

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	Department requiring the report	Secondary License Type, If Applicable
1 7 - A	S E C	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	815-9636 to 38	N/A
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
403	July 17	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Maria Teresa T. Bautista	mtbautista@hoi.com.ph	815-9636	N/A

CONTACT PERSON'S ADDRESS

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

NOTE 1 : 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.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

**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, 2015**
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	615,996,114
Preferred, P0.40 par value	776,824,672

Total Debt Outstanding as of December 31, 2015: P20.62 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 [] No []

(b) has been subject to such filing requirements for the past 90 days.

Yes [] 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, 2016, 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 Thirty-Nine million, Five Hundred Sixteen Thousand and Eight Hundred Six Pesos (₱1,639,516,806) or Two Hundred Sixty Seven Million, Eight Hundred Ninety Four Thousand and Nine Hundred Three (267,894,903) shares at ₱ 6.12/share.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference:

- (a) 2015 Audited Consolidated Financial Statements

TABLE OF CONTENTS

PART 1	BUSINESS AND GENERAL INFORMATION	
Item 1	Business	4
Item 2	Properties	43
Item 3	Legal Proceedings	45
Item 4	Submission of Matters to a Vote of Security Holders	45
PART II	OPERATIONAL AND FINANCIAL INFORMATION	
Item 5	Market for Issuer’s Common Equity and Related Stockholder Matters	46
Item 6	Management’s Discussion and Analysis of Operations	49
Item 7	Financial Statements and Supplementary Schedules	56
Item 8	Information on Independent Accountant and Other Related Matters	56
PART III	CONTROL AND COMPENSATION INFORMATION	
Item 9	Directors and Executive Officers of the Issuer	58
Item 10	Executive Compensation	74
Item 11	Security Ownership of Certain Beneficial Owners and Management	74
Item 12	Certain Relationships and Related Transactions	77
PART IV	CORPORATE GOVERNANCE	
Item 13	Corporate Governance	78
Item 14	Exhibits and Reports on SEC Form 17-C (Current Report)	79
	SIGNATURES	
	ANNUAL CORPORATE GOVERNANCE REPORT	
	INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES	
	INDEX TO EXHIBITS	

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 2015, it has a total consolidated asset base of Php34.80 billion. Consolidated revenues for 2015 summed to Php29.10 billion, with consolidated net income of Php1.37 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 cyclical nature found in the automotive sector. Revenues from higher margin service and parts sales are typically less cyclical than retail vehicle sales, and generate the largest part of our gross profit. 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 CORP. AND SUBSIDIARIES

HI owns a majority stake (54.36%) in one of the largest Philippine construction and general contracting firms, EEI Corporation.

EEI was founded by retired US Navy Officer Ray Parker on April 17, 1931 as Engineering Equipment and Supply Co. (EESCO). It started 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.

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

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.

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

EEl 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. EEl has done work for companies like San Miguel, Nestle, Intel, Philips Semiconductors, Ford, Isuzu, Wrigley's, and Coca Cola.

D. Steel Fabrication

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

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

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

EEI Power Corporation also maintains a big stake in PetroSolar Corporation, which owns one of the largest solar power farms in the Philippines. The solar farm provides 50MW to the Luzon grid and is located in Tarlac City.

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 and largest private 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 33 undergraduate and 22 graduate engineering programs.

Mapua now offers the following courses of study:

Engineering & Sciences

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

Social Sciences

- *BS Educational Technology*
- *AB Psychology*
- *BS Psychology*
- *BS Technical Communication*

Graduate Studies

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

Engineering Management

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

Architecture & Design

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

Information Technology

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

Business & Management

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

Multimedia Arts & Sciences

- *BS Multimedia Arts & Sciences*
- *BS Fine Arts in Digital Cinema*

Continuing Education

Mapua has a student population of about 15,000 spread across two campuses (Intramuros and Makati). It is the first engineering school in East 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

Mapua shall be among the best universities in the world.

Mission

The Institute shall provide a learning environment in order for its students to acquire the attributes that will make them globally competitive.

The Institute shall engage in economically viable and/or publishable research, development, and innovation.

The Institute shall provide state-of-the-art solutions of the problems of industries and communities.

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 adheres to a learner-centered, outcomes-based education (OBE) system.

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.

Integrated Management System Policy

Mapua commits to continually improve the effectiveness of the management system in order to satisfy its clients' expectations as contained in our statement of program educational objectives and student outcomes.

Mapua commits to have a quality management system that is compliant with all statutory, regulatory, and other requirements applicable to the organization's business and environmental dimensions of operations.

Mapua commits to strategic initiatives on pollution prevention, energy conservation, and resource-use optimization.

Integrated Management System Policy

1. Enhance customer satisfaction by managing all related activities and resources efficiently and effectively.
2. Meet the organizational goals through improved teamwork and reinforced interfaces among different departments and functions.
3. Improve the processes for cost effectiveness.
4. Comply with all legal and statutory requirements with regard to the organization's environmental dimensions of operations.
5. Meet the set of goals on pollution prevention, energy conservation, resource-use optimization.

Strategic Objectives

The Future Mapua shall be a digital, research-driven, outcomes-based international domain [D.R.O.I.D.]

Strategic Objective 1. Implement Learner-Centered, Outcomes-Based Education (LC-OBE) to its full promise

Strategic Objective 2. Harness digital education to its full potential

Strategic Objective 3. Heighten research/development/innovation (RDI) and advisory/consultancy capabilities to be a credible international player

Strategic Objective 4. Broaden the international dimension of school operations to global norms

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 Excellence for Chemical Engineering, Civil Engineering, Computer Engineering, Electrical Engineering, Electronics Engineering, Mechanical Engineering, Sanitary Engineering, and Information Technology Education programs and Center of Development for Industrial Engineering program.

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 330 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 II accreditation to its CpE, ME, ChE, EE, ECE, EnSE, and IE programs.

As a move towards realizing its vision to be among the best universities in the world, Mapúa has pursued international accreditation for its academic programs with ABET (Accreditation Board for Engineering and Technology), a [non-governmental organization](#) that accredits [post-secondary education programs](#) in [applied science](#), [computing](#), [engineering](#), and [engineering technology](#). To date, 10 Mapua programs are now ABET-accredited, namely, ChE CpE, CE, EE, ECE, EnSE, ME, IE, CS and IT.

Mapua has also secured accreditation with the Philippine Technological Council-Accreditation and Certification Board for Engineering and Technology (PTC – ACBET), the sole organization recognized by the CHED and the body of engineering professionals in the country to be the sole signatory-applicant and representative of the Philippine jurisdiction to the Washington Accord. Mapua's EE, ECE, IE, CE ChE, EnSE, CpE and ME programs have all been accorded full accreditation by the PTC-ACBET.

Further, Mapúa has adopted Blackboard Learn, a new learning management system (LMS) for all its schools and departments including its subsidiaries. Blackboard Learn is a tool that provides students and teachers an easy and effective way to access course materials. It gives the capability for asynchronous online collaboration and course delivery, advanced roles and rights management, including the capability to create customized communities of users, library integration, and a centralized content repository with granular control over content objects. This new technology will give way to the standardization of LMS across all programs and departments of the Institute and its subsidiaries.

Mapúa's strategic initiatives to keep up with the demands of the integration is bolstering its research capabilities and students' math and science and technology proficiency. On top of various local and international accreditations, it has put a prime in research and academic and local partnerships. The Institute recently opened a new research building, which houses laboratories, researchers' rooms, and a large working area. This state-of-the-art facility is also home to the Innovation and Technology Support Office, which is responsible for giving strategic direction to the Institute's R&D and to convert outputs into patents, designs, utility models, and even spinoff companies.

In terms of industry-academe linkages, Mapúa doubles its efforts to forge more partnerships intended to give students and professors a better understanding of what companies need and access to the latest technology and equipment.

To expose its engineering students to different technologies and processes employed in other Asian countries, Mapúa initiated international plant visits to Singapore, Taiwan, Thailand, Malaysia, and Hong Kong. In 2015, the Institute was able to send about 300 students for international plant exposure. Likewise, it has strongly promoted international on-the-job trainings and student exchange programs. To date, Mapúa has now over 180 partner companies for OJT (local and international). It has sent over 100 students to various universities and partner institutions abroad since the internationalization programs started in 2010.

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 2016.

Apart from its internal efforts, MIT also has extension services dedicated to address environmental concerns through education. Under its Social Orientation and Community Involvement Program

(SOCIP), the Institute has conducted seminars on recycling, energy conservation, and use of renewable energy; information drive about global warming and pollution in the community; and tree-planting and clean-and-green projects in partnership with the government and non-government organizations.

MIT also has three other wholly-owned operating subsidiaries, Malayan Colleges Laguna (MCL), Mapua Information Technology Center (MITC), and the Malayan High School of Science (MHSS). MCI is expanding in Mindanao with the acquisition of a 2.3-hectare property in Davao through its newly incorporated school, Malayan Colleges Mindanao (A Mapua School), Inc.

MIT is offering senior high school starting 2016.

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 about 5,800 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.

MCL is offering senior high school starting 2016.

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 more than 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.

MHSS is offering senior high school starting 2016.

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, Linux or Java.

VISION:

To be the preferred provider of continuing and alternative learning in the Philippines and in the Southeast Asia Region.

MISSION:

Empower individuals by developing their talents and competencies using innovative teaching-learning methodologies and technologies.

Enhance work quality and engender optimum performance in organizations thru continuing education and lifelong learning.

The faculty and trainers are duly-accredited and certified by global industry partners to assure clients of the finest quality training possible. They are industry practitioners to enable them to know the current trends and practices in the industry.

MITC provides high quality training to the following:

- Corporations
- Non-IT related graduates (Post-graduates) / Career Shifters
- Executives / Professionals

The center offers the following training modules:

- JAVA
- Oracle
- .NET
- Web Development
- Comptia A+
- IT Essentials
- SDLC
- Unix/Linux
- Cisco
- Office Productivity
- Project Management
- SAAD
- Business Analysis
- English in the Workplace
- Other Customized Program

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 will 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 will 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 offset the entire impact of a loss of two freshman classes.

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

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

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 and value-added I.T. services.

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 AND PROJECT MANAGEMENT

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, 2015.

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	391,500	Industrial
Golden Haven Memorial - Las Pinas	2003	166	Memorial Lot
Bigte, Norzagaray, Bulacan	2006	13,614	Agricultural
Minuyan, SJdelMonte, Bulacan	2006	102,633	Cogon Land/Agricultural
Bigte, SJdelMonte, Bulacan	2006	51,241	Agricultural
Minuyan, SJdelMonte, Bulacan	2006	133,371	Agricultural
Minuyan, SJdelMonte, Bulacan	2006	73,361	Agricultural
Bauan, Batangas	2007	119,858	Fabrication Shop
EI CONSTRUCTION AND MARINE, INC.			
Silang, Cavite	2010	21,197	Fabrication Shop

PROPERTY DESCRIPTION	DATE ACQUIRED	AREA (SQ. M.)	TYPE
EI REALTY CORPORATION			
Trece Martires, Cavite	1995	581,122	Residential
Calamba, Laguna	1995-96	28,078	Residential
Marikina - Suburbia East	1999	3,314	Residential
Ayala Greenfield	2003	820	Residential
EQUIPMENT ENGINEERS			
Irisan, Benguet	2009	3,201	Residential
Itogon, Benguet	2006	2,376	Residential
MALAYAN COLLEGES, INC.			
Intramuros, Manila	1999	17,997	School campus
Intramuros, Manila	2013	513.5	Vacant lot for expansion
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
MALAYAN COLLEGES, LAGUNA			
Matina, Davao	2015	23,000	Vacant lot for expansion

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

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

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

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

The principal assets reflected in the consolidated balance sheets are registered mainly under HI's main subsidiaries that are engaged in construction and infrastructure, education, and car dealership. As a

holding company, HI's indirect ownership on the said properties covers/applies only to the extent of, and is limited by the amount of holdings it has in these subsidiaries.

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

Item 3 – Legal Proceedings

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

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

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

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

None.

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	6.24	5.18
2015 Fourth Quarter	6.00	5.30
2015 Third Quarter	6.74	5.93
2015 Second Quarter	7.50	6.01
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

The market price of HI’s common stock as of April 28, 2016 (latest practicable trading date) is at P6.32 for high and P6.20 for low.

Stockholders

The top 20 owners of common stock as of March 31, 2016 are as follows:

STOCKHOLDER	COMMON SHARES	% OF TOTAL
Pan Malayan Management & Investment Corp.	294,758,580	47.85%
PCD Nominee Corporation (Fil.)	232,438,137	37.73%
PCD Nominee Corporation (Non-Fil.)	40,303,275	6.54%
A.T. Yuchengco, Inc.	7,036,070	1.14%
Gdsk Development Corporation	5,064,840	0.82%
Go Soc & Sons And Sy Gui Huat, Inc.	4,019,890	0.65%
Y Realty Corporation	3,545,890	0.58%
Malayan Securities Corporation	2,790,000	0.45%
Seafront Resources Corp.	2,484,000	0.40%
Meer, Alberto M.	2,217,030	0.36%
Rcbc Ta#76-299-7	1,791,000	0.29%
Enrique T. Yuchengco, Inc.	1,211,360	0.20%
Yu, John Peter C. Yu &/Or Juan G.	1,080,000	0.18%
Cheng, Berck Y.	850,000	0.14%
Villonco, Vicente S.	803,800	0.13%
Rp Land Development Corp.	726,720	0.12%
Lim, Tek Hui	627,000	0.10%
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	603,191,382	97.94%
Others	12,804,732	2.06%
TOTAL	615,996,114	100.00%

HI has a total of 401 common shareholders owning a total of 615,996,114 shares as of March 31, 2016.

Top 20 owners of preferred stock as of March 31, 2016.

STOCKHOLDER	PREFERRED SHARES	% OF TOTAL
Yuchengco, Alfonso T.	424,449,007	54.64%
Pan Malayan Mgt. & Invt Corp.	291,402,057	0.00%
Alfonso T. Yuchengco, Inc.	19,799,148	0.00%
Enrique T. Yuchengco, Inc.	18,698,548	0.00%
Gomez, Eriberto H.	10,898,391	0.00%
Siguion-Reyna, Leonardo	2,159,350	0.00%
Alvendia Jr., Carmelino P.	1,492,499	0.00%
RP Land Development Corp.	1,353,850	0.00%
Rosario, Rodolfo P. Del	830,969	0.00%
Tantuco, Eloisa G.	621,877	0.00%
Wilson, Isabel Caro	617,572	0.00%
Jaka Investment Corp.	334,211	0.00%
Padilla, Alexander A.	269,061	0.00%
Padilla, Felipe A.	254,038	0.00%
Padilla, Francisco A.	254,038	0.00%
Padilla, Mercedes A.	254,038	0.00%
Villonco, Romeo	178,585	0.00%
Chan, Frederick	172,771	0.00%
Galvez, Maria Rosario P.	169,358	0.00%
Padilla Jr., Ambrosio	169,358	0.00%
SUB TOTAL	774,378,726	54.64%
Others	2,445,946	2.06%
TOTAL	776,824,672	100.00%

HI has a total of 48 preferred shareholders owning a total of 776,824,672 shares as of March 31, 2016.

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 2016	N/A	P0.00350	P2.98 MM
Q4 2015	N/A	P0.03286	P2.90 MM
Q3 2015	N/A	P0.00326	P2.95 MM
Q2 2015	P0.065	P0.003274	P56.13 MM
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	P0.065	P0.003274	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

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 2015.

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

The equity capital structure of the firm as of December 31, 2015 is shown below:

	Common Stock	Preferred Stock
Authorized Capital	1,250,000,000	2,500,000,000
Issued	616,296,114	786,743,253
Paid Up Capital	P923,994,171	P318,697,391
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

Features	Common Stock	Preferred Stock
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

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

Management Discussion and Analysis

CONSOLIDATED RESULTS

Year 2015 vs. Year 2014

INCOME STATEMENT

For the year ending December 2015, the Group posted a net income after tax of P1.37 billion vis-à-vis P1.96 billion in 2014. The decline of 30% is attributable to losses incurred by ARCC, an associate of EEI Group, in two of its projects, the Naptha and Aromatics (Saipem) and the Petro-Rabigh II Mitsubishi Hitachi Power Systems, Ltd. The share of EEI in the net loss amounted to P0.84 billion, which is equivalent to 49% of its share in ARCC, as compared to the reported share in net earnings of P0.44 billion in 2014.

Total revenues increased by 18%, from P24.72 billion to P29.10 billion. Sales of services improved by 11%, due to increase in EEI's on-going domestic projects. Increase in sale of goods of 46% is primarily

attributable to higher number of sales of vehicles against last year. Revenues from schools went up by 8%, from P2.08 billion to P2.24 billion. This is a combined result of increase in number of students with slight increase in tuition fees. Interest and discounts slightly increased by 1%, representing interest earnings of Zamboanga Industrial Financing Corporation (ZIFC). Income from dividends went up from P0.04 billion to P0.05 billion.

Other Income increased from P0.34 billion to P0.39 billion due to increase in (a) dealers' income attributable to higher number of vehicle units sold; (b) insurance renewal income and; (c) gain on redemption of preferred shares. The equity in net earnings of associates significantly dropped by P1.3 billion primarily due to losses incurred by ARCC

General and administrative expenses increased by 12% due to higher cost of depreciation pertaining to newly constructed school buildings, increased cost in advertising and promotions, higher commission in relation to increased sales and higher local business taxes.

Interest and finance charges are higher this year because of additional loans availed by the Group to finance its operation and capital expenditures.

BALANCE SHEET

Consolidated total assets stood at P34.68 billion against P28.81 billion last year.

Total current assets increased by 20%. Cash and cash equivalents are higher from last year by P0.18 billion or 8%. Receivables are up from P6.83 billion to P7.49 billion because of heavy construction activity from EEI, increased in revenues from schools and car dealerships. Costs and estimated earnings in excess of billings on uncompleted contracts are significantly higher due to cost incurrence of major on-going domestic projects of EEI. Inventories increased in relation to higher volume of vehicle units sold as of year end by the car dealerships. Receivable from related parties pertains mainly to receivables of EEI for manpower services. Prepaid expenses and other current assets increased primarily due to prepaid taxes from EEI in relation to increase in progress billings for the year. Financial asset at FVPL pertains to the schools' investment in UITF.

Investments in associates and joint ventures increased due to additional investments of Parent Company in Petroenergy (PERC) and; investments of EEI Power Corporation (EEIPC) on PetroSolar Corporation (PSC) and Petro Wind Energy Inc. (PWEI). Increase in available for sale securities is mainly attributable to investment of EEIPC for a 10% equity share in PetroGreen Energy Corporation (PGEC) amounting to P0.24 billion. However, this was offset by the redemption of the Parent Company of its preferred shares in RRC and reduction in investment of EEI in Brightnote Assets Corporation due to decrease in authorized capital stock. Property and equipment went up due to (a) EEI's acquisition of various machinery, tools and construction equipment, transportation and service equipment, furniture and fixtures and, (b) construction of new school buildings and renovation of research and admissions building under iPeople group. Other noncurrent assets went down due to payment of account of EEI Retirement Fund Inc. amounting to P0.12 billion.

Consolidated total liabilities increased from P16.06 billion to P20.62 billion.

Total current liabilities rose by P3.85 billion. Loans payable increased due to loan availments made by the Group for the year to finance its operational requirements. Accounts payable and accrued expenses increased by 20% primarily because of higher project costs and heightened construction activity in EEI. Billings in excess of costs and estimated earnings on uncompleted contracts increased due to contract deposits from newly awarded projects and unrecouped down payments from various on-going domestic

projects. Increase in unearned tuition fees is a timing factor as enrolment for the next academic quarter started in December 2015. Income tax payable decreased because of lower taxable income from EEI's foreign subsidiary. Due to related parties pertains mainly to obligations of the Group to its affiliates. Customers' deposits dropped significantly by 59% due to applications of advance payments to progress billings of EEI.

