not impaired				
	Total	past due nor impaired	< 30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired Assets
Loans receivable	₱23,219,778	₱13,262,879	₱–	₱–	₱–	₱6,120,099	₱3,836,800
Receivables from:							
Construction and infrastructure	3,228,453,310	2,619,957,176	302,973,550	93,301,023	17,788,961	46,070,725	148,361,875
Car dealership	636,407,114	361,471,957	146,765,782	43,828,841	21,928,460	24,739,308	37,672,766
Education and information technology	104,578,693	40,876,280	9,086,417	3,433,558	9,784,386	–	41,398,052
Other services	67,271,253	39,146,012	2,955,559	950,662	3,422,809	11,586,049	9,210,162
Other receivables:							
Consultancy fee	166,068,077	21,870,026	13,733,183	18,441,274	15,179,907	96,843,687	–
Others	342,697,035	113,208,048	22,480,906	19,404,539	15,767,110	102,337,556	69,498,876
Due from related parties	53,350,323	14,165,046	–	461,087	447,520	447,377	37,829,293
Receivable from EEI Retirement Fund, Inc.	476,022,379	476,022,379	–	–	–	–	–
Miscellaneous deposits	57,471,428	49,642,116	707,170	1,487,776	33,000	1,838,939	3,762,427
	₱5,155,539,390	₱3,749,621,919	₱498,702,567	₱181,308,760	₱84,352,153	₱289,983,740	₱351,570,251

There are no past due financial assets other than those stated above.

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.

	2013			
	Neither past due nor impaired		**Past due or Individually**	
	High Grade	**Standard**	**Impaired**	**Total**
Cash and cash equivalents (excluding cash on hand)	**₱2,101,764,745**	**₱–**	**₱–**	**₱2,101,764,745**
Loans receivable	**14,807,846**	**–**	**–**	**14,807,846**
Accounts receivable				
Receivables from:				
Construction and infrastructure	**653,019,141**	**1,406,691,890**	**945,709,653**	**3,005,420,684**
Car dealership	**276,889,305**	**1,744,679**	**189,310,334**	**467,944,318**
Education and information technology	**76,656,432**	**3,766,092**	**78,841,401**	**159,263,925**
Other services	**14,505,920**	**36,267**	**12,363,287**	**26,905,474**
Other receivables:				
Consultancy fee	**27,376,612**	**–**	**208,398,926**	**235,775,538**
Rent receivable	**–**	**–**	**–**	**–**
Others	**773,007,284**	**34,923,320**	**258,675,352**	**1,066,605,956**
Due from related parties	**104,777,650**	**–**	**7,270,191**	**112,047,841**
Other assets:				
Miscellaneous deposits	**3,636,743**	**106,716**	**43,615,492**	**47,358,951**
Receivables from EEI Retirement Fund, Inc.	**368,094,020**	**–**	**–**	**368,094,020**
AFS securities				
Quoted	**70,015,419**	**–**	**–**	**70,015,419**
Unquoted	**451,460,152**	**–**	**–**	**451,460,152**
	4,936,011,269	**1,447,268,964**	**1,744,184,636**	**8,127,464,869**

	2012			
	Neither past due nor impaired		Past due or Individually	
	High Grade	Standard	Impaired	Total
Cash and cash equivalents (excluding cash on hand)	₱2,054,857,589	₱–	₱–	₱2,054,857,589
Loans receivable	13,262,879	–	9,956,899	23,219,778
Accounts receivable				
Receivables from:				
Construction and infrastructure	2,458,270,146	161,687,030	608,496,134	3,228,453,310
Car dealership	347,380,502	14,091,455	274,935,157	636,407,114
Education and information technology	37,833,346	3,042,934	63,702,413	104,578,693
Other services	37,786,433	1,359,579	28,125,241	67,271,253
Other receivables:				
Consultancy fee	21,870,026	–	144,198,051	166,068,077
Rent receivable	–	–	–	–
Others	96,260,037	16,948,011	229,488,987	342,697,035
Due from related parties	14,165,046	–	39,185,277	53,350,323
Other assets:				
Miscellaneous deposits	37,065,070	12,577,046	7,829,312	57,471,428
Receivables from EEI Retirement Fund, Inc.	476,022,379	–	–	476,022,379
AFS securities				
Quoted	370,625,891	–	–	370,625,891
Unquoted	129,789,051	–	–	129,789,051
	₱6,095,188,395	₱209,706,055	₱1,405,917,471	₱7,710,811,921

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, 2013 and 2012.

As at December 31, 2013 and 2012, the Group is not subject to externally imposed capital requirements other than the monitoring of the Group’s debt to equity ratio and current ratio as a result of availment of long term debt with RCBC. Debt to equity ratio should not exceed 2:1, 5:1 and 2:1 for the Parent Company, EEI Group and iPeople Group, respectively; and current ratio should not be less than 1:1 for iPeople Group and EEI Group.

