

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

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

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Form Type

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AMENDED

Company's Email Address

N/A

Department requiring the report

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COMPANY INFORMATION

Company's Telephone Number/s

815-9636 to 38

Secondary License Type, If Applicable

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Mobile Number

N/A

No. of Stockholders

406

Annual Meeting
Month/Day

3rd Friday of July

Fiscal Year
Month/Day

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Maria Teresa T. Bautista

Email Address

mtbautista@hoi.com.ph

Telephone Number/s

815-9636

Mobile Number

N/A

Contact Person's Address

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

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

**SECURITIES AND EXCHANGE COMMISSION
AMENDED 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, 2014
2. SEC Identification Number: 15393 3. BIR Tax Identification No.: 000-463-069
4. Exact Name of registrant as specified in its charter House of Investments, Inc.*
5. Manila, Philippines 6. (SEC Use Only)
Province, Country or other jurisdiction Industry Classification Code:
of incorporation or organization
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	615,896,757
Preferred, P0.40 par value	860,018,106

Total Debt Outstanding as of December 31, 2014: P16.07 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, Isuzu Greenhills, and Isuzu Leyte.*

13. As of March 31, 2015, 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 Eighty-Eight million, Twenty-Six Thousand and Seven Hundred Pesos (₱1,688,026,700) or Two Hundred Sixty Seven Million, Nine Hundred Forty Thousand and Seven Hundred Forty-Six (267,940,746) shares at ₱ 6.30/share.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference:

- (a) 2014 Audited Consolidated Financial Statements

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1: Description of Business

House of Investments, Inc. (HI) was incorporated in 1959 as an investment bank, the first of such bank to be organized in the Philippines in 1959. However, since investment banking had yet to be developed, HI decided to create its own investments and evolved into an investment holding company with a diversified portfolio.

Throughout its history, HI has successfully acquired, organized, invested, and divested in various corporate institutions and industries while focusing its corporate goal of contributing to the economic development of the country and providing employment while at the same time fostering a corporate culture of integrity and excellence. As of the end of 2014, it has a total consolidated asset base of PhP28.8 billion. Consolidated revenues for 2014 summed to PhP24.72 billion, with consolidated net income of PhP1.96 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.

At present, 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. 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 cyclicity 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 (50.34%) in one of the largest Philippine construction and general contracting firms, EEI Corporation.

EEI was established on April 17, 1931 as Engineering Equipment and Supply Company, Inc. as a trading establishment with exclusive distributorship in the Philippines for manufacturers of industrial equipment, including tools, materials, and machines used by the local gold mining industry. In the past 83 years, EEI expanded into construction services and the distribution of a broader range of industrial machinery and systems. Today, EEI is one of the country's leading construction companies with a respectable track record in general contracting and specialty works.

Through its long years of working and collaborating with global contractors, EEI has achieved world-calibre project management and execution expertise with the use of better construction technologies in all disciplines of the construction industry.

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.
- power generation – EEI participates in the power generation business through its subsidiary EEI Power Corporation, which operates a 15-megawatt Heavy Fuel Oil (HFO) power plant in the City of Tagum, Davao del Norte. It also has investments in renewable energy through its 20% participation in Petro Wind Energy, Inc.

Driven by a commitment to Philippine development and to have a greater presence in the economy, EEI has continually strived to expand its core business to a wide array of construction competencies. The company has also ventured into doing construction projects overseas spanning from the Kingdom of Saudi Arabia to Africa and Asia.

Principal Activities

A. Property and Building 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.

B. 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 are currently working on the following major projects:

- PetroGreen 59 MW Nabas Wind Power Plant
- MNTC Phase 2 Segment 9 Northernlink Expressway
- Manila North Harbor Pier 16
- DOTC/Sumitomo CNS/ATM, Phase 2
- Air Traffic Management (ATM) Package 1
- Sarangani SM 200 Phase 2 Jetty Works for Alson Power Plant
- Caticlan Airport Development Design & Build for Interim Runaway Extension
- Caparispisan Wind Farm Project-Phase 2
- Metro Manila Skyway Section 3 and 4
- Panglao Bohol Airport

C. 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.

D. 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 assure 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.

E. Power Generation

EEI Power Corporation's (EEIPC) 15-megawatt Heavy Fuel Oil (HFO) power plant in the City of Tagum, Davao del Norte achieved and was granted commercial operations status last December 26, 2013. The plant serves the peaking power requirement of the Davao Del Norte Electric Cooperative (DANECO) under a 10-year Power Supply Agreement (PSA) as approved by the Energy Regulatory Commission (ERC). EEIPC is now registered as an Independent Power Producer (IPP) with the Philippine Department of Energy. This is a significant achievement for EEIPC.

EEI also engages on the general business of generating, transmitting and/or distributing power derived from renewable energy sources such as, but not limited to wind, biomass, hydro, solar, geothermal, ocean, wave and such other renewable sources of power. Incorporated on March 06, 2013 with SEC Reg. No. CS201304226.

F. 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.

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, 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 Philippine 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.

EEl 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 Management

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

Architecture & Design

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

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*

Graduate Studies

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

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*

Continuing Education

Mapua has a student population of about 14,700 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 enrollees account for at least 16% of the total student population in B.S. in Chemical (ChE), Civil (CE), Computer (CpE), Electrical (EE), Electronics (ECE), Environmental and Sanitary (EnSE), Industrial (IE), and Mechanical Engineering (ME) programs of the top 10 engineering schools in the country, based on Commission on Higher Education's (CHED) 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-and14.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 4,700 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 TECHNOLOGY CENTER (MITC)

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

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

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

MITC provides high quality training to the following:

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

The Center offers the following training modules:

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

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 if 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, Dasmariñas 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 Authority.

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, 2014.

PROPERTY DESCRIPTION	DATE ACQUIRED	AREA (SQ. M.)	TYPE
HOUSE OF INVESTMENTS			
Quezon Avenue	2002	4,604	Industrial
Talayan, Q.C.	2002	2,700	Warehouse
EI CORPORATION			
Baguio City	1985	688	Residential
Majada, Canlubang, Laguna	1998	29,481	Equipment yard
Lemery, Batangas	1997	390,049	Industrial
Golden Haven Memorial - Las Pinas	2003	163	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
EI CONSTRUCTION AND MARINE, INC.			
Silang, Cavite	2010	21,197	Fabrication Shop
EI REALTY CORPORATION			
Trece Martires, Cavite	1995	425,963	Residential
Calamba, Laguna	1995-96	53,207	Residential
Marikina - Suburbia East	1999	3,314	Residential
Ayala Greenfield	2003	820	Residential
EQUIPMENT ENGINEERS			
Irisan, Benguet	2009	3,201	Residential
Itoyon, 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, EI, 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

During the Annual Stockholders' Meeting held on 17 July 2014, the Company's stockholders owning more than 2/3 of the outstanding number of shares entitled to vote agreed to amend Articles First and Third of the Company's Articles of Incorporation. The amendment to Article First pertains to the inclusion in the Company's corporate name of the business names "Honda Cars Marcos Highway" and "Isuzu Leyte", which were the new car dealerships opened by the Company. The said inclusion of the business names in the Company's corporate name is mandated by the Securities and Exchange Commission's Memorandum Circular No. 12, Series of 2008. Regarding the amendment to Article Third on the Company's principal office address, the amendment was made in order to provide the specific and complete principal office address of the Company, as required under the Securities and Exchange Commission's Memorandum Circular No. 6, Series of 2014.

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
2015 First Quarter	6.49	5.50
2014 Fourth Quarter	6.36	5.90
2014 Third Quarter	6.39	5.30
2014 Second Quarter	6.68	5.70
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 HI’s common stock as of April 28, 2015 (latest practicable trading date) is at **P6.12** (high and low price).

Stockholders

The top 20 owners of common stock as of March 31, 2015 are as follows:

STOCKHOLDER	COMMON SHARES	% OF TOTAL
PAN MALAYAN MANAGEMENT & INVESTMENT CORP	294,758,580	48.05%
PCD NOMINEE CORPORATION (FIL.)	242,195,715	39.48%
PCD NOMINEE CORPORATION (NON-FIL.)	30,558,975	4.98%
A.T. YUCHENGCO, INC.	7,036,070	1.15%
GDSK DEVELOPMENT CORPORATION	5,064,840	0.83%
GO SOC & SONS AND SY GUI HUAT, INC.	4,019,890	0.66%
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%
EBC SECURITIES CORPORATION	485,320	0.08%
DEE, HELEN Y. ITF: MICHELLE	482,240	0.08%

BARDEY, JOHN C.	476,230	0.08%
SUB TOTAL	603,204,660	97.94%
Others	12,692,097	2.06%
TOTAL	615,896,757	100.00%

HI has a total of 413 common shareholders owning a total of 613,476,887 shares as of March 31, 2015.

Top 20 owners of preferred stock as of March 31, 2015.

STOCKHOLDER	PREFERRED SHARES	% OF TOTAL
YUCHENGCO, ALFONSO T.	469,685,399	54.61%
PAN MALAYAN MGT. & INVT CORP.	322,458,738	37.49%
ALFONSO T. YUCHENGCO, INC.	21,909,277	2.55%
ENRIQUE T. YUCHENGCO, INC.	20,691,378	2.41%
GOMEZ, ERIBERTO H.	12,059,906	1.40%
SIGUION-REYNA, LEONARDO	2,389,487	0.28%
ALVENDIA JR., CARMELINO P.	1,651,565	0.19%
RP LAND DEVELOPMENT CORP.	1,498,138	0.17%
ROSARIO, RODOLFO P. DEL	919,530	0.11%
TANTUCO, ELOISA G.	688,154	0.08%
WILSON, ISABEL CARO	683,391	0.08%
GUIDO, EDWARD	401,993	0.05%
JAKA INVESTMENT CORP.	369,831	0.04%
PADILLA, ALEXANDER A.	297,736	0.03%
PADILLA, FELIPE A.	281,113	0.03%
PADILLA, FRANCISCO A.	281,113	0.03%
PADILLA, MERCEDES A.	281,113	0.03%
VILLONCO, ROMEO	197,617	0.02%
CHAN, FREDERICK	191,185	0.02%
PADILLA JR., AMBROSIO	187,408	0.02%
SUB-TOTAL	857,124,072	99.66%
Others	2,894,034	0.34%
TOTAL	860,018,106	100.00%

HI has a total of 49 preferred shareholders owning a total of 860,018,106 shares as of March 31, 2015.

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 2015	N/A	P0.00350	P2.98 MM
Q4 2014	N/A	P0.03286	P2.90 MM
Q3 2014	N/A	P0.00326	P2.95 MM
Q2 2014	P0.003274	P0.065	P56.13 MM
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 2014.

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

The equity capital structure of the firm as of December 31, 2014 is shown below:

	Common Stock	Preferred Stock
Authorized Capital	1,250,000,000	2,500,000,000
Issued	616,196,757	860,018,106
Paid Up Capital	P924,295,136	P344,007,243
Par Value	P1.50	P0.40
Features	Common Stock	Preferred Stock
Dividends		
<i>General</i>	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.	
<i>Other Features</i>	Not Applicable	<ul style="list-style-type: none"> 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 2014 vs. Year 2013

INCOME STATEMENT

For the year ending December 2014, the Group posted a net income after tax of P1.96 billion vis-à-vis P1.83 billion in 2013. The growth of 7% is attributable to increase in local production of the Group's construction segment, robust increase in revenues of the education segment and improvement in Car dealerships combined with lower expenses for the period.

Total revenues have significantly increased by 39%, from P17.74 billion to P24.72 billion. Sales of services improved by 60%. This is largely contributed to increase in EEI's local construction projects. Increase in sale of goods of 8% is primarily attributable to higher number of sales of vehicles. Revenues from schools went up by 12%, from P1.85 billion to P2.07 billion. This is a combined result of increase in number of students and minimal increase in fees. Interest and discounts is up by 7%, representing interest earnings of Zamboanga Industrial Financing Corporation (ZIFC). Income from dividends is down from P0.317billion to P0.035 billion.

Other Income last year includes gain on sale of available-for-sale securities and investment on an associate and, recovery of inventory losses which were provided for in previous years.

Equity in net earnings of associates increased by 8%, mainly because of higher intake from Petroenergy Resources Corporation (PERC) and RCBC Realty Corporation (RRC), which the Parent Company has 22.41% and 10% ownership, respectively.

General and administrative expenses dropped by 6% as the Group continuously control and manage its expenses. Interest and finance charges are significantly higher this year because of additional loans availed by EEI to finance its new and on-going domestic projects.

BALANCE SHEET

Consolidated total assets stood at P28.81 billion against P22.87 billion last year.

Total current assets increased by 45%. Cash and cash equivalents are slightly higher by 2% or P0.050 billion from last year, from P2.11 billion to P2.16 billion. Receivables are up from P4.53 billion to P6.83 billion because of higher level of sales from EEI, the schools and the car dealerships. Costs and estimated earnings in excess of billings on uncompleted contracts are significantly higher because of new domestic projects of EEI. Inventories are also higher, which are primarily from the car dealerships. Receivable from related parties are lower because of increased collections of Parent Company from its affiliates. Prepaid expenses and other current assets increased primarily due to reclassification of EEI's receivable from EEI Retirement Fund Inc. (EEIRFI) amounting to P117 million, from other non-current assets to other current assets, as collections are expected to come within the following year. Increase is also attributable to unutilized prepaid and input taxes. Financial asset at FVPL pertains to the schools' investment in UITFs.

The increase in investments in associates and joint venture represents additional investments made by the Group. Available for sale securities (AFS) decrease mainly due to reclassification of investment of EEI in Philippine Hybrid Energy Systems Inc. to other receivables. Property and equipment includes cost to renovate and construction of new school buildings. Other noncurrent assets include receivable from EEI Retirement Fund, Inc., which was restructured in 2013 with payment terms longer than previously agreed.

Consolidated total liabilities increased from P12.06 billion to P16.06 billion.

Total current liabilities rose by P4.19 billion. Accounts payable and accrued expenses represent primarily obligations to contractors and suppliers relative to the renovation and construction of new school buildings and project related costs of EEI. Billings in excess of costs and estimated earnings on uncompleted contracts also increased due to on-going and new domestic projects of EEI. Loans payable and current portion of long term debt also increased as EEI took out new loans to finance its new projects. Increase in unearned tuition fees is a timing factor as enrolment for the next academic quarter started in December 2014. Income tax payable is lower because of lower taxable income from EEI's foreign subsidiary. Due to related parties dropped because of accelerated payment of obligations to affiliates. Increase in customers' deposits pertain to advance payment received by EEI on its on-going Nabas Wind Power Plant project.

Total noncurrent liabilities dropped by P0.195 billion, from P3.26 billion to P3.07 billion as the Group consistently paid down its loans. Decrease in lease liability represents substantial reduction on obligation of EEI to RCBC Leasing Corporation relative to acquisition of various machinery and construction equipment. Accrued retirement liability decreased due to change in actuarial basis of valuation for the year. Deferred tax liabilities increased relative to higher valuation on the value of the land.

Total equity before non-controlling interest grew by 19%, from P6.88 billion to P8.21 billion.

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 by the Group during the year.

BALANCE SHEET

Total assets grew by 15%, from P19.96 billion in 2012 to P22.87 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 P12.06 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 enrollees 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 P3.27 billion, primarily because of long term debts availed by the Group to finance new projects and developments, which increased to P2.78 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.

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 Retirement 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.

Financial Ratios

Below are the financial ratios that are relevant to the Group's for the years ended December 31, 2014 and 2013:

Financial ratios		2014	2013
Current ratio <i>Indicates the Group's ability to pay short-term obligation</i>	Current Assets Current Liabilities	1.17:1	1.19:1
Solvency Ratio <i>Shows how likely a company will be to continue</i>	Net Income+Depreciation Total liabilities	0.16:1	0.20:1

meeting its debt obligations

Debt-to-equity ratio <i>Measures the Group's leverage</i>	Total Debt Total Equity	1.26:1	1.12:1
Asset to Equity Ratio <i>Measures the group's leverage and long-term solvency</i>	Total Assets Total Equity	2.26:1	2.12:1
Interest Rate Coverage <i>Shows how easily a company can pay interest on outstanding debt</i>	EBIT* Interest Expense	10.29:1	14.18:1
Return on Assets <i>Measure the ability to utilize the Group's assets to create profits</i>	Net Income Average Total Assets	7.58%	8.56%
Return on Equity <i>Reflects how much the Group's has earned on the funds invested by the stockholders</i>	Net Income Average Total Equity	16.62%	18.46%

**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 2014 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
2014	P2,774,970
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	9 Years
Helen Y. Dee	Chairperson	13 Years
Medel T. Nera	President and CEO	3 Years
Atty. Wilfrido E. Sanchez	Director	14 Years
Dr. Reynaldo B. Vea	Director	4 Years
Yvonne S Yuchengco	Director	7 Years

INDEPENDENT DIRECTORS		
Name	Position	Length of Service
Antonino L. Alindogan, Jr.	Director	8 Years
Roberto F. de Ocampo	Director	14 Years
Francisco H. Licuanan III	Director	8 Years
Juan B. Santos	Director	6 Months
Renato C. Valencia	Director	9 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
Ms. Ma. Esperanza F. Joven	VP – Finance
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
Atty. Samuel V. Torres	Corporate Secretary
Atty. Ma. Elvira Bernadette G. Gonzalez	Asst. Corporate Secretary
Ms. Ruth C. Francisco	SVP Seconded to Mapua as EVP-CFO
Mr. Aloysius Nathaniel S. Costales	AVP Seconded to MCL as CFO
Ms. Marina B. Bayag	AVP Seconded to Mapua as Asst. Treasurer
Atty. Maria Eloisa R. Gan	AVP Seconded to Mapua as VP-Operations

AMB. ALFONSO T. YUCHENGCO (91, Filipino): Director

Position	Company
Chairman	AY Foundation Bantayog ng mga Bayani Confederation of Asia-Pacific Chambers of Commerce and Industries Enrique T. Yuchengco, Inc. GPL Holdings, Inc. Great Life Financial Assurance Corp. Honda Cars Kalookan, Inc. La Salle-FEU MBA-JD Program Malayan Colleges Laguna Inc. Malayan Insurance Co. (HK) Ltd. MICO Equities Pan Malayan Management and Investment Corp. Philippine Ambassadors Foundation Inc. Philippine Integrated Advertising Agency Inc. RCBC Realty Corp. Y Realty Corp. YGC Corporate Services, Inc. Yuchengco Center Yuchengco Group of Companies Yuchengco Museum
Honorary Chairman	Compania Operatta ng Pilipinas, Inc. Rizal Commercial Banking Corp.
CEO	Pan Malayan Management and Investment Corp.
Director	GPL Holdings, Inc. Great Pacific Life Assurance Corp. International Insurance Society (IIS) Malayan Insurance Co., Inc. Malayan Securities Corp. RCBC Land Inc. Sunlife Grepa Financial Inc.
Chairman of Board of Trustees	Bayanihan Folk Arts Foundation, Inc. - Philippine Women's University EEI Corp. Malayan Colleges, Inc. operating under the name Mapua Institute of Technology
Vice Chairman of the Board of Judges	Blessed Teresa of Calcutta Awards
Chairman Emeritus	Philippine Ambassadors Foundation Inc. Philippine Constitutional Association
Member of Board of Governors	Pacific Forum based in Honolulu, Hawaii
Trustee Emeritus	The Asia Society, New York University of San Francisco

Member of the International Advisory Board	University of Alabama - Culverhouse College of Commerce & Business Administration
	University of San Francisco, USA
	Waseda Institute for Asia Pacific Studies
Member of Advisory Board	Confederation of Asia-Pacific Chambers of
	Ritsumeikan Asia Pacific University
President Emeritus	Confederation of Asia-Pacific Chambers of
Member of Board of Trustees	University of St. La Salle
Honorary Member	Dabaw Kaisa Foundation, Inc.
Member of Honors Committee	International Insurance Society (IIS)
Member	International Insurance Society (IIS)
	Philippines-Japan Society, Incorporated
	Philippines-Japan Economic Cooperation Committee (PHILJEC)
	University of San Francisco, USA
Council Adviser	Philippines-Japan Society, Inc.
	Philippines-Japan Economic Cooperation Committee (PHILJEC)
Member of Board of Overseas	Columbia University, Business School

HELEN Y. DEE (70, 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 High School of Science 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 Resources Corp. PetroGreen Energy Corp Petrowind Energy Inc 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. Great Life Financial Assurance Corp. Honda Cars Kalookan, Inc. Honda Cars Philippines, Inc. iPeople, Inc. Isuzu Philippines, Inc. Luisita Industrial Park Corp. Maibarara Geothermal, Inc. Malayan Insurance Co., Inc. MICO Equities, Inc. Nth Millenium Foundation of the Philippines Inc Pan Malayan Express, Inc. Pan Malayan Management & Investment Corp. Petro Energy Resources Corp. PetroGreen Energy Corp Philippine Integrated Advertising Agency, Inc. Philippine Long Distance Telephone Co. RCBC Forex Brokers Corp. RCBC Realty Corp. Seafront Resources Corp. Sunlife Grepa Financial, Inc. Y Realty Inc
President	Financial Brokers Insurance Agency, Inc. GPL Holdings Hydee Management & Resources, Inc. Mijo Holdings, Inc. Moirra Management, Inc. Nth Millenium Foundation of the Philippines Inc YGC Corporate Services, Inc.
CEO	Tameena Resources, Inc.
Board Member	EEL Corp. Rizal Commercial Banking Corp.
Excom Member	Great Life Financial Assurance Corp.
Board Member Trustee	Malayan Colleges Laguna Inc Philippine Business for Education, Inc. Philippine Philharmonic Society Inc
Member	Mapua Board of Trustees Phil Insureres Club Worlds Presidents Organization

Advisory Board Member	Asean Insurance Council
Treasurer	Business Harmony Realty, Inc. Philippine Philharmonic Society Inc
Chairman of EXCOM	RCBC Forex Brokers Corp.

MEDEL T. NERA (58, Filipino): Director, President & CEO

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

WILFRIDO E. SANCHEZ (77, Filipino): Director

Position	Company
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. Rizal Commercial Banking Corp. 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

DR. REYNALDO B. VEA (62, Filipino): Director

Position	Company
President	iPeople, inc. 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 iPeople, inc. Maibarara Geothermal, Inc. Petrogreen Inc Petrowind Inc Rizal Commercial Banking Corp. Seafront Resources Corp.
Member	Philippine Fullbright Commission UNESCO National Commission
Trustee	National Research Council of the Philippines
Chairman	Committee on Science and Technology in UNESCO National Commission Engineering Sciences and Technology Division, National Academy of Science and Technology
Dean	UP College of Engineering Philippine Association Colleges and Universities

YVONNE S. YUCHENGCO (60, Filipino): Director	
Position	Company
Chairman	First Nationwide Assurance Corp. Malayan Securities Corp. RCBC Capital Corp. XYZ Assets Corp. The Malayan Plaza Condominium Owners Asso. Inc.
	Y Tower II Office Condominium Corp Yuchengco Tower Office Condominium Corp.
Vice Chairman	Yuchengco Museum Inc.
President	Alto Pacific Corp. Malayan Insurance Co., Inc. Malayan Securities Corp. MICO Equities, Inc. Philippine Integrated Advertising Agency, Inc. Y Tower II Office Condominium Corp Yuchengco Tower Office Condominium Corp.
Vice President	Pan Managers Inc
Director	Asia-Pac Reinsurance Co., Ltd. Alto Pacific Corp. AY Holdings, Inc. Honda Cars Kalookan

	<p>HYDee Management & Resource Corp iPeople, Inc. La Funenaria Paz Sucat, Inc. Luisita Industrial Park Corp. Malayan Colleges, Inc. Malayan Colleges Laguna, Inc. Malayan High School of Science, Inc. Malayan Insurance (H.K.) Malayan Insurance Co., Inc. Malayan International Insurance Corp Manila Memorial Park Cemetery, Inc MICO Equities, Inc. Mona Lisa Development Corp. National Reinsurance Corp. of the Phils Pan Malayan Management & Investment Corp. Pan Malayan Realty Corp. Pan Pacific Computer Center Inc. Petro Energy Resources Corp. Philippine Integrated Advertising Agency, Inc. Pan Malayan Express, Inc. Pan Managers Inc RCBC Capital Corp. Seafront Resources Corp. Shayamala Corp. YGC Corporate Services, Inc.</p>
Treasurer	<p>Honda Cars Kalookan Malayan High School of Science, Inc. Mona Lisa Development Corp. Pan Malayan Management & Investment Corp. Petro Energy Resources Corp. Pan Managers Inc</p>
Assistant Treasurer	<p>Enrique T. Yuchengco Inc.</p>
Trustee	<p>AY Foundation, Inc. The Malayan Plaza Condominium Owners Asso. Inc. Yuchengco Museum Inc.</p>
Advisory Board Member	<p>Rizal Commercial Banking Corp.</p>

ANTONIO L. ALINDOGAN, JR. (76, Filipino) Independent Director

Position	Company
Chairman	AN-Cor Holdings, Inc. Landrum Holdings, Inc.
President	Landrum Holdings, Inc.
Independent Director	ETON Properties Phil Inc Great Life Financial Assurance LT Group, Inc. PAL Holdings, Inc. RCBC Bankard Serivces Corp. RCBC Forex Brokers Corp. 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.

ROBERTO F. DE OCAMPO. (68, Filipino): Independent Director

Position	Company
Chairman	AIM Conference Center Manila (ACCM) Asian Aerospace Inc. British Alumni Association Centennial Asia Advisors Pte Ltd. (Singapore) EastBay Resorts, Inc Foundation for Economic Freedom Interinvest Project Inc. (IPI) Libera International Advisory Board (London) MoneyTree Publishing Inc. Philam Asset Management Inc. (PAMI) Philippine Veterans Bank Public Finance Institute of the Philippines Stradcom Corp. Tollways Association of the Philippines
Vice Chairman	Agus 3 Hydro Power Corp. La Costa Development Makati Business Club Montalban Methane Power Corp. Seaboard Eastern Insurance Co.

	Tranzen Group Universal LRT Corp.
CEO	Philippine Veterans Bank
Vice President	Center for Philippine Futuristics Studies and Management Inc.
Director	AB Capital & Investment Corp. Alaska Milk Corp. Bankard, Inc. Beneficial Life Insurance Co., Inc. BOAO Forum for Asia DFNN Inc. EEI Corp. Global Reporting Initiative (GRI) Governance Commission for Government Owned or Controlled Corp. (GCG) Investment & Capital Corp. of the Philippines (ICCP) Manila Polo Club Pacific Gaming Investments Pte. Ltd. Philippine Phosphate Fertilizer Corp. PHINMA Corp. Psi Technologies, Inc. RCBC Robinsons Land Corp. Salcon Power Corp. Thunderbird Resorts, Inc. United Overseas Bank Philippines
Founding Director	Centennial Group (Washington), D.C. Emerging Markets Forum
Founding Trustee	A Life for Others Foundation
Board of Trustees	Angeles University Foundation Asian Institute of Management Children's Hour Navis Investment Partners Ramos Peace and Development Foundation SGV Foundation
Advisory Council Member	Health Justice Philippines
Chairman of Board of Advisers	RFO Center for Public Finance and Regional Economic Cooperation
Board of Advisers Member	AES Corp. (Philippines) Argosy Fund, Inc. Corporate Governance Institute of the Philippines Philippine Cancer Society Philippine Quality & Productivity Movement, Inc Teach for the Philippines
Global Advisory Member	The Conference Board (New York)
EXCOM Chairman	Ramos Peace and Development Foundation

Asia Pacific Group Representing ASEAN Member	Trilateral Commission
Strategic Advisor	Renewable Energy Asia Fund (Berkeley Energy, UK)
Member	CIMB Group International Advisory Panel
Executive Director	AIM – Gov. Jose B. Fernandez Jr. Center for Banking and Finance

FRANCISCO H. LICUANAN, III (70, Filipino) Independent Director

Position	Company
Chairman	Geo State Development Corp. New Pacific Resource Management Battery Park Investments Inc.
President	Innovative Property Solutions, Inc. Stonebridge Corp.
CEO	Innovative Property Solutions, Inc. Geo State Development Corp. Battery Park Investments Inc. New Pacific Resource Management

JUAN B. SANTOS (75, Filipino): Independent Director

Position	Company
Chairman	Social Security System
Director	Alaska Milk Corp. First Philippine Holdings Corp. Philex Mining Corp. Philippine Investment Management Philippine Long Distance Telephone Co. Sun Life Grepa Financial, Inc.

RENATO C. VALENCIA (72, Filipino): Independent Director

Position	Company
Chairman	iPeople, Inc
President	Roxas Holdings, Inc.
CEO	Roxas Holdings, Inc.
Director	Anglo Philippine Holdings Corp. Bases Conversion Development Authority Fort Bonifacio Development Corp. GT Capital Holdings, Inc. i-People, Inc Malayan Insurance Company, Inc. Metropolitan Bank and Trust Company

	Philippine Veterans Bank Roxas and Company, Inc. Roxas Holdings, Inc. Vulcan Industrial & Mining Corp.
Board Adviser	Philippine Veterans Bank
Member	Financial Executives Institute of the Phil.
Member, Board of Advisors	Coca-Cola FEMSA Asia Division East-West Seeds Co., Inc.
Trustee	Ramon Magsaysay Award Foundation St. Luke's Medical Center
Consultant	Marsman-Drysdale Group of Companies Management Association of the Philippines

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	70	Filipino
Mr. Medel T. Nera	President & CEO	59	Filipino
Mr. Porfirio S. de Guzman, Jr.	SVP – Internal Audit	76	Filipino
Mr. Jose Ma. G. Castillo III	SVP-Finance & Treasurer and Compliance & Chief Information Officer	71	Filipino
Mr. Alexander Anthony G. Galang	SVP – Internal Audit	54	Filipino
Ms. Ma. Esperanza F. Joven	VP – Finance	44	Filipino
Ms. Ma. Elisa E. Delara	VP - Internal Audit	45	Filipino
Ms. Maria Teresa T. Bautista	AVP and Corporate Controller	42	Filipino
Mr. Jose A. Tanjanco III	AVP and Chief Risk Officer	53	Filipino
Ms. Sonia P. Villegas	AVP and Human Resources Head	46	Filipino
Atty. Samuel V. Torres	Corporate Secretary	50	Filipino
Atty. Ma. Elvira Bernadette G. Gonzalez	Asst. Corporate Secretary	38	Filipino
Ms. Ruth C. Francisco	SVP Seconded to Mapua as EVP- CFO	52	Filipino
Mr. Aloysius Nathaniel S. Costales	AVP Seconded to MCL as CFO	56	Filipino
Ms. Marina B. Bayag	AVP Seconded to Mapua as Asst. Treasurer	65	Filipino
Atty. Maria Eloisa R. Gan	AVP Seconded to Mapua as VP-Operations	45	Filipino

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., 76, 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, 71, 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 , 54, 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.