Total noncurrent liabilities increased by P0.71 billion, from P3.07 billion to P3.78 billion. Long-term debt relatively increased as EEI took out additional loan to finance its new projects. Lease liability which pertains to EEI's obligation to RCBC Leasing and Finance Corporation relative to purchase of various machinery and construction equipment under financial lease, was fully paid at the end of the year. Accrued retirement liability increased due to unfunded obligation of the Group to its employees' retirement fund, wherein, the liability of the Group exceeds the plan assets of the fund. Deferred tax liabilities increased relative to higher valuation on the value of the land.

Total consolidated equity rose from P12.75 billion to P14.18 billion. Decrease in preferred stock reflects regular redemption of the Parent Company's preferred shares. Equity reserve on acquisition of noncontrolling interest represents difference in par value and acquisition cost of additional EEI shares purchased by the Parent Company. Revaluation increment significantly increased due to higher valuation of land accounts. Net unrealized gains on available-for-sale securities decrease due to the decline in fair market value of quoted available-for-sale securities. Decrease in remeasurement losses on net retirement liability pertains to the actual return on plan assets, actuarial changes arising from changes in financial and geographical assumptions, and experience adjustments. Change in 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.

Total consolidated retained earnings increased from P6.23 billion to P7.19 billion.

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.

Financial Ratios

Below are the financial ratios that are relevant to the Group's for the years ended December 31, 2015 and 2014:

Financial ratios		2015	2014
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.08:1	1.17:1
<i>Indicates the Group's ability to pay short-term obligation</i>			
Solvency Ratio	$\frac{\text{Net Income+Depreciation}}{\text{Total liabilities}}$	0.10:1	0.16:1
<i>Shows how likely a company will be to continue meeting its debt obligations</i>			
Debt-to-equity ratio	$\frac{\text{Total Debt}}{\text{Total Equity}}$	1.45:1	1.26:1
<i>Measures the Group's leverage</i>			

Asset to Equity Ratio <i>Measures the group's leverage and long-term solvency</i>	$\frac{\text{Total Assets}}{\text{Total Equity}}$	2.45:1	2.26:1
Interest Rate Coverage <i>Shows how easily a company can pay interest on outstanding debt</i>	$\frac{\text{EBIT*}}{\text{Interest Expense}}$	7.26:1	10.29:1
Return on Assets <i>Measure the ability to utilize the Group's assets to create profits</i>	$\frac{\text{Net Income}}{\text{Average Total Assets}}$	4.30%	7.58%
Return on Equity <i>Reflects how much the Group's has earned on the funds invested by the stockholders</i>	$\frac{\text{Net Income}}{\text{Average Total Equity}}$	10.15%	16.62%

*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 2015 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
2015	P2,817,190
2014	P2,774,970
2013	P2,800,374

The Company has not engaged SGV & Co. for any other services aside from its annual audit for the last seven (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. Veja	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	
Ms. Gema O. Cheng*	EVP – Chief Operating Officer & Chief Financial Officer
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

* Ms. Gema O. Cheng joined the Company in February, 2016.

AMB. ALFONSO T. YUCHENGCO (92, 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

Position	Company
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 (71, Filipino): Chairperson

Position	Company
Chairperson	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

Position	Company
Chairperson	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.
Acting President	Rizal Commercial Banking Corp.
CEO	Rizal Commercial Banking Corp. Tameena Resources, Inc.
Board Member	EEL Corp. Rizal Commercial Banking Corp.
Excom Member	Great Life Financial Assurance Corp.

Position	Company
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 (60, 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

Position	Company
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 (78, 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. LT Group, Inc. Magellan Capital Holdings Corp. PETNET, Inc. Rizal Commercial Banking Corp. 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 (63, Filipino): Director

Position	Company
President	iPeople, inc. Mapua Institute of Technology Malayan Colleges Mindanao (A Mapua School), Inc. 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 Yuchengco Museum
Other Positions Held	
Director	Grepalife Dollar Bond Fund Grepalife Fixed Income Fund iPeople, inc. Maibarara Geothermal, Inc. National Research Council of the Philippines Petrogreen Inc Petrowind Inc Rizal Commercial Banking Corp. Seafront Resources Corp.
Member	Philippine Fullbright Commission UNESCO National Commission
Trustee	Philippine Association Colleges and Universities
Chairman	Committee on Science and Technology in UNESCO National Commission Engineering Sciences and Technology Division, National Academy of Science and Technology Philippine Science High School Foundation, Inc.
Dean	UP College of Engineering

YVONNE S. YUCHENGCO (61, Filipino): Director

Position	Company
Chairman	First Nationwide Assurance Corp. Malayan Securities Corp. RCBC Capital Corp. The Malayan Plaza Condominium Owners Asso. Inc. XYZ Assets Corp. Y Tower II Office Condominium Corp Yuchengco Tower Office Condominium Corp.

Position	Company
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	Alto Pacific Corp. Asia-Pac Reinsurance Co., Ltd. AY Holdings, Inc. Honda Cars Kalookan 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 Express, Inc. Pan Malayan Management & Investment Corp. Pan Malayan Realty Corp. Pan Managers Inc Pan Pacific Computer Center Inc. Petro Energy Resources Corp. Philippine Integrated Advertising Agency, Inc. RCBC Capital Corp. Seafront Resources Corp. Shayamala Corp. YGC Corporate Services, Inc.

Position	Company
Treasurer	Honda Cars Kalookan Malayan High School of Science, Inc. Mona Lisa Development Corp. Pan Malayan Management & Investment Corp. Pan Managers Inc Petro Energy Resources Corp.
Assistant Treasurer	Enrique T. Yuchengco Inc.
Trustee	AY Foundation, Inc. The Malayan Plaza Condominium Owners Asso. Inc. Yuchengco Museum Inc.
Advisory Board Member	Rizal Commercial Banking Corp.

ANTONINO L. ALINDOGAN, JR. (77, 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 Holdings PAL Holdings, Inc. Philippine Airlines, 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. (69, Filipino): Independent Director

Position	Company
Chairman	AIM Conference Center Manila (ACCM) Asian Aerospace Inc. British Alumni Association

Position	Company
	Centennial Asia Advisors Pte Ltd. (Singapore) Center for Philippine Futuristics Studies and Management Inc. EastBay Resorts, Inc Foundation for Economic Freedom Hatch Asia, Inc. Intervest Project Inc. (IPI) Libera International Advisory Board (London) MoneyTree Publishing Corp. 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. Trenzen 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

Position	Company
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 (71, Filipino) Independent Director

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

JUAN B. SANTOS (77, 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 (73, 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	71	Filipino
Mr. Medel T. Nera	President & CEO	60	Filipino
Ms. Gema O. Cheng	EVP – COO/CFO	51	Filipino
Mr. Porfirio S. de Guzman, Jr.	SVP – Internal Audit		Filipino
Mr. Jose Ma. G. Castillo III	SVP-Finance & Treasurer and Compliance & Chief Information Officer	77	Filipino
Mr. Alexander Anthony G. Galang	SVP – Internal Audit	55	Filipino
Ms. Ma. Esperanza F. Joven	VP – Finance	45	Filipino
Ms. Ma. Elisa E. Delara	VP - Internal Audit	46	Filipino
Ms. Maria Teresa T. Bautista	AVP and Corporate Controller	43	Filipino
Mr. Jose A. Tanjangco III	AVP and Chief Risk Officer	54	Filipino
Ms. Sonia P. Villegas	AVP and Human Resources Head	47	Filipino
Ms. Ruth C. Francisco	SVP Seconded to Mapua as EVP- CFO	53	Filipino
Atty. Maria Eloisa R. Gan	VP Seconded to Mapua as SVP- Operations	45	Filipino
Mr. Aloysius Nathaniel S. Costales	AVP Seconded to MCL as CFO	57	Filipino
Ms. Marina B. Bayag	AVP Seconded to Mapua as Asst. Treasurer	66	Filipino
Atty. Samuel V. Torres	Corporate Secretary	51	Filipino
Atty. Ma. Elvira Bernadette G. Gonzalez	Asst. Corporate Secretary	39	Filipino

For the past ten (10) years, Mrs. Helen Y. Dee, 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.

Gema O. Cheng, 51, Filipino, joined House of Investments, Inc as the Executive Vice President – Chief Operating Officer and Chief Financial Officer in February, 2016. Prior to joining HI, she was the Senior Vice President for SM Investments Corp. from 2011 to 2016. She was seconded to SM Prime holdings as SVP – Head of Treasury and concurrent Business Unit CFO for Commercial Properties Group and as SVP – Finance to SM Land and its subsidiaries and associates. She was the Chief Financial Officer & Treasurer of Malayan Insurance Co., Inc. (MICO) from 1992 to 2011 where she also held various positions in the subsidiaries of MICO.

Porfirio S. De Guzman, Jr., 77, 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, 72, 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 , 55, 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, where he also held on concurrent basis the positions of President of Avrion Systems Inc, Deputy Managing Director of Cala Paniman, Inc., Treasury Head of Anglo Asian Holdings Corp., etc.; He was also the former Regional Auditor for Asia and Pacific of Triumph International, Inc. where he was also assigned as the Finance Head of the start-up operations in Triumph International Vietnam, Inc.; He was a Senior International Corporate Auditor of International Semi-Tech Microelectronics, Inc., the then parent company of Singer Sewing Machine Co. USA. Before his international stints, he was an Internal Audit Manager of Honda Philippines, Inc., Finance Comptroller of Midas Touch Foods Corp, et. al., and a Senior Auditor at SGV and Co. CPAs. He is a Certified Public Accountant (CPA) having placed 12th in the 1981 licensure exams. He also holds a global certification as a Certified Fraud Examiner (CFE) and a Certification in Risk Management Assurance (CRMA).

Ma. Esperanza F. Joven, 45, 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 for the Financial Management Department at the College of Business at De La Salle University-Manila. She was also the Program Coordinator for the Master of Science in Computational Finance at the same University from 2009 to 2014.

Maria Elisa E. De Lara, 46, 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 2009 and the Compliance and Risk Manager from July 2008 to January 2009 of LF 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 until 2004. She is a Certified Public Accountant and holds a global certification in Risk Management Assurance (CRMA).

Maria Teresa T. Bautista, 43, Filipino, was appointed as Assistant Vice President and Corporate Controller in October 2011. Prior to her appointment, she was the Group Finance Manager of Prime Orion Philippines, Inc. She also worked for over 14 years with the Insular Life Assurance Company, where she specialized in audit, project management, and business analysis. She is a Certified Public Accountant, a Certified Internal Auditor, and holds a Six Sigma Green Belt.

Jose A. Tanjangco III, 54, 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, 47, 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.

Ruth C. Francisco, 53, Filipino, is the Senior Vice President for Finance seconded to Malayan Colleges, Inc. as Executive Vice President for Finance and Chief Finance Officer. She is also the Treasurer of the MIT Retirement Fund, Inc. from 2010 up to the present, Malayan Colleges Mindanao (A Mapua School), Inc., and Malayan Colleges Foundation, Inc. She is also a member of the Board of Directors and Treasurer of Bluehounds Security and Investigation Agency, Inc.. Prior to joining HI in 2010, she was the Vice President for Finance and Administration of PhilamCare Health Systems, Inc.

Maria Eloisa R. Gan, 46, Filipino, is Vice President – Legal and Administrative Head. From July 2014, she has been seconded to the Mapua Institute of Technology, where she serves as SVP - Operations. She was formerly the Chief Legal and Compliance Officer of Great Life Financial Assurance Corp., head of the Legal Services Division 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.

Aloysius Nathaniel S. Costales, 57, Filipino, is the Assistant Vice President and Deputy CFO/Controller. From March 2010, he has been seconded to the Malayan Colleges Laguna Inc. as Vice President and Chief Finance Officer. Prior to his current position, he was the 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, 66, 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.

Samuel V. Torres, 51, 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., Sun Life Grepa Financial, Inc., PetroEnergy Resources Corporation, Seafront Resources Corporation, GPL Cebu Tower Office Condominium Corp., iPeople, inc., RCBC Land, Inc., RCBC Forex Brokers Corp., RCBC Realty Corp., RCBC Securities, Inc., Malayan High School of Science, Inc., Mapua Information Technology Center, Inc., Malayan Colleges, Inc., Malayan Colleges Mindanao (A Mapua School), 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, 39, 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., Malayan Colleges Mindanao (A Mapua School), 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.

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, 2016:

- (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 & CEO				
2. Gema O. Cheng, Executive Vice President, Chief Operating Officer & Chief Financial Officer				
3. Profirio S. De Guzman, Jr., SVP-Internal Audit				
4. Jose Ma. G Castillo, III, SVP-Finance, Treasurer, Chief Information Officer & Chief Compliance Officer	2016	P27.9M (est)	P0	P0
5. Alexander Anthony G. Galang, SVP-Internal Audit	2015	P21.6M	P0	P0
	2014	P18.6M	P0	P0
All other officers and directors as group unnamed.	2016	P19.5M (est)	P0	P1.2M (est)
	2015	P18.8M	P0	P0.8M
	2014	P19.1M	P0	P0.7M
TOTALS	2016	P47.4 (est)	P0	P1.2M (est)
	2015	40.4M	P0	P0.8M
	2014	37.7M	P0	P0.7M

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, 2016.

The following table shows the beneficial owners directly or indirectly owning more than 5% of the Company’s capital stock as of March 31, 2016:

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	47.85%
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	90,290,935	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	46,686,619	7.58%

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	424,449,007	54.64%

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	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	291,402,057	37.51%

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, 2016 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	424,449,007	54.64%
Sub-Total			424,449,007	54.64%
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, 2015

- First quarter consolidation report (SEC 17Q) of House of Investments, Inc.
- Declaration of PhP3,311,306.21 cash dividends to the preferred stockholders covering the second quarter of FY2015, i.e. April to June. The equivalent dividend per preferred share is PhP0.003274. The record date is August 14, 2015 and the payment date is September 7, 2015.
- Declaration of PhP54,564,800.14 in cash dividends to the stockholders of 615,896,757 common shares and 838,517,653 preferred shares which is equivalent to 223,604,707 common shares as of May 30, 2015. The equivalent dividend per common share is PhP0.065. The equivalent dividend per preferred share is PhP0.01733. The record date is August 14, 2015 and the payment date is September 9, 2015.
- Redemption of two and a half percent (2 1/2%) of 838,517,653 preferred shares, representing 20,962,941 preferred shares at PhP0.40 per preferred share amounting to PhP8,385,176.53. The record date is August 14, 2015 and the payment date is September 11, 2015.
- Elections of members of the board of directors for the year 2015-2016
- Re-appointment of SGV & Co., as external auditors for the fiscal year ending 2015
- Election of officers of House of Investments, Inc. and the appointment of Chairmen/members of the various committees.

September 24, 2015

- Second Quarter Consolidation Report (SEC 17Q) of House of Investments, Inc.
- Declaration of PhP 3,156,578.74 (PHILIPPINE PESOS: THREE MILLION ONE HUNDRED FIFTY-SIX THOUSAND FIVE HUNDRED SEVENTY-EIGHT AND SEVENTY-FOUR CENTAVOS) cash dividends to the HI preferred stockholders of record as of October 23, 2015 covering the 3rd quarter of 2015 (July 2015 to September 2015). The equivalent dividend per preferred share is PhP 0.003861. The payment date is November 13, 2015.
- Redemption of 2 ½% (two and one half percent) of 817,554,712 shares of preferred stock of House of Investments, representing 20,438,868 (TWENTY MILLION FOUR HUNDRED THIRTY-EIGHT THOUSAND EIGHT HUNDRED SIXTY-EIGHT) preferred shares at PhP 0.40 per share, amounting to PhP 8,175,547.12 (PHILIPPINE PESOS: EIGHT MILLION ONE HUNDRED SEVENTY FIVE THOUSAND FIVE HUNDRED FORTY SEVEN and TWELVE CENTAVOS). The record date is October 23, 2015 and the payment date is November 17, 2015.

December 3, 2015

- Third Quarter Consolidation Report (SEC 17Q) of House of Investments, Inc.
- Redemption of 2 ½% (two and one half percent) of the 796,743,253 outstanding preferred stock of House of Investments, representing 19,918,581 (NINETEEN MILLION NINE

HUNDRED EIGHTEEN THOUSAND FIVE HUNDRED EIGHTY-ONE) preferred shares at PhP 0.40 per share, amounting to PhP 7,967,432.40 (PHILIPPINE PESOS: SEVEN MILLION NINE HUNDRED SIXTY-SEVEN THOUSAND FOUR HUNDRED THIRTY-TWO and FORTY CENTAVOS). The record date is December 29, 2015 and the payment date is January 26, 2016.

December 8, 2015

- Declaration of PhP 2,947,950.03 (PHILIPPINE PESOS: TWO MILLION NINE HUNDRED FORTY-SEVEN THOUSAND NINE HUNDRED FIFTY AND THREE CENTAVOS) cash dividends to the HI preferred stockholders of record as of December 29, 2015, covering the fourth quarter of 2015 (October, 2015 to December, 2015). The equivalent dividend per preferred share is PhP 0.00370. Payment Date is on January 22, 2016.

March 31, 2016

- Approval of the 2015 Audited Financial Statements of House of Investments, Inc. and its subsidiaries.
- Declaration of PhP 2,761,611.71 (PHILIPPINE PESOS TWO MILLION SEVEN HUNDRED SIXTY ONE THOUSAND SIX HUNDRED ELEVEN PESOS AND SEVENTY ONE CENTAVOS) cash dividends to the preferred stockholders of HI covering the 1st quarter of 2016 (January 2016 to March 2016). The equivalent dividend per preferred share is PhP 0.003555. The record date is April 28, 2016 and the payment date is May 20, 2016.
- Redemption of 2 ½% (two and one half percent) of 776,824,672 (SEVEN HUNDRED SEVENTY SIX MILLION EIGHT HUNDRED TWENTY FOUR THOUSAND SIX HUNDRED SEVENTY TWO) shares of preferred stock of House of Investments, representing 19,420,617 (NINETEEN THOUSAND FOUR HUNDRED TWENTY SIX HUNDRED SEVENTEEN) preferred shares at PhP 0.40 per share, amounting to PhP 7,768,246.80 (PHILIPPINE PESOS SEVEN MILLION SEVEN HUNDRED SIXTY EIGHT THOUSAND TWO HUNDRED FORTY SIX PESOS AND EIGHTY CENTAVOS). The record date is April 28, 2016 and the payment date is May 24, 2016.
- Annual stockholders' meeting of the company will be held on July 15, 2016 at 2:30pm at the RCBC Plaza, Ayala Avenue corner Gil Puyat Avenue, Makati City, Metro Manila. The Company has fixed June 15, 2016 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 ____, 2016.

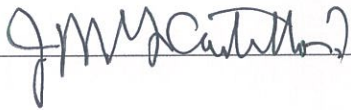
20 APR 2016 IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this 20 day of April, 2016 at Makati City.