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

	2013	2012
Loans payable	**₱282,000,000**	₱1,277,800,000
Subscription payable	**17,631,505**	17,631,505
Long-term debt	**1,780,664,867**	89,000,000
Total liabilities	**2,080,296,372**	1,384,431,505
Less cash and cash equivalents	**354,327,583**	191,046,442
Net liabilities	**1,725,968,789**	1,193,385,063
Total equity	**₱2,867,111,790**	₱2,453,048,171
Debt to equity ratio	**0.73:1**	0.56:1
Net debt to equity ratio	**0.60:1**	0.49:1

EEI

	2013	2012
Current liabilities	**₱6,935,078,019**	₱7,009,417,030
Noncurrent liabilities	**882,762,182**	378,535,845
Total liabilities	**7,817,840,201**	7,387,952,875
Total equity	**₱5,783,115,347**	₱5,013,877,935
Debt to equity ratio	**1.35:1**	1.47:1

iPeople

	2013	2012
Current liabilities	**₱815,097,563**	₱584,505,830
Noncurrent liabilities	**577,827,484**	811,032,115
Total liabilities	**1,392,925,047**	1,395,537,945
Equity excluding minority interest	**₱3,134,693,222**	₱2,639,125,160
Debt to equity ratio	**0.44:1**	0.53:1

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, 2013 and 2012:

	2013	
	Carrying Value	**Fair Value**
Financial Liabilities		
Financial liabilities at amortized cost:		
Long-term debt	**₱2,958,122,867**	**₱2,982,458,000**

	2012	
	Carrying Value	Fair Value
Financial Liabilities		
Financial liabilities at amortized cost:		
Long-term debt	₱1,542,826,104	₱1,558,033,016
Lease liability	7,820,274	8,558,065
Total financial liabilities	₱1,550,646,378	₱1,566,591,081

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.

Lease Liability
The fair value is estimated as the present value of all cash flows discounted using the applicable rates.

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.

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets for which fair value is disclosed:				
AFS Securities				
Quoted equity instruments	**₱70,015,419**	**₱–**	**₱–**	**₱70,015,419**
Unquoted equity instruments	**20,008,078**	**431,452,074**	**–**	**451,460,152**
Investment properties	**11,411,000**	**234,144,709**	**4,761,236**	**250,316,945**
Property and equipment - revalued	**–**	**–**	**282,673,000**	**282,673,000**
	₱101,434,497	**₱665,596,783**	**₱287,434,236**	**₱1,054,465,516**
Liabilities for which fair value is disclosed				
Long-term debt	**₱–**	**₱–**	**₱1,780,664,867**	**₱1,780,664,867**

There were no transfers between levels of fair value measurements in 2013 and 2012.

37. 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, 2013, 2012 and 2011 follows:

	2013	2012	2011
Beginning of the year	**1,053,210,126**	1,166,196,823	1,290,719,931
Redemption of preferred stock	**(101,426,529)**	(112,270,275)	(124,289,441)
Conversion of preferred stock to common stock	**(107,562)**	(716,422)	(233,667)
End of year	**951,676,035**	1,053,210,126	1,166,196,823

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, 2013, 2012 and 2011 follows:

	2013	2012	2011
Beginning of the year	**616,168,074**	615,977,028	615,914,717
Conversion of preferred stock to common stock	**28,683**	191,046	62,311
End of year	**616,196,757**	616,168,074	615,977,028

Details of capital stock conversion and redemption follow:

Conversion:

	2013	2012	2011
March 22, 2013, converted 107,562 shares of preferred stock into 28,683 of common stock	**₱43,025**	₱–	₱–
December 3, 2012, converted 75,716 shares of preferred stock into 20,191 of common stock	**–**	30,286	–
June 15, 2012, converted 640,706 shares of preferred stock into 170,855 of common stock	–	256,283	–
March 14, 2011, converted 233,667 shares of preferred stock into 62,311 of common stock	–	–	93,467
	₱43,025	₱286,569	₱93,467

Redemption:

	2013	2012	2011
December 5, 2013, redeemed 24,401,950 preferred shares at ₱0.40 per share	**₱9,760,780**	₱–	₱–
September 26, 2013, redeemed 25,027,640 preferred shares at ₱0.40 per share	**10,011,056**	–	–
July 19, 2013, redeemed 25,669,375 preferred shares at ₱0.40 per share	**10,267,750**	–	–
March 22, 2013, redeemed 26,327,566 preferred shares at ₱0.40 per share	**10,531,026**	–	–
December 6, 2012, redeemed 27,005,388 preferred shares at ₱0.40 per share	–	10,802,155	–
September 26, 2012, redeemed 27,699,775 preferred shares at ₱0.40 per share	–	11,079,910	–
July 20, 2012, redeemed 28,410,026 preferred shares at ₱0.40 per share	–	11,364,010	–
March 21, 2012, redeemed 29,155,086 preferred shares at ₱0.40 per share	–	11,662,035	–
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
	₱40,570,612	₱44,908,110	₱49,715,777

The Group's preferred shares have the following features:

a) Entitled to dividends at the rate of average 91-day T-Bill plus two percent;
b) Fully participating as to distribution of dividends;
c) 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;
d) Redeemable at any one time or from time to time, at the option of the BOD of the Group, subject to availability of funds;
e) With voting rights and preferences as to assets upon dissolution of the Group over common shareholders.