Ma. Esperanza F. Joven, 44, 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. 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.

Maria Elisa E. De Lara, 45, 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, 42, 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. Tanjanco III, 53, 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 Echaz & 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, 46, 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.

Samuel V. Torres, 50, Filipino, is the Corporate Secretary of HI. His other present positions include: General Counsel & Corporate Secretary of Pan Malayan Management & Investment Corp., and Corporate Secretary of RCBC Bankard Services, Inc., Great Pacific Life Assurance Corp., First Malayan Leasing and Finance Corp., 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., 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 Corp..

Ma. Elvira Bernadette C. Garcia-Gonzalez 38, Filipino, is the Assistant Corporate Secretary. She is also the Assistant General Counsel of Pan Malayan Management & Investment Corp. Her other present positions include being the Corporate Secretary of Blackhounds Security and Investigation Agency, Inc. and the Assistant Corporate Secretary of iPeople, Inc., Yuchengco Tower Office Condominium Corp., and Y Tower II Office Condominium Corp. She was a former Legal Counsel and Assistant Corporate Secretary of Coca-Cola Bottlers Philippines, Inc. and was also the Assistant Corporate Secretary of Philippine Bottlers, Inc. and Luzviminda Land Holdings, Inc.

Ruth C. Francisco, 52, 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.

Aloysius Nathaniel S. Costales, 56, 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 an Internal Audit Manager from March 2002 to March 2010, with brief stints as Acting General Manager of Greyhounds Security and Investigation Agency Corp. (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, 65, 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, 44, Filipino, is Assistant Vice President – Legal and Administrative Head. She was formerly the Chief Legal and Compliance Officer of Great Life Financial Assurance Corp., head of the Legal Department and Assistant Corporate Secretary of Sun Life Grepa Financial, Inc. (formerly Great Pacific Life Assurance Corp.) 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.

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.

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, 2015:

- (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:

NAME AND POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION
The top 5 executives of the Company are as follows:				
1. Medel T. Nera, President and CEO				
2. Porfirio S. de Guzman, SVP-Internal Audit				
3. Jose Ma. G. Castillo, III, SVP-Finance, Treasurer, Chief Information Officer, Compliance Officer				
4. Alexander Anthony G. Galang, SVP-Internal Audit	2014	P18.6M (est)	P0	P0
	2014	P18.6M	P0	P0
5. Ruth C. Francisco, SVP Seconded to Mapua as EVP-CFO	2013	P20.5M	P0	P0
All other officers and directors as group unnamed.	2015	P19.8M (est)	P0	P1.2M (est)
	2014	P19.1M	P0	P1.2M
	2013	18.0M	P0	P1.2M
TOTALS	2014	P38.4 (est)	P0	P1.2M (est)
	2014	37.7M	P0	P1.2M
	2013	38.5M	P0	P1.2M

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 P10,000 for participation in Audit and Risk committee meetings and P5,000 in other 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, 2015.

The following table shows the beneficial owners directly or indirectly owning more than 5% of the Company's capital stock as of March 31, 2015:

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 <i>Principal Stockholder</i>	Ms. Helen Y. Dee <i>Chairperson</i> 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 <i>VP - Research</i> Mr. Diosdado Salang <i>Asst. Vice President</i> are authorized to direct voting of the shares held by RCBC Securities	Filipino	90,290,135	14.66%
Common	BPI Securities Corp. 8/F BPI Head Office Bldg., Ayala Ave., cor. Paseo de Roxas Makati City	Mr. Michaelangelo R. Oyson <i>President & CEO</i> is authorized to direct voting of the shares held by BPI Securities Corp.	Filipino	42,409,614	6.89%

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 <i>Principal Stockholder</i>	Not Applicable	Filipino	491,592,676	57.16%

Preferred	PAN MALAYAN MANAGEMENT & INVESTMENT CORP. 48/F, Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City	Ms. Helen Y. Dee <i>Chairperson</i> is authorized to direct voting of the shares held by Pan Malayan Mgt. & Inv. Corp.	Filipino	322,458,739	37.49%
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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, 2015 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%
Juan B. Santos	Filipino	Direct	5	0.0000%
Renato C. Valencia	Filipino	Direct	1,000	0.0002%
Dr. Reynaldo B. Vea	Filipino	Direct	10	0.0000%
Yvonne S Yuchengco	Filipino	Direct	90,255	0.0146%
Sub-Total			2,540,600	0.4123%
Total Common Shares			615,896,757	100%

PREFERRED STOCK

NAME OF BENEFICIAL OWNER	CITIZENSHIP	NATURE OF OWNERSHIP	SHARES OWNED	% OF CLASS
Amb. Alfonso T. Yuchengco	Filipino	Direct	491,592,676	57.16%
Sub-Total			491,592,676	57.16%
Total Preferred Shares			860,018,106	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 Advisory dated March 12, 2015, the Annual Corporate Governance Report (ACGR) is attached as Appendix “A” herewith.

PART V – EXHIBITS AND SCHEDULES

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

SUMMARY OF SEC FORM 17-C

July 17, 2014

- First quarter consolidation report (SEC 17Q) of House of Investments, Inc.
- Declaration of PhP3,037,892.64 cash dividends to the preferred stockholders covering the second quarter of FY2014, i.e. April to June. The equivalent dividend per preferred share is PhP0.003274. The record date is August 14, 2014 and the payment date is September 3, 2014.
- Declaration of PhP56,133,021.20 in cash dividends to the stockholders of 616,196,757 common shares and 927,884,131 preferred shares which is equivalent to 247,435,768 common shares as of June 30, 2014. The equivalent dividend per common share is PhP0.065. The equivalent dividend per preferred share is PhP0.01733. The record date is August 14, 2014 and the payment date is September 5, 2014.
- Redemption of two and a half percent (2 1/2%) of 927,884,131 preferred shares, representing 23,197,103 preferred shares at PhP0.40 per preferred share amounting to PhP9,278,841.31. The record date is August 14, 2014 and the payment date is September 9, 2014.
- 2013 Audited consolidated financial statements of House of Investments, Inc. and its subsidiaries
- Amendment to the company’s Articles of Incorporation and By Laws to change the corporate name, principal address and authorize the board to determine the amount of per diem to be paid.
- Amendment to the company’s manual corporate governance.
- Elections of members of the board of directors for the year 2014-2015
- Re-appointment of SGV & Co., as external auditors for the fiscal year ending 2014
- Election of officers of House of Investments, Inc. and the appointment of Chairmen/members of the various committees.
- Appointment of Atty. Ma. Elvira Bernadette C. Garcia-Gonzalez, assistant corporate secretary, effective July 17, 2014.
- Resignation of Amb. Isabel car Wilson, independent director, effective immediately.

October 2, 2014

- Second Quarter Consolidation Report (SEC 17Q) of House of Investments, Inc.
- Declaration of PhP 2,947,470.34 (PHILIPPINE PESOS TWO MILLION NINE HUNDRED FORTY SEVEN THOUSAND FOUR HUNDRED SEVENTY AND THIRTY FOUR

- CENTAVOS) cash dividends to the preferred stockholders of HI covering the 3rd quarter of 2014 (July 2014 to September 2014). The equivalent dividend per preferred share is PhP 0.003258. The record date is October 30, 2014 and the payment date is November 20, 2014.
- Redemption of 2 ½% (two and one half percent) of 904,687,028 shares of preferred stock of House of Investments, representing 22,617,176 (TWENTY TWO MILLION SIX HUNDRED SEVENTEEN THOUSAND ONE HUNDRED SEVENTY SIX) preferred shares at PhP 0.40 per share, amounting to PhP 9,046,870.40 (PHILIPPINE PESOS NINE MILLION FORTY SIX THOUSAND EIGHT HUNDRED EVENTY and FORTY CENTAVOS). The record date is October 30, 2014 and the payment date is November 21, 2014.
 - Election of Mr Juan B. Santos, independent director, effective October 2, 2014.

December 4, 2014

- Third Quarter Consolidation Report (SEC 17Q) of House of Investments, Inc.
- Declaration of PhP 2,898,481.53 (PHILIPPINE PESOS TWO MILLION EIGHT HUNDRED NINETY EIGHT THOUSAND FOUR HUNDRED EIGHTY ONE AND FIFTY THREE CENTAVOS) cash dividends to the preferred stockholders of HI covering the 4th quarter of 2014 (October 2014 to December 2014). The equivalent dividend per preferred share is PhP 0.03286. The record date is December 29, 2014 and the payment date is January 23, 2015.
- Redemption of 2 ½% (two and one half percent) of 882,069,852 shares of preferred stock of House of Investments, representing 22,051,746 (TWENTY TWO MILLION FIFTY ONE THOUSAND SEVEN HUNDRED FORTY SIX) preferred shares at PhP 0.40 per share, amounting to PhP 8,820,698.52 (PHILIPPINE PESOS EIGHT MILLION EIGHT HUNDRED TWENTY THOUSAND SIX HUNDRED NINETY EIGHT and FIFTY TWO CENTAVOS). The record date is December 29, 2014 and the payment date is January 27, 2015.

March 20, 2015

- Approval of the 2014 Audited Financial Statements of House of Investments, Inc. and its subsidiaries.
- Declaration of PhP 2,983,402.81 (PHILIPPINE PESOS TWO MILLION NINE HUNDRED EIGHTY THREE THOUSAND FOUR HUNDRED TWO AND EIGHTY ONE CENTAVOS) cash dividends to the preferred stockholders of HI covering the 1st quarter of 2015 (January 2015 to March 2015). The equivalent dividend per preferred share is PhP 0.003469. The record date is April 17, 2015 and the payment date is May 12, 2015.
- Redemption of 2 ½% (two and one half percent) of 860,018,106 shares of preferred stock of House of Investments, representing 21,500,452 (TWENTY ONE MILLION FIVE HUNDRED THOUSAND FOUR HUNDRED FIFTY TWO) preferred shares at PhP 0.40 per share, amounting to PhP 8,600,181.06 (PHILIPPINE PESOS EIGHT MILLION SIX HUNDRED THOUSAND ONE HUNDRED EIGHTY ONE and SIX CENTAVOS). The record date is April 17, 2015 and the payment date is May 13, 2015.
- Annual stockholders' meeting of the company will be held on July 17, 2015 at 2:30pm at the RCBC Plaza, Ayala Avenue corner Gil Puyat Avenue, Makati City, Metro Manila. The Company has fixed June 17, 2015 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 ____, 2015.

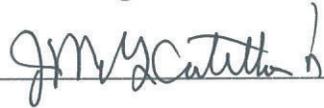
IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this APR 29 day of April, 2015 at Makati City.

By:

Medel T. Nera
President & CEO



Jose Ma. G. Castillo, III
SVP-Finance & Treasurer and
Compliance & Chief Information Officer



Maria Teresa T. Bautista
AVP – Finance & Controller



Atty. Samuel V. Torres
Corporate Secretary



APR 29 2015

CITY OF MAKATI

SUBSCRIBED AND SWORN to before me this ____ day of ____ 2015, at ____.
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
Jose Ma. G. Castillo III	PN#EB143712	4-14-2012 Manila / 4-13-2017
Maria Teresa T. Bautista	DL#692094899	11-20-2014 Makati / 11-23-2017
Atty. Samuel V. Torres	DL#1383001463	1-6-2015 QC / 11-10-2017

Doc. No. 14 ;
Page No. 24 ;
Book No. 277 ;
Series of 2015

RUBEN P.M. RAMIREZ
NOTARY PUBLIC
UPN # DEC 31, 2015
2734 M. AURORA ST., MAKATI CITY
APPT. NC. M-17 (2014-2015)
IBP NO. 978780 / CY-2015
ROLL NO. 28947/MCLE-4 NO 0006324/6-19-12
PTR NO. MKT 4750751/1-5-15 MAKATI CITY

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year: **2014**
2. Exact Name of Registrant as Specified in its Charter: **HOUSE OF INVESTMENTS, INC. ***
3. **3/F, Grepalife Bldg., 219 Gil J. Puyat Ave., Makati City, PHL** **1200**
Address of Principal Office Postal Code
4. SEC Identification Number: **15393**
5.  (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number: **000-463-069-000**
7. **(63-2) 815 9636**
Issuer's Telephone number, including area code
8. **N.A.**
Former name or former address, if changed from the last report

* Full name as specified in its Charter: "House of Investments, Inc. doing Business also under the names of Honda Cars Quezon City, Honda Cars Manila, Honda Marikina, Honda Cars Fairview, Honda Cars Tandang Sora, Honda Cars Marcos Highway, Isuzu Manila, Isuzu Commonwealth, Isuzu Greenhills, Isuzu Leyte". **IN THIS REPORT, "HOI" or "COMPANY" ARE USED FOR BREVITY WHEN REFERRING TO "HOUSE OF INVESTMENTS, INC."**.

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	ELEVEN (11)
---	--------------------

Actual number of Directors for the year	ELEVEN (11)
---	--------------------

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
Amb. Alfonso T. Yuchengco	NED	NA*	Nomination Committee	2005	July 2014	07/17/14 AGM	9 yrs
Helen Y. Dee	ED	NA*	Nomination Committee	2001	July 2014	07/17/14 AGM	13 yrs
Yvonne S. Yuchengco	NED	NA*	Nomination Committee	2007	July 2014	07/17/14 AGM	6 yrs
Atty. Wilfrido E. Sanchez	NED	NA*	Nomination Committee	2000	July 2014	07/17/14 AGM	13 yrs
Medel T. Nera	ED	NA*	Nomination Committee	2011	July 2014	07/17/14 AGM	3 yrs
Dr. Reynaldo B. Vea	NED	NA*	Nomination Committee	2010	July 2014	07/17/14 AGM	4 yrs
Renato C. Valencia	ID	NA*	VIRGINIA RANCES No Relation	2005	July 2014	07/17/14 AGM	8 yrs
Roberto F. de Ocampo, OBE	ID	NA*	VIRGINIA RANCES No Relation	2000	July 2014	07/17/14 AGM	14 yrs
Antonino L. Alindogan, Jr.	ID	NA*	VIRGINIA RANCES No Relation	2006	July 2014	07/17/14 AGM	8 yrs
Francisco H. Licuanan, III	ID	NA*	VIRGINIA RANCES No Relation	2006	July 2014	07/17/14 AGM	8 yrs
Juan B. Santos	ID	NA*	Nomination Committee	2014	Oct 2014	10/2/14 Regular	5 mos

* NOT APPLICABLE SINCE NONE OF THE DIRECTORS ARE NOMINEES OF ANY PRINCIPAL

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities. **Continued in the next Page 5-A**

(c) How often does the Board review and approve the vision and mission? **The Board reviews and approves the Company's vision and mission annually to ensure: (i) consistency with its corporate governance policies and business strategies, (ii) equitable treatment of all stakeholders of the Company, especially the protection of rights and interests of minority shareholders.**

(d) Directorship in Other Companies

(i) Directorship in the Company's Group² - **Continued in the next Page 5-B**

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted.

¹ Reckoned from the election immediately following January 2, 2012.

² The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities. – **Adopted in the Company's CORPORATE GOVERNANCE MANUAL, Revised and dated July 4, 2014:**

(1) PROTECTION OF RIGHTS AND EQUAL TREATMENT OF ALL COMPANY STAKEHOLDERS (Article 1, page 1): “Company Stakeholders include all HOI stockholders and other parties that have some form of interest or dealings with the Company, such as creditors, investors, borrowers, suppliers, employees, social communities, etc. Stockholders’ rights include (a) the right to vote on all matters that require their consent or approval, (b) pre-emptive rights to all stock issuances of the Company, (c) the right to inspect the books and records of the Company, (d) the rights to information, dividends, and appraisals. The Board is responsible for promoting these rights, the removal of impediments to the exercise of these rights, and to provide adequate avenues that will allow stockholders to seek timely redress for any breach of their rights.”

(2) TRANSPARENCY (Section F, page 27): Full Company transparency is observed through (a) timely submissions of all reports/disclosures required by all regulatory bodies, (b) public disclosure of any material information about the Company, such as earnings results, acquisition/disposition of assets, changes in ownership, and other matters as determined by the SEC, PSE, and other regulatory agencies, (c) disclosure of matters regarding remuneration of Directors and Senior Management and corporate strategies, (d) disclosures through the appropriate or prescribed procedures/avenues.

(3) RESPONSIBILITIES AND DUTIES OF THE BOARD (Section F, page 9): The primary responsibility of the Board is the proper governance of the Company in order to achieve long-term success and sustained profitability. The specific Board responsibilities are (a) oversee Management’s operational and financial performance of its various businesses, (b) provide strategic planning and guidance for the Company, (c) ensure the implementation of an effective risk management program across the organization, (d) establish a stakeholder relations program, (e) ensure that adequate internal control systems are in place, (f) develop a succession planning program for key Management positions.

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent) Indicate if director is also the Chairman
Amb. Alfonso T. Yuchengco	Pan Malayan Management & Investment Corp.	ED - Chairman
	EEl Corporation	NED – Chairman
	Mapua Institute of Technology (MCI)	NED – Chairman
	Malayan Colleges Laguna, Inc.	NED - Chairman
	Honda Cars Kalookan, Inc.	NED - Chairman
Helen Y. Dee	Mapua Information Technology Center	NED - Chairman
	Manila Memorial Park Cemetery, Inc.	NED - Chairman
	Landev Corporation	NED - Chairman
	HI-Eisai Pharmaceutical, Inc.	NED - Chairman
	Pan Pacific Computer Center, Inc.	NED - Chairman
	Malayan High School Science, Inc.	NED - Chairman
	Pan Malayan Management & Investment Corp.	ED
	La Funeraria Paz Suat, Inc.	NED
	EEl Corporation	NED
	iPeople, inc.	NED
	Mapua Institute of Technology (MCI)	NED
	Honda Cars Kalookan, Inc.	NED
	South Western Cement Corporation	NED
	Lo-oc Limestone Development Corp.	NED
	T'boli Agro-Industrial, Inc.	NED
Yvonne S. Yuchengco	Pan Malayan Management & Investment Corp.	ED
	iPeople, inc.	NED
	Mapua Institute of Technology (MCI)	NED
	People eServe Corp.	NED
	Malayan High School Science, Inc.	NED
	Honda Cars Kalookan, Inc.	NED
	Pan Pacific Computer Center, Inc.	NED
	Malayan Colleges Laguna, Inc.	NED
Manila Memorial Park Cemetery, Inc.	NED	
La Funeraria Paz Suat, Inc.	NED	
Medel T. Nera	Hexagon Lounge	NED - Chairman
	Greyhounds Security & Investigation Agency	NED - Chairman
	South Western Cement Corporation	NED - Chairman
	Zamboanga Industrial Finance Corp.	NED - Chairman
	Honda Cars Kalookan, Inc.	NED
	Xamdu Motors, Inc.	NED
	EEl Corporation	NED
	Manila Memorial Park Cemetery, Inc.	NED
	Landev Corporation	NED
	iPeople, inc.	NED
	Mapua Institute of Technology (MCI)	NED
	Malayan Colleges Laguna, Inc.	NED
	Investment Managers, Inc.	NED
	Mapua Information Technology Center	NED
Mapua Techserv, Inc.	NED	
Dr. Reynaldo B. Vea	Mapua Institute of Technology (MCI)	ED
	Malayan Colleges Laguna, Inc.	ED
	Malayan High School Science, Inc.	ED
	Mapua Information Technology Center	ED
Renato C. Valencia	iPeople, inc.	ID - Chairman
Roberto F. de Ocampo, OBE	EEl Corporation	ID
Atty. Wilfrido E. Sanchez	EEl Corporation	NED

(ii) Directorship in Other Listed Companies: Continued in the next Page 6-A

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Helen Y. Dee	Amb. Alfonso T. Yuchengco	Ms. H.Y.Dee and Ms. Y.S.Yuchengco are daughters of Amb. Alfonso T. Yuchengco
Yvonne S. Yuchengco		

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? **NO**. In particular, is the limit of five board seats in other publicly listed companies imposed and observed? **NO**. If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	None	NONE
Non-Executive Director		NONE
CEO		NONE

(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Amb. Alfonso T. Yuchengco	Common: 794,450		0.1289 %
	Preferred: 481,728,614		51.00 %
Helen Y. Dee	Common: 1,125,345	Common: 528,520 /thru HYDEE Mgt. & Resources	0.2685 %
Yvonne S. Yuchengco	Common: 90,255		0.0146 %
Atty. Wilfrido E. Sanchez	Common: 5		0.0000 %
Medel T. Nera	Common: 5		0.0000 %
Dr. Reynaldo B. Veja	Common: 5		0.0000 %
Renato C. Valencia	Common: 1,000		0.0002 %
Roberto F. de Ocampo, OBE	Common: 5		0.0000 %
Antonino L. Alindogan, Jr.	Common: 500		0.0001 %
Francisco H. Licuanan, III	Common: 500		0.0001 %
Juan B. Santos	Common: 5		0.0000 %
TOTAL – Common Shares *	2,012,075	528,520 = 2,540,595 shares	0.4125 %
TOTAL – Preferred Shares *	481,728,614	= 481,728,614 shares	51.00 %

* TOTAL NUMBER OF ISSUED & OUTSTANDING: COMMON SHARES AS OF DEC. 31, 2014: 615,896,757 shares
PREFERRED SHARES AS OF DEC. 31, 2014: 951,676,032 shares

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes

No

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Amb. Alfonso T. Yuchengco	Rizal Commercial Banking Corp. (RCBC)	NED – Honorary Chairman
Helen Y. Dee	Rizal Commercial Banking Corp. (RCBC)	ED - Chairperson
	National Reinsurance Corp. of the Phils.	NED - Chairperson
	Petro Energy Resources Corp.	NED - Chairperson
	PLDT	NED
	Seafront Resources Corp.	NED - Chairperson
Yvonne S. Yuchengco	Rizal Commercial Banking Corp. (RCBC)	NED
	Petro Energy Resources Corp.	NED
	Seafront Resources Corp.	NED
	National Reinsurance Corp. of the Phils.	NED
Medel T. Nera	Rizal Commercial Banking Corp. (RCBC)	NED
	Seafront Resources Corp.	NED
	National Reinsurance Corp. of the Phils.	ID
Renato C. Valencia	Roxas Holdings, Inc.	ED
	Roxas & Company, Inc.	ID
	Anglo Philippine Holdings Corp.	ID
	Metrobank	ID
	Vulcan Industrial & Mining Corp.	ID
Wilfrido E. Sanchez	LT Group, Inc.	ID
	Universal Robina Corp.	NED
Juan B. Santos	Phinma Corp.	NED
	PLDT	NED
	Philex Mining Corp.	NED
	First Phil Holdings Corp.	ID
Roberto F. de Ocampo, OBE	Bankard, Inc.	ID
	Robinsons Land Corp.	ID
	Phinma Corp.	ID
	DFNN, Inc.	ID
	SPC Power Corp.	ID
Antonino L. Alindogan, Jr.	Rizal Commercial Banking Corp. (RCBC)	ID
	PAL Holdings, Inc.	ID
	LT Group, Inc.	ID
	Bankard, Inc.	ID
Dr. Reynaldo B. Ve	Seafront Resources Corp.	NED

Identify the Chair and CEO:

Chairman of the Board	HELEN Y. DEE
CEO/President	MEDEL T. NERA

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	(1) Ensures Board meetings are held and supervises agenda preparation in cooperation w/ Corp. Sec., (2) Maintains qualitative and timely communication between the Board and Management, (3) Leads the Board in ensuring Company compliance with good governance policies mandated by SEC/PSE.	(1) Leads Management in executing Board's business strategies/plans/targets to achieve operational efficiency and profitability, (2) Fosters good governance policies – increased balance of functions between the Board and Management and stronger accountability
Accountabilities	Accountable to HOI stakeholders for the Company's long-term success and consistent profitability to enhance shareholder value	Accountable to the Board for the effective execution, supervision and monitoring of the Company's business strategies/plans/targets
Deliverables	(1) Regular Board meetings are held, (2) Establish programs that will improve Corporate Governance Policies to sustain the Company's long-term success and profitability.	(1) Timely provide the Board with regular status reports on Company operations, financial condition, prospects, and other significant business matters, including issues that need to be addressed urgently

3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions? – **Explained in the next Page 7-A**

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain. – **YES. The HOI's Corporate Governance Manual contains specific provisions regarding qualifications of Directors that ensure the diversity of experience and background of the Directors.**

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain. – **YES. The qualifications required of Company Directors include the qualifications mandated in SEC Memorandum Circular No. 6, Series of 2009, Article 3 – D (iii) – "Qualifications of Directors".**

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

Explained in the next Page 7-A

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Explained in the next Page 7-A

Does the company have a term limit of five consecutive years for independent directors? **YES.** If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? **NO.** Please explain. **The Company adopted the SEC mandatory term limits for INDEPENDENT DIRECTORS (5 year term, 2 year cool off, another 5 year term, then permanently barred from serving as Independent Director of the Company).**

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Amb. Isabel Caro Wilson	Independent Director	July 17, 2014	Resignation/Personal

3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions? – **The succession planning program of the Board of Directors requires hiring the under- study of a retiring CEO/key management officer at least 1 year prior to the scheduled retirement of the officer. The retiring key management officer is also requested by the Board to continue working for the Company as a consultant. The Board adopted these measures to ensure the smooth transition of responsibilities.**

4) Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	<ol style="list-style-type: none"> 1. Design, develop, implement strategic objectives, plans, policies, procedures that shall guide and direct the activities of the Company according to principles of good corporate governance 2. Establish control mechanisms to ensure Company’s day-to-day operations, managing committees and staff are monitored consistently. 	<ol style="list-style-type: none"> 1. Challenge constructively and contribute to the development of Company’s strategic plans 2. Scrutinize the performance of management in meeting agreed goals and objectives. 3. Ascertain that financial controls and risk management systems are robust and effective 4. Determine appropriate levels of remuneration of EDs, play key roles in appointing, removal or replacement, succession plan of senior management 	<ol style="list-style-type: none"> 1. Bring an objective, outside perspective on the Company’s strategy/control measures 2. Contribute skills and expertise that may not be available within Company resources 3. Ensure objective policies on hiring and promotions in the Company 4. Act as the balancing element between Board members and Senior Management
Accountabilities	Accountable to Board of Directors and Shareholders of the Company		
Deliverables	Implementation of Company’s strategic plans to attain long term success and consistent profitability, to increase shareholder value	Establishment of control measures that will ensure the Company’s operations are in accordance with good corporate governance practices	Establishment of policies and procedures that allow new and independent ideas to improve the Company’s operations and financial results

Provide the company’s definition of “independence” and describe the company’s compliance to the definition. - **The Company’s definition of INDEPENDENCE is “freedom from any business or other relationship that could or could be reasonably perceived to materially interfere with the exercise of independent judgment in carrying out a director’s responsibilities.” The Independent Directors nominated and elected to the Board are neither officers nor employees (consultants or retainers – legal or otherwise) of the Company nor any of its affiliates, and do not have any relationship with the Company which could interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Nomination Committee passed upon their qualifications and found no disqualifications, as provided for in the By-Laws and in accordance with SRC Rule 38.”**

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	All nominations shall be submitted to/received at the principal office of the Company at least 10 days prior to the scheduled date of the ASM and addressed to the attention of the Corp. Sec. The Nomination Committee will then assess their qualifications before submitting to the BOD for election during the ASM.	The criteria or qualifications of the BOD are specified in HOI's Corporate Governance Manual, page 5, Section D – "Qualification of Directors".
(ii) Non-Executive Directors		
(iii) Independent Directors		
b. Re-appointment		
(i) Executive Directors	The Board, through the recommendation of the Nomination Committee will approve the re-appointment of a director.	The criteria or qualifications of the BOD are specified in HOI's Corporate Governance Manual, page 5, Section D – "Qualification of Directors".
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors	The Board, through the recommendation of the Nomination Committee will approve the permanent disqualification of a director, specified in HOI's Corp. Governance Manual, page 6, Section E-1, "Permanent Disqualification".	The criteria or qualifications of the BOD are specified in HOI's Corporate Governance Manual, page 6, Section E-1 – "Permanent Disqualification of Directors".
(ii) Non-Executive Directors		
(iii) Independent Directors		
d. Temporary Disqualification		
(i) Executive Directors	The Board, through the recommendation of the Nomination Committee will approve the temporary disqualification of a director, specified in HOI's Corp. Governance Manual, page 8, Section E-2, "Temporary Disqualification".	The criteria or qualifications of the BOD are specified in HOI's Corporate Governance Manual, page 8, Section E-2 – "Temporary Disqualification of Directors".
(ii) Non-Executive Directors		
(iii) Independent Directors		
e. Removal		
(i) Executive Directors	The Board, through the recommendation of the Nomination Committee will approve the removal of a director, specified in HOI's Corp. Governance Manual, page 6, Section E, "Disqualification of Directors".	The criteria or qualifications of the BOD are specified in HOI's Corporate Governance Manual, page 6, Section E – "Disqualification of Directors".
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	The Board, through the recommendation of the Nomination Committee will approve the re-instatement of a director.	The criteria or qualifications of the BOD are specified in HOI's Corporate Governance Manual, page 5, Section D – "Qualification of Directors".
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	The Board, through the recommendation of the Nomination Committee will approve the suspension of a director, specified in HOI's Corp. Governance Manual, page 6, Section E, "Disqualification of Directors".	The criteria or qualifications of the BOD are specified in HOI's Corporate Governance Manual, page 6, Section E – "Disqualification of Directors".
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting - **Explained in the next Page 8-A**

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any. **Explained in the next Page 8-A**

Voting Result of the last Annual General Meeting - 2014

Name of Director	Votes Received
Amb. Alfonso T. Yuchengco	1,353,271,683
Helen Y. Dee	1,353,271,683
Yvonne S. Yuchengco	1,353,271,683
Medel T. Nera	1,353,271,683
Dr. Reynaldo B. Vea	1,353,271,683
Atty. Wilfrido E. Sanchez	1,353,271,683
Roberto F. de Ocampo, OBE	1,353,271,683
Renato C. Valencia	1,353,271,683
Antonino L. Alindogan, Jr.	1,353,271,683
Francisco H. Licuanan III	1,353,271,683

- (a) Disclose details of the company's orientation program for new directors, if any. – **New directors, if any, are required to have undergone the SEC minimum requirements for new directors, such as attendance of SEC Corporate Governance Seminars, SEC/PSE Seminars on Required Disclosures, etc. within 6 months after assuming their positions.**

- (b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years: **“Corporate Governance”, SGV, March 2014**
“Corporate Governance”, Atty. Justina F. Callangan, June 2012
“Accounting for Non-Accountants”, SGV, November 2012
- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.
None

B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company’s policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	All HOI Directors/Employees have a duty to be entirely free from conflicting interests when representing the Company in any/all business transactions.		
(b) Conduct of Business and Fair Dealings	All HOI Directors/Employees have a duty to conduct business fairly and free from any manipulation, concealment, abuse of privileged information, misrepresentation.		
(c) Receipt of gifts from third parties	All gifts received from 3 rd parties shall be surrendered to the HR Dept. for proper disposition based on established policies on gift amounts, nature of gifts, etc.		
(d) Compliance with Laws & Regulations	All HOI Directors/Employees have a duty to comply with all laws/regulations of jurisdictions that they fall under, both local and international.		
(e) Respect for Trade Secrets/ Use of Non-public Information	All HOI personnel should mark and identify tangible docs/verbal information as proprietary or confidential and take proper steps in storing and transmitting such.		
(f) Use of Company Funds, Assets and Information	All HOI personnel must protect Company assets and ensure its efficient use, avoiding theft/waste or incidents that have a negative impact on HOI’s profitability.		
(g) Employment & Labor Laws & Policies	All personnel policies are updated and always in accordance with all Employment & Labor Laws of the proper jurisdictions.		
(h) Disciplinary action	Disciplinary actions include warnings to terminations of employment, depending on the incidents and after observance of due process in each case.		
(i) Whistle Blower	The Company’s Whistleblower Policy is intended to provide guidelines in properly handling the report of suspected/actual wrongdoings without fear of retribution.		
(j) Conflict Resolution	The Good Governance Committee is responsible for the amicable resolution or settlement of conflicts between the Company, stockholders, third parties, etc.		

- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? **YES.**
- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct. – **The Company’s Internal Audit, Risk Management, and HR Departments, together with the Company’s Legal Counsel, coordinate and work closely together to ensure implementation of and compliance with the Company’s Code of Business Conduct and Ethics. Monitoring of compliance is part of Internal Audit’s Program performed regularly and violations, IF ANY, are reported, investigated, and properly sanctioned as deemed necessary.**
- 4) Related Party Transactions
- (a) Policies and Procedures

Describe the company’s policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

³ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Related Party Transactions	Policies and Procedures
(1) Parent Company	<p>This pertains to management and professional fees charged by the Parent Company for administering the subsidiaries' operations. These are non-interest bearing and payable on demand. These are properly disclosed in the audited financial statements submitted to gov't regulatory agencies.</p> <p>All transactions with joint ventures, subsidiaries, entities under common control, substantial stockholders, officers, directors strictly adhere to the policy of "arms-length" dealings. Any debts obtained from RCBC are subject to BSP provisions regarding DOSRI accounts. All related party transactions are properly disclosed according to the requirements of regulatory bodies.</p>
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	NONE
Name of Officer/s	NONE
Name of Significant Shareholders	NONE

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	The Good Governance Committee is responsible for resolving possible conflicts of interest between the Company/group, directors, officers, significant shareholders.
Group	

5) Family, Commercial and Contractual Relations -

(a) Indicate, if applicable, any relation of a family,⁴ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
NONE	NONE	NONE

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

Names of Related Significant Shareholders	Type of Relationship	Brief Description
NONE	NONE	NONE

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
NONE	NONE	NONE

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Alternative Dispute Resolution System	
Corporation & Stockholders	The Good Governance Committee is responsible for resolving possible conflicts of interest between the Company/group, stockholders, 3 rd parties, regulatory authorities. There have been no known disputes for the last 3 years.
Corporation & Third Parties	
Corporation & Regulatory Authorities	

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year? **YES.**

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Helen Y. Dee	July 17, 2014	9	9	100%
Member	Amb. Alfonso T. Yuchengco	July 17, 2014	9	6	67%
Member	Yvonne S. Yuchengco	July 17, 2014	9	8	89%
Member	Atty. Wilfrido E. Sanchez	July 17, 2014	9	8	89%
Member	Medel T. Nera	July 17, 2014	9	9	100%
Member	Dr. Reynaldo B. Veal	July 17, 2014	9	8	89%
Independent	Renato C. Valencia	July 17, 2014	9	9	100%
Independent	Roberto F. de Ocampo, OBE	July 17, 2014	9	7	78%
Independent	Antonino L. Alindogan, Jr.	July 17, 2014	9	8	89%
Independent	Francisco H. Licuanan, III	July 17, 2014	9	7	78%
Independent	Juan B. Santos	Oct. 2, 2014	1	1	100%

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? **NO.**

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain. **YES. The minimum quorum requirement of 2/3 of board members was adopted to ensure the equitable treatment of all shareholders and to comply with SEC requirements.**

5) Access to Information

- (a) How many days in advance are board papers⁵ for board of directors meetings provided to the board? **15 days**
- (b) Do board members have independent access to Management and the Corporate Secretary? **YES.**
- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc? **Explained in the next Page 12-A**
- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative. **YES.**
- (e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes No

Committee	Details of the procedures
Executive	Materials for Committee meetings are always given in advance to the Committee members for their review and preparation. Committee members may also request for copies directly from the Committee Chairpersons. Members are also allowed to seek external or professional advice (Company expense) to prepare them for active participation in meetings.
Audit	
Nomination	
Remuneration	
Others: GOOD GOVERNANCE	
Others : RISK MANAGEMENT	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
Company's Directors may request for external advice, requests coursed through the Chairman of the Board.	A Company Director may request for external advice as may be deemed necessary. Such requests must state the purpose and estimated cost of the external advice.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
Not Applicable - There were no changes introduced on existing policies affecting Company business.		

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

⁵ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.?

The Corporate Secretary is responsible for keeping and preserving the integrity of the minutes of the stockholders', board, and all committee meetings; furnishes the President of the Company copies of all such minutes. Other duties include: (1) Serves as adviser of the Board, and assists the Board in making business judgements in good faith and in the performance of their responsibilities/obligations, (2) assists the Chairman in preparing the Board agenda and ensures Board members are updated of such, (3) facilitates training of directors and keeps directors updated regarding any relevant statutory and regulatory changes, (4) ensures that all Board procedures, policies are followed by Directors, (5) ensures compliance with Articles of Inc. and By-laws, and appropriate rules and regulations of governmental bodies, in coordination with the Compliance Officer.

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	<p>The CEO's Fixed Remuneration is based on his annual performance as assessed by the Board of Directors and recommended by the Remuneration Committee. The other remunerations such as variable, per diem, bonus, and stock options are not applicable.</p>	<p>The Fixed Remuneration of the top 4 highest paid management officers are based on their annual job performance appraisals and Key Results Areas (KRAs) agreed on at the start of each year. The other remunerations such as variable, per diem, bonus, and stock options are not applicable.</p>
(2) Variable remuneration		
(3) Per diem allowance		
(4) Bonus		
(5) Stock Options and other financial instruments		
(6) Others (specify)		

- 2) Remuneration Policy and Structure for Executive and Non-Executive Directors
 Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The Remuneration Policy of Executive Directors is Fixed and based on recommendations of the Remuneration Committee.		
Non-Executive Directors	The Remuneration Policy of the Non-Executive Directors is on a per diem basis and based on recommendations of the Remuneration Committee.		

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
<p>YES, total remuneration of the Board of Directors is disclosed in the Company's Annual Report submitted to all stockholders who approve and ratify all acts and resolutions of the Board during the Annual Stockholders' Meetings.</p>	July 17, 2014
	July 19, 2013
	July 20, 2012

- 3) Aggregate Remuneration
 Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors & Senior Officers*	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration			
(b) Variable Remuneration			
(c) Per diem Allowance		247,000	488,000
(d) Bonuses			
(e) Stock Options and/or other financial instruments			

(f) Others (Specify)			
Total	P 36.8 Million	247,000**	488,000**

* SENIOR OFFICERS = ASSISTANT VICE PRESIDENT AND UP

** As of Oct 4, 2014, Directors' per diem is P25,000/board meeting and P10,000/P5,000/sub-committee meeting.

Other Benefits	Executive Directors & Senior Officers*	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	NONE	NONE	NONE
2) Credit granted	NONE	NONE	NONE
3) Pension Plan/s Contributions	NONE	NONE	NONE
(d) Pension Plans, Obligations incurred	NONE	NONE	NONE
(e) Life Insurance Premium	P774,620	NONE	NONE
(f) Hospitalization Plan		NONE	NONE
(g) Car Plan	P2,813,756	NONE	NONE
(h) Others (Specify)	NONE	NONE	NONE
Total	P3,588,376	NONE	NONE

* SENIOR OFFICERS = ASSISTANT VICE PRESIDENT AND UP

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
NONE	NONE	NONE	NONE	NONE

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
NONE	NONE	NONE

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Alexander A. G. Galang - SVP	P 10.2 Million
Ruth C. Francisco - SVP	
Elsie P. Maglaya - VP	
Ma. Esperanza F. Joven - VP	
Ma. Elisa Elvina De Lara - VP	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non Executive Director (NED)	Independent Director (ID)				
Executive	2	1	1	No	<u>Please see next page 15-A</u>		
Audit		1	2	Yes			
Nomination		1	2	No			
Remuneration		1	2	No			
Others: GOOD GOVERNANCE		1	2	No			
Others: RISK MANAGEMENT		2	2	Yes			

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Helen Y. Dee	July 17, 2014	1	1	100%	13 yrs
Member (ED)	Medel T. Nera	July 17, 2014	1	1	100%	3 yrs
Member (NED)	Wilfrido E. Sanchez	July 17, 2014	1	1	100%	7 yrs
Member (ID)	Renato C. Valencia	July 17, 2014	1	1	100%	9 yrs

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each Committee, its functions, key responsibilities, and the power/ authority delegated to it by the Board:

Committee	Functions	Key Responsibilities	Power
Executive	To lead the Company operations, develop its organizational culture.	To design, develop, implement strategic plans for the Company - cost-effective, efficient	To act and pass upon matters as the Board may entrust to it for action
Audit	To act as an operating committee to oversee financial reporting, disclosure	To assist the Board in oversight of financial reporting, internal control, external audit, compliance with regulatory requirements, etc.	To recommend external auditor, lead internal audit activities
Nomination	To act as an electoral body with main purpose of evaluating prospective Board members, senior officers of Company	Pre-screen, shortlist nominees for Director and senior mgt positions	To accept/disqualify nominations for Directors, senior management positions
Remuneration	To act as policy making body on remuneration of Directors, senior officers	To establish formal, transparent policies on remuneration of Directors, senior officers	To recommend compensation packages of Directors, senior officers
Others: GOOD GOVERNANCE	To act as framers of rules on how to govern the Company according to Good CG policies and best practices	To ensure the Board's effectiveness and compliance with Good CG policies and best practices.	To recommend to the Board plans, programs of continuing CG policies and best practices
Others : RISK MANAGEMENT	To oversee the system of limits, authority delegated to management to ensure systems are effective, etc.	To oversee and develop the Company's risk mgt program.	To implement the Company's overall risk management program.

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Roberto F. de Ocampo, OBE	July 17, 2014	4	4	100%	13 yrs
Member (NED)	Atty. Wilfrido E. Sanchez	July 17, 2014	4	4	100%	13 yrs
Member (ID)	Antonino L. Alindogan, Jr.	July 17, 2014	4	3	75%	8 yrs

Disclose the profile or qualifications of the Audit Committee members.

Explained in the next Page 16-A

Describe the Audit Committee's responsibility relative to the external auditor- **The Audit Committee is responsible for the selection of the external auditor to be contracted to conduct the review of the financial statements of the Company so that the external auditor may express an opinion on whether the Company's financial statements were prepared in accordance with Philippine Financial Reporting Standards. The Audit Committee is also responsible for the review of the results of the audit conducted by the external auditor, to be submitted to the Board of Directors for approval and submission to government regulatory agencies.**

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman(NED)	Wilfrido E. Sanchez	July 17, 2014	1	1	100%	11 yrs
Member (ID)	Roberto F. de Ocampo, OBE	July 17, 2014	1	1	100%	11 yrs
Member (NED)	Yvonne S, Yuchengco	July 17, 2014	1	1	100%	1 yr

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Atty. Wilfrido E. Sanchez	July 17, 2014	1	1	100%	13 yrs
Member (ID)	Renato C. Valencia	July 17, 2014	1	1	100%	9 yrs
Member (ID)	Antonino L. Alindogan, Jr.	July 17, 2014	1	1	100%	8 yrs

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Explained in the next Page 16-A

Disclose the profile or qualifications of the Audit Committee members.

Mr. Roberto F. de Ocampo, OBE, Chairman of the Audit Committee, was a former Secretary of Finance of the Republic of the Philippines, and he was also a Member of the Board of Governors of the World Bank and the Asian Development Bank.

Mr. Antonino L. Alindogan, Jr., Member of the Audit Committee, was a former Member of the Monetary Board of the Bangko Sentral ng Pilipinas, and he was also the Chairman of the Development Bank of the Philippines.

Atty. Wilfrido E. Sanchez, Jr., Member of the Audit Committee, was a former Head of the Tax Division of SGV & Co. and currently holds the following positions: Director of EEI Corp, RCBC, partner of Quiason, Makalintal, Barot, Torres, Ibarra Law Offices.

(e) Good Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman(NED)	Atty. Wilfrido E. Sanchez	July 17, 2014	1	1	100%	9 yrs
Member (ID)	Renato C. Valencia	July 17, 2014	1	1	100%	9 yrs
Member (ID)	Antonino L. Alindogan, Jr.	July 17, 2014	1	1	100%	8 yrs

(f) Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Antonino L. Alindogan, Jr.	July 17, 2014	3	2	66.7%	8 yrs
Member (ID)	Renato C. Valencia	July 17, 2014	3	3	100%	9 yrs
Member (NED)	Atty. Wilfrido E. Sanchez	July 17, 2014	3	3	100%	9 yrs
Member (NED)	Yvonne S. Yuchengco	July 17, 2014	3	2	66.7%	9 yrs

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	NONE	NOT APPLICABLE
Audit	NONE	NOT APPLICABLE
Nomination	Amb. Isabel Caro Wilson	Resignation
Remuneration	NONE	NOT APPLICABLE
Others: GOOD GOVERNANCE	NONE	NOT APPLICABLE
Others : RISK MANAGEMENT	NONE	NOT APPLICABLE

4) Work Done and Issues Addressed - **Explained in the next Page 17-A**

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive		
Audit		
Nomination		
Remuneration		
Others: GOOD GOVERNANCE		
Others : RISK MANAGEMENT		

5) Committee Program - **Explained in the next Page 17-A**

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive		
Audit		
Nomination		
Remuneration		
Others: GOOD GOVERNANCE		
Others : RISK MANAGEMENT		

F. RISK MANAGEMENT SYSTEM

1) Disclose the following: **Explained in the next Page 17-B**

- (a) Overall risk management philosophy of the company;
- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
- (c) Period covered by the review;
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
- (e) Where no review was conducted during the year, an explanation why not.

2) Risk Policy

(a) Company-

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

3) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	For effectiveness, the Executive Comm tasked a Management Committee to meet monthly to review operational + financial performance of subsidiaries and affiliates. The ManCom head is the Chairperson, other members are: Pres/CEO, VP-Finance, Controller, SVP-Int. Audit, Risk Officer	Monitored operational + financial performance of subsidiaries and affiliates; ensured budgets and plans were achieved.
Audit	The Audit Comm meets quarterly to review/monitor the effectiveness/ adequacy of Internal Control system + work plans.	Ensured adequacy of internal control systems, added strong control measures, compliance with all regulatory requirements
Nomination	Pre-screens/shortlists all candidates nominated as Director/Officers and ensures all their qualifications are in accordance with Corp. Gov. Manual and regulatory requirements.	Certified that elected Board members and officers possessed qualifications required and stated in the Corp. Gov. Manual.
Remuneration	Establishes a formal + transparent procedure for developing policies on executive remuneration and for fixing remuneration packages of all officers; oversees and monitors the remuneration of senior mgt. and key personnel for consistency.	Ensured that compensation of Board Directors and Senior Management was consistent with the Company culture and strategy.
Others- GOOD GOVERNANCE	Ensures effectiveness of the Board and due observance of CGov policies and guidelines; amicable settlement of any disputes/conflicts between the Company and stockholders, 3 rd parties, regulatory agencies.	Ensured CGov policies were updated regularly according to requirements and the Board of Directors continue to fulfill its CGov responsibilities.
Others- RISK MANAGEMENT	Adopted an enterprise-wide Risk Mgt. Framework and Manual of Policies and Procedures approved by the Board for implementation on the Company	Initiated Risk Mgt consciousness and understanding across the Company

4) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	1) diversify HOI portfolio + reduce reliance on 2 major subsidiaries by entering new businesses with strong growth/earnings potentials, 2) wind down businesses in sunset industries and invest proceeds in the identified new business ventures	1) find new businesses with strong long-term earning potentials, 2) identify businesses to divest and channel funds to new businesses, 3) back-up plans in case new ventures do not perform well
Audit	1) timely completion of scheduled work plans, 2) implement appropriate control systems	1) special tasks delay work plan completion, 2) adequate staffing needs to monitor control systems
Nomination	1) Review/update the selection process for the Directors and Senior Management	1) ensure candidates have the required qualifications
Remuneration	1) Review compensation structure of key officers and ensure competitiveness	1) industry competition continues to get stronger
Others- GOOD GOVERNANCE	1) Enhance the appraisal system of the Board of Directors and Senior Management	1) Evolving business environment requires knowledge + adjustment
Others- RISK MANAGEMENT	1) Full implementation of Risk Mgt across the Company	1) Risk mgt. consciousness is not adequate

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

a. Overall risk management philosophy of the company;

The Company is committed to pro-actively address all the inherent risks of its various businesses. Risks will be identified, assessed, and mitigated according to priority and nature of risks. The Company will either accept the risks, mitigate and minimize its impact, or transfer the risk to third parties.

b. A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Board of Directors through the Risk Management Committee is tasked to review and analyze the effectiveness of the Company's risk management system on a continuing basis. In 2014, the HI Chief Risk Officer, together with SGV, implemented the Enterprise Risk Management program for the Mapua Group. Highly leveraged risks inherent to the school's operations were identified. Corresponding action plans to mitigate risks were determined and implemented. These were established within specific time frames to ensure program implementation.

Risk Management efforts are reported to the Risk Management Committee and ultimately to the Board of Directors. The directors have reviewed the effectiveness of the risk management system and found them to be adequate.

c. Period covered by the review; 2014

d. How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

Quarterly, through the Risk Management Committee meetings.

e. Where no review was conducted during the year, an explanation why not.

Not Applicable.

Risk Exposure	Risk Management Policy	Objective
STRATEGIC	Avoid, Transfer, Mitigate, Accept the risk events, depending on the impact level of the risk event on the Company	For each risk exposure/category, identify specific risk events, assess their impact, apply mitigating measures, giving priority to high impact events; monitor risk event occurrences + add measures as appropriate; review effectiveness of program + adjust if necessary.
FINANCIAL		
OPERATIONAL		
COMPLIANCE		

(b) Group - **Explained in the next Page 18-A**

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
The minority shareholders may not be able to elect to position candidates that they want to be Directors of the Company, and objections, if any, that they may have to certain Board actions/decisions may be outvoted.

2) Control System Set Up- **Explained in the next Page 18-A**

a. Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)

b. Group - **Explained in the next Page 18-A**

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)

(a) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Foreign Exchange Risks	HOI's foreign exchange risks results from movements in the prevailing exchange rates between the Phil. Peso and the United States Dollar. The revenues and operating expenses of HOI are Peso denominated.	To minimize foreign exchange losses and maximize the earning potentials of HOI.
Liquidity Risks	Maintain a consistent level of funding to be able to finance day to day operations by constantly monitoring its projected cashflows on a weekly basis.	Manage liquidity to be able to service maturing debts, finance capital requirements, and finance current operations.
Business Continuity Risks	Members of the Executive Committee are accountable for establishing a sound business continuity program for the company.	To ensure that the appropriate measures are in place to minimize business interruption.

3) Control System Set Up-

a. Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
STRATEGIC	Each Risk Exposure is assessed/measured based on its impact to the Company, and risk exposures are prioritized based on their assessments.	Risk Mgt Dept. ensures that control measures are in place and remain effective; Internal Audit oversees implementation of risk mgt control measures.
FINANCIAL		
OPERATIONAL		
COMPLIANCE		

b. Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Foreign Exchange Risks	Each Risk Exposure is assessed/measured based on its impact to the Company, and risk exposures are prioritized based on their assessments.	Risk Mgt Dept. ensures that control measures are in place and remain effective; Internal Audit oversees implementation of risk mgt control measures.
Liquidity Risks		
Business Continuity Risks		

c. Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
AUDIT COMMITTEE	Audit processes shall be in accordance with the Internal Auditing Standards	Perform oversight functions on reports of internal/external audit processes
RISK MANAGEMENT COMM.	Risk management systems must be monitored/updated regularly.	Adopts mitigating measures for risk events to minimize losses from occurrences.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System - **Explained in the next Page 19-A**

Disclose the following information pertaining to the internal control system of the company:

- (a) Explain how the internal control system is defined for the company;
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
- (c) Period covered by the review;
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system;
- (e) Where no review was conducted during the year, an explanation why not.

2) Internal Audit

(a) Role, Scope and Internal Audit Function - **Explained in the next Page 19-A**

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor / Auditing Firm	Reporting process

(b) Do the appointment and/or removal of the Internal Auditor or the accounting/auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Explained in the next Page 19-A

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Explained in the next Page 19-A

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
MR. CARLO BAGSIK: Senior Manager	To manage his family business

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

- a. Explain how the internal control system is defined for the company; - **In accordance with HOI's Corporate Governance Manual, the set-up of adequate Internal Controls is the responsibility of Management. Specifically, the Internal Control Systems of HOI's divisions, subsidiaries, affiliates are established by "Process Owners" - the HEADS of the Company's divisions, subsidiaries, affiliates. The function of HOI's Group Internal Audit ("GIA") department is to provide an independent and objective review of the internal control measures as set up by Management. GIA is responsible for evaluating the adequacy and effectiveness of internal control measures and to recommend improvements, whenever necessary.**
- b. A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate; - **Based on HOI's Internal Audit Charter, the Audit Committee (a sub-committee of the Board of Directors) mandates the GIA to review the effectiveness and adequacy of internal control systems. The GIA performs this function and regularly reports its findings to the Audit Committee. The Audit Committee Chairman or Member informs the Board of the GIA Report, so that the Board can perform its own assessment of the Internal Audit systems. For the year 2014, HOI's Board assessed the Internal Control Systems to be generally effective and adequate.**
- c. Period covered by the review; - **From JANUARY 1, 2014 to DECEMBER 31, 2014.**
- d. How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; - **The review and assessment of internal controls is performed by the Audit Committee annually. The results of the assessment are validated by the Company's Compliance Officer to ensure compliance with updated reportorial requirements of various regulatory bodies.**
- e. Where no review was conducted during the year, an explanation why not. - **Not Applicable**

2) Internal Audit

- a. Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor / Auditing Firm	Reporting process
To conduct regular internal audits on the Company using Int'l. Standards for the Professional Practice of IA	IA has oversight duties over financial reporting, risk mgt, internal control, external audit activities of all departments, subsidiaries of the Company	All In-house, EXCEPT HOI's Information Technology Dep't, outsourced to an independent Outside Consultant	ALLAN G. GALANG	Functionally, Mr. Galang reports to the Audit Comm; Administratively, to the CEO

- b. Do the appointment and/or removal of the Internal Auditor or the accounting/auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? - **YES. The Audit Committee evaluates the performance of internal and external auditors and approves their appointment or removal, and subsequently endorsed to the Company's Board of Directors for final approval.**
- c. Discuss the internal auditor's reporting relationship with the audit committee. - **The authority of GIA emanates from the Audit Committee; the GIA is directly accountable to the Audit Committee.** Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel? **YES, as explicitly stated in the Company's Internal Audit Charter.**

e. Progress against Plans, Issues, Findings and Examination Trends

State the internal audit’s progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	Prior to Jan. 1 of each year, GIA submits to the Audit Comm for review/approval its proposed annual audit plan. The progress of GIA’s plans is regularly presented to the Audit Comm for review/approval during the quarterly Committee meetings.
Issues⁶	ALL issues are reported to the Audit Comm in the quarterly meetings for their information and appropriate disposition.
Findings⁷	ALL findings are reported to the Audit Comm in the quarterly meetings for their information and appropriate disposition.
Examination Trends	ALL examination trends and non-compliance of GIA recommendations by Auditees are reported to the Audit Comm in the quarterly meetings for their information and appropriate disposition.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1. Preparation of an audit plan inclusive of a timeline and milestones;
2. Conduct of examination based on the plan;
3. Evaluation of the progress in the implementation of the plan;
4. Documentation of issues and findings as a result of the examination;
5. Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;
6. Conduct of the foregoing procedures on a regular basis.]

f. Audit Control Policies and Procedures- **Explained in the next Page 20-A**

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation.”

Policies & Procedures	Implementation

g. Mechanism and Safeguards - **Explained in the next Page 20-A**

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company’s shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies

h. State the officers (preferably the Chairman and the CEO) who will have to attest to the company’s full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

- 1) Chairperson: **MS. HELEN Y. DEE**
- 2) President & CEO: **MR. MEDEL T. NERA**
- 3) Compliance Officer: **MR. JOSE MA. G. CASTILLO III**

⁶ “Issues” are compliance matters that arise from adopting different interpretations.

⁷ “Findings” are those with concrete basis under the company’s policies and rules.

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation.”

Policies & Procedures	Implementation
1) All internal audit controls, policies, procedures that were approved by the Management/Board must be documented and signed by authorized signatories and cascaded to all employees for compliance.	1) IMPLEMENTED- For all approved new policies on internal audit controls, GIA handled documentation, cascading of such to all employees (i.e. employee accountability for governance, risk mgt, controls), and constant monitoring.
2) GIA regularly monitors the implementation status of all previous audit reports/recommendations. GIA discusses with Auditee the results of the follow through review. GIA must provide the Audit Comm with a status report on these.	2) IMPLEMENTED- GIA regularly presents to the Audit Comm status reports on compliance/effectiveness of all approved internal control policies, recommendations to strengthen control measures found ineffective, for comments, approval, and endorsement to the Board.

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company’s shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
The Company’s Internal Audit Charter clearly defines the scope of authority and access to information of both internal/external auditors in the performance of their functions. In case the independence of auditors is compromised, the HOI Internal Audit Charter is normally used as the basis to resolve the matter.	Reports of financial analysts are mainly based on HOI’s publicly available data (i.e. HOI/SEC/PSE websites). The Company Investor Relations Program states that HOI will not influence/interfere with reports, unless the report is based on inaccurate data. In such cases, HOI will officially inform the financial analyst of the inaccuracy and request for the appropriate clarifications or corrections.	Investment banks mainly base their reports from interviews with HOI officers and publicly available data (i.e. HOI/SEC/PSE websites), an integral part of HOI’s Investor Relations Program. The Program states that HOI will not influence/interfere with reports, unless a report is based on inaccurate data. In such cases, HOI will officially inform the inv bank of the inaccuracy and request for the corrections.	Reports of rating agencies are mainly based on HOI’s publicly available data (i.e. HOI/PSE websites). The Comp. Investor Relations Prog. states that HOI will not influence/ interfere with reports unless the report is based on inaccurate data. In such cases, HOI will officially inform the rating agency of the inaccuracy and request for the appropriate clarifications/corrections.

H. ROLE OF STAKEHOLDERS

1. Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	Corp. Governance Manual	Regular monitoring of quality of product, service offered
Supplier/contractor selection practice	Procured Shared Services Policies	Accreditation of suppliers and transparent bidding process
Environmentally friendly value-chain	Centralized through the AY Foundation	Annual Tree-planting in Rodriguez, Rizal
Community interaction		Medical missions, distribute relief goods during calamities
Anti-corruption programmes and procedures?	Code of Bus. Conduct & Ethics	Reinforce integrity as a Company Core Value
Safeguarding creditors' rights	Code of Bus. Conduct & Ethics	Transparency and equal treatment of all Company stakeholders

2. Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Explained in the next Page 21-A

3. Performance-enhancing mechanisms for employee participation.-

Explained in the next Page 21-A

- What are the company's policy for its employees' safety, health, and welfare?
- Show data relating to health, safety and welfare of its employees.
- State the company's training and development programmes for its employees. Show the data.
- State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

4. What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? – **HOI's WHISTLEBLOWER POLICY addresses the procedures for handling complaints by employees concerning illegal/unethical behavior of co-employees or entities that transact with the Company.** Explain how employees are protected from retaliation. **The Whistleblower Policy clearly states that valid complaints will not be divulged as coming from a Whistleblower. In the remote situation where a Whistleblower's identity is revealed, the Company, on its expense, will provide the necessary protection measures for the Whistleblower and related parties, depending on the case.**

I. DISCLOSURE AND TRANSPARENCY

1. Ownership Structure -

Explained in the next Page 21-A

- a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
TOTAL			

- 2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section? **NO. As a member of the Yuchengco Group of Companies, HOI's Corporate Responsibility report/section is centralized through the ALFONSO YUCHENGCO FOUNDATION, INC. (AY FOUNDATION).**
- 3) Performance-enhancing mechanisms for employee participation.
- (a) What are the company's policy for its employees' safety, health, and welfare? – **The Company provides the employees with medical/hospitalization/life insurance coverage (including annual medical check-ups) and retirement benefits. The coverage amounts are based on employees' salary brackets.**
- (b) Show data relating to health, safety and welfare of its employees. – **For 2014, the Company paid approximately P450,000 for medical/life insurance premiums of its employees.**
- (c) State the company's training and development programmes for its employees. Show the data. – **The Company encourages the employees' attendance of seminars/workshops as part of its continuing training and development program. For 2014, the Company spent approximately P800,000 for various seminars/workshops of its employees.**
- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures – **The Company grants Longevity Pay as a form of recognizing long-term employee service to the Company. Starting on the 5th year of service, employees are granted one-time payments of a percentage of their monthly basic salary, paid with the 13th month pay.**

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure -

(a) Holding 5% shareholding or more – **COMMON SHARES (Total Issued and O/S = 616,196,757)**

Shareholder	Number of Shares	Percent	Beneficial Owner
Pan Malayan Mgt (PMMIC)	294,758,580	47.83%	Helen Y. Dee

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
NONE	NONE	NONE	N.A.
TOTAL	NONE	294,758,580	47.83%

Holding 5% shareholding or more – **PREFERRED SHARES (Total Issued and O/S = 951,676,032)**

Shareholder	Number of Shares	Percent	Beneficial Owner
Pan Malayan Mgt (PMMIC)	330,726,911	34.75%	Helen Y. Dee

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Amb. A. T. Yuchengco	481,728,614		50.62%
TOTAL	481,728,614	330,726,911	85.37%

2. Does the Annual Report disclose the following:

Key risks	YES
Corporate objectives	YES
Financial performance indicators	YES
Non-financial performance indicators	YES
Dividend policy	YES
Details of whistle-blowing policy	YES
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	YES
Training and/or continuing education programme attended by each director/commissioner	YES
Number of board of directors/commissioners meetings held during the year	YES
Attendance details of each director/commissioner in respect of meetings held	YES
Details of remuneration of the CEO and each member of the board of directors/commissioners	YES

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3. External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SyCip, Gorres, Velayo & Co. (SGV & Co.)	P 2,774,970	NONE

4. Medium of Communication

List down the mode/s of communication that the company is using for disseminating information. – **The Company uses its website and press releases for disseminating information and investor information.**

5. Date of release of audited financial report: **March 20, 2015**

6. Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	YES
Financial statements/reports (current and prior years)	YES
Materials provided in briefings to analysts and media	YES
Shareholding structure	YES
Group corporate structure	YES
Downloadable annual report	YES
Notice of AGM and/or EGM	YES
Company's constitution (company's by-laws, memorandum and articles of association)	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7. Disclosure of RPT

Explained in the next Page 23-A

RPT	Relationship	Nature	Value

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders? - **Related Party Transactions are properly disclosed in the audited financial statements submitted to government regulatory agencies to ensure that the investing public is informed of the nature of such transaction and a control measure to safeguard the minority shareholders and other stakeholders.**

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders’ Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders’ Meeting as set forth in its By-laws.