By:

Medel T. Nera
President & CEO



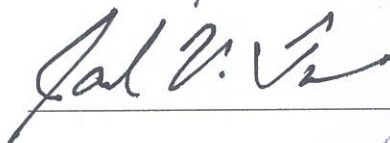
Jose Ma. G. Castillo, III
SVP-Finance & Treasurer and
Compliance & Chief Information Officer



Maria Teresa T. Bautista
AVP – Finance & Controller



Atty. Samuel V. Torres
Corporate Secretary



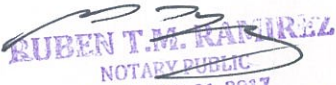
20 APR 2016

CITY OF MAKATI

SUBSCRIBED AND SWORN to before me this ____ day of ____ 2016, at ____.
Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

Names	Document No.	Date & Place of Issue/Expiration
Medel T. Nera	PN#EB6915474	12-10-2012 Manila / 12-9-2017
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. 285
Page No. 80
Book No. 775
Series of 2016


RUBEN T.M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2017
2734 M. AURORA ST., MAKATI CITY
APPT. NO. M-23 (2015-2016)
IBP NO. 1009530 / CY-2016 / 9-24-15
ROLL NO. 28947/MCLB-4 NO. 0006324/6-19-12
PTR NO. MKT. 5423578/1-4-16 MAKATI CITY

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year: **2015**
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 report⁷

* 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."**.

TABLE OF CONTENTS

A. BOARD MATTERS.....	5
1) BOARD OF DIRECTORS.....	
(a) Composition of the Board.....	5
(b) Directorship in Other Companies.....	5
(c) Shareholding in the Company.....	6
2) CHAIRMAN AND CEO.....	7
3) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS.....	7
4) CHANGES IN THE BOARD OF DIRECTORS.....	7
5) ORIENTATION AND EDUCATION PROGRAM.....	8
B. CODE OF BUSINESS CONDUCT & ETHICS.....	9
1) POLICIES.....	9
2) DISSEMINATION OF CODE.....	9
3) COMPLIANCE WITH CODE.....	9
4) RELATED PARTY TRANSACTIONS.....	9
(a) Policies and Procedures.....	10
(b) Conflict of Interest.....	10
5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS.....	10
6) ALTERNATIVE DISPUTE RESOLUTION.....	11
C. BOARD MEETINGS & ATTENDANCE.....	11
1) SCHEDULE OF MEETINGS.....	11
2) DETAILS OF ATTENDANCE OF DIRECTORS.....	11
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS.....	11
4) ACCESS TO INFORMATION.....	12
5) EXTERNAL ADVICE.....	12
6) CHANGES IN EXISTING POLICIES.....	12
D. REMUNERATION MATTERS.....	13
1) REMUNERATION PROCESS.....	13
2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS.....	13
3) AGGREGATE REMUNERATION	13
4) STOCK RIGHTS, OPTIONS AND WARRANTS.....	14
5) REMUNERATION OF MANAGEMENT.....	15
E. BOARD COMMITTEES.....	15
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES.....	15
2) COMMITTEE MEMBERS.....	16
3) CHANGES IN COMMITTEE MEMBERS.....	17
4) WORK DONE AND ISSUES ADDRESSED.....	17
5) COMMITTEE PROGRAM.....	17
F. RISK MANAGEMENT SYSTEM.....	17
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM.....	17
2) RISK POLICY.....	18
3) CONTROL SYSTEM.....	18
G. INTERNAL AUDIT AND CONTROL.....	19
1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM.....	19
2) INTERNAL AUDIT.....	

- (a) Role, Scope and Internal Audit Function.....19
- (b) Appointment/Removal of Internal Auditor.....19
- (c) Reporting Relationship with the Audit Committee.....19
- (d) Resignation, Re-assignment and Reasons.....19
- (e) Progress against Plans, Issues, Findings and Examination Trends.....20
- (f) Audit Control Policies and Procedures.....20
- (g) Mechanisms and Safeguards.....20

H. RIGHTS OF STOCKHOLDERS.....21

- 1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS’ MEETINGS.....21
- 2) TREATMENT OF MINORITY STOCKHOLDERS.....26

I. INVESTORS RELATIONS PROGRAM.....26

J. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES.....27

K. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL.....27

L. INTERNAL BREACHES AND SANCTIONS.....27

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	ELEVEN (11)
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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) ¹
Amb. Alfonso T. Yuchengco	NED	NA*	Nomination Committee	2005	July 2015	07/17/15 AGM	4 yrs
Helen Y. Dee	ED	NA*	Nomination Committee	2001	July 2015	07/17/15 AGM	4 yrs
Yvonne S. Yuchengco	NED	NA*	Nomination Committee	2007	July 2015	07/17/15 AGM	4 yrs
Medel T. Nera	ED	NA*	Nomination Committee	2011	July 2015	07/17/15 AGM	4 yrs
Atty. Wilfrido E. Sanchez	NED	NA*	Nomination Committee	2000	July 2015	07/17/15 AGM	4 yrs
Dr. Reynaldo B. Vea	NED	NA*	Nomination Committee	2010	July 2015	07/17/15 AGM	4 yrs
Renato C. Valencia	ID	NA*	VIRGINIA RANCES No Relation	2005	July 2015	07/17/15 AGM	4 yrs
Roberto F. de Ocampo, OBE	ID	NA*	VIRGINIA RANCES No Relation	2000	July 2015	07/17/15 AGM	4 yrs
Antonino L. Alindogan, Jr.	ID	NA*	VIRGINIA RANCES No Relation	2006	July 2015	07/17/15 AGM	4 yrs
Francisco H. Licuanan, III	ID	NA*	VIRGINIA RANCES No Relation	2006	July 2015	07/17/15 AGM	4 yrs
Juan B. Santos	ID	NA*	Nomination Committee	2014	July 2015	07/17/15 AGM	1 yr

* 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 emphasis 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. Please

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.

emphasis 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 Sucat, Inc.	NED
	EEl Corporation	NED
	iPeople, inc.	NED
	Mapua Institute of Technology (MCI)	NED
	Honda Cars Kalookan, Inc.	NED
	Yvonne S. Yuchengco	Pan Malayan Management & Investment Corp.
iPeople, inc.		NED
Mapua Institute of Technology (MCI)		NED
People eServe Corp.		NED
Malayan High School Of 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 Sucat, Inc.	NED	
Medel T. Nera	Hexagon Lounge	NED – Chairman
	Greyhounds Security & Investigation Agency	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	
Lo-oc Limestone Development Corp	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
	iPeople, Inc.	NED
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		0.13 %
	Preferred: 435,332,315		54.00 %
Helen Y. Dee	Common: 1,125,345	Common: 673,720 /thru HYDEE Mgt. & Resources	0.29 %
Yvonne S. Yuchengco	Common: 90,255		0.01 %
Medel T. Nera	Common: 5		0.00 %
Atty. Wilfrido E. Sanchez	Common: 5		0.00 %
Dr. Reynaldo B. Veja	Common: 5		0.00 %
Renato C. Valencia	Common: 1,000		0.00 %
Roberto F. de Ocampo, OBE	Common: 5		0.00 %
Antonino L. Alindogan, Jr.	Common: 500		0.00 %
Francisco H. Licuanan, III	Common: 500		0.00 %
Juan B. Santos	Common: 5		0.00 %
TOTAL – Common Shares *	2,012,075	673,720 = 2,685,795 shares	0.43 %
TOTAL – Preferred Shares *	435,332,315	= 435,332,315 shares	54.00 %

* TOTAL NUMBER OF ISSUED & OUTSTANDING: COMMON SHARES AS OF DEC. 31, 2015: 615,996,114 shares
PREFERRED SHARES AS OF DEC. 31, 2015: 796,743,253 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	Metrobank	ID
	Roxas & Company, Inc.	D
	Anglo Philippine Holdings Corp.	ID
	Vulcan Industrial & Mining Corp.	ID
	LT Group, Inc.	ID
Wilfrido E. Sanchez	Universal Robina Corp.	ID
	Rizal Commercial Banking Corp. (RCBC)	NED
	First Phil Holdings Corp.	ID
Juan B. Santos	PLDT	NED
	Philex Mining Corp.	NED
	SPC Power Corp.	ID
Roberto F. de Ocampo, OBE	Robinsons Land Corp.	ID
	Phinma Corp.	ID
	DFNN, Inc.	ID
	Rizal Commercial Banking Corp. (RCBC)	ID
Antonino L. Alindogan, Jr.	PAL Holdings, Inc.	ID
	LT Group, Inc.	ID
	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
	NONE		

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"> 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 Establish control mechanisms to ensure Company’s day-to-day operations, managing committees and staff are monitored consistently. 	<ol style="list-style-type: none"> Challenge constructively and contribute to the development of Company’s strategic plans Scrutinize the performance of management in meeting agreed goals and objectives. Ascertain that financial controls and risk management systems are robust and effective 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"> Bring an objective, outside perspective on the Company’s strategy/control measures Contribute skills and expertise that may not be available within Company resources Ensure objective policies on hiring and promotions in the Company 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 - 2015

Name of Director	Votes Received
Amb. Alfonso T. Yuchengco	1,225,234,149
Helen Y. Dee	1,225,234,149
Yvonne S. Yuchengco	1,225,234,149
Medel T. Nera	1,225,234,149
Dr. Reynaldo B. Vea	1,225,234,149
Atty. Wilfrido E. Sanchez	1,225,234,149
Roberto F. de Ocampo, OBE	1,225,234,149
Renato C. Valencia	1,225,234,149
Antonino L. Alindogan, Jr.	1,225,234,149
Francisco H. Licuanan III	1,225,234,149
Juan B. Santos	1,225,234,149

- (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, September 2015**
“Corporate Governance”, SGV March 2014
“Corporate Governance” Atty. Justina F. Callangan June 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, and 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, 2015	14	13	93%
Member	Amb. Alfonso T. Yuchengco	July 17, 2015	14	13	93%
Member	Yvonne S. Yuchengco	July 17, 2015	14	14	100%
Member	Medel T. Nera	July 17, 2015	14	12	86%
Member	Atty. Wilfrido E. Sanchez	July 17, 2015	14	12	86%
Member	Dr. Reynaldo B. Vea	July 17, 2015	14	14	100%
Independent	Renato C. Valencia	July 17, 2015	14	14	100%
Independent	Roberto F. de Ocampo, OBE	July 17, 2015	14	12	86%
Independent	Antonino L. Alindogan, Jr.	July 17, 2015	14	13	93%
Independent	Francisco H. Licuanan, III	July 17, 2015	14	12	86%
Independent	Juan B. Santos	July 17, 2015	14	12	86%

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:

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in

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.

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, 2015
	July 17, 2014
	July 19, 2013

- 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		115,000	747,500
(d) Bonuses			
(e) Stock Options and/or other financial instruments			

(f) Others (Specify)			
Total	P40.4 Million	115,000**	747,500**

* 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	P769,687	NONE	NONE
(f) Hospitalization Plan		NONE	NONE
(g) Car Plan	P2,489,612	NONE	NONE
(h) Others (Specify)	NONE	NONE	NONE
Total	P3,259,299	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 Group Internal Audit	P 18.6.Million
Ruth C. Francisco – SVP Finance	
Elsie P. Maglaya – VP PSS	
Ma. Esperanza F. Joven – VP Finance	
Ma. Elisa Elvina De Lara – VP Group Internal Audit	

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, 2015	1	1	100%	4 yrs
Member (ED)	Medel T. Nera	July 17, 2015	1	1	100%	4 yrs
Member (NED)	Wilfrido E. Sanchez	July 17, 2015	1	1	100%	4 yrs
Member (ID)	Renato C. Valencia	July 17, 2015	1	1	100%	4 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, 2015	4	2	50%	4 yrs
Member (NED)	Atty. Wilfrido E. Sanchez	July 17, 2015	4	4	100%	4 yrs
Member (ID)	Antonino L. Alindogan, Jr.	July 17, 2015	4	4	100%	4 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, 2015	1	1	100%	4 yrs
Member (ID)	Roberto F. de Ocampo, OBE	July 17, 2015	1	1	100%	4 yrs
Member (NED)	Yvonne S, Yuchengco	July 17, 2015	1	1	100%	2 yrs

(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, 2015	1	1	100%	4 yrs
Member (ID)	Renato C. Valencia	July 17, 2015	1	1	100%	4 yrs
Member (ID)	Antonino L. Alindogan, Jr.	July 17, 2015	1	1	100%	4 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, 2015	1	1	100%	4 yrs
Member (ID)	Renato C. Valencia	July 17, 2015	1	1	100%	4 yrs
Member (ID)	Antonino L. Alindogan, Jr.	July 17, 2015	1	1	100%	4 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, 2015	3	2	66.7%	4 yrs
Member (ID)	Renato C. Valencia	July 17, 2015	3	3	100%	4 yrs
Member (NED)	Atty. Wilfrido E. Sanchez	July 17, 2015	3	3	100%	4 yrs
Member (NED)	Yvonne S. Yuchengco	July 17, 2015	3	2	66.7%	4 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	NONE	NOT APPLICABLE
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 2015, the HI Chief Risk Officer, continuously monitor the implementation of the Enterprise Risk Management program for House of Investments as designed in coordination with SGV.

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; 2015

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 cash flows 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
NONE	NONE

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, 2015 to DECEMBER 31, 2015.**
- 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 programs 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 – As of December 31,2015)

Shareholder	Number of Shares	Percent	Beneficial Owner
COMMON STOCKS			
Pan Malayan Mgt (PMMIC)	294,758,580	47.83%	Helen Y Dee
PCD Nominee – Filipino	233,188,937	37.86%	PCD Nominee
PCD Nominee - Foreign	39,507,875	6.41%	PCD Nominee
PREFERRED STOCKS			
Alfonso T Yuchengco	435,332,315	54.6%	Not applicable
Pan Malayan Mgt & Invest	298,873,905	37.5%	Helen Y Dee

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 2,965,563	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 31, 2016

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 not 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 - PMMIC	Subsidiary	Pertains to Dividends payable to parent co.	(P 1.10)million
Associates	Subsidiary	1) Due from rel. parties for services rendered i.e. management consultancy, internal audit fees 2) subscription payable 3) Dividends receivable	P14.3 million P9.3 million 7.5million
Other Affiliates	Subsidiary	Receivable from EEI Retirement Fund, Inc.	273million
Entities under common control of PMMIC	Subsidiary	1) Cash and equivalents 2) Accounts Receivable 3) Commission receivable 4. Due from related parties 5. Management Fee 6. Accounts payable and accrued expenses 7. Due to related parties 8. Loans Payable 9. Long term debt(including current portion of long term debt)	P1.9 billion P54.8 million P382 thousand P39.9 million P11.8 million (471 thousand) (3.4 million) (100 million) (706 million)

Dividends

Declaration Date	Record Date	Payment Date
March 20, 2015	April 17, 2015	May 12, 2015
July 17, 2015	August 14, 2015	September 7, 2015
September 24, 2015	October 23, 2015	November 13, 2015
December 7, 2015	December 29, 2015	January 22, 2016

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 5, 2015**
 - Date of the Annual/Special Stockholders' Meeting: **JULY 17, 2015**
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, 2015	Show of hands	NA	NA	84.24%

- (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. Emil Cruz one of the stockholders present clarified if Malayan Colleges Inc. would be accepting students from other schools for its Grade 11 and 12 offering. He was assured that student from other schools would be considered and maybe accepted into the said grade levels by Malayan Colleges.

Another stockholder Mr. Phillip Tan commented that the Company's stock prices appear to be undervalued. As such he suggested for the Company to either increase the cash dividends that it declares or to simply buy-back its own shares. He also expressed a personal sentiment that he would prefer to see a holding company of the Yuchengco family to be publicly listed as a blue chip company similar to the holding companies of the Ty, Ayala and Consunji families. The Chairman responded by thanking Mr. Tan for his suggestions and advised that the same are noted.

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	1,225,234,149	None	None
Approval of Management Report and the Audited Financial Statements of 2014	1,225,234,149	None	None
Ratification and Confirmation of all acts, resolutions, proceedings of the Board of Directors, Executive Committee, and Officers of the Company during 2014	1,225,234,149	None	None
Election of Directors for 2015-2016	1,225,234,149	None	None
Appointment of SGV & Co. as external auditors of the Company for 2015	1,225,234,149	None	None

Names of Board Members / Officers Present:

1. Helen Y. Dee
2. Yvonne S. Yuchengco
3. Wilfrido E. Sanchez
4. Renato C. Valencia
5. Francisco H. Licuanan III
6. Antonino L. Alindogan, Jr.
7. Dr. Reynaldo B. Veja
8. Medel T. Nera
9. Roberto F. De Ocampo

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 20-15 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, 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	July 1, 2015
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 _____, 2016.

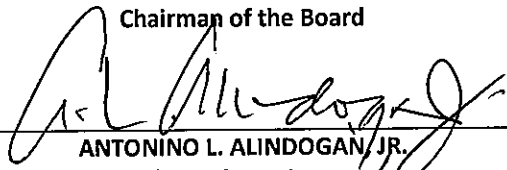
SIGNATURES



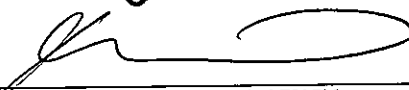
HELEN Y. DEE
 Chairman of the Board



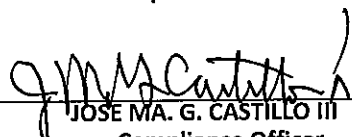
MEDEL J. NERA
 Chief Executive Officer



ANTONINO L. ALINDOGAN, JR.
 Independent Director



RENATO C. VALENCIA
 Independent Director



JOSE MA. G. CASTILLO III
 Compliance Officer

28 APR 2016

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

Doc No. 412
Page No. 90
Book No. 379
Series of 2014


RUBEN T.M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2017
2734 M. AURORA ST., MAKATI CITY
APPT. NO. M-23 (2016-2017)
IBP NO. 1009530 / CY-2016 / 9-24-15
ROLL NO. 28947/MCLE-4 NO. 0006324/6-19-12
PTR NO. MKT. 5323578/1-4-16 MAKATI CITY

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, 2015 and 2014

Consolidated Statements of Income for the years ended
December 31, 2015, 2014 and 2013

Consolidated Statements of Comprehensive Income for the years ended
December 31, 2015, 2014 and 2013

Consolidated Statements of Changes in Equity for the years ended
December 31, 2015, 2014 and 2013

Consolidated Statements of Cash Flows for the years ended
December 31, 2015, 2014 and 2013

Notes to Consolidated Financial Statements

SUPPLEMENTARY SCHEDULES

Report of Independent Auditors' on Supplementary Schedules

- I. 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
- II. Schedule of Retained Earnings Available for Dividend Declaration
- III. Schedule of all the effective standards and interpretations under PFRS as of December 31, 2015
- IV. Schedule of Financial Soundness Indicators
- V. Map of the relationships of the Companies within the Group





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, 2015, 2014 and 2013, 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 & Treasurer

SUBSCRIBED AND SWORN TO BEFORE
ME THIS DAY OF 20 APR 2016 IN THE
CITY OF MAKATI AFFIRMED HIS/
HER COMMUNITY TAX CERTIFICATE NO. _____
ISSUED ON _____ ISSUED AT _____

Signed this 31st day of March, 2016

DOC NO. 399
PAGE NO. 81


RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2017
2734 M. AURORA ST., MAKATI CITY

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, Metro Manila

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, 2015 and 2014, 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, 2015, 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, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

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. 5321688, January 4, 2016, Makati City