Below is the summary of the outstanding number of shares and holders of security as at December 31, 2013:

Year	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities as of year end
Preferred shares:				
January 1, 2012	1,166,196,823	₱0.40		53
Movement:	(29,155,086)	0.40	March 21, 2012	
	(28,410,026)	0.40	July 20, 2012	
	(27,699,775)	0.40	September 26, 2012	
	(27,005,388)	0.40	December 6, 2012	
	(640,706)	0.40	June 15, 2012	
	(75,716)	0.40	December 3, 2012	
December 31, 2012	1,053,210,126	₱0.40		50
Movement:	(26,327,566)	0.40	March 22, 2013	
	(25,669,375)	0.40	July 19, 2013	
	(25,027,640)	0.40	September 26, 2013	
	(24,401,950)	0.40	December 5, 2013	
	(107,562)	0.40	March 22, 2013	
December 31, 2013	951,676,033			49
Common Shares:				
January 1, 2012	615,977,028	₱1.50		458
	170,855	1.50	June 15, 2012	
Movement:	20,191	1.50	December 3, 2012	
December 31, 2012	616,168,074			424
Movement:	28,683	₱1.50	March 22, 2013	
December 31, 2013	616,196,757			414

SEC approved the registration of the Group'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. Total number of preferred and common shareholders was 49 and 414, respectively, as of December 31, 2013.

38. **Cash Dividends**

The BOD declared cash dividends as follows:

	2013	2012	2011
December 5, 2013, ₱0.002 per share cash dividend to stockholders of preferred shares as of January 2, 2014 payable on or before January 23, 2014. The cash dividend covered the fourth quarter of 2013.	**₱1,952,911**	₱–	₱–
September 26, 2013, ₱0.003 per share cash dividend to stockholders of preferred shares as of October 24, 2013 payable on or before November 15, 2013. The cash dividend covered the third quarter of 2013.	**2,709,993**	–	–
July 19, 2013, ₱0.016 per share cash dividend to stockholders of preferred shares and ₱0.06 per share cash dividend to stockholders of common shares as of August 16, 2013 payable on or before September 5, 2013.	**53,400,205**	–	–
July 19, 2013, ₱0.002 per share cash dividend to stockholders of preferred shares as of August 16, 2013 and payable on or before September 4, 2013. The cash dividend covered the second quarter of 2012.	**2,449,577**	–	–
March 22, 2013, ₱0.002 per share cash dividend to stockholders of preferred shares as of April 19, 2013 payable on or before May 15, 2013.	**2,169,612**	–	–
December 6, 2012, ₱0.002 per share cash dividend to stockholders of preferred shares as of December 31, 2012 payable on or before January 24, 2013. The cash dividend covered the fourth quarter of 2012.	–	2,638,071	–
September 26, 2012, ₱0.004 per share cash dividend to stockholders of preferred shares as of October 24, 2012 payable on or before November 15, 2012. The cash dividend covered the third quarter of 2012.	–	3,989,876	–
July 20, 2012, ₱0.029 per share cash dividend to stockholders of common and preferred shares as of August 17, 2012 payable on or before September 10, 2012	–	49,999,997	–
July 20, 2012, ₱0.004 per share cash dividend to stockholders of preferred shares as of " August 17, 2012 and payable on or before September 7, 2012. The cash dividend covered the second quarter of 2012.	–	4,925,162	–
March 21, 2012, ₱0.004 per share cash dividend to stockholders of preferred shares as of April 18, 2012 payable on or before May 11, 2012	–	4,423,384	–

(Forward)

	2013	2012	2011
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
July15, 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
	₱62,682,298	₱65,976,490	₱66,537,840

The Group's retained earnings include accumulated earnings of subsidiaries amounting to ₱3,813.8 million and ₱3,106.3 million in 2013 and 2012, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

Retained earnings declarable as dividends of the Group amounted to ₱1,263.6 million as of December 31, 2013 and ₱798.6 million as of December 31, 2012. Dividend distribution is approved by the BOD.

39. Note on Consolidated Statements of Cash Flows

Noncash investing and financing activities are as follows:

2013
- Revaluation of parcel of land
- Conversion of preferred stock to common stock

2012
- Revaluation of parcel of land
- Derecognition of assets and liabilities from sale of a subsidiary

2011
- Revaluation of parcel of land

40. 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.