Quorum Required	Majority (or more than 50%) of the O/S Shares entitled to vote, unless a greater majority is required under the Corp. Code, Articles of Inc., By-laws.
------------------------	---

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	“VIVA VOCE”
Description	Corporate acts are presented to stockholders during the ASM for ratification; if there are no objections, these are approved.

(c) Stockholders’ Rights

List any Stockholders’ Rights concerning Annual/Special Stockholders’ Meeting that differ from those laid down in the Corporation Code.

Stockholders’ Rights under The Corporation Code	Stockholders’ Rights <u>not</u> in The Corporation Code
<u>NONE.</u> Under the Company’s By-Laws, all Stockholders’ Rights concerning Annual/Special Stockholders’ Meeting are in accordance with the Corporation Code.	

Dividends

Explained in the next Page 23-A

Declaration Date	Record Date	Payment Date

(d) Stockholders’ Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders’ Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders’ meetings.

2. Measures Adopted	3. Communication Procedure
4. Stockholders are free to ask questions.	5. Stockholder queries are always addressed.
6. Stockholder questions are prioritized	7. Stockholders may ask clarifications anytime.

7) Disclosure of RPT

RPT	Relationship	Nature	Value
Parent Company	Subsidiary	Pertains to unpaid shared costs and dividends payable to parent co.	P 2.7 million
Associates	Subsidiary	1) Due from rel. parties for services rendered i.e. management consultancy, internal audit fees 2) subscription payable	P10.6 million P9.4 million
Entities under common control of PMMIC	Subsidiary	1) Cash/equivalents and due from various entities for services, divs, etc. 2) Various payables for expenses, contracts, etc. 3) Payables for loan agreements	P2.024 billion P1.308 billion P885 million

Dividends

Declaration Date	Record Date	Payment Date
March 28, 2014	April 25, 2014	May 20, 2014
July 17, 2014	August 14, 2014	September 5, 2014
October 2, 2014	October 20, 2014	November 20, 2014
December 4, 2014	December 29, 2014	January 23, 2015

8. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
- Amendments to the company's constitution – **Stockholder ratification is required.**
 - Authorization of additional shares – **Stockholder ratification is required.**
 - Transfer of all or substantially all assets, which in effect results in the sale of the company – **Stockholder ratification is required.**
9. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? **NO – 15 days is the minimum period prescribed.**
- Date of sending out notices: **MAY 22, 2014**
 - Date of the Annual/Special Stockholders' Meeting: **JULY 17, 2014**
10. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Explained in the next Page 24-A

11. Result of Annual/Special Stockholders' Meeting's Resolutions - **Explained in the next Page 24-A**

12. Resolution	13. Approving	14. Dissenting	15. Abstaining
16.	17.	18.	19.
20.	21.	22.	23.

24. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
NONE	Not Applicable

(f) Stockholders' Attendance

- (i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	<u>See next page 24-A</u>	July 17, 2014	Show of hands	NA	NA	87%

- (ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? _ **NO – THIS IS DONE ONLY WHEN VOTING IS DONE THROUGH BALLOTS. The Stock Transfer Agent records and validates the attendance, which is carried through the votes.**
- (iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. – **COMMON AND PREFERRED SHARES CARRY ONE VOTE FOR ONE SHARE.**

10. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Mr. Guillermo F. Gilli, Jr., stockholder, stated that he noted the declaration of a cash dividend and that he would like to know the percentage of the same against the Retained Earnings. Ms. Ma. Esperanza F. Joven, the Company's Vice President – Finance, replied that it is 5%. Mr. Gilli stated that he was satisfied with the percentage and congratulated Management and the Board for their good performance.

11. Result of Annual/Special Stockholders' Meeting's Resolutions

12. Resolution	13. Approving	14. Dissenting	15. Abstaining
Approval of the Minutes of the Meeting of the previous ASM	1,353,271,683	None	None
Approval of Management Report and the Audited Financial Statements of 2011	1,353,271,683	None	None
Ratification and Confirmation of all acts, resolutions, proceedings of the Board of Directors, Executive Committee, and Officers of the Company during 2011	1,353,271,683	None	None
Election of Directors for 2012-2013	1,353,271,683	None	None
Appointment of SGV & Co. as external auditors of the Company for 2012	1,353,271,683	None	None

Names of Board Members / Officers Present:

**Helen Y. Dee
Yvonne S. Yuchengco
Wilfrido E. Sanchez
Renato C. Valencia
Francisco H. Licuanan III
Antonino L. Alindogan, Jr.
Dr. Reynaldo B. Vea
Medel T. Nera
All Company Officers (VICE PRESIDENT and up)**

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	The proxy form must be dated, signed, and a designated person/s as proxy.
Notary	Notarization NOT required.
Submission of Proxy	Must be filed with Corp. Sec. not later than 10 days prior to the date of the ASM.
Several Proxies	Several proxies are allowed.
Validity of Proxy	Valid only for the meeting intended for.
Proxies executed abroad	Duly authenticated by the Philippine Embassy or Consular Office
Invalidated Proxy	Office of the Corp. Sec. is in charge of these.
Validation of Proxy	Office of the Corp. Sec. is in charge of these.
Violation of Proxy	Office of the Corp. Sec. is in charge of these.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
A written or printed notice of every regular or special meeting of the stockholders shall be sent at least 15 business days before the date of each meeting.	The President/Corp. Sec. shall send a written or printed notice of such meetings by mail, prepaid post to the last known office address of each stockholder as shown in the Company's stock transfer books at least 15 days before the date of such meeting.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	All Stockholders who request copies of the 20-IS Definitive Information Statement are provided copies.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	July 1, 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	July 1, 2014
State whether CD format or hard copies were distributed	<u>NO.</u>
If yes, indicate whether requesting stockholders were provided hard copies	Not Applicable

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	YES
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	YES
The auditors to be appointed or re-appointed.	YES
An explanation of the dividend policy, if any dividend is to be declared.	YES
The amount payable for final dividends.	YES
Documents required for proxy vote.	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Minority stockholders are treated equally and entitled to the same rights as majority stockholders, as stated under the Corp. Code of the Phils.	This policy is implemented consistently in the interest of fairness and good Corporate Governance.

(b) Do minority stockholders have a right to nominate candidates for board of directors? YES.

K. INVESTORS RELATIONS PROGRAM

- Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee. – External communications are mainly handled through the Company website and official press releases, while internal communications are done through emails/memoranda/announcements.
- Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	To keep public investors well informed at all times.
(2) Principles	Transparency and fairness in all its dealings with any party.
(3) Modes of Communications	Company website, disclosures to SEC, PSE, etc.
(4) Investors Relations Officer	Ms. Ring F. Joven, VP-Finance, Tel 8159636, Fax 8161127

- What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets? – Company consistently adheres to principles of transparency, fairness, objectivity when handling such matters.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price. – The Board usually appoints an independent, external auditor/third party for these purposes.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company. CENTRALIZED THROUGH THE ALFONSO YUCHENGCO FOUNDATION, INC. (AY FOUNDATION)

Initiative	Beneficiary
1. National Discipline Award	Graduating high school students of various schools
2. Championing the Youth for Community Leadership (CYCLE)	Recipients of the National Discipline Award
3. Blessed Teresa of Calcutta Award	Individuals dedicated to help the "poorest of the poor"
4. Others: Calamity and Natural Disaster Relief	Victims of various calamities and natural disasters

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Self-Assessment	Meeting attendance, effectiveness of monitoring Management, profitability
Board Committees	Self-Assessment	Frequency of meetings, attendance, effectiveness of policies
Individual Directors	Self-Assessment	Meeting attendance, contributions to company advancement
CEO/President	Assessment by Board	Execution of Company business plans, profitability

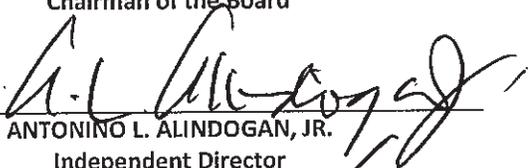
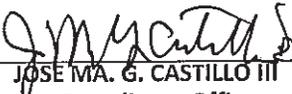
N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
Violations are explicitly described in the Company's Code of Business Conduct & Ethics.	Sanctions depend on the nature of the policy being violated and the extent of damage caused.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of MAKATI on _____, 2015.

SIGNATURES

 HELEN Y. DEE Chairman of the Board	 MEDEL T. NERA Chief Executive Officer
 ANTONINO L. ALINDOGAN, JR. Independent Director	 RENATO C. VALENCIA Independent Director
 JOSE MA. G. CASTILLO III Compliance Officer	

APR 08 2015

SUBSCRIBED AND SWORN to before me this _____ day of _____ 20____, affiant(s) exhibiting to me their _____, as follows:

NAME/NO.

DATE OF ISSUE

PLACE OF ISSUE

NOTARY PUBLIC


ATTY. DWIGHT M. GALANTE
NOTARY PUBLIC
APPOINTMENT NO. M-264 / MAKATI CITY
UNTIL DECEMBER 31, 2015
PTR NO. 4754217 / 01-07-2015 / MAKATI CITY
IBP NO. 0983807 / 01-06-2015 / QUEZON CITY
MCLE COMPLIANCE No. IV-0021190 / 07-09-2014
ROLL NO. 42425

Doc No. 440
Page No. 88
Book No. 71
Series of 2015

**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, 2014 and 2013

Consolidated Statements of Income for the years ended
December 31, 2014, 2013 and 2012

Consolidated Statements of Comprehensive Income for the years ended
December 31, 2014, 2013 and 2012

Consolidated Statements of Changes in Equity for the years ended
December 31, 2014, 2013 and 2012

Consolidated Statements of Cash Flows for the years ended
December 31, 2014, 2013 and 2012

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
- D. Intangible Assets - Other Assets
- E. Long-term Debt
- F. Indebtedness to Related Parties
- G. Guarantees of Securities of Other Issuers
- 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, 2014





HI

HOUSE OF INVESTMENTS, INC.

A YGC Member

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA Greenhills

Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

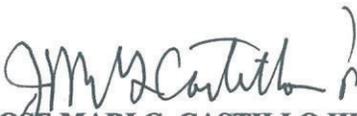
The management of House of Investments, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014, 2013 and 2012, including the additional components attached therein, in accordance with Philippine Financial 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

SUBSCRIBED AND SWORN TO BEFORE
ME THIS DAY OF APR 21 IN THE CITY
OF MAKATI AFFIANT EXHIBITED HIS/HER
COMMUNITY TAX CERT. NO. _____
ISSUED ON _____ ISSUED AT _____

Signed this 20th day of March, 2015

DOC. NO. 147
PAGE NO. 31
BOOK NO. 269
SERIES OF 2015

RUBEN T. M. RAMIREZ

NOTARY PUBLIC

UNIT: DEC 31, 2015

2734 M. AURORA ST., MAKATI CITY

APPT. NO. M-17 (2014-2015)

IBF NO. 978780 / CY-2015

REG. NO. 28947/MCLE-4 NO 0006324/6-19-12

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, 2014 and 2013, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, 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.



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, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 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. 08-001998-73-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 4751320, January 5, 2015, Makati City

March 20, 2015



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

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 22 and 36)	₱2,161,107,813	₱2,111,510,291
Accounts receivable (Notes 8, 22 and 36)	6,830,291,831	4,533,879,285
Current portion of loans receivable (Notes 7 and 36)	11,973,267	10,253,050
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 9)	4,119,775,819	1,964,460,533
Inventories (Notes 10 and 20)	1,049,522,172	899,009,330
Receivables from related parties (Note 22)	33,261,248	61,495,568
Prepaid expenses and other current assets (Note 11)	943,531,851	533,119,933
Financial asset at FVPL	8,021,630	363,264,505
Total Current Assets	15,157,485,631	10,476,992,495
Noncurrent Assets		
Investments in associates and joint venture (Notes 13 and 35)	3,898,284,355	3,322,896,911
Available-for-sale (AFS) financial assets (Notes 12 and 36)	484,239,518	521,475,571
Investment properties (Note 16)	260,296,107	250,316,945
Property and equipment (Note 14)		
At cost	5,128,036,611	4,415,070,357
At revalued amount	2,836,565,819	2,727,358,837
Loans receivable - net of current portion (Notes 7 and 36)	4,626,258	4,554,796
Deferred tax assets - net (Note 32)	135,804,217	220,421,008
Goodwill (Note 15)	471,357,459	471,357,459
Other noncurrent assets - net (Notes 17, 22 and 31)	436,187,340	463,362,283
Total Noncurrent Assets	13,655,397,684	12,396,814,167
Total Assets	₱28,812,883,315	₱22,873,806,662

LIABILITIES AND EQUITY

Current Liabilities		
Loans payable (Notes 19, 22 and 36)	₱3,520,400,000	₱3,229,400,000
Accounts payable and accrued expenses (Notes 18, 22 and 36)	5,847,364,658	3,781,566,726
Current portion of long-term debt (Notes 20, 22 and 36)	379,233,744	191,813,630
Current portion of lease liability (Notes 34 and 36)	-	432,858
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 9)	3,040,698,597	1,332,956,704
Unearned tuition fees	10,157,488	9,110,987
Income tax payable (Note 32)	133,470,587	175,360,616
Due to related parties (Notes 22 and 36)	16,463,980	41,030,230
Customers' deposits	45,597,223	34,520,552
Total Current Liabilities	12,993,386,277	8,796,192,303

(Forward)



	December 31	
	2014	2013
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 20, 22 and 36)	₱2,795,336,097	₱2,775,436,355
Lease liability - net of current portion (Notes 34 and 36)	281,259	3,366,881
Retirement liability (Note 31)	154,257,671	372,891,089
Deferred tax liabilities - net (Note 32)	121,922,794	115,380,116
Total Noncurrent Liabilities	3,071,797,821	3,267,074,441
Total Liabilities	16,065,184,098	12,063,266,744
Equity		
Capital stock (Note 37)		
Preferred stock	344,007,243	380,670,413
Common stock	921,687,536	921,687,536
Additional paid-in capital	154,578,328	154,578,328
Equity reserve on acquisition of noncontrolling interest (Note 2)	(9,700,617)	-
Revaluation increment on land - net (Note 14)	420,309,754	352,767,062
Unrealized gain on available-for-sale financial assets (Note 12)	105,648,267	93,233,426
Remeasurement gain on net retirement liability	31,298,374	(61,731,769)
Cumulative translation adjustment (Notes 13 and 40)	11,902,110	5,584,596
Retained earnings (Note 38)	6,234,678,662	5,034,498,263
	8,214,409,657	6,881,287,855
Noncontrolling interest	4,533,289,560	3,929,252,063
Total Equity	12,747,699,217	10,810,539,918
	₱28,812,883,315	₱22,873,806,662

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2014	2013	2012
REVENUES (Note 35)			
Sales of services - net	₱17,741,410,985	₱11,086,638,781	₱14,164,147,800
Sales of goods - net	4,855,065,068	4,476,930,830	4,709,095,547
School and related operations	2,076,758,318	1,850,441,868	1,737,001,921
Interest and discounts	11,574,832	10,839,465	3,432,013
Dividends	35,055,218	317,226,790	9,032,242
	24,719,864,421	17,742,077,734	20,622,709,523
COSTS OF SALES AND SERVICES (Note 24)			
Cost of services (Note 26)	15,758,154,328	9,606,196,558	12,302,867,765
Cost of goods sold (Notes 10 and 25)	4,529,466,153	4,171,149,443	4,355,700,774
Cost of school and related operations (Note 27)	1,057,421,020	961,978,397	877,831,564
	21,345,041,501	14,739,324,398	17,536,400,103
GROSS PROFIT	3,374,822,920	3,002,753,336	3,086,309,420
OTHER INCOME - Net (Notes 2 and 23)	337,676,958	590,491,118	333,327,349
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURE (Notes 13 and 35)	659,772,494	610,307,799	475,682,381
GENERAL AND ADMINISTRATIVE EXPENSES (Note 28)	(1,647,628,164)	(1,747,635,702)	(1,639,694,620)
INTEREST AND FINANCE CHARGES (Notes 19, 20, 22, 30 and 35)	(260,423,483)	(167,787,622)	(148,528,151)
INCOME BEFORE INCOME TAX	2,464,220,725	2,288,128,929	2,107,096,379
PROVISION FOR INCOME TAX (Notes 32 and 35)	506,549,360	455,469,537	548,250,096
NET INCOME	₱1,957,671,365	₱1,832,659,392	₱1,558,846,283
Net income attributable to:			
Equity holders of the Parent Company (Notes 33 and 35)	₱1,268,099,877	₱1,189,694,820	₱882,999,685
Noncontrolling interest in consolidated subsidiaries	689,571,488	642,964,572	675,846,598
	₱1,957,671,365	₱1,832,659,392	₱1,558,846,283
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (Note 33)			
BASIC	₱2.0137	₱1.8898	₱1.3806
DILUTED	₱1.5003	₱1.3679	₱0.9845

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2014	2013	2012
NET INCOME	₱1,957,671,365	₱1,832,659,392	₱1,558,846,283
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments (Notes 13 and 40)	12,543,312	156,853,562	(100,937,572)
Net unrealized gain (loss) on available-for-sale securities (Note 12)	13,890,441	(1,691,512)	20,213,896
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Revaluation increment on land (Note 14)	108,223,602	96,603,874	28,928,200
Remeasurement gains (losses) on net retirement liability (Note 31)	240,610,016	(61,453,242)	6,095,808
Income tax effect on retirement and revaluation of land	(85,346,421)	3,781,926	(173,357)
Total other comprehensive income (loss)	289,920,950	194,094,608	(45,873,025)
TOTAL COMPREHENSIVE INCOME	₱2,247,592,315	₱2,026,754,000	₱1,512,973,258
Total comprehensive income attributable to:			
Equity holders of the Parent Company	₱1,447,405,067	₱1,326,158,263	₱890,663,712
Noncontrolling interest in consolidated subsidiaries	800,187,248	700,595,737	622,309,546
	₱2,247,592,315	₱2,026,754,000	₱1,512,973,258

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	Equity Reserve on Acquisition of Noncontrolling Interest (Note 2)	Revaluation Increment on Land - Net (Note 14)	Cumulative Translation Adjustment (Notes 13 and 40)	Accumulated Unrealized Gain on Available-for- Sale Securities (Note 12)	Remeasurement Losses on Net Retirement Liability (Note 31)	Retained Earnings (Note 38)	Total	Attributable to Noncontrolling Interest	Total
For the Year Ended December 31, 2014												
Balances as at January 1, 2014	\$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
Redemption of preferred shares	(36,663,170)	—	—	—	—	—	—	—	—	(36,663,170)	—	(36,663,170)
Acquisition of noncontrolling interest	—	—	—	(9,700,617)	—	11,513	18,395	(551,764)	—	(10,222,473)	(13,622,212)	(23,844,685)
	344,007,243	921,687,536	154,578,328	(9,700,617)	352,767,062	5,596,109	93,251,821	(62,283,533)	5,034,498,263	6,834,402,212	3,915,629,851	10,750,032,063
Net income	—	—	—	—	—	—	—	1,268,099,877	1,268,099,877	1,268,099,877	689,571,488	1,957,671,365
Other comprehensive income	—	—	—	—	67,542,692	6,306,001	12,396,446	93,581,907	1,268,099,877	1,79,827,046	110,615,760	290,442,806
Total comprehensive income	—	—	—	—	67,542,692	6,306,001	12,396,446	93,581,907	1,268,099,877	1,447,926,923	800,187,248	2,248,114,171
Dividends declared by Parent Company	—	—	—	—	—	—	—	—	(67,919,478)	(67,919,478)	—	(67,919,478)
Dividends declared by subsidiaries	—	—	—	—	—	—	—	—	—	—	(182,527,539)	(182,527,539)
Total dividends declared	—	—	—	—	—	—	—	—	(67,919,478)	(67,919,478)	(182,527,539)	(250,447,017)
Balances as at December 31, 2014	\$344,007,243	\$921,687,536	\$154,578,328	\$(9,700,617)	\$420,309,754	\$11,902,110	\$105,648,267	\$31,298,374	\$6,234,678,662	\$8,214,409,657	\$4,533,289,560	\$12,747,699,217
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	\$(62,615,644)	\$3,909,567,025	\$5,660,497,436	\$3,392,113,678	\$9,052,611,114
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)
Net income	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
Other comprehensive income (loss)	—	—	—	—	—	—	—	1,189,694,820	1,189,694,820	642,964,572	1,832,659,392	
Total comprehensive income	—	—	—	—	61,063,730	78,559,479	(1,469,691)	883,875	(2,081,283)	136,956,110	57,138,498	194,094,608
Dividends declared by Parent Company	—	—	—	—	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 subsidiaries	—	—	—	—	—	—	—	(62,682,299)	(62,682,299)	—	(62,682,299)	
Total dividends declared	—	—	—	—	—	—	—	(62,682,299)	(62,682,299)	(62,682,299)	(162,964,685)	
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



	Attributable to the Group										Total
	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)	Accumulated Unrealized Gain on Available-for-Sale Securities (Note 12)	Remeasurement losses on Net Retirement Liability (Note 31)	Retained Earnings (Note 38)	Total	Attributable to Noncontrolling Interest	
	For the Year Ended December 31, 2012										
Balances as at January 1, 2012	₱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
Redemption of preferred shares	(44,908,110)	—	—	—	—	—	—	—	(44,908,110)	—	(44,908,110)
Conversion to common stock	(286,569)	286,569	—	—	—	—	—	—	—	—	—
Sale of subsidiary	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	(337,736,180)	(337,736,180)
Net income	—	—	—	—	—	—	—	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

See accompanying Notes to Consolidated Financial Statements



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

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱2,464,220,725	₱2,288,128,929	₱2,107,096,379
Adjustments for:			
Depreciation and amortization (Notes 14, 17, 25, 26, 27, 28 and 29)	605,005,402	542,297,282	475,027,189
Interest and finance charges (Notes 5, 19, 20, 22 and 30)	260,423,483	167,787,622	148,528,151
Loss on disposal of financial asset at FVPL (Note 4)	7,125,290	–	–
Provision of (recovery from) inventory obsolescence (Note 10)	893,944	(29,384,710)	–
Unrealized foreign exchange loss (gain) (Note 23)	752,293	24,930,685	(19,851,924)
Loss on write off of investment properties (Note 16)	–	–	16,152,771
Gain on sale of investment properties (Notes 16 and 23)	–	(5,021,400)	(1,460,384)
Gain on sale of a subsidiary (Notes 2 and 23)	–	(11,072,373)	(43,975,648)
Recovery on investment in associates (Notes 13 and 28)	–	(103,843,643)	(1,205,357)
Loss (recovery) on damaged properties (Notes 14 and 28)	(81,829)	8,225,220	(79,929,982)
Unrealized market gain on financial asset at FVPL (Note 4)	(57,289)	(11,253,282)	–
Gain on sale of property and equipment (Notes 14 and 23)	(1,748,018)	(921,522)	(1,330,148)
Impairment loss (recovery from) other assets (Notes 23 and 28)	(8,320,670)	139,338,325	–
Income from reversal of payables (Note 23)	(14,605,004)	(24,614,339)	–
Provision for (recovery of) probable losses (Note 28)	(16,756,789)	73,194,466	27,500,000
Reversal of provision for losses (Note 23)	–	(166,142,054)	(4,632,235)
Gain on sale of AFS financial assets (Notes 12 and 23)	(28,368,239)	(37,258,378)	(12,537,522)
Dividend income (Notes 4 and 22)	(35,055,218)	(317,226,790)	(9,032,242)
Interest income (Note 23)	(45,322,974)	(77,096,099)	(71,301,381)
Equity in net earnings of associates and joint venture (Notes 13 and 35)	(659,772,494)	(610,307,799)	(475,682,381)
Operating income working capital changes	2,528,332,613	1,849,760,140	2,053,365,286
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Loans receivable	(1,720,217)	4,575,132	(14,319,351)
Retirement asset (Note 31)	(16,405,001)	(28,428,838)	9,273,800
Inventories	(164,360,666)	266,007,714	(312,682,963)
Prepaid expenses and other current assets	(410,411,918)	410,194,913	(43,274,911)
Costs and estimated earnings in excess of billings on uncompleted contracts	(2,155,315,286)	(573,771,724)	349,762,882
Accounts receivable	(2,272,931,838)	326,986,867	(959,275,611)
Increase (decrease) in:			
Billings in excess of costs and estimated earnings on uncompleted contracts	1,707,741,893	(1,380,914,776)	851,123,433
Accounts payable and accrued expenses	1,581,143,195	(625,986,156)	981,167,560

(Forward)



	Years Ended December 31		
	2014	2013	2012
Customers' deposits	₱11,076,671	₱4,405,649	(₱29,186,526)
Unearned tuition fees	1,046,501	(54,510,628)	(104,102,567)
Accrued retirement liability (Note 31)	(218,633,418)	151,755,904	13,897,496
Net cash generated from operations	589,562,529	350,074,197	2,795,748,528
Interest received	45,889,139	74,158,194	70,758,814
Interest and finance charges paid	259,583,235	159,581,801	(155,698,823)
Income tax paid	(494,727,159)	(263,066,608)	(478,376,222)
Net cash flows provided by operating activities	400,307,744	320,747,584	2,232,432,297
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Noncontrolling interest	(23,844,685)	-	-
Investments in associates and joint ventures (Note 13)	(158,485,100)	(1,445,319,791)	-
Property and equipment (Notes 14 and 39)	(1,258,570,968)	(925,374,066)	(1,986,323,576)
Available-for-sale securities (Note 12)	-	(385,963,400)	(16,120,524)
Investments in FVPL	-	(352,011,223)	-
Investment properties (Notes 16 and 39)	-	-	(231,391)
Proceeds from sale of:			
Investments in FVPL	348,174,874	-	-
Available-for-sale securities (Note 12)	59,476,337	99,638,377	-
Property and equipment	8,750,792	4,310,414	8,143,193
Investment properties (Note 16)	200,000	16,956,524	11,085,718
Subsidiary/associate (Note 39)	-	114,916,016	(214,008,857)
Dividends received	304,208,254	308,877,163	363,676,085
Increase (decrease) in other noncurrent assets	159,814,479	(188,136,476)	33,299,387
Net cash flows used in investing activities	(560,276,017)	(2,752,106,462)	(1,800,479,965)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loans payable	7,710,000,000	4,554,000,000	2,591,167,252
Long-term debt	442,454,200	2,170,708,000	209,750,000
Payments of:			
Loans payable	(7,419,000,000)	(3,275,700,000)	(2,917,347,252)
Long-term debt	(235,134,344)	(755,411,237)	(64,730,914)
Payments received from (advances to) related parties	3,668,070	(37,657,368)	(25,521,732)
Repurchase of common stock (Note 37)	-	(2,607,600)	-
Decrease in lease liability	(3,518,480)	(4,020,535)	(14,963,769)
Redemption of preferred shares (Note 37)	(36,663,170)	(40,570,612)	(44,908,110)
Cash dividends paid (Note 38)	(250,447,017)	(225,646,984)	(186,450,188)
Net cash flows provided by (used in) financing activities	211,359,259	2,383,093,664	(453,004,713)
EFFECTS OF EXCHANGE RATE CHANGES			
ON CASH AND CASH EQUIVALENTS	(1,793,464)	33,560,574	(19,851,924)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	49,597,522	(14,704,640)	(40,904,305)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,111,510,291	2,126,214,931	2,167,119,236
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱2,161,107,813	₱2,111,510,291	₱2,126,214,931

See accompanying Notes to Consolidated Financial Statements.



HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

House of Investments, Inc. (the Parent Company) is a stock corporation incorporated under the laws of the Republic of the Philippines on May 21, 1959. The 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, 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 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 Parent Company'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 and are presented in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2014 and 2013, and for each of the three years in the period ended December 31, 2014.

The consolidated financial statements are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intercompany transactions that are recognized in assets are eliminated in full.



All subsidiaries are incorporated and operating in the Philippines, except as otherwise indicated below:

Subsidiaries	Percentage of ownership		
	2014	2013	2012
Landev Corporation and subsidiaries (Landev)	100.00%	100.00%	100.00%
Xamdu Motors, Inc. (Xamdu)	100.00	100.00	100.00
Investment Managers, Inc. (IMI)	100.00	100.00	100.00
Zambowood Realty and Development Corporation (ZRDC)	100.00	100.00	100.00
Zamboanga Carriers, Inc. (ZCI)	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	50.32	50.09	50.09
Zamboanga Industrial Finance Corporation (ZIFC)	50.00	50.00	50.00

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

In 2014, the Parent Company purchased additional 2.4 million shares of EEI for an average price of ₱9.97 per share resulting to an increase in ownership interest from 50.09% to 50.32%.