April 8, 2016



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

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 22 and 37)	₱2,339,213,766	₱2,161,107,813
Accounts receivable (Notes 8, 22 and 37)	7,493,009,471	6,830,291,831
Current portion of loans receivable (Notes 7 and 37)	10,171,347	11,973,267
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 9)	5,946,503,761	4,119,775,819
Inventories (Note 10)	1,306,249,637	1,049,522,172
Receivables from related parties (Note 22)	54,237,550	33,261,248
Prepaid expenses and other current assets (Note 11)	999,907,927	943,531,851
Financial asset at FVPL	8,205,773	8,021,630
Total Current Assets	18,157,499,232	15,157,485,631
Noncurrent Assets		
Investments in associates and joint venture (Notes 13 and 35)	4,363,583,861	3,898,284,355
Available-for-sale financial assets (Notes 12 and 37)	634,649,043	484,239,518
Investment properties (Note 16)	236,543,500	260,296,107
Property and equipment (Note 14)		
At cost	6,139,779,993	5,128,036,611
At revalued amount	4,093,370,740	2,836,565,819
Loans receivable - net of current portion (Notes 7 and 37)	3,491,253	4,626,258
Deferred tax assets - net (Note 32)	327,616,788	135,804,217
Goodwill (Note 15)	471,357,459	471,357,459
Retirement asset (Note 31)	17,407,863	47,110,578
Other noncurrent assets - net (Notes 17 and 22)	352,996,768	389,076,762
Total Noncurrent Assets	16,640,797,268	13,655,397,684
Total Assets	₱34,798,296,500	₱28,812,883,315
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 19, 22 and 37)	₱4,160,000,000	₱3,520,400,000
Accounts payable and accrued expenses (Notes 18, 22 and 37)	7,013,515,433	5,857,615,373
Current portion of long-term debt (Notes 20, 22 and 37)	498,897,436	368,983,029
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 9)	4,983,318,365	3,040,698,597
Unearned tuition fees	12,453,843	10,157,488
Income tax payable (Note 32)	153,665,698	133,470,587
Due to related parties (Notes 22 and 37)	3,444,000	16,463,980
Customers' deposits	18,903,474	45,597,223
Total Current Liabilities	16,844,198,249	12,993,386,277
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 20, 22 and 37)	3,263,461,807	2,795,336,097
Lease liability - net of current portion (Notes 34 and 37)	-	281,259
Retirement liability (Note 31)	218,006,352	154,257,671
Deferred tax liabilities - net (Note 32)	297,549,580	121,922,794
Total Noncurrent Liabilities	3,779,017,739	3,071,797,821
Total Liabilities	20,623,215,988	16,065,184,098

(Forward)



	December 31	
	2015	2014
Equity		
Attributable to equity holders of the Parent Company		
Preferred stock (Note 38)	₱310,729,869	₱344,007,243
Common stock (Note 38)	921,836,572	921,687,536
Additional paid-in capital	154,578,328	154,578,328
Equity reserve on acquisition of noncontrolling interest (Note 2)	(179,954,180)	(9,700,617)
Revaluation increment on land - net (Note 14)	876,113,387	420,309,754
Unrealized gain on available-for-sale financial assets (Note 12)	86,516,972	105,648,267
Remeasurement gain (loss) on net retirement liability	(31,137,535)	31,298,374
Cumulative translation adjustments (Notes 13 and 40):		
Subsidiaries	43,073,447	56,807,369
Associate	56,984,111	(44,905,259)
Retained earnings (Note 39)	7,190,445,946	6,234,678,662
	9,429,186,917	8,214,409,657
Noncontrolling interest (Note 35)	4,745,893,595	4,533,289,560
Total Equity	14,175,080,512	12,747,699,217
	₱34,798,296,500	₱28,812,883,315

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2015	2014	2013
REVENUES (Note 36)			
Sales of services - net	₱19,717,643,889	₱17,741,410,985	₱11,086,638,781
Sales of goods - net	7,074,703,794	4,855,065,068	4,476,930,830
School and related operations	2,244,097,295	2,076,758,318	1,850,441,868
Interest and discounts	11,737,198	11,574,832	10,839,465
Dividends	51,448,085	35,055,218	317,226,790
	29,099,630,261	24,719,864,421	17,742,077,734
COSTS OF SALES AND SERVICES (Note 24)			
Cost of services (Note 26)	17,200,378,185	15,758,154,328	9,606,196,558
Cost of goods sold (Notes 10 and 25)	6,629,847,421	4,529,466,153	4,171,149,443
Tuition and Other Fees (Note 27)	1,162,344,131	1,057,421,020	961,978,397
	24,992,569,737	21,345,041,501	14,739,324,398
GROSS PROFIT	4,107,060,524	3,374,822,920	3,002,753,336
OTHER INCOME - Net (Notes 2 and 23)	392,352,168	337,676,958	590,491,118
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURE (Notes 13 and 35)	(632,845,100)	659,772,494	610,307,799
GENERAL AND ADMINISTRATIVE EXPENSES (Note 28)	(1,839,336,067)	(1,647,628,164)	(1,747,635,702)
INTEREST AND FINANCE CHARGES (Notes 19, 20, 22, 30 and 36)	(279,299,855)	(260,423,483)	(167,787,622)
INCOME BEFORE INCOME TAX	1,747,931,670	2,464,220,725	2,288,128,929
PROVISION FOR INCOME TAX (Notes 32 and 36)	381,438,736	506,549,360	455,469,537
NET INCOME	₱1,366,492,934	₱1,957,671,365	₱1,832,659,392
Net income attributable to:			
Equity holders of the Parent Company (Notes 33 and 35)	₱1,022,731,322	₱1,268,099,877	₱1,189,694,820
Noncontrolling interest in consolidated subsidiaries	343,761,612	689,571,488	642,964,572
	₱1,366,492,934	₱1,957,671,365	₱1,832,659,392
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (Note 33)			
BASIC	₱1.6166	₱2.0137	₱1.8898
DILUTED	₱1.2425	₱1.5003	₱1.3679

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2015	2014	2013
REVENUES (Note 36)			
Sales of services - net	₱19,717,643,889	₱17,741,410,985	₱11,086,638,781
Sales of goods - net	7,074,703,794	4,855,065,068	4,476,930,830
School and related operations	2,244,097,295	2,076,758,318	1,850,441,868
Interest and discounts	11,737,198	11,574,832	10,839,465
Dividends	51,448,085	35,055,218	317,226,790
	29,099,630,261	24,719,864,421	17,742,077,734
COSTS OF SALES AND SERVICES (Note 24)			
Cost of services (Note 26)	17,200,378,185	15,758,154,328	9,606,196,558
Cost of goods sold (Notes 10 and 25)	6,629,847,421	4,529,466,153	4,171,149,443
Tuition and other fees (Note 27)	1,162,344,131	1,057,421,020	961,978,397
	24,992,569,737	21,345,041,501	14,739,324,398
GROSS PROFIT	4,107,060,524	3,374,822,920	3,002,753,336
OTHER INCOME - Net (Notes 2 and 23)	392,352,168	337,676,958	590,491,118
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURE (Notes 13 and 35)	(632,845,100)	659,772,494	610,307,799
GENERAL AND ADMINISTRATIVE EXPENSES (Note 28)	(1,839,336,067)	(1,647,628,164)	(1,747,635,702)
INTEREST AND FINANCE CHARGES (Notes 19, 20, 22, 30 and 35)	(279,299,855)	(260,423,483)	(167,787,622)
INCOME BEFORE INCOME TAX	1,747,931,670	2,464,220,725	2,288,128,929
PROVISION FOR INCOME TAX (Notes 32 and 36)	381,438,736	506,549,360	455,469,537
NET INCOME	₱1,366,492,934	₱1,957,671,365	₱1,832,659,392
Net income attributable to:			
Equity holders of the Parent Company (Notes 33 and 35)	₱1,022,731,322	₱1,268,099,877	₱1,189,694,820
Noncontrolling interest in consolidated subsidiaries	343,761,612	689,571,488	642,964,572
	₱1,366,492,934	₱1,957,671,365	₱1,832,659,392
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (Note 33)			
BASIC	₱1.6166	₱2.0137	₱1.8898
DILUTED	₱1.2425	₱1.5003	₱1.3679

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2015	2014	2013
NET INCOME	₱1,366,492,934	₱1,957,671,365	₱1,832,659,392
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments in:			
Subsidiaries	59,704,394	(1,029,659)	58,491,259
Joint venture	101,874,343	13,572,971	98,362,303
Net unrealized gain (loss) on available-for-sale securities (Note 12)	(23,276,461)	13,890,441	(1,691,512)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Revaluation increment on land (Note 14)	819,570,401	108,223,602	96,603,874
Remeasurement gains (losses) on net retirement liability (Note 31)	(108,280,558)	240,610,016	(61,453,242)
Income tax effect on retirement and revaluation of land	(146,541,075)	(85,346,421)	3,781,926
Total other comprehensive income	703,051,044	289,920,950	194,094,608
TOTAL COMPREHENSIVE INCOME	₱2,069,543,978	₱2,247,592,315	₱2,026,754,000
Total comprehensive income attributable to:			
Equity holders of the Parent Company	₱1,487,399,345	₱1,447,405,067	₱1,326,158,263
Noncontrolling interest in consolidated subsidiaries	582,144,633	800,187,248	700,595,737
	₱2,069,543,978	₱2,247,592,315	₱2,026,754,000

See accompanying Notes to Consolidated Financial Statements.



HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the Group										Total
	Preferred Stock (Note 38)	Common Stock (Note 38)	Additional Paid-in Capital	Reserve on Acquisition of Noncontrolling Interest (Note 2)	Revaluation Increment on Land - Net (Note 14)	Cumulative Translation Adjustment (Notes 13 and 41)	Accumulated Unrealized Gain on Available-for-Sale Securities (Note 12)	Remeasurement losses on Retirement Liability (Note 31)	Retained Earnings (Note 39)	Attributable to Noncontrolling Interest (NCI) (Note 35)	
For the Year Ended December 31, 2015											
Balances as at January 1, 2015	\$344,007,243	\$921,687,536	\$154,578,328	(\$9,700,617)	\$420,309,754	\$11,902,110	\$105,648,267	\$31,298,374	\$8,214,409,657	\$4,533,289,560	\$12,747,699,217
Redemption of preferred shares	(33,128,338)	—	—	—	—	—	—	—	(33,128,338)	—	(33,128,338)
Conversion of preferred shares	(149,036)	149,036	—	(170,253,563)	—	703,870	378,626	(3,358,642)	(172,529,709)	(209,075,726)	(381,605,435)
Acquisition of noncontrolling interest	—	—	—	(179,954,180)	420,309,754	12,605,980	106,026,893	27,939,732	6,234,678,662	8,008,751,610	4,324,213,834
Net income	—	—	—	—	—	—	—	—	1,022,731,322	343,761,612	1,366,492,934
Other comprehensive income (loss)	—	—	—	—	455,803,633	87,451,578	(19,509,921)	(59,077,267)	—	464,668,023	703,051,044
Total comprehensive income (loss)	—	—	—	—	455,803,633	87,451,578	(19,509,921)	(59,077,267)	—	464,668,023	703,051,044
Dividends declared by Parent Company	—	—	—	—	—	—	—	—	—	—	—
Share of NCI on dividends declared by subsidiaries	—	—	—	—	—	—	—	—	(66,964,038)	—	(66,964,038)
Total dividends declared	—	—	—	—	—	—	—	—	(66,964,038)	—	(66,964,038)
Balances as at December 31, 2015	\$310,729,869	\$921,836,572	\$154,578,328	(\$179,954,180)	\$876,113,387	\$100,057,558	\$86,516,972	\$31,137,535	\$9,429,186,917	\$4,745,893,595	\$14,175,080,512
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	\$3,929,252,063	\$10,810,539,918
Redemption of preferred shares	(36,663,170)	—	—	(9,700,617)	—	11,513	18,395	(551,764)	—	(36,663,170)	(36,663,170)
Acquisition of noncontrolling interest	—	—	—	(9,700,617)	352,767,062	5,596,109	93,251,821	(62,283,533)	5,034,498,263	6,834,402,212	(13,622,212)
Net income	—	—	—	—	—	—	—	—	1,268,099,877	3,915,629,851	10,750,032,063
Other comprehensive income	—	—	—	—	67,542,692	6,306,001	12,396,446	93,581,907	—	179,827,046	1,957,671,365
Total comprehensive income	—	—	—	—	67,542,692	6,306,001	12,396,446	93,581,907	—	179,827,046	1,957,671,365
Dividends declared by Parent Company	—	—	—	—	—	—	—	—	—	—	—
Share of NCI on dividends declared by subsidiaries	—	—	—	—	—	—	—	—	(67,919,478)	—	(67,919,478)
Total dividends declared	—	—	—	—	—	—	—	—	(67,919,478)	—	(67,919,478)
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	\$8,214,409,657	\$4,533,289,560	\$12,747,699,217



Atributable to the Group

	Preferred Stock (Note 38)	Common Stock (Note 38)	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 41)	Accumulated Unrealized Gain on Available-for-Sale Securities (Note 12)	Net Remeasurement losses on Retirement Liability (Note 31)	Retained Earnings (Note 39)	Total	Atributable to Noncontrolling Interest (NCI) (Note 35)	Total
For the Year Ended December 31, 2013												
Balances as at January 1, 2013	₱421,284,050	₱924,252,111	₱154,578,328	₱-	₱291,703,332	(₱72,974,883)	₱94,703,117	(₱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)	-	(40,570,612)
Conversion to common stock (43,025)	(43,025)	43,025	-	-	-	-	-	-	-	-	-	-
Cost of shares held in treasury	-	(2,607,600)	-	-	-	-	-	-	-	(2,607,600)	-	(2,607,600)
	380,670,413	921,687,536	154,578,328	-	291,703,332	(72,974,883)	94,703,117	(62,615,644)	3,909,567,025	5,617,319,224	3,392,113,678	9,009,432,902
Net income	-	-	-	-	-	-	-	-	1,189,694,820	1,189,694,820	642,964,572	1,832,659,392
Other comprehensive income	-	-	-	-	61,063,730	78,559,479	(1,469,691)	883,875	(2,081,283)	136,956,110	57,138,498	194,094,608
Total comprehensive income	-	-	-	-	61,063,730	78,559,479	(1,469,691)	883,875	1,187,613,537	1,326,650,930	700,103,070	2,026,754,000
Dividends declared by Parent Company	-	-	-	-	-	-	-	-	(62,682,299)	(62,682,299)	-	(62,682,299)
Share of NCI on dividends declared by subsidiaries	-	-	-	-	-	-	-	-	-	-	(162,964,685)	(162,964,685)
Total dividends declared	-	-	-	-	-	-	-	-	(62,682,299)	(62,682,299)	(162,964,685)	(225,646,984)
Balances as at December 31, 2013	₱380,670,413	₱921,687,536	₱154,578,328	₱-	₱352,767,062	₱5,584,596	₱93,233,426	(₱61,731,769)	₱5,034,498,263	₱6,881,287,855	₱3,929,252,063	₱10,810,539,918

See accompanying Notes to Consolidated Financial Statements



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

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,747,931,670	₱2,464,220,725	₱2,288,128,929
Adjustments for:			
Depreciation and amortization (Notes 14, 17, 25, 26, 27, 28 and 29)	756,372,773	605,005,402	542,297,282
Interest and finance charges (Notes 5, 19, 20, 22 and 30)	279,299,855	260,423,483	167,787,622
Loss (recovery) on:			
Disposal of financial asset at FVPL (Note 4)	–	7,125,290	–
Damaged properties (Notes 14 and 28)	–	(81,829)	8,225,220
Provision for (recovery of):			
Probable losses (Note 28)	30,275,018	(16,756,789)	73,194,466
Inventory obsolescence (Note 10)	–	893,944	(29,384,710)
Gain on sale of:			
Available-for-sale financial assets (Notes 12 and 23)	(34,587,158)	(28,368,239)	(37,258,378)
Subsidiary (Notes 2 and 23)	–	–	(11,072,373)
Property and equipment (Notes 14 and 23)	(4,115,025)	(1,748,018)	(921,522)
Investment properties (Notes 16 and 23)	(5,390,206)	–	(5,021,400)
Unrealized foreign exchange loss (Note 23)	28,480,960	752,293	24,930,685
Recovery on investment in associates (Notes 13 and 28)	–	–	(103,843,643)
Recovery of previously written off receivables	(535,714)	–	–
Unrealized market gain on financial asset at FVPL (Note 4)	(184,143)	(57,289)	(11,253,282)
Impairment loss (recovery from) other assets (Notes 23 and 28)	5,388,517	(8,320,670)	139,338,325
Income from reversal of payables (Note 23)	(56,139,471)	(14,605,004)	(24,614,339)
Reversal of provision for losses (Note 23)	–	–	(166,142,054)
Dividend income (Notes 4 and 22)	(51,448,085)	(35,055,218)	(317,226,790)
Interest income (Note 23)	(42,741,377)	(45,322,974)	(77,096,099)
Equity in net losses (earnings) of associates and joint venture (Notes 13 and 35)	632,845,100	(659,772,494)	(610,307,799)
Operating income working capital changes	3,285,452,714	2,528,332,613	1,849,760,140
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	(674,191,501)	(2,272,931,838)	326,986,867
Loans receivable	2,936,925	(1,720,217)	4,575,132
Costs and estimated earnings in excess of billings on uncompleted contracts	(1,826,727,942)	(2,155,315,286)	(573,771,724)
Inventories	(256,727,465)	(164,360,666)	266,007,714
Prepaid expenses and other current assets	(56,376,076)	(410,411,918)	410,194,913
Retirement asset (Note 31)	29,702,715	(16,405,001)	(28,428,838)
Increase (decrease) in:			
Billings in excess of costs and estimated earnings on uncompleted contracts	1,942,619,768	1,707,741,893	(1,380,914,776)
Accounts payable and accrued expenses	794,254,831	1,581,143,195	(625,986,156)

(Forward)



	Years Ended December 31		
	2015	2014	2013
Customers' deposits	(₱26,693,749)	₱11,076,671	₱4,405,649
Unearned tuition fees	2,296,355	1,046,501	(54,510,628)
Retirement liability (Note 31)	63,748,681	(218,633,418)	151,755,904
Net cash generated from operations	3,280,295,256	589,562,529	350,074,197
Interest received	42,741,377	45,889,139	74,158,194
Interest and finance charges paid	(276,544,326)	259,583,235	159,581,801
Income tax paid	(549,801,266)	(494,727,159)	(263,066,608)
Net cash flows provided by operating activities	2,496,691,041	400,307,744	320,747,584
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Noncontrolling interest	(381,605,435)	(23,844,685)	-
Investments in associates and joint ventures (Note 13)	(1,035,640,156)	(158,485,100)	(1,445,319,791)
Property and equipment (Notes 14 and 40)	(1,687,672,452)	(1,258,570,968)	(925,374,066)
Available-for-sale securities (Note 12)	(243,837,196)	-	(385,963,400)
Investments in FVPL	-	-	(352,011,223)
Proceeds from sale of:			
Investments in FVPL	-	348,174,874	-
Available-for-sale securities (Note 12)	90,705,769	59,476,337	99,638,377
Property and equipment (Note 14)	13,627,373	8,750,792	4,310,414
Investment properties (Note 16)	26,134,425	200,000	16,956,524
Subsidiary/associate	-	-	114,916,016
Dividends received	81,211,645	304,208,254	308,877,163
Increase (decrease) in other noncurrent assets	(135,087,293)	159,814,479	(188,136,476)
Net cash flows used in investing activities	(3,272,163,320)	(560,276,017)	(2,752,106,462)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loans payable (Note 19)	13,245,000,000	7,710,000,000	4,554,000,000
Long-term debt	2,006,967,904	442,454,200	2,170,708,000
Payments of:			
Loans payable (Note 19)	(12,605,400,000)	(7,419,000,000)	(3,275,700,000)
Long-term debt	(1,408,927,787)	(235,134,344)	(755,411,237)
Payments received from (advances to) related parties	(33,996,282)	3,668,070	(37,657,368)
Repurchase of common stock (Note 38)	-	-	(2,607,600)
Decrease in lease liability	(281,259)	(3,518,480)	(4,020,535)
Redemption of preferred shares (Note 39)	(33,128,338)	(36,663,170)	(40,570,612)
Cash dividends paid (Note 38)	(246,781,916)	(250,447,017)	(225,646,984)
Net cash flows provided used in financing activities	923,452,322	211,359,259	2,383,093,664
EFFECTS OF EXCHANGE RATE CHANGES			
ON CASH AND CASH EQUIVALENTS	30,125,910	(1,793,464)	33,560,574
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	178,105,953	49,597,522	(14,704,640)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,161,107,813	2,111,510,291	2,126,214,931
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱2,339,213,766	₱2,161,107,813	₱2,111,510,291

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 36.