41. Events after the Financial reporting date

Cash Dividends
On March 31, 2014, the BOD approved the declaration of cash dividend of ₱0.00305 per share with a total amount of ₱2.9 million to the stockholders of the Group's preferred shares as of April 25, 2014 covering the first quarter of 2014, and payable on or before May 20, 2014.

Capital Stock Redemption
On March 31, 2014, the BOD approved the redemption of 23,791,901 preferred shares at ₱0.40 per share amounting to ₱9.5 million to the stockholders of the Group's preferred shares as of April 25, 2014 covering the first quarter of 2014, and payable on or before May 21, 2014.

42. Approval of Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 28, 2014.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

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, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011, included in this Form 17-A, and have issued our report thereon dated March 28, 2014. 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 No. 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.

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-2 (Group A),
March 26, 2014, valid until March 25, 2017
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225212, January 2, 2014, Makati City

March 28, 2014

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AS AMENDED

DECEMBER 31, 2013

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 ₱500.4 million do not constitute 5% or more of the total current assets of the Group as at December 31, 2013.

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, 2013:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
		(In Thousands)		
EEI				
Macapagal, Norman K.	₱1,532	₱1	(₱1)	₱1,532
Mercado, Oscar D.	1,442	224	(224)	1,442
Apolonio, Ferdinand D.	1,152	–	(32)	1,120
Munji, Divina F.	836	41	(41)	836
Cabrera, Lovette O.	625	–	(34)	591
San Miguel, Simon Elmer D.	–	839	(350)	489
Saturnino A. Libre	–	313	–	313
Herminio R. Morelos	–	273	–	273
Brutas, Crisanto B.	196	–	(7)	189
Delos Reyes, Arnulfo	105	1,125	(1,049)	181
Eduardo S. Solijon	–	164	–	164
Villarin , Pantaleon T. Jr.	150	–	–	150
Arcega, Wilson V.	142	–	(3)	139
Castro, Romeo E.	122	–	–	122
Alonzo, Antonina J.	–	121	–	121
Canero, Raul C.	117	–	–	117
Burgos, Manuel B.	–	108	–	108
Magboo, Jeremer D.	108	–	(80)	29
Garcia, Raul R.	254	52	(305)	–
Enriquez, Emmanuel T.	250	–	(250)	–
	7,031	3,261	(2,376)	7,916
iPeople				
Caluyo, Felicito	313	–	(78)	234
Sabino, Lilibeth	286	–	(73)	213
Salvacion, Jonathan	284	–	(77)	207
Lansangan, Emerald	242	–	(76)	166
Co, Brian	213	–	(78)	136
Robielos, Rex Aurelius	183	–	(76)	106
Lozano, Luz	150	–	(76)	73
Sauquillo, Dante	140	–	(72)	69

(Forward)

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
		(In Thousands)		
Eliquen, Nilda	₱117	₱–	(₱76)	₱41
Cinco, Arnold	118	–	(71)	47
Doma, Bonifacio	169	–	(40)	130
Teodoro, Gloria	362	–	(80)	282
Bargo, Mariza	123	–	–	123
Isla, Igmedio	–	285	(285)	
Honra, Jaime	–	191	(191)	
Macayan, Jonathan	–	404	(59)	345
Uy, Francis Aldrine	–	418	–	418
Arenillo, Denise Jordan	–	420	–	420
Bayag, Marina	–	98	–	98
	2,700	1,816	(1,408)	3,108
HI-Parent				
Gan, Ma. Eloisa	–	313	(44)	₱269
Bautista, Ma. Theresa	–	313	(45)	268
Eugenio, Rolando	239	–	(14)	225
Villegas, Raoul A	204	–	(42)	162
Tanjanco, Jose	185	–	(26)	159
Ramirez, Rosalia	155	–	–	155
De Lara, Ma. Elisa	173	–	(22)	151
Maglaya, Elsie	178	–	(32)	146
	1,134	626	(225)	₱1,535
Total	₱10,865	₱5,703	(₱4,009)	₱12,559

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, 2013:

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	₱255,051	₱593,395	(₱310,649)	₱–	₱537,797
Dividends receivable	7,000,000	14,500,000	(7,000,000)	–	14,500,000
	7,255,051	15,093,395	(7,310,649)	–	15,037,797
Greyhounds Security and Investigation Agency Corporation					
Due from affiliates	16,531,781	642,875	(15,727,933)	–	1,446,723
Investment Managers, Inc.					
Due from affiliates	₱543,527	₱4,331,642	(₱4,255,610)	₱–	₱619,559
Dividends receivable	2,000,000	549,945	(2,000,000)	–	549,945
	2,543,527	4,881,587	(6,255,610)	–	1,169,504
iPeople, inc. and subsidiaries					
Due from affiliates	17,788,334	35,398,957	(43,658,106)	–	9,529,185
Dividends receivable	43,219,547	30,116,450	(43,219,547)	–	30,116,450
	61,007,881	65,515,407	(86,877,653)	–	39,645,635