On December 8, 2011, the BOD authorized the Group to sell 210,336,069 common shares of First Malayan Leasing and Finance Corporation (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 are 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		
	2014	2013	2012
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



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

Subsidiaries	Place of Incorporation	Percentage of Ownership		
		2014	2013	2012
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.

Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of 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.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

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 year except for the following new and amended PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations which became effective beginning January 1, 2014. Except as otherwise indicated, the adoption of these new and amended standards and Philippine Interpretations will not have any impact on the consolidated financial statements:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
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 amendments must be applied retrospectively, subject to certain transition relief. These amendments had no financial impact on the Group's consolidated financial statements.
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments had no impact on the Group as it has no offsetting arrangements.



- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
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 had no impact on the Group's financial position or performance.
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments had no financial impact in the Group's consolidated financial statement.
- Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities*
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 amendments affect disclosures only and had no impact on the Group's financial position or performance.
- Philippine Interpretation IFRIC 21, *Levies*
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. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements to PFRSs (2010-2012 cycle)

In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Group.

Annual Improvements to PFRSs (2011-2013 cycle)

In the 2011 - 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards—First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first-time PFRS adopter.



Standards Issued but not yet Effective

The Group has not applied the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2014. This list consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. The Group does not expect the adoption of these standards to have a significant impact in the consolidated financial statements, unless otherwise stated.

- PFRS 9, *Financial Instruments* - Classification and Measurement (2010 version)
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. 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, 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 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 into PFRS 9, including the embedded derivative 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.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- 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 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 adoption of the interpretation will have no impact on the Group's financial position or performance as the Group is not engaged in real estate business.



Effective in January 1, 2015

- *PAS 19, Employee Benefits - Defined Benefit Plans: Employee Contributions*
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments will have no impact on the Group's consolidated financial statements.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group.

- *PFRS 2, Share-based Payment - Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
 - A performance condition must contain a service condition
 - A performance target must be met while the counterparty is rendering service
 - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
 - A performance condition may be a market or non-market condition
 - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This amendment does not apply to the Group as it has no share-based payments.

- *PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a 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 PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). 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 are applied retrospectively and clarify that:
 - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
 - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.



The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- *PAS 16, Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment will have no impact on the Group's financial position or performance.
- *PAS 24, Related Party Disclosures - Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affect disclosures only and will have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group.

- *PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
 - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
 - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

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

- *PFRS 13, Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39. The amendment will have no significant impact on the Group's financial position or performance.
- *PAS 40, Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment will have no significant impact on the Group's financial position or performance.

Effective January 1, 2016

- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part)



rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will have no significant impact on the Group given that the Group has not used a revenue-based methods to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will have no significant impact on the Group's financial position or performance.
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. These amendments are not expected to have any impact to the Group.
- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016. The amendment will have no significant impact on the Group's financial position or performance.
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the



amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- *PFRS 14, Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of consolidated financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group.

- *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment will have no significant impact on the Group's financial position or performance.
- *PFRS 7, Financial Instruments: Disclosures - Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendment will have no significant impact on the Group's financial position or performance.
- *PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent



annual report. The amendment will have no significant impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment will have no significant impact on the Group's financial position or performance.
- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The amendment will have no significant impact on the Group's financial position or performance.

Effective January 1, 2018

- PFRS 9, *Financial Instruments - Hedge Accounting* and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of 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 derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA. The adoption of PFRS 9 is not expected to have any significant impact on the Group's financial statements.

- PFRS 9, *Financial Instruments* (2014 or final version)
In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.



The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities.

The following new standard issued by the IASB has not yet been adopted by the FRSC

IFRS 15, Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

4. Summary of 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

Financial assets within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, are classified as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, AFS financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every financial reporting date.

Financial assets are recognized initially at fair value plus transaction costs directly attributable to their acquisition, in the case of all financial assets not carried at FVPL.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Assets under this category are classified as current assets if maturity is within twelve (12) months from the financial reporting date and as noncurrent assets if maturity date is more than a year from the financial reporting date.

- a. *Financial assets at FVPL.* This includes financial assets held for trading and financial assets designated upon initial recognition as at FVPL.



Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Changes in fair value relating to the held for trading positions are recognized in “Other income (loss)” account in the consolidated statement of comprehensive income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded when the right to receive payment has been established. Derivatives, including separated embedded derivatives are also classified as FVPL unless they are designated as effective hedging instruments or a financial guarantee contract.

Financial assets may be designated at initial recognition as at FVPL if any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

The Group’s financial assets at FVPL amounted to ₱8.0 million and ₱363.3 million as of December 31, 2014 and 2013, respectively. This consists of peso-denominated investments in unit investment trust funds (UITFs) in Rizal Commercial Banking Corporation (RCBC). The mark to market loss and gain on these assets amounted to ₱0.1 million and ₱11.0 million in 2014 and 2013, respectively. In 2014, the Group disposed a significant portion of its financial assets at FVPL realizing a loss amounting ₱7.1 million.

- b. *Loans and receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS or as financial assets at FVPL. After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

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.

- c. *HTM investments.* HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which the Group’s management has the positive intention and ability to hold to maturity. Where the Group sells or reclassifies other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified at fair values as AFS financial assets. After initial measurement, HTM investments are measured at amortized cost using the effective interest method (EIR). Gains and losses are recognized in the consolidated statement of comprehensive income when the investments are derecognized or impaired, as well as through the amortization process.



The Group has no HTM investments as at December 31, 2014 and 2013.

- d. *AFS financial assets.* AFS financial assets are those nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. These include government securities, equity investments and other debt instruments.

After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognized in the consolidated statement of comprehensive income. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported in other comprehensive income. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in "Other income (loss)" account in the consolidated statement of comprehensive income. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS debt investments are reported as interest income using the EIR. Dividends earned on holding AFS equity investments are recognized in the consolidated statement of comprehensive income as "Other income" account when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as "Provisions on impairment losses" under operating expenses 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 (Note 12).

- e. *Derivative financial instruments.* Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in the consolidated statement of comprehensive income.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at FVPL.

The Group has no derivative financial instruments as at December 31, 2014 and 2013.

Financial Liabilities

Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL and other financial liabilities, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

- a. *Financial liabilities at FVPL* - Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.



Derivatives, including separated embedded derivatives, are also classified as FVPL, unless they are designated as effective hedging instruments.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income.

The Group has no financial liabilities at FVPL as at December 31, 2014 and 2013.

- b. *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 amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest method. Gains and losses are recognized in the consolidated statement of comprehensive income, when the liabilities are derecognized as well as through the amortization process.

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. Otherwise, these are classified as noncurrent liabilities. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized.

This accounting policy relates to the consolidated statement of financial position captions loans payable, accounts payable and accrued expenses, lease liability, due to related parties and long-term debt (Notes 18, 20, 22 and 34).

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.



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.

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 (Note 12).

Derecognition of Financial Assets and Financial Liabilities

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.

This accounting policy relates to the net payable to Philippine Transmarine Carriers, Inc. (PTC) amounting ₱10.3 million and ₱9.1 million as of December 31, 2014 and 2013, respectively, and included under “Current portion of long-term debt” in the consolidated statements of financial position (Note 20).

The memorandum of agreement of the joint operation has a provision to settle the amounts due from and due to on a net basis.

Impairment of Financial Assets

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

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.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). 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 of inventories is generally determined primarily using the moving-average method, except for automotive units of the car dealerships and land inventory of EEI Realty, which are accounted for using the specific identification method and full accrual method, respectively.

Cost includes purchase price and other costs directly attributable to its acquisition such as non-refundable taxes, handling and transportation cost.

The cost of automotive units for new and pre-owned automotive units is determined using the specific identification method.

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.

Value-Added Tax (VAT)

The input value-added tax pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the local sale of goods or services by the Group. If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts payables and accrued expenses" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Prepaid expenses and other current assets" account.

Prepaid Expenses

Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments of insurance premiums, rents and others. It is included as part of other current assets in the consolidated statement of financial position.

Other Current Assets

Other current assets pertain to other resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group within the reporting period.

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 associates and joint venture" in the consolidated statement of comprehensive income. Goodwill relating to 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	
	2014	2013
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)	25.00	25.00
Petroenergy Resources Corporation (PERC) ¹	22.41	20.00
RCBC Realty Corporation (RRC) ²	10.00	10.00

(Forward)



	Percentage of ownership	
	2014	2013
Joint venture:		
ECW Joint Venture Inc.	50.00%	50.00%

¹ On February 21, 2013, significant influence was obtained through piecemeal acquisition. In 2014, the Parent Company purchased additional 6.6 million shares of PERC which increased its ownership interest from 20.00% to 22.41%.

² 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 venture 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 venture's 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.

Investment Properties

Investment properties are measured at cost less accumulated depreciation and impairment loss, if any, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Investment properties are derecognized when they either have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Depreciation is computed using the straight-line method over the 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.

Borrowing Costs

Interest and other related financing charges on borrowed funds used to finance property development are capitalized as part of development costs (included under "Inventories" account) and the acquisition and construction of a qualifying asset (included under "Construction in progress" account in property and equipment) are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the asset for its intended use are in progress. It is suspended during extended periods in which active development is interrupted and ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. The capitalization for inventories account is based on the weighted average borrowing cost and specific borrowing for property, plant and equipment.



The borrowing costs capitalized as part of property and equipment are amortized using the straight-line method over the estimated useful lives of the assets. If after capitalization of the borrowing costs, the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded in the consolidated statement of income.

Interest expense on loans and borrowings is recognized using the EIR method over the term of the loans and borrowings.

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. Before recognizing a gain on a bargain purchase, the Group assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and recognize any additional assets or liabilities that are identified in that review.



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.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. When the Group is acting as a principal in an arrangement, revenue is recorded at gross. When the Group is acting as an agent, the revenue recorded is only the commission. Except for Greyhounds and certain arrangements of 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

Revenue 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. Revenue from labor supply contracts with project management and supervision are recognized on the basis of man-hours spent.

Contract costs include 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.

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.

Equipment rental arises from the Group equipment’s that are being held for rentals. Revenues derived shall be measured on straight-line basis over the term of the agreement.

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

Revenue 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, the revenue is recognized when: (a) the collectibility of the sales price is reasonably assured; (b) the earnings process is virtually complete; and (c) the seller does not have a substantial continuing involvement with the subject properties. The collectibility of the sales price is considered reasonably assured when: (a) the buyers have actually confirmed their acceptance of the related loan applications after the same have been delivered to and approved by either the banks or other financing institutions for externally financed accounts; and (b) the down payment comprising a substantial portion of the contract price is received and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

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’ deposits” account in the liabilities section of the consolidated statement of financial position.

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.



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.

Admission, examination and other fees are recognized as income when examination has been granted by the school and related services have been provided to the students.

Others:

Interest income 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 real estate sales 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.

For cost of school and related operations, cost constitute expenses directly related to the Group's school and related operations which include expenses for salaries and wages of teaching and academic support personnel, student welfare activities, advertising, and all other student-related costs and expenses. Cost of school and related operations are recognized as expense when school and related services have been provided to the students.

For cost of goods sold, cost includes all expenses associated with the specific sale of goods. Cost of goods sold include all materials and supplies used, direct labor, depreciation of production equipment, royalty, power and water and other expenses related to production. Such costs are recognized when the related sales have been recognized.

For cost of services, cost includes all expenses associated with sale of services. Cost of services include all materials and supplies used, direct labor, depreciation of production equipment, power



and water and other expenses related to services rendered. Such costs are recognized when the related services have been rendered.

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).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.



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 tax relating to items recognized outside profit or loss do not affect the statement of income. These deferred tax items are recognized in correlation to the underlying transactions either in other comprehensive income or directly in equity.

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 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, even if that right is not explicitly specified in an arrangement.



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).

Group as a lessee

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.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the leased term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Basic and Diluted 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 (Note 33).

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* (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 (Note 37).

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 (Note 38).



Cost of Common Stock Held in Treasury

Own equity investments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale issue or cancellation of the Parent Company's own equity investments. When the shares are retired, the capital stock account is reduced by its par value and excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

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 2014 and 2013 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 (Note 40).

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:

Determination of control in investments 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.



Determination of significant influence in investments 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.

Significant influence if ownership is less than 20%

The Parent Company is able to exercise significant influence for ownership less than 20% since it has an active participation in the policy-making process including operating decisions of the investee.

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.

Impairment of financial assets

In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is any objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that loss event or events has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated. This observable data may include adverse changes in payment status of borrowings in a group, or national or local economic conditions that correlate with defaults on assets in the portfolio.

Redeemable preference shares

The Parent Company has outstanding redeemable preference shares. These shares are treated as equity and are therefore presented under the "equity" section of the consolidated statement of financial position, as management concluded that these are not mandatorily redeemable since the redemption of the preferred shares is at the Parent Company's option. In 2014 and 2013, the Parent Company redeemed portion of outstanding redeemable preference shares amounting ₱36.7 million and ₱40.6 million, respectively (Note 37).

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.



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 functional currency

PAS 21 requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, each entity in the Group considers the following:

- a) the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- b) the currency in which funds from financing activities are generated; and
- c) the currency in which receipts from operating activities are usually retained.

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, 2014 and 2013 amounted to ₱323.3 million and ₱390.6 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 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, 2014 and 2013 amounted to ₱80.9 million and ₱35.5 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, 2014 and 2013, future minimum lease payments and present value of minimum lease payments amounted to ₱0.3 million and ₱1.6 million, respectively; and ₱0.3 million and ₱1.6 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 2014, 2013 and 2012 are based on management's best estimate and have met the requirements set forth in PAS 11.

As at December 31, 2014 and 2013, the costs and estimated earnings in excess of billings on uncompleted contracts amounted to ₱4.1 billion and ₱2.0 billion, respectively, and billings in excess of costs and estimated earnings on uncompleted contracts amounted to ₱3.0 billion and ₱1.3 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 collectability 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 collectability 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, 2014 and 2013 amounted to ₱6.8 billion and ₱4.5 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 net realizable value 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, 2014 and 2013 amounted to ₱700.9 million and ₱544.7 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, 2014 and 2013, the net book value of the depreciable property and equipment amounted to ₱5.1 billion and ₱4.4 billion, respectively (Note 14). Net book value of computer software (included in other noncurrent assets) as at December 31, 2014 and 2013 amounted to ₱28.5 million and ₱39.8 million, respectively (Note 17). Net book value of depreciable investment properties as at December 31, 2014 and 2013 amounted to ₱49.9 million and ₱39.7 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, 2014 and 2013. 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 venture 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 8.94% in 2014 and 2013 for MCI. Cash flow projection was not made for Honda Cars Group in 2013 and the Parent Company recognized impairment loss. In 2013, 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 ₱10.55 and ₱9.55 in 2014 and 2013, respectively, per listed price of EEI shares. For iPeople, the recoverable value is based on listed price of ₱12.00 in 2014 and 2013. In 2013, the Group recognized impairment loss on goodwill pertaining to Honda Cars Group amounting ₱41.4 million. There is no impairment loss on goodwill in 2014 and 2012.

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

In 2014 and 2013, 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 2014 and 2013.

Investments in SWCC and Sino, associates, have been fully impaired as at December 31, 2010 after considering the above factors. In 2013, the Parent Company reversed a portion of the impairment loss provided in the previous year amounting ₱103.8 million. 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:

	2014	2013
Property and equipment (Note 14)	₱7,964,602,430	₱7,142,429,194
Investments in associates and joint venture (Note 13)	3,898,284,355	3,322,896,911
Goodwill (Note 15)	471,357,459	471,357,459
Investment properties (Note 16)	260,296,107	250,316,945
Computer software (Note 17)	28,505,569	39,844,284

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, 2014 and 2013, subsidiaries with net accrued retirement liability position has outstanding liability of ₱154.3 million and ₱372.9 million, respectively and subsidiaries with net retirement asset position has net assets of ₱47.1 million and ₱30.7 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 ₱135.8 million and ₱220.4 million as at December 31, 2014 and 2013, respectively. The temporary differences on which deferred tax assets were not recognized amounted to ₱192.2 million and ₱284.8 million, respectively (Note 32).

6. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand and in banks	₱1,019,458,316	₱1,089,009,898
Short-term investments	1,141,649,497	1,022,500,393
	₱2,161,107,813	₱2,111,510,291

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 ₱27.6 million and ₱45.1 million and ₱50.3 million for the years ended December 31, 2014, 2013 and 2012, respectively (Note 23).



7. Loans Receivable

Loans receivable consists of:

	2014	2013
Gross receivables	₱20,286,903	₱18,571,215
Less allowance for impairment	3,687,378	3,763,369
	16,599,525	14,807,846
Less noncurrent portion	4,626,258	4,554,796
Current portion	₱11,973,267	₱10,253,050

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

	2014	2013
Time loan principals	₱30,264,723	₱25,496,988
Unearned discount and interest	(9,977,820)	(6,925,773)
	20,286,903	18,571,215
Less allowance for impairment	3,687,378	3,763,369
	₱16,599,525	₱14,807,846

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 2014, 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

	2014	2013
Secured loans		
Chattel mortgage	₱4,804,448	₱4,357,503
Real estate mortgage	24,857,485	20,683,486
	29,661,933	25,040,989
Unsecured loans	602,790	455,999
	₱30,264,723	₱25,496,988

- b) As to maturity

	2014	2013
Maturing within one year	₱21,314,001	₱19,207,421
Maturing one year to five years	8,950,722	6,289,567
	₱30,264,723	₱25,496,988

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

	2014	2013
Balance at beginning of year	₱3,763,369	₱3,836,800
Provision for impairment losses	500,000	500,000
Accounts written off	(575,991)	(573,431)
Balance at end of year	₱3,687,378	₱3,763,369



8. Accounts Receivable

This account consists of:

	2014	2013
Trade		
Construction and infrastructure (including retention receivable of ₱2.3 billion and ₱1.3 billion in 2014 and 2013, respectively)	₱4,943,645,519	₱3,005,420,684
Car dealership	540,444,959	467,944,318
Education and information technology	209,159,431	159,263,925
Other services	21,713,190	26,905,474
Other receivables		
Advances to suppliers and contractors	753,911,577	607,299,312
Consultancy fee	313,156,649	235,775,538
Advances to officers and employees	37,554,310	54,653,704
Receivables from plant	3,745,828	58,062,943
Rent receivable	184,708	496,950
Others	265,837,372	205,880,897
	7,089,353,543	4,821,703,745
Less allowance for impairment	259,061,712	287,824,460
	₱6,830,291,831	₱4,533,879,285

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.



No trade receivables are used as collaterals to secure obligations in 2014 and 2013.

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.

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 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.

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

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

	2014					Total
	Construction and Infrastructure	Car Dealership	Education and Information Technology	Other Services	Other Receivables	
Balances at beginning of year	₱92,703,569	₱47,784,446	₱43,681,678	₱18,143,390	₱85,511,377	₱287,824,460
Provisions - net of recoveries (Notes 27 and 28)	(15,248,994)	(15,651,417)	5,499,285	(2,109,991)	(155,456)	(27,666,573)
Write-offs	(1,096,175)	-	-	-	-	(1,096,175)
Balances at end of year	₱76,358,400	₱32,133,029	₱49,180,963	₱16,033,399	₱85,355,921	₱259,061,712
Individually impaired	₱68,360,313	₱-	₱-	₱-	₱-	₱68,360,313
Collectively impaired	7,998,087	32,133,029	49,180,963	16,033,399	85,355,921	190,701,399
Total	₱76,358,400	₱32,133,029	₱49,180,963	₱16,033,399	₱85,355,921	₱259,061,712
Gross receivables*	₱4,943,645,519	₱540,444,959	₱209,159,431	₱21,713,190	₱1,374,390,444	₱7,089,353,543

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

	2013					Total
	Construction and Infrastructure	Car Dealership	Education and Information Technology	Other Services	Other Receivables	
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	11,873,356	8,186,820
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	₱287,824,460
Individually impaired	₱84,705,482	₱-	₱-	₱-	₱-	₱84,705,482
Collectively impaired	7,998,087	47,784,446	43,681,678	18,143,390	85,511,377	203,118,978
Total	₱92,703,569	₱47,784,446	₱43,681,678	₱18,143,390	₱85,511,377	₱287,824,460
Gross receivables*	₱3,005,420,684	₱467,944,318	₱159,263,925	₱26,905,474	₱1,162,169,344	₱4,821,703,745

* 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:

	2014	2013
Total costs incurred	₱47,647,756,126	₱31,819,834,030
Add: estimated earnings	4,445,059,291	4,139,451,763
	52,092,815,417	35,959,285,793
Less total billings (including unliquidated advances from contract owners of ₱3.0 billion and ₱2.6 billion in 2014 and 2013, respectively)	51,013,738,195	35,327,781,964
	₱1,079,077,222	₱631,503,829

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

	2014	2013
Costs and estimated earnings in excess of billings on uncompleted contracts	₱4,119,775,819	₱1,964,460,533
Billings in excess of costs and estimated earnings on uncompleted contracts	(3,040,698,597)	(1,332,956,704)
	₱1,079,077,222	₱631,503,829

10. Inventories

This account consists of:

	2014	2013
At cost		
Land and land development	₱219,256,480	₱219,366,970
Subdivision lots and contracted units for sale	84,400,136	90,023,470
Raw lands	44,916,103	44,916,103
	348,572,719	354,306,543
At NRV		
Merchandise	662,363,764	516,165,825
Construction materials	15,425,375	3,907,734
Spare parts and supplies	23,160,314	24,629,228
	700,949,453	544,702,787
	₱1,049,522,172	₱899,009,330

The related costs of inventories recorded at NRV follow:

	2014	2013
Merchandise	₱687,316,007	₱549,511,477
Construction materials	32,691,163	14,256,490
Spare parts and supplies	23,160,314	24,629,228
	₱743,167,484	₱588,397,195



The total cost of goods sold recognized in the Group' statements of comprehensive income amounted to ₱4,529.5 million, ₱4,171.2 million and ₱4,355.7 million in 2014, 2013 and 2012, respectively (Notes 24 and 25).

The rollforward of allowance for inventory obsolescence is as follows:

	2014	2013
Balances at beginning of year	₱43,694,408	₱73,079,118
Provisions (recoveries) - net (Note 28)	893,944	(29,384,710)
Write-off	(2,370,321)	-
Balances at end of year	₱42,218,031	₱43,694,408

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

	2014	2013
Balances at beginning of year	₱354,306,543	₱363,524,834
Construction/development costs incurred	5,276,313	31,092,237
Disposals (recognized as cost of sales)	(14,647,753)	(66,629,164)
Transfers from investment property (Note 16)	-	22,037,310
Repossessed inventories	2,615,984	4,267,514
Other adjustments/reclassifications	1,021,632	13,812
Balances at end of year	₱348,572,719	₱354,306,543

The Group reversed previously recognized allowance for real estate inventory obsolescence amounting ₱0.5 million, ₱3.3 million and ₱3.5 million in 2014, 2013 and 2012, respectively.

The actual inventories written-off amounted to ₱2.4 million, nil and ₱0.2 million in 2014, 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, 2014 and 2013, 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 18).

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, 2014 and the EEI Realty expects to complete all developments on April 30, 2015.

- b. 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.
- c. 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 execute the 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.



EEI Realty has sold 8 and 1 lot stated in the memorandum of agreement with Cottonwood Realty Corporation in 2014 and 2013, respectively.

There were no capitalized borrowing costs in 2014, 2013 and 2012.

The Group has no purchase commitments pertaining to its inventories as at December 31, 2014 and 2013.

No inventories are pledged as security to obligations as of December 31, 2014 and 2013.

11. Prepaid Expenses and Other Current Assets

This account consists of:

	2014	2013
Input value added tax (VAT)	₱471,459,534	₱271,886,826
Prepaid taxes	187,178,398	106,739,126
Receivable from EEI Retirement Fund, Inc. - net (Notes 17 and 22)	117,000,000	—
Prepaid expenses	84,534,933	79,376,184
Miscellaneous deposits - net	46,492,353	47,358,951
Restricted cash investment	7,549,817	4,773,519
Unused office supplies	5,557,635	4,020,292
Others	23,759,181	18,965,035
	₱943,531,851	₱533,119,933

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.

Receivable from EEI Retirement Fund, Inc. (EEI-RFI) resulted from the sale of land by EEI to EEI-RFI. In 2013, the receivable from EEI-RFI amounting ₱390.0 million was restructured and reclassified to other noncurrent assets with fixed 5% interest rate per annum (Note 17). The net outstanding receivable from the EEI-RFI as at December 31, 2014 and 2013 amounted to ₱387.5 million and ₱368.1 million, respectively.

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. The Group's provision for doubtful accounts on miscellaneous deposit amounted to nil in 2014 and 2013, respectively. As at December 31, 2014 and 2013, the Group's allowance for impairment on its miscellaneous deposits accounts amounted to ₱3.7 million.

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



12. Available-for-Sale Financial Assets

This account consists of:

	2014	2013
Quoted shares - at fair value	₱83,894,869	₱70,015,419
Unquoted shares - at cost	400,344,649	451,460,152
	₱484,239,518	₱521,475,571

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

	2014	2013
Attributable to equity holders of the parent:		
Balance at beginning of year	₱93,233,426	₱94,703,117
Gain (loss) recognized in equity	12,414,841	(1,469,691)
Balance at end of year	105,648,267	93,233,426
Noncontrolling interest:		
Balance at beginning of year	5,585,156	5,806,977
Gain (loss) recognized in equity	1,475,600	(221,821)
Balance at end of year	7,060,756	5,585,156
	₱112,709,023	₱98,818,582

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

	2014	2013
RCBC Realty Corporation (RRC)	₱260,387,781	₱287,253,380
Hermosa Ecozone Development Corporation	100,000,000	100,000,000
Brightnote Assets Corporation	25,000,000	25,000,000
Sta. Elena Properties	7,680,033	7,680,033
Heritage Park	5,088,785	9,331,285
Subic Power Corporation	37,500	37,500
Philippine Hybrid Energy Systems, Inc. (PHESI)	-	20,000,000
Others	2,150,550	2,157,954
	₱400,344,649	₱451,460,152

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 ₱31.11 million and ₱62.4 million were sold in 2014 and 2013, respectively, which resulted to gains amounting ₱28.4 million and ₱37.3 million, respectively (Note 23).

On September 17, 2013, the Parent Company purchased 1.4 million preferred A shares and 0.7 million preferred B shares of RRC for ₱235.1 million and ₱117.5 million, respectively. In the same year, the Parent Company sold 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 (Note 20).

In 2014, EEI reclassified its investment in Philippine Hybrid Energy Systems, Inc. (PHESI) amounting ₱20.0 million to other receivables (Note 8).



In 2013, EEI acquired 20 million shares of PHESI at ₱1 par for an aggregate amount of ₱20.0 million. Also in 2013, the EEI acquired 150,000 shares of Hermosa Ecozone Development Corporation shares from Seafront Resources Corporation amounting ₱15.0 million.

As of December 31, 2014 and 2013, AFS investments pledged as security to obligations amounted to ₱260.4 million and ₱287.3 million, respectively (Note 20).

13. Investments in Associates and Joint Venture

The account consists of investments in the following:

	Percentage of ownership	
	2014	2013
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)	25.00	25.00
Petroenergy Resources Corporation (PERC)	22.41	20.00
RCBC Realty Corporation (RRC)	10.00	10.00
Joint venture:		
ECW Joint Venture Inc.	50.00	50.00

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

	2014	2013
Acquisition cost		
Balances at beginning	₱1,833,886,394	₱540,493,013
Additions	158,485,100	1,445,319,791
Disposals	–	(151,926,410)
Balance at end of year	1,992,371,494	1,833,886,394
Accumulated impairment loss		
Balance at beginning of year	74,536,609	226,463,019
Disposals	–	(48,082,767)
Recovery of impairment loss (Note 28)	–	(103,843,643)
Balance at end of year	74,536,609	74,536,609
Accumulated equity in net earnings		
Balance at beginning of year	1,622,025,355	1,224,136,102
Equity in net earnings	659,772,494	610,307,799
Dividends received	(256,443,120)	(212,418,546)
Balance at end of year	2,025,354,729	1,622,025,355
Equity in cumulative translation adjustment	(44,905,259)	(58,478,229)
	₱3,898,284,355	₱3,322,896,911

The recovery of investment amounting ₱103.8 million in 2013 pertains to the Group's investment in SWCC as discussed in Note 5.



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

	2014				
	PERC	RRC	MMPC	ARCC	ECW
Current assets	₹437,405,470	₹717,424,630	₹963,035,100	₹3,919,600,754	₹11,813,456
Noncurrent assets	5,913,170,198	6,743,119,894	713,150,598	892,810,896	-
Total assets	₹6,350,575,668	₹7,460,544,524	₹1,676,185,698	₹4,812,411,650	₹11,813,456
Current liabilities	₹975,861,192	₹1,444,054,411	₹794,629,115	₹2,737,989,500	₹21,199
Noncurrent liabilities	2,748,201,459	3,549,199,513	252,760,125	419,844,350	-
Total liabilities	₹3,724,062,651	₹4,993,253,924	₹1,047,389,240	₹3,157,833,850	₹21,199
Revenues	₹1,618,295,864	₹2,237,909,634	₹912,420,115	₹7,045,340,805	₹-
Cost and expenses	(1,182,024,044)	(1,500,743,549)	(727,523,161)	(6,603,210,166)	-
Net income	₹436,271,820	₹737,166,085	₹184,896,954	₹442,130,639	₹-

	2013				
	PERC	RRC	MMPC	ARCC	ECW
Current assets	₹1,038,080,471	₹1,163,780,365	₹844,928,870	₹2,970,497,638	₹11,813,456
Noncurrent assets	4,090,369,596	6,994,019,623	674,065,863	1,021,282,593	-
Total assets	₹5,128,450,067	₹8,157,799,988	₹1,518,994,733	₹3,991,780,231	₹11,813,456
Current liabilities	₹306,559,728	₹1,421,352,279	₹756,616,398	₹2,164,368,801	₹21,199
Noncurrent liabilities	2,559,776,677	4,268,864,903	232,623,482	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	₹450,386,544	₹6,433,449,935	₹-
Cost and expenses	(517,387,052)	(1,325,565,122)	(286,571,765)	(5,904,354,351)	-
Net income	₹64,637,676	₹819,118,336	₹163,814,779	₹529,095,584	₹-

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

In 2014, the Parent Company purchased additional 6.6 million shares of PERC for ₹5.50 per share which increased its ownership interest from 20.00% to 22.41%.

On September 17, 2013, the Parent Company purchased 0.7 million common shares of RRC amounting to ₹985.9 million (Note 4).