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 Parent Company's shares of stock are currently traded at the PSE. The ultimate parent company of the Group is Pan Malayan Management and Investment Corporation (PMMIC).

As amended on July 20, 2007, the term of the corporation was extended for another fifty (50) years from and after May 21, 2009.

The registered office address of the Parent Company is at 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

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 financial asset at FVPL and available-for-sale financial assets and financial assets at FVPL 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, 2015 and 2014, and for each of the three years in the period ended December 31, 2015.

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		
	2015	2014	2013
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
Zambo Wood 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
EI Corporation (EI) and subsidiaries	54.36	50.32	50.09
Zamboanga Industrial Finance Corporation (ZIFC)	50.00	50.00	50.00

The functional currency of the subsidiaries is the Philippine Peso (₱).

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

In 2015 and 2014, the Parent Company acquired additional 41.9 million and 2.4 million shares of EEI for an average price of ₱9.16 and ₱9.97 per share resulting to an increase in ownership interest from 50.32% to 54.36% in 2015 and 50.08% to 50.32% in 2014.

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

Subsidiaries	Percentage of ownership		
	2015	2014	2013
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
Malayan Colleges Mindanao, Inc. (MCMI) ¹	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

¹On December 11, 2015, Malayan Colleges Mindanao (A Mapua School), Inc. was incorporated and registered with the Philippine Securities and Exchange Commission (SEC). It is wholly owned subsidiary by Malayan Colleges, Inc. (MCI).



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

	Place of Incorporation	Percentage of Ownership	Functional Currency
EEI (BVI) Limited (EEI BVI) and Subsidiaries	British Virgin Islands	100.00	USD
Clear Jewel Investments, Ltd. (CJIL)	British Virgin Islands	100.00	USD
EEI Corporation (Singapore) Pte. Ltd.	Singapore	100.00	SGD
EEI Nouvelle-Caledonie SARL	New Caledonia	100.00	XPF
Nimaridge Investments, Limited	British Virgin Islands	100.00	USD
EEI (PNG) Ltd.	Papua New Guinea	100.00	USD
EEI Corporation (Guam), Inc.	United States of America	100.00	Php
EEI Construction and Marine, Inc.	Philippines	100.00	Php
EEI Power Corporation	Philippines	100.00	Php
EEI Realty Corporation (EEI Realty)	Philippines	100.00	Php
EEI Subic Corporation	Philippines	100.00	Php
Equipment Engineers, Inc. (EE)	Philippines	100.00	Php
Gulf Asia International Corporation (GAIC)	Philippines	100.00	Php
GAIC Professional Services, Inc. (GAPSI)	Philippines	100.00	Php
GAIC Manpower Services, Inc. (GAMSI)	Philippines	100.00	Php
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	100.00	Php
Philmark, Inc.	Philippines	100.00	Php
Philrock Construction and Services, Inc.	Philippines	100.00	Php

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 are consistent with those of the previous financial year, except for the adoption of new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations that became effective as of January 1, 2015. Except as otherwise indicated, the adoption of the new and amended PFRS, PAS and Philippine Interpretations did not have any effect on the financial statements of the Group.

- *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. These amendments were not applicable to the Company as it has no defined benefit plans with contributions from employees or third parties.

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 did not 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; and
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This amendment was not applicable 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). This amendment did not materially impact the financial statements of the Company.
- *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.

These amendments affected disclosures only and had 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 had 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 affected disclosures only and had 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 did not 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 had 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 had 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 had no significant impact on the Group's financial position or performance.

There are new PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2015 and these will be adopted on their effectivity dates in accordance with the transition provisions. Except as otherwise stated, these amendments and improvements to PFRS and new standards are not expected to have any significant impact on the Group's financial statements.

Standard issued but not yet effective

Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Securities and Exchange Commission and the Financial Reporting Standards Council 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. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.



Effective in 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's financial position or performance.
- 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. The Group is currently assessing the impact of these amendments on its financial statements.
- 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. These amendments 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.

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments)

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions;
- That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Parent Company is currently assessing the impact of these amendments on its financial statements.

- 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 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 will 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

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard (renamed as 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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9. 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 requirements on hedge accounting will not have any impact on the Group's financial statements.

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, 2018 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.

Effective January 1, 2019

IFRS 16, Leases

On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases in their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of twelve (12) months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. The Group is currently assessing the impact of IFRS 16 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 Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the parent company 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.

Initial recognition of financial instruments

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every financial reporting date.

Financial instruments are classified as liability 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.

The Group's financial assets consist of FVPL, loans and receivables and AFS financial assets. 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; and
- 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.

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. Financial assets at FVPL are recorded in the consolidated statement of financial position at fair value with unrealized mark-to-market gains and losses reported as part of the current year operations 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 ₱8.2 million and ₱8.0 million as of December 31, 2015 and 2014, 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 ₱0.2 million and ₱0.1 million in 2015 and 2014, respectively. In 2014, the Group disposed a significant portion of its financial assets at FVPL realizing a loss amounting ₱7.1 million.

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 available-for-sale 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, 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.

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 available-for-sale 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, 2015 and 2014.

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 available-for-sale 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 available-for-sale debt investments are reported as interest income using the EIR. Dividends earned on holding available-for-sale 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 available-for-sale cannot be reliably measured, the financial asset is carried at cost less allowance for impairment loss, if any.

Available-for-sale 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 available-for-sale financial assets include investments in quoted and unquoted golf club and equity shares (Note 12).

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, 2015 and 2014.

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, 2015 and 2014.

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, due to related parties and long-term debt (Notes 18, 20, 22 and 34).

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.

Jointly Controlled Operations

A jointly controlled operation involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and



equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

This accounting policy relates to the net payable to Philippine Transmarine Carriers, Inc. (PTC) amounting ₱13.1 million and ₱10.3 million as of December 31, 2015 and 2014, respectively, and included under “Accounts payable and accrued expenses” in the consolidated statements of financial position (Note 18).

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 available-for-sale, impairment would include a significant or prolonged decline in the fair value of investments below its cost. If an available-for-sale 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 available-for-sale are not recognized in the consolidated statement of income but as other comprehensive income. Reversals of impairment losses on debt instruments classified as available-for-sale 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.

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 associates and joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates and joint venture 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 associates or joint venture 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	
	2015	2014
Associates:		
Hi-Eisai Pharmaceutical, Inc.	50.00%	50.00%
Al Rushaid Construction Company (ARCC) (operations in Saudi Arabia)	49.00	49.00
Petro Solar Corporation (PSoC)	44.00	—
La Funeraria Paz Sucat, Inc. (LFPSI)	37.50	37.50
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	22.41
RCBC Realty Corporation (RRC)	10.00	10.00
Joint venture:		
ECW Joint Venture Inc.	50.00	50.00

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, all associates are operating in the Philippines.

In 2015, the Group acquired 44% stake in PetroSolar Corporation (PSoC) and accounted for as an associate.



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.

All other borrowing costs are expensed in the period in which they occur.

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, People eServe 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 consolidated 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.

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, associate and interest in joint venture. With respect to



investments in foreign subsidiaries, associate and interest in joint venture, 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 not 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 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 36.

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 38).

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 39).

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 2015 and 2014 pertains to: (a) net unrealized gains and losses on available for sale securities which can be recycled to profit and loss; (b) cumulative translation adjustments; and (c) remeasurement gains and losses arising from defined benefit retirement plan which cannot be recycled to profit or loss.

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%

Holding of less than 20% of voting rights is presumed not to give rise to significant influence unless it can be clearly demonstrated that there is in fact significant influence. 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.

As of December 31, 2015 and 2014, the Group holds 10% of interest in RRC. The Group exercises significant influence in RRC since the Parent Company's President is the concurrent president of RRC. The president is also a member of the Board of Directors. As such, the president of the Parent Company effectively has a participation in the policy-making process of RRC. Hence, the Parent Company is able to exercise significant influence even if ownership is less than 20%.

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 2015 and 2014, the Parent Company redeemed portion of outstanding redeemable preference shares amounting ₱33.1 million and ₱36.7 million, respectively (Note 38).

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 a 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, 2015 and 2014 amounted to ₱332.9 million and ₱323.2 million, respectively (Note 34).

Operating lease commitments - Group as a 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, 2015 and 2014 amounted to ₱13.2 million and ₱80.9 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 a 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, 2015 and 2014, future minimum lease payments and present value of minimum lease payments amounted to nil and ₱0.3 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 2015, 2014 and 2013 are based on management's best estimate and have met the requirements set forth in PAS 11. When the total contract cost exceeds the total contract revenue, the Company recognizes expected losses which are recognized as an expense immediately in the statement of income.

As at December 31, 2015 and 2014, the costs and estimated earnings in excess of billings on uncompleted contracts amounted to ₱5.9 billion and ₱4.1 billion, respectively, and billings in excess of costs and estimated earnings on uncompleted contracts amounted to ₱5.0 billion and ₱3.0 billion, respectively (Note 9).

Estimating Realizability of Claims and Change Orders

The Group maintains as claims and change order 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 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.

Estimating Recoveries

The Group recognizes recoveries when negotiations have reached an advanced stage such that it is probable that the customer will accept it and the amount that it is probable will be accepted by the customer can be measured reliably.

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, 2015 and 2014 amounted to ₱7.5 billion and ₱6.8 billion, respectively (Note 8).

Estimating realizability of claims and change orders

The Group maintains as claims and change orders assets when it is probable that these assets will be realized. The amount and timing of recorded expenses would differ if the Group made different estimates.

Estimating 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, 2015 and 2014 amounted to ₱956.2 million and ₱700.9 million, respectively (Note 10).

Estimating useful lives of property and equipment, computer software and investment properties

The Group estimated the useful lives of its property and equipment, computer software and investment properties based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment and investment properties based on the factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment and investment properties would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

The net book value of depreciable property and equipment, computer software and investment properties as follow:

	2015	2014
Property and equipment (Note 14)	₱6,139,779,993	₱5,128,036,611
Computer software (Note 17)	15,791,828	28,505,569
Investment properties (Note 16)	32,721,209	49,866,648

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, 2015 and 2014. 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 2015 and 2014 for MCI. 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 ₱5.38 and ₱10.55 in 2015 and 2014, respectively, per listed price of EEI shares. For iPeople, the recoverable value is based on listed price of ₱11.00 per share and ₱12.00 per share in 2015 and 2014, respectively. In 2013, the Group recognized impairment loss on goodwill pertaining to Honda Cars Group amounting ₱41.4 million.

As at December 31, 2015, the recoverable amount for Honda Cars Group is ₱554.78 million.

There is no impairment loss on goodwill in 2015 and 2014.

The value in use calculation above is most sensitive to the growth rates and discount rates. A reduction in the growth rate and a rise in the discount rate would result in further impairment.

In 2015 and 2014, 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 ₱52.0 million was recognized to write-down certain assets of MHSSI. No additional impairment loss was recognized in 2015 and 2014.

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

	2015	2014
Property and equipment (Note 14)	₱10,233,150,733	₱7,964,602,430
Investments in associates and joint venture (Note 13)	4,363,583,861	3,898,284,355
Goodwill (Note 15)	471,357,459	471,357,459
Investment properties (Note 16)	236,543,500	260,296,107
Computer software (Note 17)	15,791,828	28,505,569

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, 2015 and 2014, subsidiaries with net accrued retirement liability position has outstanding liability of ₱218.0 million and ₱154.3 million, respectively and subsidiaries with net retirement asset position has net assets of ₱17.4 million and ₱47.1 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 ₱159.2 million and ₱135.8 million as at December 31, 2015 and 2014, respectively. The temporary differences on which deferred tax assets were not recognized amounted to ₱169.3 million and ₱192.2 million, respectively (Note 32).

6. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand and in banks	₱1,726,651,223	₱1,019,458,316
Short-term investments	612,562,543	1,141,649,497
	₱2,339,213,766	₱2,161,107,813

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three (3) 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 ₱26.5 million and ₱27.7 million and ₱45.1 million for the years ended December 31, 2015, 2014 and 2013, respectively (Note 23).

7. Loans Receivable

Loans receivable consists of:

	2015	2014
Gross receivables	₱17,481,969	₱20,286,903
Less allowance for impairment	3,819,369	3,687,378
	13,662,600	16,599,525
Less noncurrent portion	3,491,253	4,626,258
Current portion	₱10,171,347	₱11,973,267



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

	2015	2014
Time loan principals	₱25,262,473	₱30,264,723
Unearned discount and interest	(7,780,504)	(9,977,820)
	17,481,969	20,286,903
Less allowance for impairment	3,819,369	3,687,378
	₱13,662,600	₱16,599,525

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 2015, 2014 and 2013. The term of the loan ranges from one (1) to five (5) years.

Details of receivables follow:

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

	2015	2014
Secured loans		
Chattel mortgage	₱4,387,234	₱4,804,448
Real estate mortgage	20,012,563	24,857,485
	24,399,797	29,661,933
Unsecured loans	862,676	602,790
	₱25,262,473	₱30,264,723

- b) As to maturity

	2015	2014
Maturing within one year	₱20,188,954	₱21,314,001
Maturing one year to five years	5,073,519	8,950,722
	₱25,262,473	₱30,264,723

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

	2015	2014
Balance at beginning of year	₱3,687,378	₱3,763,369
Provision for impairment losses	250,000	500,000
Accounts written off	(118,009)	(575,991)
Balance at end of year	₱3,819,369	₱3,687,378



8. Accounts Receivable

This account consists of:

	2015	2014
Trade		
Construction and infrastructure (including retention receivable of ₱2.5 billion and ₱2.3 billion in 2015 and 2014, respectively)	₱5,301,390,692	₱4,943,645,519
Car dealership	732,345,921	540,444,959
Education and information technology	183,325,950	209,159,431
Other services	18,964,887	21,713,190
Other receivables		
Advances to suppliers and contractors	739,095,204	753,911,577
Consultancy fee	289,688,635	313,156,649
Receivables from plant	58,497,711	3,745,828
Advances to officers and employees	41,926,134	37,554,310
Rent receivable	499,708	184,708
Others	396,959,599	265,837,372
	7,762,694,441	7,089,353,543
Less allowance for impairment	269,684,970	259,061,712
	₱7,493,009,471	₱6,830,291,831

Trade receivables

The trade receivables 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 were used as collaterals to secure obligations in 2015 and 2014.



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 noninterest-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:

	2015					Total
	Construction and Infrastructure	Car Dealership	Education and Information Technology	Other Services	Other Receivables	
Balances at beginning of year	₱76,358,400	₱32,133,029	₱49,180,963	₱16,033,399	₱85,355,921	₱259,061,712
Provisions-net of recoveries(Notes 27 and 28)	1,778,410	5,355,917	1,917,535	-	13,571,396	22,623,258
Reversals	-	-	-	-	(6,000,000)	(6,000,000)
Write-offs	(5,434,979)	-	-	(1,841,342)	(4,698,679)	(11,975,000)
Balances at end of year	₱72,701,831	₱37,488,946	₱51,098,498	₱14,192,057	₱88,228,638	₱269,684,970
Individually impaired	₱60,051,983	₱-	₱-	₱-	₱-	₱60,051,983
Collectively impaired	7,998,087	32,618,633	54,536,880	15,802,308	98,677,079	209,632,987
Total	₱68,050,070	₱32,618,633	₱54,536,880	₱15,802,308	₱98,677,079	₱269,684,970
Gross receivables*	₱5,301,390,692	₱732,345,921	₱183,325,950	₱ 18,964,887	₱1,526,666,991	₱7,762,694,441

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

	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



9. Costs, Estimated Earnings and Billings on Uncompleted Contracts

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

	2015	2014
Total costs incurred	₱56,199,099,834	₱47,647,756,126
Add estimated earnings	5,567,001,273	4,445,059,291
	61,766,101,107	52,092,815,417
Less total billings (including unliquidated advances from contract owners of ₱5.9 billion and ₱3.0 billion in 2015 and 2014, respectively)	60,802,915,711	51,013,738,195
	₱963,185,396	₱1,079,077,222

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

	2015	2014
Costs and estimated earnings in excess of billings on uncompleted contracts	₱5,946,503,761	₱4,119,775,819
Billings in excess of costs and estimated earnings on uncompleted contracts	(4,983,318,365)	(3,040,698,597)
	₱963,185,396	₱1,079,077,222

10. Inventories

This account consists of:

	2015	2014
At cost		
Land and land development	₱219,256,480	₱219,256,480
Subdivision lots and contracted units for sale	85,875,299	84,400,136
Raw lands	44,916,103	44,916,103
	350,047,882	348,572,719
At NRV		
Merchandise	893,900,215	662,363,764
Construction materials	33,895,779	15,425,375
Spare parts and supplies	28,405,761	23,160,314
	956,201,755	700,949,453
	₱1,306,249,637	₱1,049,522,172

The related costs of inventories recorded at NRV follow:

	2015	2014
Merchandise	₱851,682,182	₱687,325,430
Construction materials	32,169,384	32,691,163
Spare parts and supplies	30,132,158	31,262,637
	₱913,983,724	₱751,279,230



The Group recognizes inventory write-down whenever the NRV of the existing inventories is lower than its cost.

The total cost of goods sold recognized in the Group's statements of comprehensive income amounted to ₱6,629.8 million, ₱4,529.5 million and ₱4,171.2 million in 2015, 2014 and 2013, respectively (Notes 24 and 25).

The rollforward of allowance for inventory obsolescence is as follows:

	2015	2014
Balances at beginning of year	₱50,329,777	₱52,314,251
Provisions (Note 28)	-	893,944
Reversals	(8,102,323)	(508,097)
Write-off	(9,423)	(2,370,321)
Balances at end of year	₱42,218,031	₱50,329,777

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

	2015	2014
Balances at beginning of year	₱348,572,719	₱354,306,543
Construction/development costs incurred	626,508	5,276,313
Disposals (recognized as cost of sales) (Note 24)	(5,605,693)	(14,647,753)
Repossessed inventories	6,454,348	2,615,984
Other adjustments/reclassifications	-	1,021,632
Balances at end of year	₱350,047,882	₱348,572,719

The Group reversed previously recognized allowance for real estate inventory obsolescence amounting ₱8.1 million, ₱0.5 million and ₱3.3 million in 2015, 2014 and 2013, respectively.

The actual inventories written-off amounted to ₱0.009 million and ₱2.4 million in 2015 and 2014, respectively. No actual inventories were written off in 2013.

Land and land development, subdivision lots and condominium units for sale and raw lands 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, the EEI Realty entered into a Joint Venture (JV) Agreement with Robinson's Homes, Inc. (RHI). Under the terms of the JV agreement, the Company will contribute 22 parcels of land located in Cavite, and RHI will undertake the development of the property into a residential subdivision. The share of the EEI Realty and RHI on the saleable lots shall be 40% and 60%, respectively. In 2009, RHI suspended marketing activities.

EEI Realty granted RHI the exclusive right to construct housing units on the EEI Realty's share of the saleable lots from the JV Project, the cost of which 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 equivalent to ten percent (10%) of the lot selling price which is deductible from EEI Realty's share on every lot sold.



On July 11, 2005, the EEI Realty and RHI mutually agreed to reduce the JV area from 72.79 hectares to 13.98 hectares. The share of the 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 the EEI Realty.