(Forward)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Balance at end of period
EEI Corporation and subsidiaries					
Due from affiliates	₱1,583,777	₱2,142,857	(₱1,969,995)	₱–	₱1,756,639
Vehicle accounts receivable	4,187,496	–	(4,187,496)	–	–
	5,771,273	2,142,857	(6,157,491)	–	1,756,639
Zamboanga Industrial Finance Corporation					
Due from affiliates	371,625	457,271	(828,896)	–	–
Hexagon Lounge, Inc.					
Due from affiliates	283,343	71,448	(204,973)	–	149,818
Xamdu Motors, Inc.					
Due from affiliates	562,165	–	(561,365)	–	800
	₱94,326,646	₱88,804,840	(₱123,924,570)	₱–	59,206,916

These receivables are non-interest bearing and are expected to be settled within the next twelve months.

Schedule D. Intangible Asset - Other Noncurrent Assets

As at December 31, 2013, 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	₱179,291,907	₱–	₱41,438,562	₱–	₱–	₱137,853,345
Computer Software	48,726,688	5,915,576	17,578,725	–	–	37,063,539
	₱228,018,595	₱5,915,576	₱59,017,287	₱–	₱–	₱174,916,884

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			
Peso-denominated syndicated bank loan payable within 10 years which shall commence after 3 years from the date of issue with a floating rate per annum based on the higher of (i) the three (3) - month Philippine Dealing System Treasury Reference Rates - Fixing (PDST-F) plus a spread of two (2.0%) per annum or (ii) the BSP overnight rate plus a spread of 1.5%.	₱641,562,869	₱–	₱641,562,869
Peso-denominated syndicated bank loan payable within 10 years which shall commence after 3 years from the date of issue with a fixed rate per annum based on the highest of (i) 5-year PDST-F, plus a spread of two (2.0%) per annum or (ii) floating rate per annum based on the higher of (i) the three (3) - month Philippine Dealing System Treasury Reference Rates - Fixing (PDST-F) plus a spread of two (2.0%) per annum or (ii) the BSP overnight rate plus a spread of 1.5% or (iii) 5.5% per annum.	641,562,868	–	641,562,868
Peso-denominated five (5) year term loan, payable quarterly starting March 2014 with interest of 5.00% per annum	497,539,130	96,686,512	400,852,618
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.	523,452,255	86,000,000	437,452,255
MCLI			
Payable to PTC	78,547,745	78,547,745	–
EEI Power			
Peso-denominated seven (7) year term loan, payable quarterly starting June 2014 with interest of 6.50% per annum inclusive of two (2) year grace period on principal amortization	575,458,000	–	575,458,000
	₱2,958,122,867	₱261,234,257	₱2,696,888,610

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 ₱811.8 million as this do not constitute 5% or more of the total assets of the Group as at December 31, 2013.

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, 2013.

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 held by related parties	Directors, Officers and Employees	Others
Common shares	1,250,000,000	616,196,757	344,701,851	6,324,565	265,170,341
Preferred shares	2,500,000,000	976,077,982	414,324,341	533,845,295	27,908,346

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Items	Amount
Unappropriated Retained Earnings, beginning	**₱798,571,939**
Adjustments:	
Less: Movement in unrecognized deferred tax assets	**4,557,272**
Unappropriated retained earnings, as adjusted, beginning	**803,129,211**
Net income based on the face of AFS	**480,089,884**
Less: Non-actual/unrealized Income net of tax	
Equity in net income of associate/joint venture	–
Unrealized foreign exchange gain – net (except those attributable to Cash and Cash Equivalents)	–
Unrealized actuarial gain	–
Fair value adjustment (M2M gains)	–
Effect of change in accounting policy - PAS 19R	**1,580,205**
Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP - gain	–
Movement in deferred tax liability	**(47,217,557)**
Other unrealized gains or adjustments to the retained earnings as result of certain transactions accounted for under PFRS	–
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	–
Adjustments due to deviation from PFRS/GAAP – loss	–
Net Income Actual/Realized	**525,727,236**
Dividends declaration during the year	**(62,682,299)**
Treasury stock	**(2,607,600)**
Unappropriated Retained Earnings, as adjusted, ending	**₱1,263,566,548**

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF DECEMBER 31, 2013 AND 2012