On February 21, 2013, the Parent Company purchased additional 11.1 million shares of PERC at ₹6.00 per share amounting to ₹367.9 million which increased its ownership interest from 13.00% to 20.00% (Note 4). The unrealized gain related to the investment in PERC previously held as AFS securities amounting ₹57.1 million is retained in other comprehensive income until disposal of the investment.

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:

	2014	2013
Net assets of associate attributable to common shareholders	₹11,306,456,422	₹9,115,260,909
Proportionate ownership in the associates	28%	28%
Share in net identifiable assets	3,126,499,991	2,551,333,727
Notional goodwill	771,784,364	771,563,184
	₹3,898,284,355	₹3,322,896,911

Investments in associates and joint venture held as collateral to obligations amounted to ₹958.7 million as of December 31, 2014 and 2013 (Note 19).



14. Property and Equipment

The rollforward analysis of this account follows:

	2014					Total
	Land, Buildings and Improvements	Machinery, Tools and Construction Equipment	Transportation and Service Equipment	Furniture, Fixtures, and Office Equipment	Construction in Progress (Note 19)	
Cost						
At beginning of year	₱2,547,493,801	₱3,250,465,488	₱512,379,074	₱1,550,636,290	₱115,471,643	₱7,976,446,296
Additions	164,444,110	243,510,253	216,786,601	255,733,377	378,096,627	1,258,570,968
Disposals/retirements	(231,272)	(156,494,790)	(22,292,170)	(26,743,670)	–	(205,761,902)
Reclassifications/adjustments	(14,362,731)	33,441,607	7,456,731	10,989,857	–	37,525,464
Transfers	43,433,510	1,944,128	–	–	(45,377,638)	–
At end of year	2,740,777,418	3,372,866,686	714,330,236	1,790,615,854	448,190,632	9,066,780,826
Accumulated Depreciation and Amortization						
At beginning of year	1,126,218,554	996,423,511	324,270,404	1,114,463,470	–	3,561,375,939
Depreciation and amortization (Note 29)	85,011,003	215,038,627	88,284,055	195,904,795	–	584,238,480
Disposals/retirements	(231,272)	(153,102,929)	(19,719,836)	(25,786,920)	–	(198,840,957)
Reclassifications/adjustments	233,034	(14,819,786)	5,096,730	1,460,775	–	(8,029,247)
At end of year	1,211,231,319	1,043,539,423	397,931,353	1,286,042,120	–	3,938,744,215
Net Book Value at Cost	₱1,529,546,099	₱2,329,327,263	₱316,398,883	₱504,573,734	₱448,190,632	₱5,128,036,611
Land at Revalued Amounts						₱2,836,565,819

	2013					Total
	Land, Buildings and Improvements	Machinery, Tools and Construction Equipment	Transportation and Service Equipment	Furniture, Fixtures, and Office Equipment	Construction in Progress (Note 19)	
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)	(12,464,186)	–	(65,283,007)
Reclassifications/adjustments	260,803	82,580	13,166	(33,918,470)	–	(33,561,921)
Derecognition	(1,137,436)	–	–	(683,989)	–	(1,821,425)
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

Depreciation and amortization expense charged to cost of goods sold and services amounted to ₱444.6 million, ₱363.6 million, and ₱329.0 million in 2014, 2013 and 2012, respectively (Note 29). Depreciation charged to general and administrative expenses amounted to ₱160.4 million and ₱178.7 million, and ₱146.0 million in 2014, 2013 and 2012, respectively (Notes 28 and 29).

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



In 2013, the Group entered into a contract for the construction of new school facilities in a bid to attract more students. This construction has two major phases. The first phase is the renovation and update of the existing gym amounting ₱44.1 million which was completed in 2014. The second phase is the construction of the new Research and Administration facility amounting ₱238.7 million. This started in May 2014 and is expected to be completed by the first quarter of 2015.

On July 8, 2014, the Group also started the construction of the new engineering building in Laguna amounting ₱171.9 million which is expected to be completed in 2015. The building will be equipped with state-of-the-art facilities and interactive learning environment to aid the students in their advanced engineering studies.

As at December 31, 2014, the gym was transferred from construction in progress account to buildings and improvements account. The research and administration facilities and the engineering building remain under construction.

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 (Note 20).

The Group has capitalized borrowing costs amounting to nil and ₱27.41 million in 2014 and 2013, respectively. Borrowing costs were capitalized at the rate of 6.50% per annum in 2013 (Note 20).

Movements in the revalued land are as follow:

	2014	2013
Balance at beginning of year	₱2,727,358,837	₱2,605,448,126
Additions:		
Acquisition	-	25,306,837
Appraisal increase	108,223,602	96,603,874
Capitalizable costs directly related to land purchased	983,380	-
Balance at end of year	₱2,836,565,819	₱2,727,358,837

Land at cost amounted to ₱1.8 billion as at December 31, 2014 and 2013. Land includes the land leased from RCBC accounted for as finance lease in 2009 (Note 34).

The revalued amounts in 2014 and 2013 are based on the latest appraisal reports by an independent appraiser dated January 2015 and January 2014. 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 2015 and January 2014 approximate the fair values as at December 31, 2014 and 2013.

As of December 31, 2014 and 2013, fully depreciated assets that are still in use amounted to ₱1,715.2 million and ₱1,233.5 million, respectively.

There are no temporary idle property and equipment as of December 31, 2014 and 2013.

Property and equipment pledged as security to obligations amounted to ₱1.35 billion and ₱1.50 billion as of December 31, 2014 and 2013 (Note 20).



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 ₱41.4 million (Notes 5 and 28). There are no additional impairment loss on goodwill in 2014.

The Group performed its annual impairment test on its goodwill with indefinite useful lives as of December 31, 2014. The recoverable amount of goodwill was determined based on value in use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The cash flow projections considered the impact of the Enhanced K+12 Basic Education Program on MCI's financial performance effective in 2016. Cash flows beyond the five-year period are assumed to be without growth.

16. Investment Properties

The rollforward analysis of this account follows:

	2014		
	Land Held for Capital Appreciation	Condominium Units and Parking Slots	Total
Cost			
Balances at beginning of year	₱210,629,459	₱55,491,974	₱266,121,433
Additions	–	12,953,880	12,953,880
Disposals	(200,000)	–	(200,000)
Balances at end of year	210,429,459	68,445,854	278,875,313
Accumulated Depreciation and Amortization			
Balances at beginning of year	–	15,804,488	15,804,488
Depreciation and amortization	–	2,774,718	2,774,718
Balances at end of year	–	18,579,206	18,579,206
Net Book Value	₱210,429,459	₱49,866,648	₱260,296,107
	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	–	(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



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

In 2012, EEI Realty transferred inventories to investment properties pertaining to the leased properties consisting of land held for capital appreciation and residential units amounting ₱10.4 million and ₱11.6 million, respectively. In 2013, these were transferred to inventory since the intention of the Group's management for the property is to sell and not for capital appreciation or rental (Note 10).

The total rental income derived from the investment properties amounted to ₱6.0 million, ₱7.1 million, and ₱4.3 million in 2014, 2013 and 2012, respectively. Total direct operating expenses incurred in relation to these investment properties amounted to ₱0.1 million and ₱0.2 million, and nil in 2014, 2013 and 2012, respectively (Note 28).

In 2012, the Group recognized impairment loss amounting ₱16.2 million, relating to the Group's land held for capital appreciation located in Lemery, Batangas. No additional impairment loss was recognized in 2014 and 2013 (Note 28).

As at December 31, 2014 and 2013, the fair value of investment properties amounted to ₱310.0 million and ₱330.3 million, respectively.

The fair value of the land and condominium units and parking slots was arrived at using the Market Data Approach. In this approach, the value of the land and condominium units and parking slots are based on sales and listings of comparable properties registered within the vicinity.

None of the investment properties were pledged as a security to obligations as of December 31, 2014 and 2013.

17. Other Noncurrent Assets

This account consists of:

	2014	2013
Receivable from EEI Retirement Fund, Inc. (EEI-RFI) (Notes 11 and 22)	₱270,531,792	₱368,094,020
Retirement asset (Note 31)	47,110,578	30,705,576
Computer software	28,505,569	39,844,284
Others	90,039,401	24,718,403
	₱436,187,340	₱463,362,283

The receivable from EEI-RFI resulted from the sale of land held for sale by EEI to EEI-RFI. The amount is to be paid by EEI-RFI within seven years from 2006 with interest rate based on bank's internal average lending rate (Note 22).

In 2013, the receivable from EEI-RFI amounting to ₱390.0 million was restructured with payment terms longer than previously agreed. Receivable from EEI-RFI presented in this account pertains to principal payments due for more than one year in accordance with the restructured payment terms (Note 11).



Computer software is amortized over a period of three years. Amortization of computer software charged to operations in 2014, 2013 and 2012 amounted to ₱20.8 million, ₱17.7 million and ₱19.2 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:

	2014	2013
Cost		
Balance at the beginning of the year	₱79,467,780	₱70,691,654
Additions	9,428,207	8,776,126
Balance at the end of the year	88,895,987	79,467,780
Accumulated Amortization		
Balance at the beginning of the year	39,623,496	21,964,966
Amortization (Note 29)	20,766,922	17,658,530
Balance at the end of the year	60,390,418	39,623,496
Net Book Value	₱28,505,569	₱39,844,284

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:

	2014	2013
Accounts payable	₱4,545,031,586	₱2,772,364,172
Accrued expenses	536,493,121	475,208,720
Deferred output taxes	516,120,678	284,666,733
Output tax payable	131,577,440	120,229,023
Subscriptions payable	58,007,218	58,007,218
Dividends payable	43,169,759	24,231,737
Accrued interest payable	12,253,244	11,412,996
Others	4,711,612	35,446,127
	₱5,847,364,658	₱3,781,566,726

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.

Deferred output taxes are expected to be remitted to the government (net of input VAT) immediately upon collection of related receivables which is expected to be settled within the next twelve months.

Subscriptions payable represents unpaid subscriptions on equity securities.



Accrued expenses consist of:

	2014	2013
Accrued salaries and wages	₱165,901,989	₱148,902,978
Accrued rent	119,110,569	122,172,353
Withholding taxes and others	63,276,789	88,083,447
Accrued insurance	32,198,546	4,534,644
SSS and other contributions	20,079,421	20,543,195
Payable to security guards	10,438,737	9,643,027
Deferred income	6,128,396	3,674,104
Chattel mortgage payable	2,952,116	7,007,065
Payable to Land Transportation Office	1,917,301	5,514,032
Rust proofing payable	19,763	4,027
Accrued professional fee	-	3,206,579
Accrued commission	-	9,083
Others	114,469,494	61,914,186
	₱536,493,121	₱475,208,720

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.

As at December 31, 2014 and 2013, total accumulated payments to the permanent faculty members amounted to ₱228.9 million and ₱213.9 million, respectively. Related accrual as at December 31, 2014 and 2013 amounted to ₱65.9 million and ₱66.0 million, respectively.

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:

	2014	2013
Loans payable (Note 22)		
Unsecured bank loans	₱3,225,000,000	₱1,459,000,000
Secured bank loans	295,000,000	1,770,000,000
Bills payable		
Unsecured bills	400,000	400,000
	₱3,520,400,000	₱3,229,400,000



Unsecured

Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 2.00% to 4.00% and 3.25% to 4.50% in 2014 and 2013, 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 ₱112.1 million and ₱255.2 million as of December 31, 2014 and 2013, respectively.

The secured bank loans in 2014 and 2013 are collateralized by an assignment of the Group's construction contract with certain customers with a total contract value of ₱2.6 billion (Note 13).

Bills Payable

Bills payable pertains to unsecured short-term borrowings from private firms, related companies and individuals with annual interest rate of 10% in 2014 and 2013.

The Group has no externally imposed capital requirements on its bank loans as at December 31, 2014 and 2013.

Interest on loans payable amounted to ₱93.3 million, ₱138.3 million and ₱83.8 million in 2014, 2013 and 2012, respectively (Note 30).

20. Long-term Debt

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

Parent Company	2014	2013
Peso-denominated syndicated bank loan payable within ten (10) years which shall commence after three (3) years from the date of issue with a floating rate per annum based on the higher of (i) the 3 - month Philippine Dealing System Treasury Reference Rates - Fixing (PDST-F) plus a spread of two percent (2.0%) per annum or (ii) the BSP overnight rate plus a spread of 1.5%	₱642,783,251	₱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) five (5)-year PDST-F, plus a spread of 2.0% per annum or (ii) floating rate per annum based on the higher of (i) the 3 - month Philippine Dealing System Treasury Reference Rates - Fixing (PDST-F) plus a spread of 2.0% per annum or (ii) the BSP overnight rate plus a spread of 1.5% or (iii) 5.5% per annum	642,783,250	641,562,868
Peso-denominated 5 year term loan, payable quarterly starting March 2014 with interest of 5.00% per annum	398,411,854	497,539,130

(Forward)



	2014	2013
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.	₱516,000,000	₱602,000,000
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	517,912,200	575,458,000
EEI		
Fixed-rate corporate promissory notes with effective interest rates of 5.1667% and 5.1875% per annum	446,428,571	-
MCLI		
Payable to PTC	10,250,715	9,127,118
	3,174,569,841	2,967,249,985
Less current portion of long-term debt	379,233,744	191,813,630
	₱2,795,336,097	₱2,775,436,355

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, 2014 and 2013.

Loans financed by Robinsons Bank are secured by the Parent Company's investment in an associate and investment in subsidiary with carrying values amounting ₱522.9 million and ₱435.0 million, respectively, as of December 31, 2014 and 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, 2014 and 2013.

On December 16, 2013, the Parent Company acquired from RCBC loan amounting ₱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, 2014 and 2013.



MCI

MCI acquired a loan from RCBC amounting ₱860.0 million, payable within ten (10) years. This loan is backed up by land properties in Manila and Makati owned by the Group. 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 ₱1,400.0 million in 2014 and 2013.

EEl

On February 7, 2014 and February 18, 2014, EEI entered into fixed-rate corporate promissory notes amounting ₱50.0 million and ₱450.0 million with Land Bank of the Philippines with effective interest of 5.1667% and 5.1875% per annum, respectively. The loans mature within seven (7) years from the date of issue. The proceeds of the loan were used for general corporate and project financing requirements.

EEl Power

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, 2014 the carrying value of collateral held on the loan amounted to ₱1.4 billion consisting of certain machinery and construction equipment items of EEI amounting ₱1.3 billion and certain merchandise stocks and fixed assets of EE (Equipment Engineers, Inc.) amounting ₱0.1 billion (Note 14).

The loan is subject to loan covenants wherein 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

On January 22, 2008, the Group entered into a memorandum of agreement with Philippine Transmarine Carriers, Inc. (PTC) to jointly establish the Mapua-PTC Center for Maritime Education and Training (CMET).

The parties agree that the operation and management of Mapua-PTC CMET shall be under the auspices of the Company and that the parties shall execute both an Operations and Management Agreement to operate the educational activities and general administrative functions of the Mapua-PTC CMET. The agreement was accounted for as jointly controlled operations.

The Company shall be responsible for establishing academic, faculty, student and academic services policies and the enforcement thereof, as well as provide overall administrative control and supervision of all school personnel, faculty and engaged service providers.



All properties acquired under the project shall be equally owned by the PTC and the Group unless otherwise borrowed or leased by the Group for the Mapua-PTC CMET or donated with preconditions imposed by third parties on Mapua-PTC CMET.

All net income or losses which results from the operation of the Mapua-PTC CMET shall be shared and distributed equally on a 50%-50% basis between the Group and PTC.

As at December 31, 2014 and 2013, payable to PTC amounted to ₱10.3 million and ₱9.1 million, respectively, for its share in the income of tuition and other matriculation fees of students of the Malayan-PTC CMET. The outstanding balance of ₱10.3 million and ₱9.1 million are payable in 2015 and 2014, respectively, and is recorded under current liabilities.

Interest on loans payable amounted to ₱166.5 million and ₱23.5 million in 2014 and 2013, respectively (Note 30).

The Group has complied with all loan covenants for the years ended December 31, 2014 and 2013.

21. EEI's Stock Option Plan

EEI's stock option plan, as amended (Amended Plan), had set aside 35 million common shares for stock options available to regular employees, officers and directors of EEI.

Under the Amended Plan, the option or subscription price must be equal to the book value of the Group'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

EEI 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):

Category	2014			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Parent Company - PMMIC				
a. Accounts payable	₱1,696	(₱1,699)	Non-interest bearing	Unsecured
Miscellaneous expense	177	—	—	—
b. Dividends payable	—	(992)	Non-interest bearing	Unsecured
Associates				
c. Dividends receivable	58,116	—	Non-interest bearing	Unsecured, no impairment
d. Due from related parties	—	10,558	Non-interest bearing	Unsecured
Management and audit fee income	13,290	—	—	—
e. Subscriptions payable	—	(9,375)	Non-interest bearing	Unsecured
Other affiliates				
f. Receivable from EEI Retirement Fund, Inc.	—	387,532	Interest bearing, 5% per annum	Secured, no impairment
Rental expense	47,250	—	—	—
Interest income	17,253	—	—	—
Entities under common control				
g. Cash and cash equivalents	1,190,079	2,023,707	Interest bearing at prevailing bank deposit rates	Unrestricted
Interest income	10,790	—	—	—
h. Accounts receivable	519,166	63,429	Non-interest bearing	Unsecured, no impairment
Vehicle sales	39,721	—	—	—
Agency fee income	30,590	—	—	—
i. Dividends receivable	—	—	Non-interest bearing	Unsecured, no impairment
Dividends income	34,918	—	—	—
j. Commission receivable	424	424	Non-interest bearing	Unsecured, no impairment
Commission income	424	—	—	—
k. Due from related parties	—	22,703	Non-interest bearing	Unsecured, no impairment
Service revenue	160,146	—	—	—
Other income	436	—	—	—
Rental income	24,425	—	—	—
Audit fee income	2,473	—	—	—

(Forward)



2014				
Category	Amount/ Volume	Outstanding Balance	Terms	Conditions
l. Management fee receivable	₱103,725	₱13,707	Non-interest bearing	Unsecured, no impairment
Management fee income	103,725	-	-	-
m. Accounts payable and accrued expenses	673	(257)	Non-interest bearing	Unsecured
Rental expense	5,156	-	-	-
n. Due to related parties	-	(16,464)	Non-interest bearing	Unsecured
Rental expense	887	-	-	-
Insurance expense	-	-	-	-
o. Lease liability	-	(281)	Interest bearing, 2.03% - 2.45% per annum (EEI); non-interest bearing (iPeople)	Secured
Interest expense - finance lease	89	-	-	-
p. Loans payable	500,000	500,000	Interest bearing; 5.5% to 6.5% per annum	Secured
Interest expense	27,194	-	-	-
q. Long-term debt (including current portion of long-term debt)	-	(87,912)	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	58,260	-	-	-
	69,066	-	-	-

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	Secured, 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	-	-	-

(Forward)



2013				
Category	Amount/ Volume	Outstanding Balance	Terms	Conditions
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 receivable	1,222	1,700	-	-
Commission income	1,222	-	-	-
k. Due from related parties	-	52,148	Non-interest bearing	Unsecured, no impairment
Service revenue	156,693	-	-	-
Other income	381	-	-	-
Rental income	23,283	-	-	-
Audit fee income	10,319	-	-	-
l. Management fee receivable	86,334	12,705	Non-interest bearing	Unsecured, no impairment
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	(1,567)	Interest bearing, 2.03% - 2.45% per annum (EEL); 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 (EEL); 10-year, interest at 3-mo. PDST-F plus spread per quarter (iPeople)	Secured
Interest expense	40,482	-	-	-

Parent Company - PMMIC

- a. Accounts payable to PMMIC pertains to unpaid expenses on shared costs such as legal expenses which are included under “Miscellaneous expense”. Accounts payable to PMMIC as at December 31, 2014 and 2013 amounted to ₱1.7 million and ₱2.2 million, respectively.
- b. Dividends declared in 2014 and 2013 by the Parent Company amounted to ₱67.9 million and ₱62.7 million, respectively (Note 38). Out of the total declared dividends, dividends payable to PMMIC as at December 31, 2014 and 2013 amounted to ₱1.0 million and ₱0.7 million, respectively.

Associates

- c. Outstanding dividends receivable from associates as at December 31, 2014 and 2013 amounted to nil and ₱11.3 million, respectively.



- d. 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, 2014 and 2013, the Group has an outstanding receivable from its associates amounting ₱10.6 million and ₱9.3 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.
- e. Outstanding subscription payable to an associate amounted to ₱9.4 million as at December 31, 2014 and 2013.

Other affiliates

- f. In 2006, the EEI sold parcels of land to EEI Retirement Fund, Inc. (EEI-RFI), a trustee of the EEI employees retirement fund. EEI RFI 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 RFI is disclosed in Note 23. The receivables are interest bearing with rates ranging from 5% to 6% per annum in 2014 and 2013.

Starting January 2007, EEI and EEI-RFI entered into operating lease agreements for the said land and improvements. The terms are for one year and renewable at the option of EEI provided that for each and every renewal, the monthly rentals shall be increased upon mutual agreement of both parties. Annual rental for the property located in Manggahan, Quezon City amounted to ₱47.3 million, ₱45.0 million, and ₱56.7 million in December 31, 2014, 2013 and 2012, respectively which is charged to rental expense in the consolidated statements of income (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 in December 31, and 2012 (Note 24).

Entities under common control of PMMIC

- g. The Group maintains cash and cash equivalents with RCBC, an entity under common control. As at December 31, 2014 and 2013, cash and cash equivalents with RCBC amounted to ₱2.0 billion and ₱1.7 billion, respectively. The related deposits earn interest at the prevailing bank deposit rates. Interest income earned from cash and cash equivalents amounted to ₱10.8 million and ₱31.7 million in 2014 and 2013, respectively.
- h. The Group generates income by providing security services at a 15% mark-up to entities under common control. In 2014 and 2013, the Group's agency fee income is attributable to security services provided to majority of RCBC branches in the country. As at December 31, 2014 and 2013, the Group's accounts receivable from RCBC amounted to ₱30.6 million and ₱33.3 million, respectively.

The Group 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 ₱32.3 million and ₱7.5 million as at December 31, 2014 and 2013, respectively.

- i. Dividend income earned in 2014, 2013 and 2012 from entities under common control of PMMIC amounted to ₱35.0 million, ₱320.2 million and ₱9.0 million, respectively. There are no unpaid dividends as at December 31, 2014 and 2013.



- j. The Group earns commission income in 2014, 2013 and 2012 from affiliates through referrals to the Company's customers of insurance offered by an affiliate. As at December 31, 2014, 2013 and 2012, commission receivables amounted to ₱0.4 million, ₱1.7 million, and ₱0.9 million, respectively.
- k. 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 follows (Note 34):

	2014	2013
Within one (1) year	₱13,485,674	₱23,862,590
More than 1 year but not more than 5 years	67,428,372	11,640,288
	₱80,914,046	₱35,502,878

Another receivable from related parties arises from janitorial services rendered by EEI (GAMSI) to the Group's affiliates. The service revenue earned from janitorial services rendered in 2014, 2013 and 2012 amounted to ₱223.9 million, ₱204.7 million, and ₱198.8 million, respectively.

- l. 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 ₱13.7 million and ₱12.7 million as at December 31, 2014 and 2013, respectively.
- m. Payable to an entity under common control pertains to rental of office space and share in the utilities expense of the Group amounting ₱0.3 million and ₱5.1 million as at December 31, 2014 and 2013, respectively.
- n. As at December 31, 2014 and 2013, the outstanding intercompany payables presented under "Due to related parties" account in the consolidated statements of financial position amounted to ₱16.5 million and ₱41.0 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 ₱1,286.0 million, ₱1,246.0 million and ₱47.3 million in 2014, 2013 and 2012, respectively.

EEI's insurance contract with MICO is entered into for EEI Caledonia workers amounting nil and ₱14.1 million in 2014 and 2013, respectively.

- o. 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 ₱0.9 million, ₱1.6 million and ₱11.7 million in 2014, 2013 and 2012, respectively (Notes 28 and 34). As at December 31, 2014 and 2013, the outstanding lease liability amounted to ₱0.3 million and ₱1.6 million, respectively and the interest expense on finance lease presented in the consolidated statements of income in 2014, 2013 and 2012 amounted to ₱0.1 million, ₱1.3 million and ₱4.0 million, respectively.



- p. The Group entered into various loan agreements with entities under common control of PMMIC. The loan agreement bears an annual interest ranging 3.25%-5.50% and 4.50%-5.50% in 2014 and 2013, respectively. Outstanding loan balance as at December 31, 2014 and 2013 amounted to ₱500.0 million and ₱612.0 million, respectively (Note 19).
- q. 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 on this loan in 2014, 2013 and 2012 amounted to ₱34.4 million, ₱24.2 million, and ₱3.5 million, respectively. Interest was capitalized and recorded under “Machinery, tools and construction equipment” account in property and equipment in 2013 and 2012 (Note 14). No interest expense was capitalized in 2014.

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 2014 and 2013, payments made in relation to the principal amount totaled ₱86.0 million (Note 20). Corresponding interest expense for the loan amounted to ₱19.6 million, ₱19.9 million and ₱26.1 million in 2014, 2013 and 2012, respectively.

The Group maintains its retirement fund with RCBC trust division. As at December 31, 2014 and 2013, the fair values of the plan assets of the retirement fund amounted to ₱1,070.0 million and ₱990.2 million, respectively (Note 31). Trust fees amounting ₱6.1 million, ₱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, 2014, 2013 and 2012, respectively.

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. These mainly consist of advances and reimbursement of expenses. The Group has not recognized any impairment on amounts due from affiliated companies for the years ended December 31, 2014 and 2013. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Remuneration of key management personnel

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

	2014	2013	2012
Compensation and short-term benefits	₱228,429,730	₱189,177,679	₱185,031,212
Post-employment benefits	7,147,768	20,052,712	15,031,896
	₱235,577,498	₱209,230,391	₱200,063,108



23. Other Income - Net

This account consists of:

	2014	2013	2012
Finance income	₱87,264,090	₱31,689,057	₱38,503,311
Commission income	72,423,189	125,911,434	74,784,800
Interest income (Note 6)	45,322,974	77,096,099	71,301,381
Gain on sale of assets	30,116,257	54,273,673	59,303,702
Income from reversal of payables	14,605,004	24,614,339	–
Space and car rental	13,769,816	7,151,765	10,909,942
Recoveries from previously written-off receivables	11,724,583	–	–
Income from reversal of provision for impairment of CWT	8,320,670	–	–
Insurance income	8,302,138	8,807,685	8,959,200
Tax reimbursement	7,406,912	–	34,080,387
Rental income	6,030,018	15,882,714	10,082,816
Reversal of provision for losses	6,000,000	157,046,816	4,632,235
Income from sale of pre-owned car	935,371	943,142	5,212,165
Income from defaults	10,000	10,000	8,931,619
Foreign exchange loss	(752,293)	(24,930,685)	(19,851,924)
Miscellaneous	26,198,229	111,995,079	26,477,715
	₱337,676,958	₱590,491,118	₱333,327,349

Interest income consists of income from:

	2014	2013	2012
Savings deposit and short-term investments (Note 6)	₱27,670,444	₱45,102,387	₱50,340,474
Receivable from EEI Retirement Fund, Inc. (Note 22)	17,652,530	31,993,712	20,960,907
	₱45,322,974	₱77,096,099	₱71,301,381

Gain on sale of assets consists of income from:

	2014	2013	2012
AFS securities (Note 12)	₱28,368,239	₱37,258,378	₱12,537,522
Property and equipment (Note 14)	1,748,018	921,522	1,330,148
Loss of control on a subsidiary (Note 2)	–	11,072,373	43,975,648
Investment properties (Note 16)	–	5,021,400	1,460,384
	₱30,116,257	₱54,273,673	₱59,303,702

The gain on loss of control of a subsidiary pertains to the sale of the Group's shares in FMLFC to RCBC in 2012 and sale of shares in SWCC in 2013 (Note 2).

Reversal of provision for losses amounted to ₱6.0 million, ₱157.0 million and ₱4.6 million in 2014, 2013 and 2012, respectively. The reversal in 2012 pertains to EEI NC's reversal of provisions for potential reworks and medical claims.

Miscellaneous include income from sale of sludge and used oil, rebate from purchase of fuel, proceeds from insurance companies and share in savings from utility companies.