In consideration for the EEI Realty's entering into the JV Agreement, RHI paid the EEI Realty ₱50,000,000 as noninterest-bearing cash advance. The cash advance shall be liquidated through proceeds from sale of lots allocated to the EEI Realty. In 2000, EEI Realty started selling developed lots, the proceeds of which were deducted from the cash advance. As at December 31, 2015 and 2014, the outstanding balance of the cash advances amounted to ₱32.4 million and is presented as a liability under "Accounts payable and accrued expenses" in the consolidated statements of financial position.

- b. EEI Realty has an ongoing project in Suburbia East, Marikina. The master plan for the 98,009 square meters property project was completed and the development permit application for the subdivision plan was approved on September 14, 2000 by the city government of Marikina. On May 2, 2002, the Housing and Land Use Regulatory Board issued a Certificate of Registration and License to Sell to the Company 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 was 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. As at December 31, 2015, EEI Realty completed all development works for Phase III.
- c. The amended Memorandum of Agreement dated April 19, 1999 between the EEI Realty and Ayala Greenfield Inc. provides for the following:
 - Sale of nine (9) parcels of land with a total area of 133,550 square meters by EEI Realty to Ayala Greenfield, Inc. 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 Ayala Greenfield, Inc.'s developed lots valued at ₱48,206,695 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 the EEI Realty's participating interest in a JV project with Ayala Greenfield, Inc. Under the terms of the JV agreement, the 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 the EEI Realty and 70% for Ayala Greenfield, Inc.
- d. On August 17, 2009, EEI Realty entered into an agreement with Cottonwood Realty Corporation (Cottonwood) for the building of residential housing units on the lots owned by EEI Realty. Under the terms of the JV agreement, EEI Realty will contribute approximately 6,400 square meters of land located at Grosvenor's Place, Brgy. Tanauan, Tanza, Cavite. The land consisted of 200 subdivision lots. Upon signing of the JV agreement, Cottonwood shall advance cash equivalent to 20% of the minimum lot price valued at ₱3,190 per square meter for the 200 lots of EEI Realty. Cottonwood shall also 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 1 lot and 8 lots stated in the memorandum of agreement with Cottonwood Realty Corporation in 2015 and 2014, respectively.

There were no capitalized borrowing costs in 2015, 2014 and 2013.

The Group has no purchase commitments pertaining to its inventories as at December 31, 2015 and 2014.

No inventories were pledged as security to obligations as of December 31, 2015 and 2014.

11. Prepaid Expenses and Other Current Assets

This account consists of:

	2015	2014
Input value added tax (VAT)	₱502,953,013	₱471,459,534
Prepaid taxes	171,957,405	187,178,398
Current portion of receivable from EEI Retirement Fund, Inc. (Notes 17 and 22)	117,361,532	117,000,000
Prepaid expenses	92,423,446	84,534,933
Miscellaneous deposits - net	46,603,429	46,492,353
Restricted cash investment	8,388,705	7,549,817
Unused office supplies	4,644,275	5,557,635
Others	55,576,122	23,759,181
	₱999,907,927	₱943,531,851

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). In 2015 and 2014, receivable from EEI-RFI amounting ₱117.0 million was reclassified from other noncurrent assets to other current assets. The net outstanding receivable from EEI-RFI as at



December 31, 2015 and 2014 amounted to ₱273.4 million and ₱387.5 million, respectively (Note 17).

Interest income earned related to EEI-RFI amounted ₱16.27 million, ₱17.65 million and ₱31.99 million in 2015, 2014 and 2013, respectively (Note 23).

Prepaid expenses include prepayments for freight and insurance.

Miscellaneous deposits mainly represent the Group's refundable rental, utilities and guarantee deposits on various machinery and equipment items. There was no provision for impairment of miscellaneous deposits in 2015, 2014 and 2013. As at December 31, 2015 and 2014, the Group's allowance for impairment on its miscellaneous deposits account 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:

	2015	2014
Quoted shares - at fair value	₱66,220,064	₱83,894,869
Unquoted shares - at cost	568,428,979	400,344,649
	₱634,649,043	₱484,239,518

Rollforward analyses of the account follow:

	2015	2014
Balance at beginning of year	₱484,239,518	₱521,475,571
Additions	244,596,453	-
Disposals	(56,877,867)	(31,126,494)
Impairment loss	(32,600)	-
Reduction	(14,000,000)	-
Reclassification	-	(20,000,000)
Net unrealized gain (loss) recognized in other comprehensive income	(23,276,461)	13,890,441
	₱634,649,043	₱484,239,518

Movements in the net accumulated unrealized gain on available-for-sale financial assets are as follows:

	2015	2014
Attributable to equity holders of the parent:		
Balance at beginning of year	₱105,648,267	₱93,233,426
Gain (loss) recognized in equity	(19,131,295)	12,414,841
Balance at end of year	86,516,972	105,648,267

(Forward)



	2015	2014
Noncontrolling interest:		
Balance at beginning of year	₱7,060,756	₱5,585,156
Gain (loss) recognized in equity	(4,145,166)	1,475,600
Balance at end of year	2,915,590	7,060,756
	₱89,432,562	₱112,709,023

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

	2015	2014
PetroGreen Energy Corporation	₱237,279,889	₱-
RCBC Realty Corporation (RRC)	206,656,581	260,387,781
Hermosa Ecozone Development Corporation	100,000,000	100,000,000
Brightnote Assets Corporation	11,000,000	25,000,000
Sta. Elena Properties	7,680,033	7,680,033
Heritage Park	3,080,000	5,088,785
Subic Power Corporation	37,500	37,500
Others	2,694,976	2,150,550
	₱568,428,979	₱400,344,649

Fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost and unquoted, 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.

The Group's investments in RRC, classified as AFS securities, are non-voting preference shares. Investments in RRC financial assets amounting ₱55.70 million and ₱31.11 million were redeemed in 2015 and 2014, respectively, which resulted to gains amounting ₱35.1 million and ₱28.4 million, respectively (Note 23).

On January 26, 2015, the Group purchased 143.4 million shares amounting to ₱237.3 million for a 10% equity interest in PetroGreen Energy Corporation (PGEC). On July 24, 2015, the Group acquired additional shares of YGC Corporate Services, Inc. amounting ₱0.4 million.

In 2015, Brightnote issued a certificate of decrease in capital stock which resulted to a decrease in the Group's investment by ₱14.0 million.

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

As of December 31, 2015 and 2014, available-for-sale investments pledged as security to obligations amounted to ₱249.4 million and ₱260.4 million, respectively (Note 20).



13. Investments in Associates and Joint Venture

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

	2015	2014
Acquisition cost		
Balances at beginning	P1,992,371,494	P1,833,886,394
Additions	1,035,640,156	158,485,100
Balance at end of year	3,028,011,650	1,992,371,494
Accumulated impairment loss	74,536,609	74,536,609
Accumulated equity in net earnings		
Balance at beginning of year	2,025,354,729	1,622,025,355
Equity in net earnings (losses)	(632,845,100)	659,772,494
Dividends received	(39,384,920)	(256,443,120)
Balance at end of year	1,353,124,709	2,025,354,729
Equity in cumulative translation adjustment	56,984,111	(44,905,259)
	P4,363,583,861	P3,898,284,355

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

	2015					
	PERC	RRC	MMPC	ARCC	ECW	PSOC
Current assets	P2,009,386,798	P918,995,488	P992,073,198	P4,051,425,841	P11,813,456	P554,957,277
Noncurrent assets	9,149,976,414	6,510,913,906	938,115,662	896,292,065	-	1,271,201,804
Total assets	P11,159,363,212	P7,429,909,394	P1,930,188,860	P4,947,717,906	P11,813,456	P1,826,159,081
Current liabilities	P1,971,438,602	P1,530,130,011	P890,643,120	P2,986,425,454	P21,199	P671,734,140
Noncurrent liabilities	5,311,236,166	3,696,873,816	320,736,910	988,241,688	-	1,018,109,395
Total liabilities	P7,282,674,768	P5,227,003,827	P1,211,380,030	P3,974,667,142	P21,199	P1,689,843,535
Carrying value of investments	P684,269,302	P1,106,423,644	P293,275,197	P1,484,883,352	P10,080,000	P358,364,110
Revenues	P1,094,551,991	P2,370,434,012	P1,042,228,864	P6,052,925,958	P-	2,459,525
Cost and expenses	(877,372,617)	(1,460,724,787)	(828,774,912)	(6,895,096,176)	-	(10,526,405)
Net income	P217,179,374	P909,709,225	P213,453,952	(P842,170,218)	P-	(P8,066,880)
	2014					
	PERC	RRC	MMPC	ARCC	ECW	PSOC
Current assets	P437,405,470	P717,424,630	P963,035,100	P3,919,600,754	P11,813,456	P-
Noncurrent assets	5,913,170,198	6,743,119,894	713,150,598	892,810,896	-	-
Total assets	P6,350,575,668	P7,460,544,524	P1,676,185,698	P4,812,411,650	P11,813,456	P-
Current liabilities	P975,861,192	P1,444,054,411	P794,629,115	P2,737,989,500	P21,199	P-
Noncurrent liabilities	2,748,201,459	3,549,199,513	252,760,125	419,844,350	-	-
Total liabilities	P3,724,062,651	P4,993,253,924	P1,047,389,240	P3,157,833,850	P21,199	P-
Carrying value of investments	P538,444,350	P958,723,706	P120,180,000	P1,706,353,228	P10,080,000	P-
Revenues	P1,618,295,864	P2,237,909,634	P912,420,115	P7,045,340,805	P-	P-
Cost and expenses	(1,182,024,044)	(1,500,743,549)	(727,523,161)	(6,603,210,166)	-	-
Net income	P436,271,820	P737,166,085	P184,896,954	P442,130,639	P-	P-

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



In 2015, the Parent Company availed of the stock rights issued by PERC totaling 30.68 million shares for ₱4.38 per share. Such transaction did not result to a change in the 22.41% ownership of the Group on PERC. PERC's market price amounted to ₱3.5 per share as of December 31, 2015.

As of December 31, 2015, investments in RRC and MMPCI amounting ₱958.7 million and ₱14.4 million, respectively, were pledged as security to obligations (Note 20).

The reconciliation of the net assets of the associates and joint ventures to the carrying amounts of the interests in associates and joint ventures recognized in the consolidated financial statement is as follows:

	2015				
	PERC	ARCC	ECW	PWEI	PSOC
Net assets of an associate	₱3,876,688,444	₱1,985,817,886	₱23,584,514	₱1,035,795,284	₱309,808,057
Proportionate ownership in the associate	22%	49%	50%	20%	44%
	852,871,458	973,050,764	11,792,257	207,159,057	136,315,545
Share in deposits for future stocks subscription				37,020,000	220,190,442
Subscription receivable					1,858,123
Advances		511,832,588	(1,712,257)		
Share in net identifiable assets	₱852,871,458	₱1,484,883,3528	₱10,080,000	₱244,179,057	₱358,364,110
Notional goodwill	₱184,496,578	₱-	₱-	₱-	₱-

14. Property and Equipment

The rollforward analysis of this account follows:

	2015					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	₱2,742,127,177	₱3,372,866,686	₱714,330,236	₱1,790,615,854	₱448,190,632	₱9,068,130,585
Additions	254,868,160	728,466,343	344,798,172	210,110,516	149,429,261	1,687,672,452
Disposals/retirements	(2,285,827)	(32,542,911)	(31,147,919)	(49,728,411)		(115,705,068)
Reclassifications/adjustments	514,480,908	95,810,168	4,504,260	25,129,799	(566,609,114)	73,316,021
Transfers	9,774,454			104,986	(9,879,440)	
At end of year	3,518,964,872	4,164,600,286	1,032,484,749	1,976,232,744	21,131,339	10,713,413,990
Accumulated Depreciation and Amortization						
At beginning of year	1,211,231,319	1,043,539,423	397,931,353	1,286,042,120		3,938,744,215
Depreciation and amortization (Note 29)	114,678,100	309,763,797	94,138,016	214,941,801		733,521,714
Disposals/retirements		(32,215,895)	(25,035,652)	(48,941,173)		(106,192,720)
Reclassifications/adjustments	(4,109,817)	23,227,925	(9,697,411)	(3,209,668)		6,211,029
At end of year	1,321,799,602	1,344,315,250	457,336,306	1,448,833,080		4,572,284,238
Allowance for impairment			(1,349,759)			(1,349,759)
Net Book Value at Cost	₱2,197,165,270	₱2,820,285,036	₱573,798,684	₱527,399,664	₱21,131,339	₱6,139,779,993
Land at Revalued Amounts						₱4,093,370,740



2014						
	Land, Buildings and Improvements	Machinery, Tools and Construction Equipment	Transportation and Service Equipment	Furniture, Fixtures, and Office Equipment	Construction in Progress (Note 19)	Total
Cost						
At beginning of year	₱2,548,843,560	₱3,250,465,488	₱512,379,074	₱1,550,636,290	₱115,471,643	₱7,977,796,055
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	2,742,127,177	3,372,866,686	714,330,236	1,790,615,854	448,190,632	9,068,130,585
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
Allowance for impairment	–	–	(1,349,759)	–	–	(1,349,759)
Net Book Value at Cost	₱1,530,895,858	₱2,329,327,263	₱315,049,124	₱504,573,734	₱448,190,632	₱5,128,036,611
Land at Revalued Amounts						₱2,836,565,819

Depreciation and amortization expense charged to cost of goods sold and services amounted to ₱573.6 million, ₱444.6 million, and ₱363.6 million in 2015, 2014 and 2013, respectively (Note 29). Depreciation charged to general and administrative expenses amounted to ₱182.8 million, ₱160.4 million, and ₱178.7 million in 2015, 2014 and 2013, respectively (Notes 28 and 29).

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 to ₱238.7 million. This started in May 2014 and was inaugurated in February 2015.

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

In 2015, the Research and Administration facilities and the new engineering building were transferred from construction in progress account to buildings and improvements account. Construction in progress amounting to ₱18.03 million as of December 31, 2015 pertains to ongoing renovation of old libraries and buildings.

On August 12, 2015, the long-term loan of EEI Power for which the 15MW generator sets and auxiliary equipment and spare parts amounting to ₱108.8 million were held as collateral was fully settled. Thereafter, the Deed of Chattel Mortgage was cancelled and released.

There were no capitalized borrowing costs in 2015 and 2014.



Movements in the revalued land are as follow:

	2015	2014
Balance at beginning of year	₱2,836,565,819	₱2,727,358,837
Additions:		
Acquisition	425,500,000	-
Capitalizable costs directly related to land purchased	11,734,520	983,380
Appraisal increase	819,570,401	108,223,602
Balance at end of year	₱4,093,370,740	₱2,836,565,819

Breakdown of appraisal increase follows:

	2015	2014
EEI Corporation	₱361,626,719	₱-
iPeople, inc.	253,425,682	98,728,602
Honda Cars Quezon City	204,518,000	9,495,000
	₱819,570,401	₱108,223,602

Land at cost amounted to ₱2.2 billion and ₱1.8 billion as at December 31, 2015 and 2014, respectively.

The revalued amounts in 2015 and 2014 are based on the latest appraisal reports by an independent appraiser dated January 2016 and January 2015, respectively. 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 2016 and January 2015 approximate the fair values as at December 31, 2015 and 2014.

The land was last appraised in January 2016 by an independent firm of appraisers, Vitale Valuation Services, Inc.

The valuation was derived through the market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject properties adjusted based on certain elements of comparison (e.g. market conditions, location and physical condition).

Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of the land.

The land was valued in terms of their highest and best use which is categorized under Level 3 of the fair value hierarchy. There was no transfer between levels of fair value measurement in 2015 and 2014.



Description of the valuation techniques used and key inputs to valuation of land follow:

Location	Valuation Techniques	Unobservable Inputs Used	Range (Weighted Average)	
			2015	2014
Chino Roces Avenue (Pasong Tamo Extension), Makati City	Market Data Approach	Price per square meter	₱190,000 to ₱280,000 (₱232,000)	₱118,500 to ₱480,000 (₱275,700)
Muralla Street, Intramuros, Manila	Market Data Approach	Price per square meter	₱45,000 to ₱84,804 (₱59,115)	₱45,000 to ₱65,000 (₱54,000)
Paz Mendoza Guazon, Pandacan, Manila	Market Data Approach	Price per square meter	₱35,000 to ₱85,500 (₱48,200)	₱25,000 to ₱75,000 (₱47,600)
Barangay Pulo, City of Cabuyao, Laguna	Market Data Approach	Price per square meter	₱10,000 to ₱16,000 (₱10,600)	₱3,500 to ₱12,000 (₱6,480)
Quezon Avenue and P. Florentino St. Extension, Quezon City	Market Data Approach	Price per square meter	₱78,875 to ₱120,000 (₱68,000)	₱55,000 to ₱85,000 (₱40,000)

As of December 31, 2015 and 2014, fully depreciated assets that are still in use amounted to ₱1,814.7 million and ₱1,715.2 million, respectively.

There are no temporary idle property and equipment as of December 31, 2015 and 2014.

Property and equipment pledged as security to obligations amounted to ₱2.22 billion and ₱1.35 billion as of December 31, 2015 and 2014 (Note 20).

15. Goodwill

Goodwill arose from acquisitions of EEI, iPeople and MCI.

Goodwill attributable to each CGU follows:

	2015	2014
EEI Corporation and Subsidiaries	₱300,859,305	₱300,859,306
Malayan Colleges, Inc. (MCI)	137,853,346	137,853,346
iPeople, inc. (IPO)	32,644,808	32,644,808
	₱471,357,459	₱471,357,460

There are no additional impairment losses on goodwill in 2015, 2014 and 2013.

The Group performed its annual impairment test on its goodwill with indefinite useful lives as of December 31, 2015. 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:

	2015		
	Land Held for Capital Appreciation	Condominium Units and Parking Slots	Total
Cost			
Balances at beginning of year	₱210,429,459	₱68,445,854	₱278,875,313
Disposals	(6,607,168)	(16,054,800)	(22,661,968)
Balances at end of year	203,822,291	52,391,054	256,213,345
Accumulated Depreciation and Amortization			
Balances at beginning of year	–	18,579,206	18,579,206
Depreciation and amortization	–	3,008,388	3,008,388
Disposals	–	(1,917,749)	(1,917,749)
Balances at end of year	–	19,669,845	19,669,845
Net Book Value	₱203,822,291	₱32,721,209	₱236,543,500
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 (Note 29)	–	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

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

Proceeds from the disposal of investment properties amounted to ₱26.1 million and nil in 2015 and 2014, respectively. Gain on sale of investment properties amounted to ₱5.4 million and nil in 2015 and 2014, respectively.

The total rental income derived from the investment properties amounted to ₱5.1 million, ₱6.0 million, and ₱7.1 million in 2015, 2014 and 2013, respectively.

No additional impairment loss was recognized in 2015, 2014 and 2013 (Note 28).

As at December 31, 2015 and 2014, the fair value of investment properties amounted to ₱293.4 million and ₱310.0 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.

The land was valued in terms of their highest and best use which is categorized under Level 3 of the fair value hierarchy. There was no transfer between levels of fair value measurement in 2015 and 2014.

None of the investment properties were pledged as a security to obligations as of December 31, 2015 and 2014.

17. Other Noncurrent Assets

This account consists of:

	2015	2014
Receivable from customer	₱162,326,173	₱-
Receivable from EEI-RFI - net of current portion (Notes 5, 11 and 22)	156,000,000	270,531,792
Computer software	15,791,828	28,505,569
Others	18,878,767	90,039,401
	₱352,996,768	₱389,076,762

Receivable from customer represents advances to project owner subject to liquidation after project completion expected to be completed beyond one year.