Financial Soundness Indicator

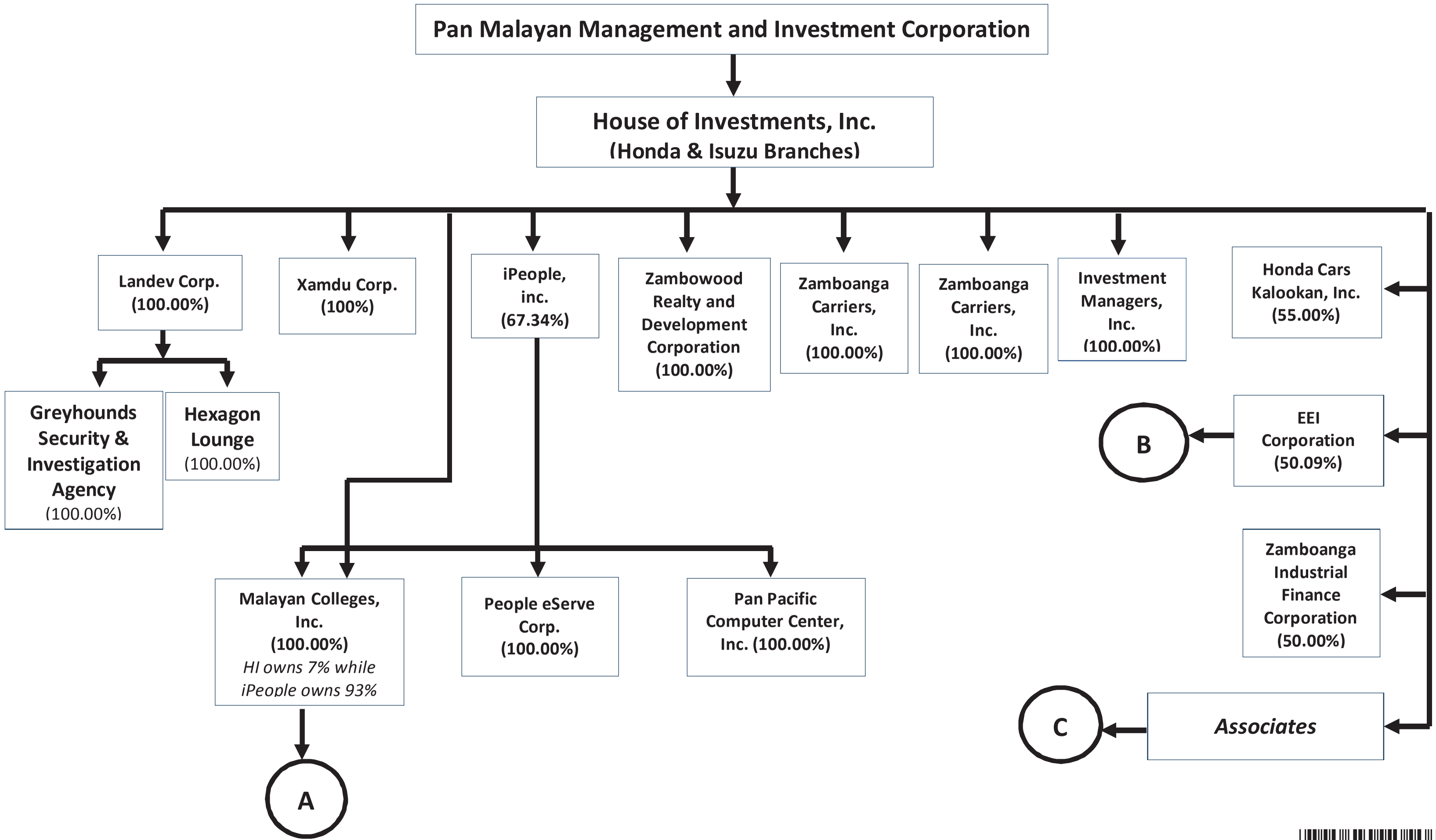
Below are the financial ratios that are relevant to the Group for the year ended December 31, 2013 and 2012:

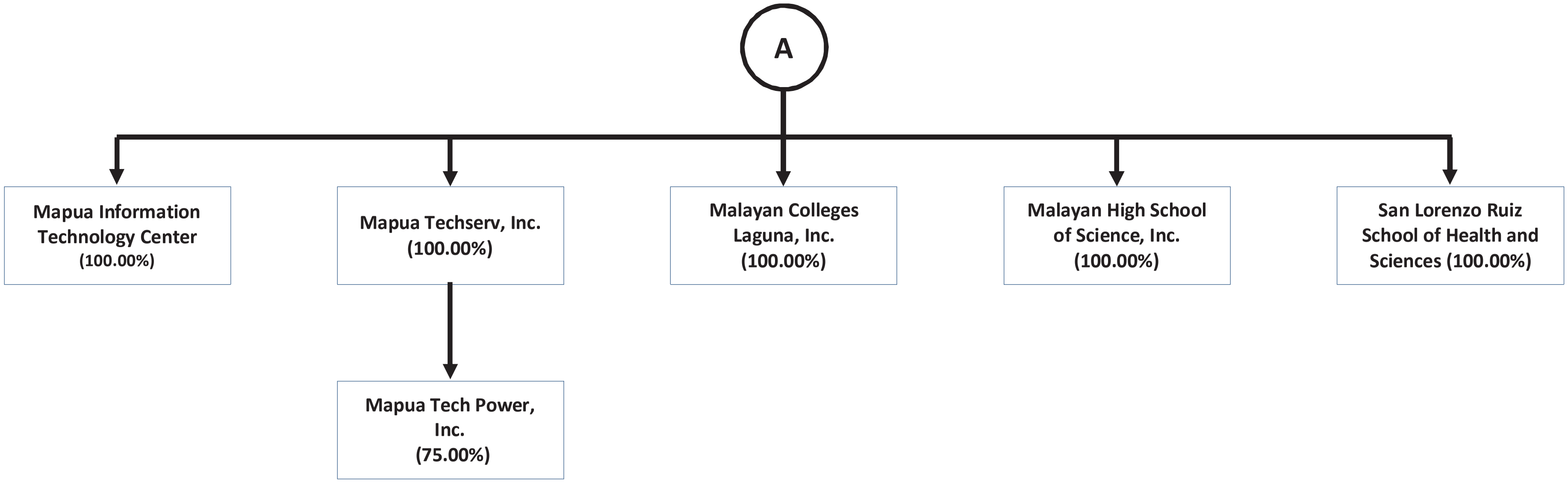
Financial ratios		**2013**	2012
Current ratio	Current assets / Current liabilities	**1.18:1**	1.06:1
Solvency ratio	Net income plus depreciation / Total liabilities	**0.20:1**	0.19:1
Debt to equity ratio	Total liabilities / Total equity	**1.12:1**	1.21:1
Asset-to-equity ratio	Total assets / Total equity	**2.12:1**	2.21:1
Interest rate coverage	EBIT* / Interest expense	**14.18:1**	14.71:1
Return on assets	Net income / Average total assets	**8.54%**	7.80%
Return on equity	Net income / Average total equity	**18.46%**	18.18%

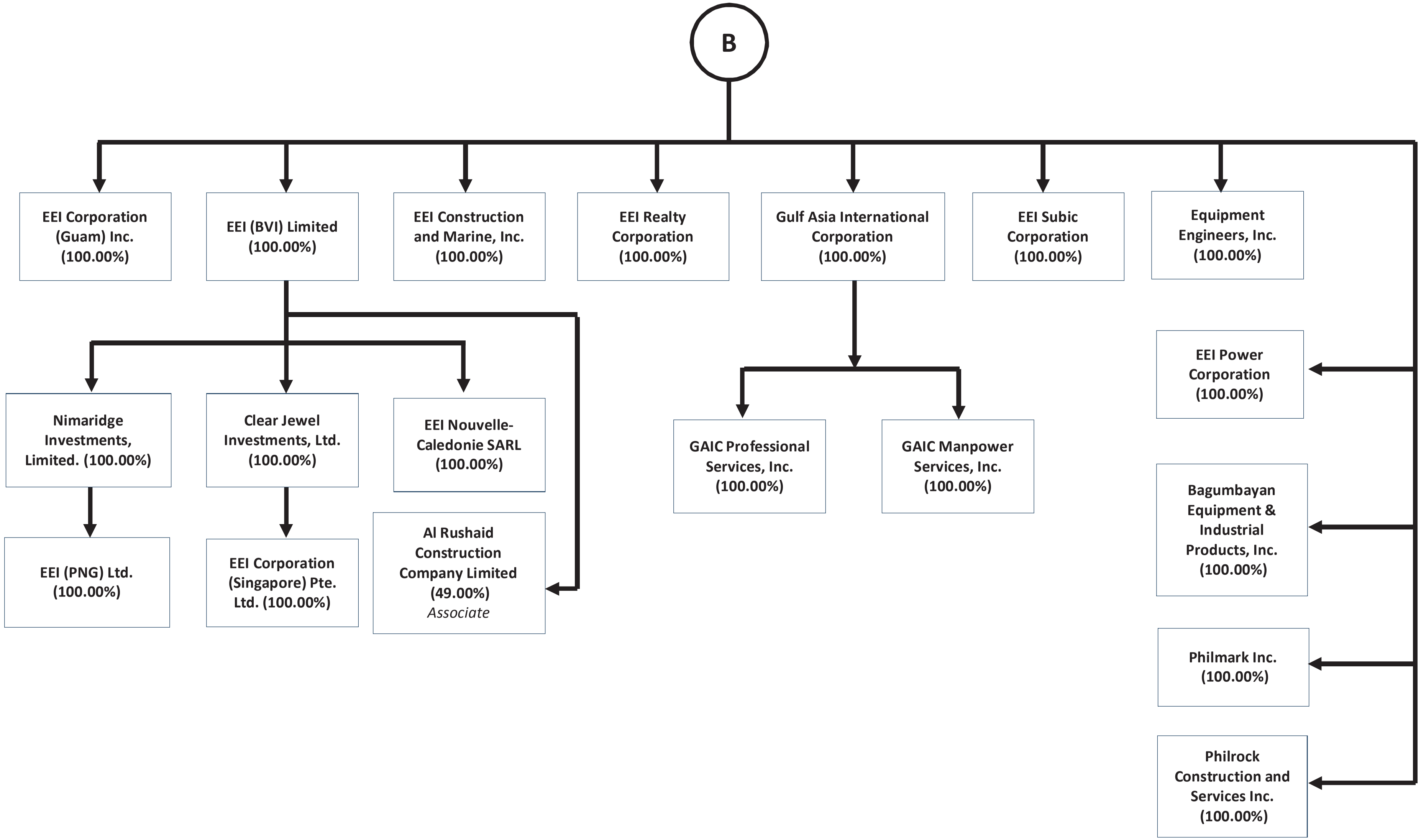
**Earnings before interest and taxes (EBIT)*