24. Costs of Sales and Services

This account consists of:

	2014	2013	2012
Cost of services (Note 26)			
Cost of construction contracts	₱14,261,798,939	₱8,452,691,358	₱9,498,460,556
Cost of manpower and other services	1,496,355,389	1,153,505,200	2,804,407,209
	15,758,154,328	9,606,196,558	12,302,867,765
Cost of goods sold			
Cost of merchandise sold (Note 25)	4,514,818,400	4,104,520,279	4,304,433,244
Cost of real estate sold	14,647,753	66,629,164	51,267,530
	4,529,466,153	4,171,149,443	4,355,700,774
Cost of school and related operations	1,057,421,020	961,978,397	877,831,564
	₱21,345,041,501	₱14,739,324,398	₱17,536,400,103

25. Cost of Merchandise Sold

This account consists of (Notes 10 and 24):

	2014	2013	2012
Inventory, beginning (Note 10)	₱544,702,787	₱583,928,136	₱247,930,232
Purchases	4,657,576,901	4,053,030,083	4,628,873,685
Total goods available for sale	5,202,279,688	4,636,958,219	4,876,803,917
Less inventory end (Note 10)	700,949,453	544,702,787	583,928,136
Cost of inventories sold	4,501,330,235	4,092,255,432	4,292,875,781
Personnel expenses	8,304,361	7,976,860	8,350,235
Others	5,183,804	4,287,987	3,207,228
	₱4,514,818,400	₱4,104,520,279	₱4,304,433,244

26. Cost of Services

	2014	2013	2012
Cost of construction contracts			
Equipment costs and others	₱4,852,094,411	₱2,718,291,108	₱3,217,339,226
Labor	4,664,108,039	2,757,793,750	3,377,795,607
Materials	4,466,633,143	2,715,301,194	2,707,819,084
Depreciation and amortization (Note 29)	278,963,346	261,305,306	195,506,639
	14,261,798,939	8,452,691,358	9,498,460,556
Cost of manpower and other services			
Personnel expenses	545,599,126	937,351,835	2,389,381,509
Parts and accessories	381,589,383	96,759,734	262,710,861
Materials	313,102,582	24,553,884	72,382,199
Depreciation and amortization (Note 29)	43,710,394	4,955,473	4,098,828
Others	212,353,904	89,884,274	75,833,812
	1,496,355,389	1,153,505,200	2,804,407,209
	₱15,758,154,328	₱9,606,196,558	₱12,302,867,765



27. Cost of School and Related Operations

This amount consists of (Note 24):

	2014	2013	2012
Personnel expenses	₱533,876,708	₱509,882,745	₱462,104,336
Student-related expenses	133,660,473	105,620,122	83,566,759
Depreciation and amortization (Note 29)	121,322,468	96,794,226	128,972,148
Utilities	83,158,970	81,957,954	71,254,794
Management and other professional fees	65,070,778	77,754,398	36,231,735
Tools and library books	28,298,469	11,453,742	10,192,833
Seminars	13,823,755	16,294,387	12,342,439
Repairs and maintenance	13,818,194	10,132,197	11,577,964
Advertising	11,647,069	9,012,368	19,222,390
Periodicals	11,178,975	7,477,266	5,879,741
Research and development fund	7,463,924	6,182,896	2,688,032
Laboratory supplies	6,027,458	5,571,977	4,909,899
Office supplies	5,521,043	6,287,212	5,960,859
Accreditation costs	4,735,036	2,812,803	1,603,161
Insurance	3,700,581	4,983,208	3,368,317
Transportation and travel	2,378,168	2,384,600	1,945,754
Rent	2,081,895	1,217,284	1,095,952
Taxes and licenses	1,701,100	1,173,844	1,056,687
Entertainment, amusement and recreation	874,285	1,051,090	1,192,290
Provision for impairment (Note 28)	-	-	8,824,573
Miscellaneous	7,081,671	3,934,078	3,840,901
	₱1,057,421,020	₱961,978,397	₱877,831,564

28. General and Administrative Expenses

This account consists of:

	2014	2013	2012
Personnel expenses (Note 31)	₱719,925,651	₱662,858,533	₱721,316,972
Rent, light and water (Note 22)	181,094,792	182,802,944	158,310,128
Depreciation and amortization (Note 29)	160,381,361	178,721,639	146,018,938
Taxes and licenses	95,702,907	102,079,416	93,182,585
Transportation and travel	66,400,137	64,458,496	79,173,987
Entertainment, amusement and recreation	57,907,699	52,967,944	45,245,460
Professional fees	54,415,257	75,845,203	90,706,191
Advertising and promotions	45,982,577	53,445,247	16,613,880
Management and other fees	34,302,364	58,798,334	18,532,997
Securities and utilities	31,135,590	38,407,681	28,320,725
Direct expenses	30,983,283	31,156,337	35,774,459

(Forward)



	2014	2013	2012
Repairs and maintenance	₱20,773,347	₱33,473,907	₱24,301,531
Office expenses	19,923,631	19,439,250	17,786,168
Commissions	16,353,158	18,776,722	24,785,217
Insurance	12,378,667	8,433,731	8,940,862
Donations and contributions	7,024,959	6,567,031	5,576,574
Seminars	1,549,920	715,795	835,615
Provision (recovery) for inventory obsolescence (Note 10)	893,944	(29,384,710)	5,613,854
Accreditation cost	444,825	214,506	-
Impairment loss on investment properties (Note 16)	-	-	16,152,771
Provision for impairment (Notes 7, 8, 15 and 22)	-	139,338,325	67,234,916
Recovery on investments in associates (Note 13)	-	(103,843,643)	(1,205,357)
Loss (recovery) on damaged properties (Note 14)	(81,829)	8,225,220	(79,929,982)
Provision for (recovery of) probable losses (Notes 8 and 22)	(16,756,789)	73,194,466	27,500,000
Miscellaneous	106,892,713	70,943,328	88,906,129
	₱1,647,628,164	₱1,747,635,702	₱1,639,694,620

Miscellaneous expense includes dues and subscriptions, periodicals training and seminar, bank charges, legal and notarial fees and other contracted services.

Below are the details of net provision for (recovery of) probable losses:

	2014	2013	2012
Accounts receivable			
Provision (Note 8)	₱15,928,804	₱45,855,717	₱33,210,686
Recoveries (Note 8)	(43,595,377)	(37,668,897)	(29,093,881)
Direct write-off	10,909,784	42,007,646	21,236,937
Due from related parties (Note 22)			
Provision	-	23,000,000	-
Direct write-off	-	-	656,684
Others	-	-	1,489,574
	(₱16,756,789)	₱73,194,466	₱27,500,000

Provision for impairment that was charged to cost of school and related operations amounted to ₱8.8 million in 2012.

No provision for impairment was charged to cost of school and related operations in 2014 and 2013 (Note 27).



29. Depreciation and Amortization

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

	2014	2013	2012
Cost of construction contracts (Note 26)	₱278,963,346	₱261,305,306	₱195,506,639
General and administrative expenses (Note 28)	160,381,361	178,721,639	146,018,938
Cost of school and related operations (Note 27)	121,322,468	96,794,226	128,972,148
Cost of manpower and other services (Note 26)	43,710,394	4,955,473	4,098,828
Cost of merchandise sold (Note 25)	627,833	520,638	430,636
	₱605,005,402	₱542,297,282	₱475,027,189

30. Interest and Finance Charges

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

	2014	2013	2012
Long-term debt (Note 20)	₱166,424,261	₱23,519,211	₱54,351,940
Loans payable (short-term) (Note 19)	93,116,926	138,293,242	83,827,551
Advances to affiliates and other finance charges (Note 22)	882,296	5,975,169	10,348,660
	₱260,423,483	₱167,787,622	₱148,528,151

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 9, 2015 for the retirement plan of the Group as of December 31, 2014.

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, 2014 and 2013 computed using the PUC method, the Group's retirement liabilities, retirement assets and expenses are summarized as follows:

	2014	2013
Retirement liabilities	₱154,257,671	₱372,891,089
Retirement assets (Note 17)	47,110,578	30,705,576
Net retirement expenses	126,535,081	128,546,577



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

<i>Net retirement liabilities</i>	2014	2013
Present value of defined benefit obligation	₱1,077,012,009	₱1,207,128,993
Fair value of plan assets	(922,754,338)	(834,237,904)
	₱154,257,671	₱372,891,089

<i>Net retirement assets</i>	2014	2013
Present value of defined benefit obligation	₱106,031,298	₱125,281,033
Fair value of plan assets	(153,141,876)	(155,986,609)
	(₱47,110,578)	(₱30,705,576)

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:

	2014	2013
At beginning of year	₱342,185,513	₱296,040,415
Contributions paid during the year	(120,396,491)	(143,677,581)
Net retirement expense	126,535,081	128,546,577
Transfer to affiliate	(566,994)	–
Amount recognized in OCI	(240,610,016)	61,276,102
At end of the year	₱107,147,093	₱342,185,513

Remeasurement effect recognized in OCI:

	2014	2013
Additional actuarial (gains) losses:		
From plan obligation	₱242,153,043	(₱61,276,102)
From plan asset	(1,543,027)	(177,140)
Total remeasurements recognized in OCI	₱240,610,016	(₱61,453,242)

Movement of cumulative remeasurement effect recognized in OCI:

	2014	2013
Balance at beginning of year	(₱249,405,661)	(₱187,952,419)
Actuarial gains (losses)	240,610,016	(61,453,242)
Total amounts recognized in OCI	(₱8,795,645)	(₱249,405,661)

The movements in the present value of defined obligation follow:

	2014	2013
Balance at beginning of year	₱1,332,410,026	₱1,132,580,494
Current service cost	110,645,762	111,603,063
Interest cost on obligation	60,829,917	64,041,102
Actuarial gains (losses)	(242,153,043)	65,870,743
Transfer from affiliate	–	(1,724,590)
Benefits paid	(78,689,355)	(39,960,786)
Balance at end of year	₱1,183,043,307	₱1,332,410,026



The movements in the fair value of plan assets follow:

	2014	2013
Balance at beginning of year	₱990,224,513	₱836,540,079
Contributions	120,963,485	143,677,581
Actuarial (gains) loss	(1,543,027)	(177,140)
Asset return in net interest cost	44,940,597	50,144,779
Benefits paid	(78,689,355)	(39,960,786)
Balance at end of year	₱1,075,896,213	₱990,224,513

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

	2014	%	2013	%
Cash	₱345,508,382	32.11%	₱246,849,478	24.93%
Investment in government securities	467,452,274	43.45%	497,949,729	50.29%
Investments in shares of stock	232,351,209	21.60%	181,804,171	18.36%
Investments in other securities and debt instruments	25,558,658	2.38%	59,143,725	5.97%
Interest receivables and other receivables	7,053,662	0.65%	6,019,354	0.61%
Accrued trust fees and other payables	(2,027,971)	(0.19%)	(1,541,944)	(0.16%)
	₱1,075,896,214	100.00%	₱990,224,513	100.00%

The Group expects to contribute ₱109.3 million to its defined benefit pension plans in 2015.

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 fees paid in 2014, 2013 and 2012 amounted to ₱6.1 million, ₱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 values of the fund as at December 31, 2014 and 2013 amounted to ₱1,075.9 million and ₱1,015.6 million, respectively.



In 2014, the fund has investment in securities of related parties as follows:

Type of investment in securities	2014		2013	
	Fair values	Accumulated gain	Fair values	Accumulated gain
Equity securities	₱58,112,144	₱77,187,217	₱39,695,907	₱80,788,812
Debt securities	–	–	19,717,667	942,667
	₱58,112,144	₱77,187,217	₱59,413,574	₱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:

	2014	2013	2012
Current service cost	₱110,645,762	₱111,603,063	₱103,924,189
Interest cost on obligation	15,889,319	14,435,316	16,919,694
Recognized actuarial losses	–	70,223	(162,773)
Past service cost	–	–	684,365
	₱126,535,081	₱126,108,602	₱121,365,475

The actual return on the plan assets amounted to ₱45.0 million, ₱49.8 million and ₱49.6 million in 2014, 2013 and 2012, respectively.

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

	2014	2013
Discount rate		
Beginning	4.39%-6.00%	5.12%-12.00%
End	3.92%-5.00%	4.41%-6.00%
Future salary increases		
Beginning	4.48%-8.00%	2.50%-12.00%
End	3.24%-6.00%	6.00%-8.00%

The sensitivity analysis that follows has been determined based on reasonably possible changes of each significant assumptions 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	(₱34,885,586)
	-50bps to -100bps	103,867,101
Salary rate	+50bps to +100bps	150,172,860
	-50bps to -100bps	(68,509,236)

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 Group'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

Provision for income tax consists of:

	2014	2013	2012
Current	₱499,096,170	₱435,220,049	₱539,918,060
Deferred	7,453,190	20,249,488	8,332,036
	₱506,549,360	₱455,469,537	₱548,250,096

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:

	2014	2013	2012
Income before income tax	30.00%	30.00%	30.00%
Add (deduct) reconciling items:			
Equity in net earnings of associates and joint venture	(16.22)	(6.38)	(6.13)
Movement of deferred income tax assets not recognized	0.40	(4.58)	1.02
Income subject to lower tax rate and others	6.38	0.87	1.12
	20.56%	19.91%	26.01%

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

	2014	2013
Net deferred income tax assets on a per subsidiary level:		
Accrued retirement expense	₱48,679,288	₱127,675,263
Allowance for doubtful accounts, inventory, obsolescence and other expenses	44,216,752	48,897,749
Accrued rent	13,376,171	14,787,632
NOLCO	13,144,819	10,911,288
MCIT	11,219,118	7,613,674
Unrealized foreign exchange loss	954,658	5,735,967
Others	4,213,411	4,799,435
	₱135,804,217	₱220,421,008
Net deferred income tax liabilities on a per subsidiary level:		
Revaluation increment on land	₱154,210,655	₱131,842,795
Capitalized interest	-	1,842,102
Accrued retirement expense	(2,653,819)	(2,036,683)
Allowance for doubtful accounts, inventory obsolescence and other expenses	(4,637,965)	(4,880,816)
Accrued expenses	(8,551,005)	(6,602,031)
Others	(16,445,072)	(4,785,251)
	₱121,922,794	₱115,380,116



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.

	2014	2013
NOLCO	₱59,558,701	₱80,688,128
Impairment loss	53,301,481	52,036,275
Allowance for doubtful accounts, inventory obsolescence and other expenses	37,283,622	106,239,008
MCIT	32,445,389	31,392,690
Accrued retirement expense	8,330,040	6,963,639
Others	1,327,342	7,507,792
	₱192,246,575	₱284,827,532

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 ₱685.3 million and ₱611.5 million as at December 31, 2014 and 2013, respectively.

As of December 31, 2014, 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, 2014	₱17,972,098	₱-	₱17,972,098	2017
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
	₱158,488,849	₱26,080,781	₱132,408,068	

As of December 31, 2014, the amounts of MCIT still allowable as tax credit consist of:

Taxable Period	Amount	Applied	Expired	Balance	Expiry Year
December 31, 2014	₱15,708,861	₱-	₱-	₱15,708,861	2017
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
	₱54,850,044	₱288,681	₱13,377,162	₱41,184,201	

The details of NOLCO and MCIT as at December 31, 2014 are as follows:

Taxable Year Incurred	NOLCO	MCIT	Expiry Year
2014	₱17,972,098	₱15,708,861	2017
2013	41,589,786	14,069,006	2016
2012	72,846,184	11,659,806	2015
	₱132,408,068	₱41,437,673	



33. Earnings Per Share

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

Basic earnings per share

	2014	2013	2012
Net income attributable to equity holders of parent company	₱1,268,099,877	₱1,189,694,820	₱882,999,685
Less dividends attributable to preferred shares (Note 38)	27,866,688	25,710,494	32,460,615
Net income applicable to common shares	1,240,233,189	1,163,984,326	850,539,070
Divided by the weighted average number of common shares	615,896,757	615,919,075	616,071,469
Basic earnings per share	₱2.0137	₱1.8898	₱1.3806

Diluted earnings per share

	2014	2013	2012
Net income applicable to common shares	₱1,240,233,189	₱1,163,984,326	₱850,539,070
Add dividends attributable to preferred shares	27,866,688	25,710,494	32,460,615
Net income applicable to common shares for diluted earnings per share	1,268,089,877	1,189,694,820	882,999,685
Weighted average number of common shares	615,896,757	615,919,075	616,071,469
Dilutive shares arising from convertible preference shares	229,338,162	253,780,276	280,856,034
Weighted average number of common shares for diluted earnings per share	845,234,919	869,699,351	896,927,503
Diluted earnings per share	₱1.5003	₱1.3679	₱0.9845

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 ₱5.1 billion and ₱5.8 billion as at December 31, 2014 and 2013, respectively.

b. Standby Letters of Credit

The Group has outstanding irrevocable domestic standby letters of credit amounting to ₱4.1 billion and ₱2.4 billion in 2014 and 2013, 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 JPY13.4 million in 2014 and USD1.9 million and JPY13.4 in 2013.

c. Contingencies

There are pending legal cases against the Group that are being contested by the Group and its legal counsels. 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. Management and its legal counsels believe that the final resolutions of these cases will not have a material effect on the consolidated financial position and operating results of the Group (Note 28).

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 to 20 years with escalation rates ranging from 5.0% to 12.5%.

Future minimum rental payments under the aforementioned lease agreements follow:

	2014	2013
Within one year	P62,097,331	P62,041,332
After one year but not more than five years	198,662,860	232,222,219
More than five years	62,420,017	96,362,398
	P323,180,208	P390,625,949

The Group entered into finance lease transactions with FMLFC and a third party lessor for the lease of its various construction machinery, equipment and company vehicles (Note 14).

Future minimum lease payments under finance lease with the present value of minimum lease payments are as follows:

	2014	2013
Within one year	P281,259	P1,286,279
After one year but not more than five years	-	280,800
Total minimum lease payment	281,259	1,567,079
Less amounts representing interest	4,913	89,060
Present value of minimum lease payments	P276,346	P1,478,019

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:

	2014	2013
Within one year	P13,485,674	P23,862,590
More than one year but not more than 5 years	67,428,372	11,640,288
	P80,914,046	P35,502,878



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 who contributes 10.0% or more to the revenues of the Group in 2014 and 2013, and one customer in 2012 amounting ₱1.7 billion.



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, 2014 and 2013, the Group has available credit facilities with banks aggregating to ₱5,370.0 million ₱5,100.0 million, respectively.

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities as at December 31 based on contractual undiscounted cash flows.

	2014					Total
	On demand	Less than 1 year	More than 1 year up to 2 years	More than 2 years up to 3 years	More than 3 years	
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	₱2,161,107,813	₱-	₱-	₱-	₱-	₱2,161,107,813
Accounts receivable	3,836,927,089	2,873,689,427	83,068,148	36,607,167	-	6,830,291,831
Loans receivable	-	11,973,267	4,626,258	-	-	16,599,525
Receivables from related parties	30,775,343	2,485,905	-	-	-	33,261,248
Other assets:						
Miscellaneous deposits	4,857,277	717,400	40,917,676	-	-	46,492,353
Receivable from EEI Retirement Fund, Inc. (including future interest receivable)	-	117,000,000	270,531,792	-	-	387,531,792
AFS securities:						
Quoted	44,087,405	16,998,800	-	22,808,664	-	83,894,869
Unquoted	273,464,786	-	15,000,000	111,879,863	-	400,344,649
	₱6,351,219,713	₱3,022,864,799	₱414,143,874	₱171,295,694	₱-	₱9,959,524,080
Financial Liabilities						
Loans payable (including future interest payable)	₱2,904,755,560	₱395,000,000	₱-	₱-	₱-	₱3,299,755,560
Accounts payable and accrued expenses						
Accounts payable	2,797,920,907	1,747,110,679	-	-	-	4,545,031,586
Accrued expenses	536,493,121	-	-	-	-	536,493,121
Accrued interest payable	11,342,241	911,003	-	-	-	12,253,244
Subscriptions payable	40,375,713	-	17,631,505	-	-	58,007,218
Dividends payable	11,150,232	32,019,527	-	-	-	43,169,759
Others	4,711,612	-	-	-	-	4,711,612
Lease liability	-	281,259	-	-	-	281,259
Due to related parties	8,935,068	7,528,912	-	-	-	16,463,980
Long-term debt (including future interest payable)	-	402,042,010	1,969,720,560	807,284,916	-	3,179,047,486
	₱6,315,684,454	₱2,584,893,390	₱1,987,352,065	₱807,284,916	₱-	₱11,695,214,825



	2013					Total
	On demand	Less than 1 year	More than 1 year up to 2 years	More than 2 years up to 3 years	More than 3 years	
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	₱2,111,510,291	₱-	₱-	₱-	₱-	₱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
Receivables 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

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.



	2014		2013	
	Change in variable	Effect on Equity	Change in variable	Effect on Equity
Market Index				
PSE	+20.83%	₱11,610,950	+1.33%	₱2,070,489
	-20.83%	(11,610,950)	-1.33%	(2,070,489)
Others	+5.00%	837,250	+4.58%	140,000
	-5.00%	(837,250)	-4.58%	(140,000)

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 21% and 5% in 2014, respectively, and 1% and 5% in 2013, 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 ₱3.9 million, ₱4.5 million and ₱2.3 million in 2014, 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).

	2014		2013	
	Percentage increase/decrease in foreign currency	Effect on profit before tax	Percentage increase/decrease in foreign currency	Effect on profit before tax
USD	+0.5%	₱1,291,243	+0.6%	₱3,121,974
SGD	+4.8%	431,142	+5.8%	506,315
EUR	+1.3%	11,871	+2.0%	6,933
JPY	+0.3%	180	+16.5%	11,860
USD	-0.5%	(1,291,243)	-0.6%	(3,121,974)
SGD	-4.8%	(431,142)	-5.8%	(506,315)
EUR	-1.3%	(11,871)	-2.0%	(6,933)
JPY	-0.3%	(180)	-16.5%	(11,860)



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 0.5%, 4.8% and 1.3%, 0.3% respectively, in 2014 and 0.6%, 5.8%, 2.0% and 16.5%, respectively, in 2013.

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, 2014 and 2013.

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:

	2014				Equivalents in PHP
	USD	SGD	EUR	JPY	
Financial assets					
Cash	US\$2,852,042	S\$267,840	€16,720	¥169,196	₱146,714,941
Receivables	3,187,709	–	–	–	141,566,157
	6,039,751	S\$267,840	€16,720	¥169,196	288,281,098
Financial liabilities					
Accounts payable and accrued expenses	119,250	–	–	–	5,274,575
	US\$5,920,501	S\$267,840	€16,720	¥169,196	₱283,006,523

	2013				Equivalents in PHP
	USD	SGD	EUR	JPY	
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
	24,893,150	250,676	5,836	169,188	1,114,701,950
Financial liabilities					
Accounts payable and accrued expenses	–	–	–	–	–
	US\$24,893,150	SG\$250,676	€5,836	¥169,188	₱1,114,701,950

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 ₱44.72, ₱33.70, ₱54.34 and ₱0.37, respectively in 2014 and to ₱44.41, ₱34.99, ₱60.82 and ₱0.42, respectively in 2013.

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:

		2014						
		Below 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	TOTAL In Php
Long-term debt								
Peso floating								
Philippine Peso	₱-	₱21,519,994	₱54,366,300	₱54,366,300	₱54,366,300	₱54,366,300	₱467,881,106	₱652,500,000
	BSP Overnight plus 1.50% spread							
Floating rate								
Peso fixed								
Philippine Peso	-	47,570,513	54,366,300	54,366,300	54,366,300	54,366,300	944,797,163	1,155,466,576
	Floating rate plus 0.50% spread							
Philippine Peso	₱86,000,000	86,000,000	86,000,000	86,000,000	86,000,000	₱86,000,000	-	₱430,000,000
	3-month PDST- F rate plus 1.75%							
		2013						
		Below 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	TOTAL In Php
Long-term debt								
Peso floating								
Philippine Peso	₱-	₱-	₱21,519,994	₱54,366,300	₱54,366,300	₱54,366,300	₱522,247,406	₱652,500,000
	BSP Overnight plus 1.50% spread							
Floating rate								
Floating receivable	₱368,094,024	-	-	-	-	-	-	368,094,024
Peso fixed								
Philippine Peso	-	-	47,570,513	54,366,300	54,366,300	54,366,300	999,163,463	1,155,466,576
	Floating rate plus 0.50% spread							
Philippine Peso	₱86,000,000	86,000,000	86,000,000	86,000,000	86,000,000	86,000,000	86,000,000	516,000,000
	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 ₱387.5 million and ₱368.1 million as at December 31, 2014 and 2013, 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):

	2014		2013	
	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	₱1,937,659	+50	₱1,840,470
	-50	(1,937,659)	-50	(1,840,470)
Peso floating rate borrowing	+23	(₱811,213)	+11	(₱595,860)
	-23	811,213	-11	595,860

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 (50) basis points and twenty-three (23) basis points upward or downward fluctuation, respectively in 2014 and fifty (50) basis point and eleven (11) basis point upward or downward fluctuation, respectively in 2013. 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, 2014 and 2013.

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, 2014 and 2013 represented by work accomplishments on backlog of projects which are not yet invoiced. These exposures are however limited to a few months' work accomplishment as work are frozen as soon as the Group is able to determine that the risk of non-collection materializes. This risk is, however, mitigated by the Group's contractor's lien on the project. A contractor's lien is the legal right of a contractor (the Group) to takeover the project in-progress and has priority in the settlement of contractor's receivables and claims on the project in the event of insolvency of the project owner. The Group assesses that the value of projects in-progress is usually higher than receivables from and future commitments with the project owners.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Except for ZIFC which is involved in financing activities and for the cash and cash equivalents deposited to RCBC, the Group does not have any significant exposure to any individual customer or counterparty. ZIFC monitors concentrations of credit risk by sector.



An analysis of concentrations of credit risk all pertains to ZIFC, as of December 31 is shown below:

	2014	2013
Loans receivable at gross	₱30,264,723	₱25,496,988
Less: Allowance for probable loss	3,687,378	3,763,369
Unearned discount and interest	9,977,820	6,925,773
	₱16,599,525	₱14,807,846

The Group's maximum credit risk exposure for its secured loans receivables is equal to its carrying value amounting ₱30.0 million and ₱25.0 million in 2014 and 2013, 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 2014 and 2013. This resulted to a nil net exposure as at December 31, 2014 and 2013.

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 follows:

	Total	Neither past due nor impaired	2014				Impaired Assets
			Past due but not impaired				
			< 30 days	30 - 60 days	60 - 90 days	> 90 days	
Loans receivable	₱16,599,525	₱16,599,525	₱-	₱-	₱-	₱-	₱-
Receivables from:							
Construction and infrastructure	4,943,645,519	3,915,114,196	713,402,654	27,947,691	32,598,254	178,224,324	76,358,400
Car dealership	540,444,959	337,423,128	103,065,492	31,580,541	12,399,550	42,381,617	13,594,631
Education and information technology	209,159,431	137,653,545	12,050,438	4,088,267	6,287,291	-	49,079,890
Other services	21,713,190	11,030,916	1,678,799	1,088,774	-	7,156,596	758,105
Other receivables:							
Consultancy fee	313,156,649	18,621,925	21,677,873	17,862,299	21,018,704	233,975,848	-
Others	1,061,233,795	861,943,267	40,920,066	10,564,690	4,864,675	92,908,049	50,033,048
Due from related parties	33,261,248	32,985,023	-	-	-	276,225	-
Receivable from EEI Retirement Fund, Inc.	387,531,792	387,531,792	-	-	-	-	-
Miscellaneous deposits	46,492,353	932,900	1,367,196	174,000	543,400	41,068,274	2,406,583
	₱7,573,238,461	₱5,719,836,217	₱894,162,518	₱93,306,262	₱77,711,874	₱595,990,933	₱192,230,657



	2013							Impaired Assets
	Total	Neither past due nor impaired	Past due but not impaired					
			< 30 days	30 - 60 days	60 - 90 days	> 90 days		
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	

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.

	2014			
	Neither past due nor impaired		Past due or Individually Impaired	Total
	High Grade	Standard		
Cash and cash equivalents (excluding cash on hand)	₱2,156,548,307	₱-	₱-	₱2,156,548,307
Loans receivable	16,599,525	-	-	16,599,525
Accounts receivable				
Receivables from:				
Construction and infrastructure	1,781,028,169	2,134,086,027	1,028,531,323	4,943,645,519
Car dealership	230,501,638	106,921,490	203,021,831	540,444,959
Education and information technology	124,119,465	13,534,080	71,505,886	209,159,431
Other services	11,030,916	-	10,682,274	21,713,190
Other receivables:				
Consultancy fee	18,621,925	-	294,534,724	313,156,649
Rent receivable	111,365	-	73,343	184,708
Others	858,862,621	2,969,281	199,217,185	1,061,049,087
Due from related parties	32,985,023	-	276,225	33,261,248
Other assets:				
Miscellaneous deposits	858,268	74,632	45,559,453	46,492,353
Receivables from EEI Retirement Fund, Inc.	387,531,792	-	-	387,531,792
AFS securities				
Quoted	83,894,869	-	-	83,894,869
Unquoted	400,344,649	-	-	400,344,649
	₱6,103,038,532	₱2,257,585,510	₱1,853,402,244	₱10,214,026,286



	2013			
	Neither past due nor impaired		Past due or	Total
	High Grade	Standard	Individually Impaired	
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

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, 2014 and 2013.

As at December 31, 2014 and 2013, 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

	2014	2013
Loans payable	₱395,000,000	₱282,000,000
Subscription payable	17,631,505	17,631,505
Long-term debt	1,683,978,355	1,780,664,867
Total liabilities	2,096,609,860	2,080,296,372
Less cash and cash equivalents	299,551,191	354,327,583
Net liabilities	1,797,058,669	1,725,968,789
Total equity	₱3,155,670,292	₱2,867,111,790
Debt to equity ratio	0.66:1	0.73:1
Net debt to equity ratio	0.57:1	0.60:1

The Parent Company monitors capital using a gearing ratio of debt to equity and net debt to equity. Debt consists of loans payable, long-term debt and other noncurrent liabilities. Net debt includes loans payable, long-term debt and other noncurrent liabilities less cash and cash equivalents. The Parent Company's policy is to keep the gearing ratio at 2:1.



EEI

	2014	2013
Current liabilities	P10,822,079,407	P6,935,078,019
Noncurrent liabilities	870,836,272	882,762,182
Total liabilities	11,692,915,679	7,817,840,201
Total equity	P6,659,458,057	P5,783,115,347
Debt to equity ratio	1.76:1	1.35:1

EEI monitors capital using a debt-to-equity ratio, which is total liabilities divided by total equity. Although some of the EEI's loan agreements with banks provide for a maximum debt-to-equity ratio of 5:1, the EEI's policy is to maintain it at a lower ratio.

iPeople

	2014	2013
Current liabilities	P849,812,833	P667,129,191
Noncurrent liabilities	572,007,279	656,375,229
Total liabilities	1,421,820,112	1,323,504,420
Equity excluding minority interest	P3,672,663,548	P3,134,693,014
Debt to equity ratio	0.39:1	0.42:1

iPeople's policy is to keep the debt to equity ratio not to exceed 2:1.

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, 2014 and 2013:

	2014		2013	
	Carrying values	Fair values	Carrying values	Fair values
Financial Liabilities				
<i>Other financial liabilities</i>				
Long-term debt	P2,648,319,126	P2,987,058,111	P2,356,122,867	P2,629,276,555

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.

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	₱83,894,869	₱-	₱-	₱83,894,869
Investment properties	-	-	262,855,019	262,855,019
Property and equipment - revalued	-	-	2,836,565,819	2,836,565,819
	₱83,894,869	₱-	₱3,099,420,838	₱3,183,315,707
Liabilities for which fair value is disclosed				
Long-term debt	₱-	₱-	₱526,250,715	₱526,250,715

There were no transfers between levels of fair value measurements in 2014 and 2013. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

Description of significant unobservable inputs to valuation:

Account	Valuation Technique	Significant Unobservable Inputs
Investment properties	Market Data Approach	Sales and listings of comparable properties
Property and equipment - revalued	Market Data Approach	Sales and listings of comparable properties
Long-term debt	Discounted Cash Flow	Discount rate

For investment properties and property and equipment, significant increases (decreases) in similar or substitute properties and related market data would result in a significantly higher or (lower) fair value of the properties.

For long-term debt, significant increases (decreases) in discount rate would result in significantly higher (lower) fair value.

Significant Unobservable Inputs

Sales and listings of comparable properties This approach considers the sale of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. Generally, a property (subject property) being valued is compared with sales of similar properties that have been transacted in the market. Listings and offerings are also considered.

Discount rate The rate at which cash flows are discounted back to the value at measurement date.