Computer software is amortized over a period of three (3) years. Amortization of computer software charged to operations in 2015, 2014 and 2013 amounted to ₱19.8 million, ₱20.8 million and ₱17.7 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 follows:

	2015	2014
Cost		
Balance at the beginning of the year	₱88,895,987	₱79,467,780
Additions	7,128,930	9,428,207
Balance at the end of the year	96,024,917	88,895,987
Accumulated Amortization		
Balance at the beginning of the year	60,390,418	39,623,496
Amortization (Note 29)	19,842,671	20,766,922
Balance at the end of the year	80,233,089	60,390,418
Net Book Value	₱15,791,828	₱28,505,569

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



In 2015, receivable from PGEC amounting ₱70.2 million were reclassified to available for sale securities.

18. Accounts Payable and Accrued Expenses

This account consists of:

	2015	2014
Accounts payable	₱5,558,361,086	₱4,545,031,586
Deferred output taxes	559,612,484	516,120,678
Accrued expenses	541,563,548	536,493,121
Output tax payable	266,429,537	131,577,440
Subscriptions payable	31,988,718	58,007,218
Dividends payable	23,816,752	43,169,759
Accrued interest payable	15,008,773	12,253,244
Payable to PTC	13,052,018	10,250,715
Others	3,682,517	4,711,612
	₱7,013,515,433	₱5,857,615,373

Accounts payable pertains to the Group's obligation to local suppliers. 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:

	2015	2014
Accrued salaries and wages	₱164,973,164	₱165,901,989
Accrued rent	73,934,219	63,276,789
Withholding taxes and others	64,345,366	32,198,546
Accrued insurance	28,554,229	119,110,569
SSS and other contributions	24,162,510	20,079,421
Accrued professional fee	16,439,193	14,210,530
Payable to security guards	11,465,981	10,438,737
Deferred income	8,610,319	6,128,396
Chattel mortgage payable	8,351,159	2,952,116
Payable to Land Transportation Office	2,011,201	1,917,301
Rust proofing payable	19,763	19,763
Others	138,696,444	100,258,964
	₱541,563,548	₱536,493,121

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, 2015 and 2014, total accumulated payments to the permanent faculty members amounted to ₱228.9 million. Payments made in 2015 and 2014 amounted to nil and ₱0.1 million, respectively. Related accrual as at December 31, 2015 and 2014 amounted to ₱65.9 million.

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.

Payable to PTC

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 Group 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 Group 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.

In 2015, the parties agreed that the above agreement shall continue for the next 5 years unless earlier terminated by either party evidenced by the Memorandum of Agreement executed on September 16, 2015.

As at December 31, 2015 and 2014, payable to PTC amounted to ₱13.05 million and ₱10.25 million, respectively, for its share in the income of tuition and other matriculation fees of students of the Malayan-PTC CMET.

The Group's share in revenue and expenses of the joint operation included in the statements of income is shown below:

	2015	2014
Revenue	₱25,347,564	₱22,835,613
Expenses	22,546,262	21,712,016
Net income	₱2,801,302	₱1,123,597



19. Loans Payable

This account consists of:

	2015	2014
Loans payable (Note 22)		
Unsecured bank loans	₱4,000,000,000	₱3,225,000,000
Secured bank loans	160,000,000	295,000,000
Bills payable		
Unsecured bills	—	400,000
	₱4,160,000,000	₱3,520,400,000

Unsecured

Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 2.00% to 3.27% and 2.00% to 4.00% in 2015 and 2014, respectively.

The loan requires the Group to maintain consolidated debt-to-equity ratio below 3:1 in its consolidated financial statements. In 2015 and 2014, the Group had complied with the loan covenants.

Secured

The secured loans from local banks bear annual interest rates ranging from 3.00% to 3.49% and 3.25% to 4.50% in 2015 and 2014, respectively. The carrying value of the investment in subsidiary (at cost) held as collaterals amounted to ₱33.65 million and ₱112.1 million as of December 31, 2015 and 2014, respectively.

Bills Payable

Bills payable pertains to unsecured short-term borrowings from private firms, related companies and individuals with annual interest rate of 10% in 2015 and 2014.

Interest on loans payable amounted to ₱104.6 million, ₱93.1 million and ₱138.3 million in 2015, 2014 and 2013, respectively (Note 30).



20. Long-term Debt

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

	2015	2014
Parent Company		
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 three (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%	₱644,072,479	₱642,783,251
Peso-denominated syndicated bank loan payable within 10 years which shall commence after three (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 three (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	644,072,478	642,783,250
Peso-denominated 5 year term loan, payable quarterly starting March 2015 with interest of 5.00% per annum	-	398,411,854
Peso-denominated five (5) year term loan, payable in twenty (20) equal quarterly installments starting March 2016 with interest of 5.11% per annum	500,000,000	-
MCI		
Peso-denominated syndicated bank loan payable after 7.5 years starting 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 May 22, 2018 in 2015 and November 22, 2020 in 2014.	188,500,000	516,000,000
EEl 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	482,142,858	517,912,200
EEl		
Fixed-rate corporate promissory notes with effective interest rates of 5.1667% and 5.1875% per annum	1,303,571,428	446,428,571
	3,762,359,243	3,164,319,126
Less current portion of long-term debt	498,897,436	368,983,029
	₱3,263,461,807	₱2,795,336,097



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 acquisition of the 10% ownership in 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 ₱773.6 million and ₱817.6 million as of December 31, 2015 and 2014, respectively (Note 10).

Loans financed by Robinsons Bank are secured by the Parent Company's investment in an associate and investment in subsidiary with carrying values amounting ₱323.5 million and ₱281.2 million as of December 31, 2015, respectively, and ₱167.6 million and ₱567.7 million as of December 31, 2014, respectively (Note 10).

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 ₱307.2 million and ₱958.2 million as of December 31, 2015 and 2014, respectively.

The aggregate outstanding long-term debt to the three (3) banks amounted to ₱1,288.14 million and ₱1,285.57 million as of December 31, 2015 and 2014, respectively.

In 2015, the Parent Company paid its outstanding loan from RCBC amounting ₱398.44 million.

On December 16, 2015, the Parent Company acquired from BPI loan amounting ₱500.0 million, payable within five (5) years. The proceeds of the loan were used for general financing requirements and working capital purposes. This loan is secured by shares of the Parent Company to a subsidiary. The carrying value of the shares amounted to ₱75.7 million as of December 31, 2015 (Note 10).

MCI

MCI acquired a loan from RCBC amounting to ₱860.0 million, payable within ten (10) years. This loan is backed up by land properties in Manila and Makati owned by 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 ₱2,220.4 million and ₱2,017.0 million in 2015 and 2014, respectively.

In 2015, the MCI made payments amounting to ₱241.50 million which effectively shortened the term of the loan. The new maturity date of the loan is May 22, 2018.

The loan requires MCI to maintain debt-to equity ratio below 2.5:1 and current ratio not less than 1:1. In 2015 and 2014, MCI had complied with the loan covenants.



EEI Power Corporation

On August 28, 2015, EEI Power entered into a 4.8% per annum fixed rate term loan amounting to ₱500.00 million with the Bank of the Philippines Island (BPI).

Interest on long-term debt amounted to ₱174.1 million, ₱166.4 million and ₱23.5 million in 2015, 2014 and 2013, respectively (Note 30).

The Group has complied with all loan covenants for the years ended December 31, 2015 and 2014.

On June 13, 2012, EEI Power entered into a secured 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 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.

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. On August 12, 2015, the loan was fully settled. Interest expense on the said loan amounted to ₱18.3 million and ₱36.6 million in 2015 and 2014, respectively. The Deed of Chattel Mortgage of the assets provided as collateral was cancelled and released in 2015.

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 ₱0.09 billion (Note 14).

EEI

On June 15, 2015, the EEI obtained a loan from Land Bank of the Philippines amounting to ₱1,000,000,000 with an interest of 4.8000% per annum. This loan matures within seven (7) years from the date of issue.

On February 7, 2014 and February 18, 2014, the Parent Company entered into unsecured fixed-rate corporate promissory note amounting to ₱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. In 2015, the bank reduced the interest rate to 4.8000% from May 26, 2015 until maturity. 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.

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.



Movement in the account follows:

	2015	2014
Balance at beginning of year	₱3,164,319,126	₱2,956,999,270
Availment	2,006,967,904	442,454,200
Payments	(1,408,927,787)	(235,134,344)
Balance at end of year	3,762,359,243	3,164,319,126
Less: current portion	(498,897,436)	(368,983,029)
	₱3,263,461,807	₱2,795,336,097

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	2015			
	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Parent Company - PMMIC				
a. Accounts payable	₱831	₱-	Noninterest-bearing	Unsecured
Miscellaneous expense	786	-	-	-
b. Dividends payable	29,257	(1,106)	Noninterest-bearing	Unsecured
Associates				
c. Dividends receivable	39,385	7,500	Noninterest-bearing	Unsecured, no impairment
d. Due from related parties	-	14,322	Noninterest-bearing	Unsecured
Management and audit fee income	10,561	-	-	-
e. Subscriptions payable	-	(9,375)	Noninterest-bearing	Unsecured
Other affiliates				
f. Receivable from EEI Retirement Fund, Inc.	-	273,362	Interest-bearing, 5% per annum	Secured, unimpaired
Rental expense	49,613	-	-	-
Interest income	16,269	-	-	-
Entities under common control				
g. Cash and cash equivalents	1,916,342	1,916,342	Interest-bearing at prevailing bank deposit rates	Unrestricted
Interest income	15,619	-	-	-
h. Accounts receivable	624,520	80,670	Noninterest-bearing	Unsecured, unimpaired
Vehicle sales	26,048	-	-	-
Agency fee income	32,057	-	-	-
i. Dividends receivable	43,191	-	Noninterest-bearing	Unsecured, unimpaired
Dividends income	43,191	-	-	-
j. Commission receivable	348	382	Noninterest-bearing	Unsecured, unimpaired
Commission income	348	-	-	-
k. Due from related parties	-	39,915	Noninterest-bearing	Unsecured, unimpaired
Service revenue	175,324	-	-	-
Other income	574	-	-	-
Rental income	25,365	-	-	-
Audit fee income	5,111	-	-	-
l. Management fee receivable	124,764	11,869	Noninterest-bearing	Unsecured, unimpaired
Management fee income	111,396	-	-	-

(Forward)



		2015		
Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
m. Accounts payable and accrued expenses	₱1,155	(₱471)	Noninterest-bearing	Unsecured
Rental expense	5,815	-	-	-
n. Due to related parties	-	(3,444)	Noninterest-bearing	Unsecured
Rental expense	281	-	-	-
Insurance expense	5,991	-	-	-
o. Lease liability	-	-	Interest-bearing, 2.03% - 2.45% per annum (EEI); non-interest bearing (iPeople)	Secured
Interest expense - finance lease	5	-	-	-
p. Loans payable	770,000	(100,000)	Interest-bearing; 5.5% to 6.5% per annum	Secured
Interest expense	14,993	-	-	-
q. Long-term debt (including current portion of long- term debt)	517,912	(706,412)	Interest-bearing, 6.00% per annum (EEI); 10- year, interest at 3-mo. PDST-F plus spread per quarter (iPeople)	Secured
Interest expense	37,362	-	-	-
		2014		
Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Parent Company - PMMIC				
a. Accounts payable Miscellaneous Expense	₱1,696 177	(₱1,699) -	Noninterest-bearing -	Unsecured -
b. Dividends payable	29,307	(1,087)	Noninterest-bearing	Unsecured
Associates				
c. Dividends receivable	58,116	-	Noninterest-bearing	Unsecured, unimpaired
d. Due from related parties Management and audit fee income	- 13,290	10,558 -	Noninterest-bearing -	Unsecured -
e. Subscriptions payable	-	(9,375)	Noninterest-bearing	Unsecured
Other affiliates				
f. Receivable from EEI Retirement Fund, Inc. Rental expense Interest income	- 47,250 17,253	387,532 - -	Interest-bearing, 5% per annum - -	Secured, unimpaired - -
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	-	-	-

(Forward)



		2014			
Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions	
h. Accounts receivable	₱519,166	₱63,429	Noninterest-bearing	Unsecured, unimpaired	
Vehicle sales	39,721	-		-	
Agency fee income	30,590	-		-	
i. Dividends receivable	34,918	-	Noninterest-bearing	Unsecured, unimpaired	
Dividends income	34,918	-		-	
j. Commission receivable	424	424		-	
Commission income	424	-		-	
k. Due from related parties	-	22,703	Non-interest bearing	Unsecured, unimpaired	
Service revenue	160,146	-		-	
Other income	436	-		-	
Rental income	24,425	-		-	
Audit fee income	2,473	-		-	
l. Management fee receivable	103,725	13,707	Noninterest-bearing	Unsecured, unimpaired	
Management fee income	103,725	-		-	
m. Accounts payable and accrued expenses	673	(257)	Noninterest-bearing	Unsecured	
Rental expense	5,156	-		-	
n. Due to related parties	-	(16,464)	Noninterest-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)	58,260	(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	69,066	-		-	

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, 2015 and 2014 amounted to nil and ₱1.7 million, respectively.
- b. Dividends declared in 2015 and 2014 by the Parent Company amounted to ₱66.9 million and ₱67.9 million, respectively (Note 39). Out of the total declared dividends, dividends payable to PMMIC as at December 31, 2015 and 2014 amounted to ₱1.1 million.



Associates

- c. Outstanding dividends receivable from associates as at December 31, 2015 and 2014 amounted to ₱7.5 million and nil, 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, 2015 and 2014, the Group has an outstanding receivable from its associates amounting ₱14.3 million and ₱10.6 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. Income from these services amounted to ₱62.1 million, ₱65.5 million and ₱67.1 million in 2015, 2014 and 2013, respectively.
- e. Outstanding subscription payable to an associate amounted to ₱9.4 million as at December 31, 2015 and 2014.

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 2015 and 2014.

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 ₱49.6 million, ₱47.3 million, and ₱45.0 million for the years ended December 31, 2015, 2014 and 2013, respectively, which are 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 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, 2015 and 2014, cash and cash equivalents with RCBC amounted to ₱1.9 billion and ₱2.0 billion, respectively. The related deposits earn interest at the prevailing bank deposit rates. Interest income earned from cash and cash equivalents amounted to ₱15.6 million, ₱10.8 million and ₱31.7 million in 2015, 2014 and 2013, respectively.
- h. The Group generates income by providing security services at a 15% mark-up to entities under common control. In 2015 and 2014, the Group's agency fee income is attributable to security services provided to majority of RCBC branches in the country. As at December 31, 2015 and 2014, the Group's accounts receivable from RCBC amounted to ₱51.4 million and ₱30.6 million, respectively. Agency fees amounted to ₱31.1 million, ₱30.6 million and ₱30.8 million in 2015, 2014 and 2013, 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 ₱28.6 million and ₱32.3 million as at December 31, 2015 and 2014, respectively. Revenues from motor vehicle sales amounted to ₱13.0 million, ₱39.7 million and ₱16.9 million in 2015, 2014 and 2013, respectively.

- i. Dividend income earned in 2015, 2014 and 2013 from entities under common control of PMMIC amounted to ₱43.2 million, ₱35.0 million and ₱320.2 million, respectively. There are no unpaid dividends as at December 31, 2015 and 2014.
- j. The Group earns commission income in 2015, 2014 and 2013 from insurance referrals to all insurance affiliate. As at December 31, 2015 and 2014, commission receivables amounted to ₱0.4 million and ₱0.4 million. Commission income amounted to ₱0.4 million, ₱0.4 million and ₱1.2 million in 2015, 2014, and 2013, 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):

	2015	2014
Within one (1) year	₱13,882,019	₱13,485,674
More than 1 year but not more than 5 years	28,505,941	67,428,372
	₱42,387,960	₱80,914,046

Also receivable from related parties arises from janitorial services rendered by EEI (GAMSI) to the Group's affiliates. The service revenue earned from janitorial serviced rendered in 2015, 2014 and 2013 amounted to ₱244.0 million, ₱223.9 million and ₱204.7 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 amounted to ₱11.9 million and ₱13.7 million as at December 31, 2015 and 2014, respectively. Services fees amounted to ₱111.4 million, ₱103.7 million and ₱86.3 million, 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 ₱0.5 million and ₱0.3 million as at December 31, 2015 and 2014, respectively.
- n. As at December 31, 2015 and 2014, the outstanding intercompany payables presented under "Due to related parties" account in the consolidated statements of financial position amounted to ₱3.4 million and ₱16.5 million, respectively.

iPeople obtains property and personnel insurance from its affiliated insurance company, Malayan Insurance Company, Inc. (MICO). Insurance contract coverage pertains to Group's fire, accident, group and other insurance policies. Insurance contracts with MICO amounted to ₱4,105.75 million, ₱1,286.0 million and ₱1,246.0 million in 2015, 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 ₱0.3 million, ₱0.9 million and ₱1.6 million in 2015, 2014 and 2013, respectively (Notes 28 and 34).
- p. The Group entered into various loan agreements with entities under common control of PMMIC. The loan agreement bears an annual interest ranging 2.50%-3.50% and 3.25%-5.50% in 2015 and 2014, respectively. Outstanding loan balance as at December 31, 2015 and 2014 amounted to ₱100.0 million and ₱500.0 million, respectively (Note 19).
- q. On June 13, 2012, EEI Power entered into a secured 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 2015, 2014 and 2013 amounted to ₱18.3 million, ₱34.4 million, and ₱24.2 million, respectively. Interest was capitalized and recorded under “Machinery, tools and construction equipment” account in property and equipment in 2013 (Note 14). No interest expense was capitalized in 2015.

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 2015, iPeople made accelerated payments amounting ₱241.50 million which effectively shortened the term of the loan (Note 20). The new maturity date of the loan was set on May 22, 2018. Total payments made in relation to the principal amount are ₱327.50 million and ₱86.00 million in 2015 and 2014, respectively. Corresponding interest expense for the loan amounted to ₱19.04 million, ₱19.53 million and ₱19.95 million in 2015, 2014 and 2013, respectively.

The Group maintains its retirement fund with RCBC trust division. As at December 31, 2015 and 2014, the fair values of the plan assets of the retirement fund amounted to ₱935.4 million and ₱1,070.0 million, respectively (Note 31). Trust fees amounting ₱1.0 million, ₱6.1 million and ₱5.3 million were recognized by the retirement plan arising from its transactions with RCBC for the years ended December 31, 2015, 2014 and 2013, respectively.

Remuneration of key management personnel

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

	2015	2014	2013
Compensation and short-term benefits	₱225,869,767	₱228,429,730	₱189,177,679
Post-employment benefits	41,643,895	7,147,768	20,052,712
	₱267,513,662	₱235,577,498	₱209,230,391

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured 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, 2015 and 2014. 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.



23. Other Income (Expense) - Net

This account consists of:

	2015	2014	2013
Finance income	₱117,797,953	₱87,264,090	₱31,689,057
Commission income	65,556,704	72,423,189	125,911,434
Income from reversal of payables	56,139,471	14,605,004	24,614,339
Gain on sale of assets (Notes 12, 14 and 16)	44,092,390	30,116,257	54,273,673
Interest income (Notes 6, 11 and 22)	42,741,377	45,322,974	77,096,099
Space and car rentals	15,252,284	13,769,816	7,151,765
Insurance income	14,400,737	8,302,138	8,807,685
Income from defaults	6,900,718	10,000	10,000
Tax refund/discount	5,701,647	7,406,912	-
Rental income	5,141,355	6,030,018	15,882,714
Income from sale of pre-owned car	1,025,593	935,371	943,142
Recoveries from previously written-off receivables	535,714	11,724,583	-
Income from reversal of provision for impairment of CWT	-	8,320,670	-
Reversal of provision for losses	-	6,000,000	157,046,816
Foreign exchange loss	(28,480,960)	(752,293)	(24,930,685)
Miscellaneous	45,547,185	26,198,229	111,995,079
	₱392,352,168	₱337,676,958	₱590,491,118

Commission income pertains to the commission received by the Parent Company as compensation for the services they performed as a third party for the processing of bills of PLDT, SMART and regular purchases of its affiliates in the Yuchengco Group of Companies (YGC).