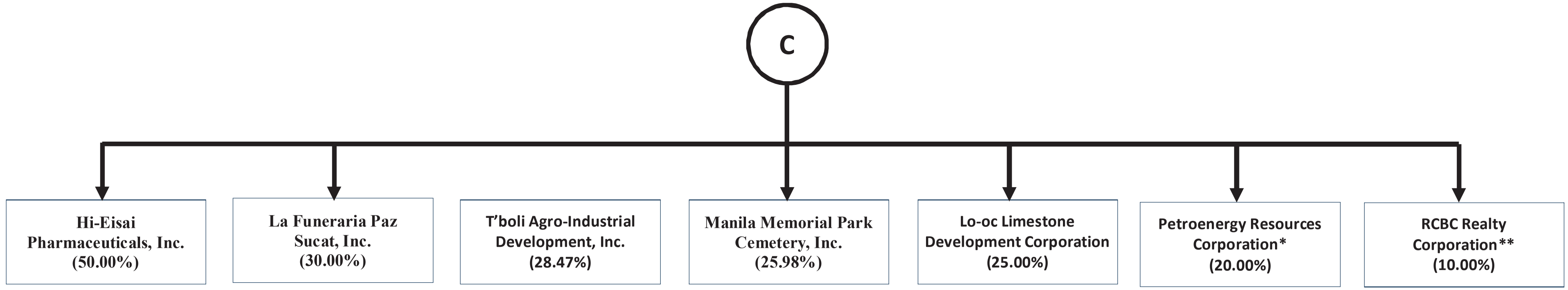
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

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, 2013:




A
Mapua Information Technology Center (100.00%)
Mapua Techserv, Inc. (100.00%)
Mapua Tech Power, Inc. (75.00%)
Malayan Colleges Laguna, Inc. (100.00%)
Malayan High School of Science, Inc. (100.00%)
San Lorenzo Ruiz School of Health and Sciences (100.00%)


B
EEI Corporation (Guam) Inc. (100.00%)
EEI (BVI) Limited (100.00%)
EEI Construction and Marine, Inc. (100.00%)
EEI Realty Corporation (100.00%)
Gulf Asia International Corporation (100.00%)
EEI Subic Corporation (100.00%)
Equipment Engineers, Inc. (100.00%)
Nimaridge Investments, Limited. (100.00%)
Clear Jewel Investments, Ltd. (100.00%)
EEI Nouvelle-Caledonie SARL (100.00%)
EEI (PNG) Ltd. (100.00%)
EEI Corporation (Singapore) Pte. Ltd. (100.00%)
Al Rushaid Construction Company Limited (49.00%) *Associate*
GAIC Professional Services, Inc. (100.00%)
GAIC Manpower Services, Inc. (100.00%)
EEI Power Corporation (100.00%)
Bagumbayan Equipment & Industrial Products, Inc. (100.00%)
Philmark Inc. (100.00%)
Philrock Construction and Services Inc. (100.00%)



* *On February 21, 2013, significant influence was obtained through piecemeal acquisition.*

** *On September 17, 2013, the Parent Company acquired 10.00% ownership in RRC. The Parent Company was able to exercise significant influence since it has the capacity to participate in the financial and operating decisions of RRC through common key management and representation to the Board of Directors*

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PFRS AS OF DECEMBER 31, 2013

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2013:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*		✓	
PFRS 10	Consolidated Financial Statements			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities*			✓
PFRS 13	Fair Value Measurement			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Financial reporting date	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements			✓
PAS 27 (Amended)	Separate Financial Statements			✓
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities*		✓	
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine*			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions for the year ended December 31, 2013.

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2013. The Group will adopt the Standards and Interpretations when these become effective.