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, 2014, 2013 and 2012 follows:

	2014		2013		2012	
	Amount	Shares	Amount	Shares	Amount	Shares
Beginning of the year	₱380,670,413	951,676,035	₱421,284,050	1,053,210,126	₱466,478,729	1,166,196,823
Redemption of preferred stock	(36,663,170)	(91,657,929)	(40,570,612)	(101,426,529)	(44,908,110)	(112,270,275)
Conversion of preferred stock to common stock (Note 39)	–	–	(43,025)	(107,562)	(286,569)	(716,422)
	₱344,007,243	860,018,106	₱380,670,413	951,676,035	₱421,284,050	1,053,210,126

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, 2014, 2013 and 2012 follows:

	2014		2013		2012	
	Amount	Shares	Amount	Shares	Amount	Shares
Beginning of the year	₱924,295,136	616,196,757	₱924,252,111	616,168,074	₱923,965,542	615,977,028
Conversion of preferred stock to common stock	–	–	43,025	28,683	286,569	191,046
	924,295,136	616,196,757	924,295,136	616,196,757	924,252,111	616,168,074
Treasury stock	(2,607,600)	(300,000)	(2,607,600)	(300,000)	–	–
	₱921,687,536	615,896,757	₱921,687,536	615,896,757	₱924,252,111	616,168,074

On May 24, 2013, the Parent Company repurchase 300,000 shares held as treasury stock at ₱8.69 per share for ₱2.61 million.

Details of capital stock conversion and redemption follow:

<i>Conversion:</i>	2014	2013	2012
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
	₱–	₱43,025	₱286,569

<i>Redemption:</i>	2014	2013	2012o
December 4, 2014, redeemed 22,051,746 preferred shares at 0.40 per share	₱8,820,699	₱–	₱–
October 2, 2014, redeemed 22,617,176 preferred shares at 0.40 per share	9,046,870	–	–
July 17, 2014, redeemed 23,197,103 preferred shares at 0.40 per share	9,278,841	–	–
March 31, 2014, redeemed 23,791,901 preferred shares at 0.40 per share	9,516,760	–	–
December 5, 2013, redeemed 24,401,950 preferred shares at ₱0.40 per share	–	9,760,780	–

(Forward)



<i>Redemption:</i>	2014	2013	2012o
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
	₱36,663,170	₱40,570,612	₱44,908,110

The Parent Company's preferred shares have the following features:

- Entitled to dividends at the rate of average 91-day T-Bill plus two percent;
- Fully participating as to distribution of dividends;
- Convertible into common shares at the option of the holders thereof from the date of issue at the conversion rate of 3 and 3/4 preferred shares to 1 common share for a price of ₱1.50 per common share subject to adjustments;
- Redeemable at any one time or from time to time, at the option of the BOD of the Parent Company, subject to availability of funds; and
- With voting rights and preferences as to assets upon dissolution of the Parent Company over common shareholders.

Below is the summary of the outstanding number of shares and holders of security as at December 31, 2014:

Year	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities as of year end
Preferred shares:				
January 1, 2013	1,053,210,126	₱0.40		50
Movement:	(26,327,564)	0.40	March 22, 2013	
	(107,562)	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	
December 31, 2013	951,676,035			49
Movement:	(23,791,901)	0.40	March 31, 2014	
	(23,197,104)	0.40	July 17, 2014	
	(22,617,177)	0.40	October 2, 2014	
	(22,051,747)	0.40	December 4, 2014	
December 31, 2014	860,018,106			49



Year	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities as of year end
Common Shares:				
January 1, 2013	616,168,074			424
Movement:	28,683	₱1.50	March 22, 2013	
December 31, 2013	616,196,757			406
No movement	—	—		
December 31, 2014	616,196,757			406

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 numbers 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 406 respectively, as of December 31, 2014 and 49 and 414 respectively, as of December 31, 2013.

38. Retained Earnings

Cash Dividends

The BOD declared cash dividends as follows:

	2014	2013	2012
December 4, 2014, 0.003 per share cash dividend to stockholders of preferred shares as of December 29, 2014 payable on or before January 23, 2015. The cash dividend covered the fourth quarter of 2014.	₱2,898,482	₱—	₱—
October 2, 2014, 0.003 per share cash dividend to stockholders of preferred shares as of October 30, 2014 payable on or before November 20, 2014. The cash dividend covered the third quarter of 2014.	2,947,470	—	—
July 17, 2014, 0.017 per share cash dividend to stockholders of preferred shares and 0.065 per share cash dividend to stockholders of common shares as of August 14, 2014 payable on or before September 5, 2014.	56,133,021	—	—
July 17, 2014, 0.003 per share cash dividend to stockholders of preferred shares as of August 14, 2013 and payable on or before September 3, 2013. The cash dividend covered the second quarter of 2014.	3,037,893	—	—
March 31, 2014, 0.003 per share cash dividend to stockholders of preferred shares as of April 25, 2014 payable on or before May 20, 2014. The cash dividend covered the first quarter of 2014.	2,902,612	—	—

(Forward)



	2014	2013	2012
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
	₱67,919,478	₱62,682,298	₱65,976,490



After reconciling items, the retained earnings of the Parent Company that are available for dividend declaration amounted to ₱1,509.3 million and ₱1,263.6 million as of December 31, 2014 and 2013, respectively. Dividend distribution is approved by the BOD.

Under the Tax Code, publicly-held corporations are allowed to accumulate retained earnings in excess of capital stock and are exempt from improperly accumulated earnings tax.

Restrictions

The Group's retained earnings include accumulated earnings of subsidiaries amounting ₱4,725.4 million and ₱3,813.8 million in 2014 and 2013, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

The Group's retained earnings is restricted to payment of dividends to the extent of the cost of shares held in treasury amounting ₱2.6 million.

39. Notes on Consolidated Statements of Cash Flows

Noncash investing and financing activities are as follows:

- a. Reclassification of available-for-sale securities amounting ₱20.0 million to other receivables in 2014 (Note 12).
- b. Revaluation of parcel of land resulting to revaluation increment amounting ₱95.5 million and ₱92.7 million in 2014 and 2013, respectively (Noted 14).
- c. Conversion of preferred stock to common stock amounting ₱43,025 in 2013 (Note 37).
- d. Transfer of inventories to investment properties amounting to ₱22.0 million in 2012. In 2013, the Group transferred these investment properties to inventories since the intention of the Group's management for the property is to sell and not for capital appreciation or rental (Note 16).

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 20, 2015, the BOD approved the declaration of cash dividend of ₱0.0035 per share with a total amount of ₱3.0 million to the stockholders of the Group's preferred shares as of April 17, 2015 covering the first quarter of 2015 and payable on or before May 12, 2015.



Capital Stock Redemption

On March 20, 2015, the BOD approved the redemption of 21,500,452 preferred shares at ₱0.40 per share amounting ₱8.6 million to the stockholders of the Group's preferred shares as of April 17, 2015 covering the first quarter of 2015 and payable on or before May 13, 2015.

42. Other Matters

a. Electric Power Industry Reform Act (EPIRA)

Republic Act 9136, the EPIRA, and the covering Implementing Rules and Regulation (IRR) provide for significant changes in the power sector, which include among others:

- i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with independent power producers and electricity rates;
- ii. Creation of a wholesale electricity spot market; and
- iii. Open and nondiscriminatory access to transmission and distribution systems.

The ERC issued a resolution reiterating the statutory mandate under the EPIRA law for the generation and distribution companies, which are not publicly listed, to make an initial public offering (IPO) of at least 15% of their common shares. Provided, however, that generation companies, distribution utilities or their respective holding companies that are already listed in the Philippine Stock Exchange (PSE) are deemed in compliance.

The Group is complying with the applicable provisions of the EPIRA and its law.

b. *Power Supply Agreement with Davao Del Norte Electric Cooperative, Inc. (DANECO)*

On January 28, 2012, a Power Supply Agreement (PSA) was entered by EEI Power 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 date stipulated in the agreement.

PSA term commences on the date of execution and expires on the last day of the tenth (10th) year of the commercial operation period, unless renewed or earlier terminated. The commercial operations period shall commence not later than fifteen (15) months from effective date.

Based on the term of the PSA, EEI Power shall allocate and deliver contract energy for DANECO's peaking requirement equivalent to 2,637,500 kWh per month, with an allowable maximum demand of 13,000 kW. The contract energy shall be delivered at the tapping point between the National Grid Corporation of the Philippines (NGCP) 69 kV Tagum-Maco sub-transmission line and EEI Power's sub-transmission line located along Maharlika Highway, Barangay Magdum, Tagum City.



On July 17, 2012, DANECO filed an application for the approval of the PSA, with a prayer for a provisional authority, docketed as ERC Case No. 2012-090 RC. In the said application, DANECO alleged and presented on the following: a.) the salient provisions of the PSA; b.) payment structure under the PSA; c.) the impact of the approval of the proposed generation rates on DANECO's customers; and d.) the relevance and urgent need for the implementation of the PSA.

On November 4, 2013, ERC issued a decision approving the application.

43. Approval of Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 20, 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, 2014 and 2013, and for each of the three years in the period ended December 31, 2014 included in this Form 17-A, and have issued our report thereon dated March 20, 2015. 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 the purpose 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. 08-001998-73-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751320, January 5, 2015, Makati City

March 20, 2015



HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON
SRC RULE 68 AS AMENDED
DECEMBER 31, 2014

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-sale securities amounting ₱484.2 million do not constitute 5% or more of the total current assets of the Group as at December 31, 2014.

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, 2014:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
<i>(In Thousands)</i>				
<i>EEI</i>				
Macapagal, Norman K.	₱1,532	₱1	₱–	₱1,533
Mercado, Oscar D.	1,442	4	(4)	1,442
Apolonio, Ferdinand D.	1,120	2,000	(60)	3,060
San Miguel, Simon Elmer D.	489	11	(11)	489
Cabrera, Lovette O.	591	19	(436)	174
Villarin, Pantaleon T. Jr.	150	19	(19)	150
Castro, Romeo E.	122	–	–	122
Alonzo, Antonina J.	121	40	(40)	121
Canero, Raul C.	117	–	–	117
Burgos, Manuel B.	108	–	–	108
Zulueta, Reynaldo S.	–	400	(80)	320
Albarda, John Christian L.	–	348	(98)	250
Largosta, Christopher M.	–	320	(75)	245
Matibag, Jun E.	–	256	(31)	225
De Guzman, Justino B.	–	251	(103)	148
Contantino, Edwin P.	–	233	–	233
Undag, Oriel T.	–	205	(78)	127
Lamio, Amor C.	–	160	(37)	123
Sunga, Renato Z.	–	147	(25)	122
Edorot, Rico C.	–	131	–	131
Royeras, Fenton V.	–	100	–	100
	₱5,792	₱4,645	(₱1,097)	₱9,340
<i>iPeople</i>				
Arenillo, Denise Jordan	₱420	₱–	(₱149)	₱271
Uy, Francis Aldrine	417	–	(137)	280
Macayan, Jonathan	387	–	(123)	264
Sabio, Maurice	381	–	(84)	297
Hofilena, Joy	372	–	(84)	288
Kikuchi, Khristian	340	–	(78)	262

(Forward)



Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
		<i>(In Thousands)</i>		
Teodoro, Gloria	₱282	₱-	(₱83)	₱199
Bitor, Rolando	252	-	(82)	170
Caluyo, Felicito	234	-	(59)	175
Tablante, Dennis	227	-	(80)	147
Sabino, Lilibeth	213	-	(76)	137
Salvacio, Jonathan	207	-	(80)	127
Songson, Maribel	209	-	(84)	125
Geguiento, Edgardo	-	406	(11)	395
Apsay, Christopher	-	387	(7)	380
Balan, Ariel Kelly	-	367	3	370
Papase, Aileen Kate	-	383	(22)	361
Cinco, Arnold	-	366	(18)	348
Cabanilla, Angela Celine	-	366	(18)	348
Camus, Rosette Eira	-	388	(46)	342
	₱3,941	₱2,663	(₱1,318)	₱5,286
<i>HI-Parent</i>				
Gan, Ma. Eloisa	₱269	₱-	(₱45)	₱224
Bautista, Ma. Teresa	268	-	(48)	220
Eugenio, Rolando	225	-	-	225
Villegas, Raoul A	162	-	(162)	-
Tanjanco, Jose	159	-	(51)	108
Ramirez, Rosalia	155	-	-	155
De Lara, Ma. Elisa	151	-	(84)	67
Maglaya, Elsie	146	-	(47)	99
Bagsik, Carlo	-	311	(38)	273
	₱1,535	₱311	(₱475)	₱1,371
Total	₱11,268	₱7,619	(₱2,887)	₱13,258

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, 2014:

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Balance at end of period
<i>Landev Corporation</i>					
Due from affiliates	₱537,797	₱3,512,905	(₱2,971,899)	₱-	₱1,078,803
Dividends receivable	14,500,000	22,500,000	(14,500,000)	-	22,500,000
	15,037,797	26,012,905	(17,471,899)	-	23,578,803
<i>Greyhounds Security and Investigation Agency Corporation</i>					
Due from affiliates	1,446,723	1,573,665	(2,672,721)	-	347,667
<i>Investment Managers, Inc.</i>					
Due from affiliates	619,559	6,563,206	(7,045,779)	-	136,986
Dividends receivable	549,945	1,450,125	(999,900)	-	1,000,170
	1,169,504	8,013,331	(8,045,679)	-	1,137,156
<i>iPeople, inc. and subsidiaries</i>					
Due from affiliates	9,529,185	48,074,323	(52,635,030)	-	4,968,478
Dividends receivable	30,116,450	165,391,039	(105,852,691)	-	89,654,798
	39,645,635	213,465,362	(158,487,721)	-	94,623,276

(Forward)



Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Balance at end of period
<i>EEl Corporation and subsidiaries</i>					
Due from affiliates	₱1,756,639	₱3,204,333	(₱4,201,428)	₱-	₱759,544
<i>Zamboanga Industrial Finance Corporation</i>					
Dividends receivable	-	1,000,000	(1,000,000)	-	-
<i>Hexagon Lounge, Inc.</i>					
Due from affiliates	149,818	-	(149,689)	-	129
<i>Xamdu Motors, Inc.</i>					
Due from affiliates	800	1,500	(2,407)	-	107
	₱59,206,916	₱253,271,096	(₱192,031,544)	₱-	₱120,446,682

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, 2014, 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	₱471,357,459	₱-	₱-	₱-	₱-	₱471,357,459
Computer Software	79,467,780	9,428,207	(60,390,418)	-	-	28,505,569
	₱550,825,239	₱9,428,207	(₱60,390,418)	₱-	₱-	₱499,863,028

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%.	₱642,783,251	₱-	₱642,783,251

(Forward)



Type of Obligation	Amount	Current	Noncurrent
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.	₱642,783,250	₱-	₱642,783,250
Peso-denominated five (5) year term loan, payable quarterly starting March 2014 with interest of 5.00% per annum	398,411,854	96,462,858	301,948,996
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.	516,000,000	86,000,000	430,000,000
EEI			
Fixed-rate corporate promissory notes with effective interest of 5.1667% and 5.1875% per annum	446,428,571	71,428,571	375,000,000
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	517,912,200	115,091,600	402,820,600
	₱3,164,319,126	₱368,983,029	₱2,795,336,097

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 ₱917.4 million as this do not constitute 5% or more of the total assets of the Group as at December 31, 2014.

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, 2014.



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	615,896,757	344,701,851	3,249,080	267,945,826
Preferred shares	2,500,000,000	860,018,106	365,059,393	469,685,399	25,273,314



HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION

Items	Amount
Unappropriated retained earnings, beginning	₱1,263,566,548
Adjustments:	—
Less: Movement in unrecognized deferred tax assets	(23,873,392)
Unappropriated retained earnings, as adjusted, beginning	1,239,693,156
Net income based on the face of AFS	359,452,864
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)	(10,178,618)
Effect of change in accounting policy - PAS 19R	—
Fair value adjustment of investment property resulting to gain adjustment due to deviation from PFRS/GAAP - gain	—
Movement in deferred tax liability	(9,141,321)
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	340,132,925
Dividends declaration during the year	(67,919,478)
Treasury stock	(2,607,600)
Unappropriated retained earnings, as adjusted, ending	₱1,509,299,003



HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF
DECEMBER 31, 2014 AND 2013

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2014 and 2013:

Financial ratios		2014	2013
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.17:1	1.19:1
Solvency ratio	$\frac{\text{Net income plus depreciation}}{\text{Total liabilities}}$	0.16:1	0.20:1
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	1.26:1	1.12:1
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	2.26:1	2.12:1
Interest rate coverage	$\frac{\text{EBIT*}}{\text{Interest expense}}$	10.29:1	14.18:1
Return on assets	$\frac{\text{Net income}}{\text{Average total assets}}$	7.58%	8.56%
Return on equity	$\frac{\text{Net income}}{\text{Average total equity}}$	16.62%	18.46%

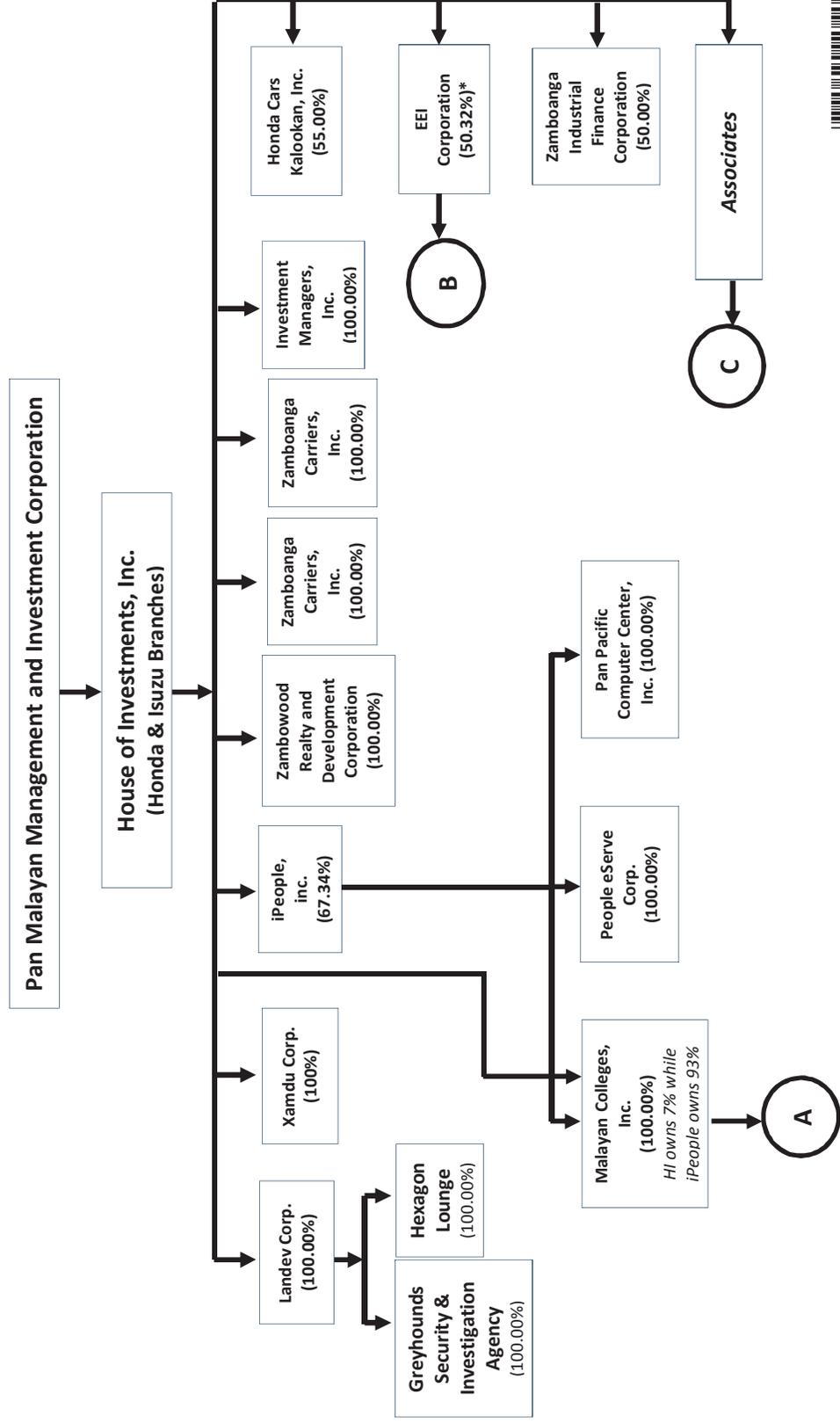
*Earnings before interest and taxes (EBIT)

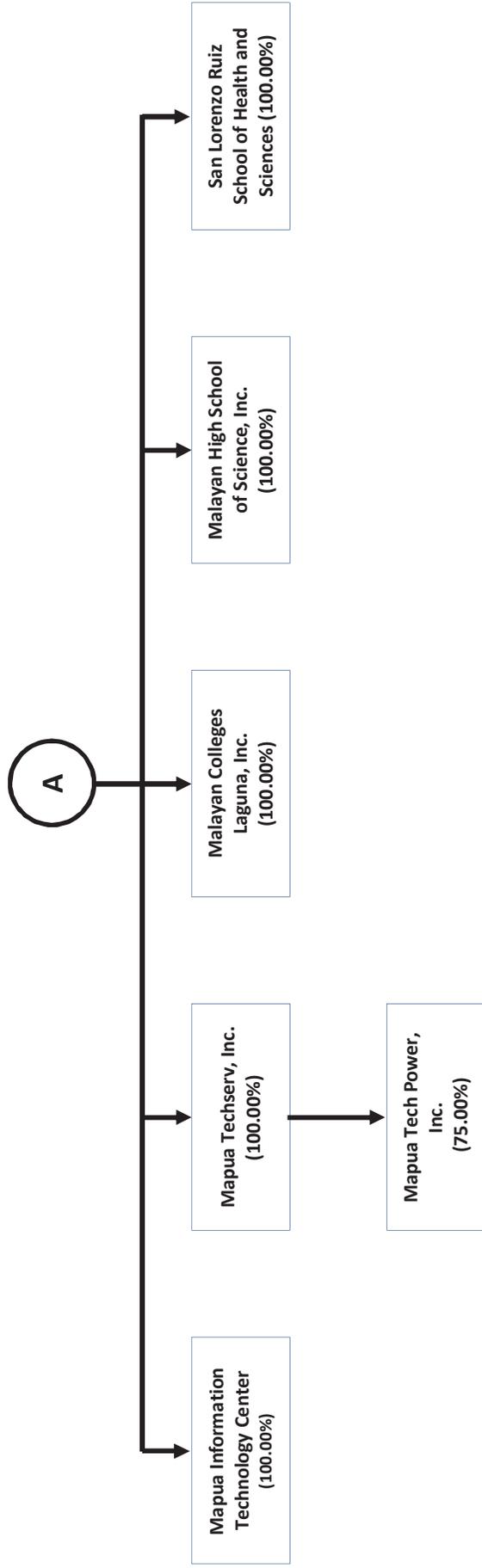


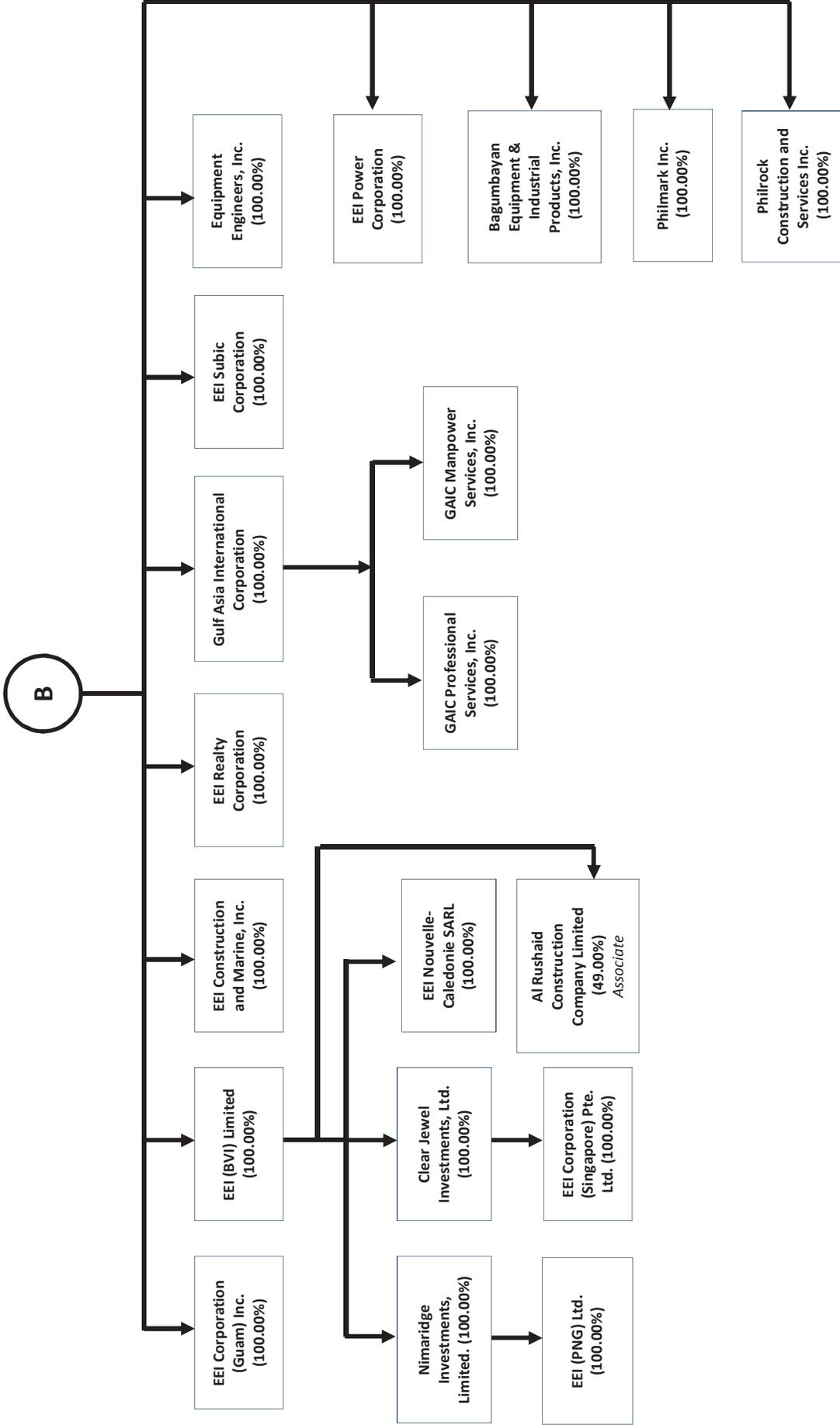
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

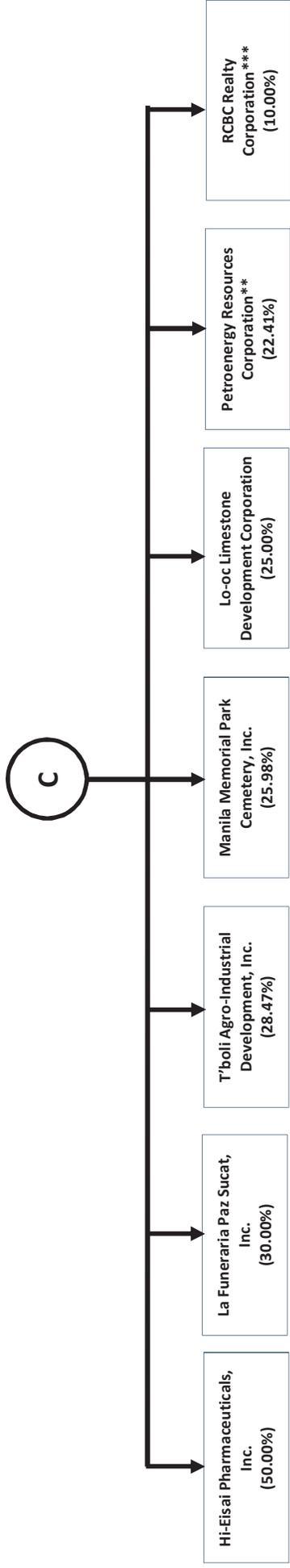
Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2014:









** In 2014, the Group purchased additional 2.4 million shares resulting to an increased ownership interest from 50.08% to 50.32%.*

*** On February 21, 2013, significant influence was obtained through piecemeal acquisition. In 2014, the Group purchased additional 6.6 million shares of PERC increased ownership interest from 20.00% to 22.41%.*

**** On September 17, 2013, the Group acquired 10.00% ownership in RRC. The Group 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, 2014

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, 2014:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		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	√		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	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	√		
	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		√	
	New Hedge Accounting Requirements		√	
PFRS 10	Consolidated Financial Statements	√		
	Amendments to PFRS 10: Investment Entities			√
PFRS 11	Joint Arrangements	√		
PFRS 12	Disclosure of Interests in Other Entities	√		
	Amendments to PFRS 12: Investment 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 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	√		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 18	Revenue	√		
PAS 19 (Amended)	Employee Benefits	√		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	√		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			√
PAS 21	The Effects of Changes in Foreign Exchange Rates	√		
	Amendment: Net Investment in a Foreign Operation			√
PAS 23 (Revised)	Borrowing Costs	√		
PAS 24 (Revised)	Related Party Disclosures	√		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			√
PAS 27	Consolidated and Separate Financial Statements	√		
PAS 27 (Amended)	Separate Financial Statements			√
	Amendments to PAS 27: Investment Entities			√
PAS 28 (Amended)	Investments in Associates and Joint Ventures	√		
PAS 29	Financial Reporting in Hyperinflationary Economies			√
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	√		
	Amendments to PAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial 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			√



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	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			√
	Amendments to PAS 39: Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting			√
PAS 40	Investment Property	√		
PAS 41	Agriculture			√
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	<i>Determining Whether an Arrangement Contains a Lease</i>	√		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			√
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			√
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			√
IFRIC 8	<i>Scope of PFRS 2</i>			√
IFRIC 9	Reassessment of Embedded Derivatives			√
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			√
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			√
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			√



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners			√
IFRIC 18	Transfers of Assets from Customers			√
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			√
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			√
IFRIC 21	Levies			√
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-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets			√
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			√
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			√
SIC-29	Service Concession Arrangements: Disclosures.			√
SIC-31	Revenue - Barter Transactions Involving Advertising Services			√
SIC-32	Intangible Assets - Web Site Costs			√

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions for the year ended December 31, 2014.

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2014. The Group will adopt the Standards and Interpretations when these become effective.