Interest income consists of income from:

	2015	2014	2013
Savings deposit and short-term investments (Note 6)	₱26,472,028	₱27,670,444	₱45,102,387
Receivable from EEI -RFI (Notes 11, 17 and 22)	16,269,348	17,652,530	31,993,712
	₱42,741,376	₱45,322,974	₱77,096,099

Gain on sale of assets consists of income from:

	2015	2014	2013
Available-for-sale securities (Note 12)	₱34,587,159	₱28,368,239	₱37,258,378
Property and equipment (Note 14)	4,115,025	1,748,018	921,522
Loss of control on a subsidiary (Note 2)	-	-	11,072,373
Investment properties (Note 16)	5,390,206	-	5,021,400
	₱44,092,390	₱30,116,257	₱54,273,673

Reversal of provision for losses amounted to nil, ₱6.0 million and ₱157.0 million in 2015, 2014 and 2013, respectively.

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.



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

24. Costs of Sales and Services

This account consists of:

	2015	2014	2013
Cost of services (Note 26)			
Cost of construction contracts	₱15,815,224,731	₱14,261,798,939	₱8,452,691,358
Cost of manpower and other services	1,385,153,454	1,496,355,389	1,153,505,200
	17,200,378,185	15,758,154,328	9,606,196,558
Cost of goods sold			
Cost of merchandise sold (Note 25)	6,624,241,728	4,514,818,400	4,104,520,279
Cost of real estate sold (Note 10)	5,605,693	14,647,753	66,629,164
	6,629,847,421	4,529,466,153	4,171,149,443
Cost of tuition and other fees (Note 27)	1,162,344,131	1,057,421,020	961,978,397
	₱24,992,569,737	₱21,345,041,501	₱14,739,324,398

25. Cost of Merchandise Sold

This account consists of (Notes 10 and 24):

	2015	2014	2013
Inventory, beginning (Note 10)	₱700,949,453	₱544,702,787	₱583,928,136
Purchases	6,871,060,350	4,657,576,901	4,053,030,083
Total goods available for sale	7,572,009,803	5,202,279,688	4,636,958,219
Less inventory end (Note 10)	956,201,758	700,949,453	544,702,787
Cost of inventories sold	6,615,808,045	4,501,330,235	4,092,255,432
Personnel expenses	5,140,442	8,304,361	7,976,860
Others	3,293,241	5,183,804	4,287,987
	₱6,624,241,728	₱4,514,818,400	₱4,104,520,279

26. Cost of Services

	2015	2014	2013
Cost of construction contracts			
Equipment costs and others	₱5,337,771,601	₱4,852,094,411	₱2,718,291,108
Labor	5,174,228,370	4,664,108,039	2,757,793,750
Materials	4,929,459,011	4,466,633,143	2,715,301,194
Depreciation and amortization (Note 29)	373,765,749	278,963,346	261,305,306
	15,815,224,731	14,261,798,939	8,452,691,358

(Forward)



	2015	2014	2013
Cost of manpower and other services			
Personnel expenses	₱543,733,370	₱545,599,126	₱937,351,835
Materials	334,482,758	313,102,582	24,553,884
Parts and accessories	261,413,532	381,589,383	96,759,734
Depreciation and amortization (Note 29)	44,587,611	43,710,394	4,955,473
Others	200,936,183	212,353,904	89,884,274
	1,385,153,454	1,496,355,389	1,153,505,200
	₱17,200,378,185	₱15,758,154,328	₱9,606,196,558

27. Tuition and Other Fees

This amount consists of (Note 24):

	2015	2014	2013
Personnel expenses	₱557,462,349	₱533,876,708	₱509,882,745
Depreciation and amortization (Note 14, 17 and 29)	155,218,797	121,322,468	96,794,226
Student-related expenses	149,170,124	133,660,473	105,620,122
Utilities	85,729,831	83,158,970	81,957,954
Management and other professional fees	69,073,727	65,070,778	77,754,398
Tools and library books	26,466,324	28,298,469	11,453,742
Advertising	23,846,678	11,647,069	9,012,368
Accreditation cost	17,012,970	4,735,036	2,812,803
Periodicals	13,668,358	11,178,975	7,477,266
Seminar	13,176,356	13,823,755	16,294,387
Repairs and maintenance	11,405,697	13,818,194	10,132,197
Laboratory supplies	7,426,109	6,027,458	5,571,977
Office supplies	6,821,477	5,521,043	6,287,212
Research and development fund	5,752,585	7,463,924	6,182,896
Insurance	4,703,529	3,700,581	4,983,208
Transportation and travel	1,745,452	2,378,168	2,384,600
Taxes and licenses	1,728,633	1,701,100	1,173,844
Rent	1,243,826	2,081,895	1,217,284
Entertainment, amusement, and recreation	333,662	874,285	1,051,090
Miscellaneous	10,357,647	7,081,671	3,934,078
	₱1,162,344,131	₱1,057,421,020	₱961,978,397

28. General and Administrative Expenses

This account consists of:

	2015	2014	2013
Personnel expenses (Note 31)	₱701,851,720	₱719,925,651	₱662,858,533
Rent, light and water	181,344,130	181,094,792	182,802,944
Depreciation and amortization (Note 29)	182,800,616	160,381,361	178,721,639
Taxes and licenses	108,894,289	95,702,907	102,079,416
Transportation and travel	69,158,000	66,400,137	64,458,496

(Forward)



	2015	2014	2013
Entertainment, amusement and recreation	₱80,419,727	₱57,907,699	₱52,967,944
Management and other fees	71,927,563	64,302,364	88,798,334
Professional fees	59,459,483	54,415,257	75,845,203
Advertising and promotions	60,863,485	45,982,577	53,445,247
Repairs and maintenance	40,931,647	20,773,347	33,473,907
Direct expenses	31,854,778	30,983,283	31,156,337
Securities and utilities	31,461,266	31,135,590	38,407,681
Provision for (recovery of) probable losses (Notes 8 and 22)	30,275,019	(16,756,789)	73,194,466
Commissions	28,224,142	16,353,158	18,776,722
Office expenses	19,108,467	19,923,631	19,439,250
Donations and contributions	15,570,380	7,024,959	6,567,031
Insurance	12,775,130	12,378,667	8,433,731
Provision for impairment (Notes 7, 8, 15 and 22)	5,388,517	–	139,338,325
Seminars	2,419,576	1,549,920	715,795
Accreditation cost	1,069,499	444,825	214,506
Provision (recovery) for inventory obsolescence (Note 10)	–	893,944	(29,384,710)
Recovery on investments in associates (Note 13)	–	–	(103,843,643)
Loss (recovery) on damaged properties (Note 14)	–	(81,829)	8,225,220
Miscellaneous	103,538,633	76,892,713	40,943,328
	₱1,839,336,067	₱1,647,628,164	₱1,747,635,702

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 (Note 8):

	2015	2014	2013
Accounts receivable			
Provision	₱22,623,258	₱15,928,804	₱45,855,717
Recoveries	–	(43,595,377)	(37,668,897)
Reversals	(6,000,000)	–	–
Direct write-off	13,651,761	10,909,784	42,007,646
Due from related parties (Note 22)			
Provision	–	–	23,000,000
	₱30,275,019	(₱16,756,789)	₱73,194,466

No provision for impairment was charged to cost of school and related operations in 2015 and 2014 (Note 27).



29. Depreciation and Amortization

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

	2015	2014	2013
Cost of Sales and Services			
Construction contracts (Note 26)	₱373,765,749	₱278,963,346	₱261,305,306
Tuition and other fees (Note 27)	155,218,797	121,322,468	96,794,226
Manpower and other services (Note 26)	44,587,611	43,710,394	4,955,473
Merchandise sold (Note 25)	-	627,833	520,638
	573,572,157	444,624,041	363,575,643
General and administrative expenses (Note 28)	182,800,616	160,381,361	178,721,639
	₱756,372,773	₱605,005,402	₱542,297,282

30. Interest and Finance Charges

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

	2015	2014	2013
Long-term debt (Note 20)	₱174,147,888	₱166,424,261	₱23,519,211
Loans payable (short-term) (Note 19)	104,649,568	93,116,926	138,293,242
Advances to affiliates and other finance charges (Note 22)	502,399	882,296	5,975,169
	₱279,299,855	₱260,423,483	₱167,787,622

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 January 22, 2016 for the retirement plan of the Group as of December 31, 2015.

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

Based on the actuarial valuation as of December 31, 2015 and 2014 computed using the PUC method, the Group's retirement liabilities, retirement assets and expenses are summarized as follows:

	2015	2014
Retirement liabilities	₱218,006,352	₱154,257,671
Retirement assets	17,407,863	47,110,578
Net retirement liabilities	200,598,489	107,147,093
Net retirement expenses	116,283,644	126,535,081



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

<i>Net retirement liabilities</i>	2015	2014
Present value of defined benefit obligation	₱1,167,921,193	₱1,077,012,009
Fair value of plan assets	(949,914,841)	(922,754,338)
	₱218,006,352	₱154,257,671

<i>Net retirement assets</i>	2015	2014
Present value of defined benefit obligation	₱114,490,465	₱106,031,298
Fair value of plan assets	(131,898,328)	(153,141,876)
	(₱17,407,863)	(₱47,110,578)

The movements in the net retirement liability follow:

	2015	2014
At beginning of year	₱107,147,093	₱342,185,513
Contributions paid during the year	(131,112,807)	(120,396,491)
Net retirement expense	116,283,644	126,535,081
Transfer to affiliate	–	(566,994)
Amount recognized in OCI	108,280,558	(240,610,016)
At end of the year	₱200,598,488	₱107,147,093

Remeasurement effect recognized in OCI:

	2015	2014
Additional actuarial losses (gains):		
From plan obligation	₱23,768,964	(₱242,153,043)
From plan asset	84,511,594	1,543,027
Total remeasurements recognized in OCI	₱108,280,558	(₱240,610,016)

Movement of cumulative remeasurement effect recognized in OCI:

	2015	2014
Balance at beginning of year	(₱8,795,645)	(₱249,405,661)
Actuarial gains (losses)	(108,280,558)	240,610,016
Total amounts recognized in OCI	(₱117,076,203)	(₱8,795,645)

The movements in the present value of defined obligation follow:

	2015	2014
Balance at beginning of year	₱1,183,043,307	₱1,332,410,026
Current service cost	111,163,939	110,645,762
Interest cost on obligation	56,166,606	60,829,917
Actuarial losses	23,768,964	(242,153,043)
Benefits paid	(91,731,158)	(78,689,355)
Balance at end of year	₱1,282,411,658	₱1,183,043,307



The movements in the fair value of plan assets follow:

	2015	2014
Balance at beginning of year	₱1,075,896,213	₱990,224,513
Contributions	131,112,807	120,963,485
Actuarial losses (gains)	(84,511,594)	(1,543,027)
Asset return in net interest cost	51,046,901	44,940,597
Benefits paid	(91,731,158)	(78,689,355)
Balance at end of year	₱1,081,813,169	₱1,075,896,213

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

	2015	%	2014	%
Cash	₱351,467,519	32.49%	₱345,508,382	32.11%
Investment in government securities	511,452,210	47.28%	467,452,274	43.45%
Investments in shares of stock	185,397,361	17.14%	232,351,209	21.60%
Investments in other securities and debt instruments	26,506,909	2.45%	25,558,658	2.38%
Interest receivables and other receivables	8,863,149	0.82%	7,053,662	0.65%
Accrued trust fees and other payables	(1,873,979)	(0.18%)	(2,027,972)	(0.19%)
	₱1,081,813,169	100.00%	₱1,075,896,213	100.00%

The Group expects to contribute ₱166.6 million to its defined benefit pension plans in 2016.

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 2015, 2014 and 2013 amounted to ₱4.8 million, ₱6.1 million and ₱5.3 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, 2015 and 2014 amounted to ₱1,081.8 million and ₱1,075.9 million, respectively.

In 2015, the fund has investment in equity securities of related parties with fair values and accumulated gain of ₱88,920,638 and ₱87,920,638, respectively.



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:

	2015	2014	2013
Current service cost	P111,163,939	P110,645,762	P111,603,063
Interest cost on obligation	5,119,705	15,889,319	14,435,316
Recognized actuarial losses	-	-	70,223
	P116,283,644	P126,535,081	P126,108,602

The actual loss on the plan assets amounted to P28.3 million in 2015 and the actual return on plan assets amounted to P43.4 million and P49.8 million in 2014 and 2013, respectively.

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

	2015	2014
Discount rate		
Beginning	3.92%-5.00%	4.39%-6.00%
End	4.74%-5.94%	3.92%-5.00%
Future salary increases		
Beginning	3.24%-6.00%	4.48%-8.00%
End	3.75%-6.00%	3.24%-6.00%

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

		Effect on defined benefit obligation
Discount rate	+50bps to +100bps	(P63,554,774)
	-50bps to -100bps	75,303,355
Salary rate	+50bps to +100bps	131,226,552
	-50bps to -100bps	(119,890,278)

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:

	2015	2014	2013
Current	₱569,996,377	₱499,096,170	₱435,220,049
Deferred	(188,557,641)	7,453,190	20,249,488
	₱381,438,736	₱506,549,360	₱455,469,537

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:

	2015	2014	2013
Income before income tax	30.00%	30.00%	30.00%
Add (deduct) reconciling items:			
Equity in net earnings of associates and joint venture	2.57	(16.22)	(6.38)
Movement of deferred income tax assets not recognized	(1.30)	0.40	(4.58)
Income subject to lower tax rate and others	(9.45)	6.38	0.87
	21.82%	20.56%	19.91%

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:

	2015	2014
Net deferred income tax assets on a per subsidiary level:		
NOLCO from foreign entity	₱168,434,044	₱-
Accrued retirement expense	69,374,255	48,679,288
Allowance for doubtful accounts, inventory, obsolescence and other expenses	42,771,618	44,216,752
Accrued rent	7,782,707	13,376,171
NOLCO	11,024,527	13,144,819
MCIT	12,468,364	11,219,118
Unrealized foreign exchange loss	12,061,583	954,658
Others	3,699,690	4,213,411
	₱327,616,788	₱135,804,217
Net deferred income tax liabilities on a per subsidiary level:		
Revaluation increment on land	₱327,881,207	₱154,210,655
Accrued retirement expense	(15,603,070)	(2,653,819)
Allowance for doubtful accounts, inventory obsolescence and other expenses	(4,799,973)	(4,637,965)
Accrued expenses	(8,580,227)	(8,551,005)
Others	(1,348,357)	(16,445,072)
	₱297,549,580	₱121,922,794



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.

	2015	2014
NOLCO	₱42,108,955	₱59,558,701
Impairment loss	52,036,275	53,301,481
Allowance for doubtful accounts, inventory obsolescence and other expenses	36,285,732	37,283,622
MCIT	447,348	32,445,389
Accrued retirement expense	9,047,799	8,330,040
Others	29,324,646	1,327,342
	₱169,250,755	₱192,246,575

The Group did not recognize deferred tax liabilities on unremitted earnings of the Group's investments in associates and joint ventures and cumulative translation adjustments of foreign subsidiaries in 2015 and 2014 since the Group determined that the timing of the reversal of the temporary difference can be controlled by the Group and management does not expect the reversal of the temporary differences in the foreseeable future.

As of December 31, 2015, 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
2015	₱4,042,030	₱-	₱4,042,030	2018
2014	9,353,787	-	9,353,787	2017
2013	31,383,534	2,670,396	28,713,138	2016
2012	14,779,350	14,779,350	-	2015
	₱59,558,701	₱17,449,746	₱42,108,955	

As of December 31, 2015, the amounts of MCIT still allowable as tax credit consist of:

Taxable Period	Amount	Applied/Expired	Balance	Expiry Year
2015	₱3,216,205	₱2,768,857	₱447,348	2018
2014	11,623,778	11,623,778	-	2017
2013	9,700,694	9,700,694	-	2016
2012	7,904,712	7,904,712	-	2015
	₱32,445,389	₱31,998,041	₱447,348	

The details of NOLCO and MCIT as at December 31, 2015 are as follows:

Taxable Year Incurred	NOLCO	MCIT	Expiry Year
2015	₱4,042,030	₱447,348	2018
2014	9,353,787	-	2017
2013	28,713,138	-	2016
	₱42,108,955	₱447,348	



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

	2015	2014	2013
Net income attributable to equity holders of parent company	₱1,022,731,322	₱1,268,099,877	₱1,189,694,820
Less dividends attributable to preferred shares (Note 38)	26,930,749	27,866,688	25,710,494
Net income applicable to common shares	995,800,573	1,240,233,189	1,163,984,326
Divided by the weighted average number of common shares	615,996,114	615,896,757	615,919,075
Basic earnings per share	₱1.6166	₱2.0137	₱1.8898

Diluted earnings per share

	2015	2014	2013
Net income applicable to common shares	₱995,800,573	₱1,240,223,189	₱1,163,984,326
Add dividends attributable to preferred shares (Note 38)	26,930,749	27,866,688	25,710,494
Net income applicable to common shares for diluted earnings per share	1,022,731,322	1,268,089,877	1,189,694,820
Weighted average number of common shares	615,996,114	615,896,757	615,919,075
Dilutive shares arising from convertible preference shares	207,153,247	229,338,162	253,780,276
Weighted average number of common shares for diluted earnings per share	823,149,361	845,234,919	869,699,351
Diluted earnings per share	₱1.2425	₱1.5003	₱1.3679

34. Contingencies and Commitments

Contingencies

a. Surety Arrangement and Guarantees

The Group is contingently liable for guarantees arising in the ordinary course of business, including performance, surety and warranty bonds for various construction projects amounting to ₱5.4 billion and ₱5.1 billion as at December 31, 2015 and 2014, respectively.

b. Standby Letters of Credit

The Group has outstanding irrevocable domestic standby letters of credit amounting to ₱8.9 billion and ₱4.1 billion in 2015 and 2014, 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 USD 429 and JPY 13.4 million in 2015 and JPY 13.4 million in 2014, respectively.

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:

	2015	2014
Within one year	P66,858,875	P62,097,331
After one year but not more than five years	183,487,720	198,662,860
More than five years	82,226,337	62,420,017
	P332,572,932	P323,180,208

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:

	2015	2014
Within one year	P-	P281,259
After one year but not more than five years	-	-
Total minimum lease payment	-	281,259
Less amounts representing interest	-	4,913
Present value of minimum lease payments	P-	P276,346

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:

	2015	2014
Within one (1) year	P2,051,879	P13,485,674
More than 1 year but not more than five (5) years	6,683,573	67,428,372
Later than five years	4,512,253	-
	P13,247,705	P80,914,046



35. Noncontrolling Interest in Consolidated Subsidiaries

Noncontrolling interest in consolidated subsidiaries represents shareholdings in subsidiaries not held by the Group.

Dividends paid to noncontrolling interest in consolidated subsidiaries amounted to ₱160.46 million, ₱182.53 million and ₱162.96 million in 2015, 2014 and 2013, respectively.

As of December 31, 2015, 2014 and 2013, the summarized financial information attributable to non-controlling interests for significant subsidiaries follows:

	Honda Cars Kalookan, Inc. (HCKI)		iPeople, inc. (iPeople) and subsidiaries		EEI Corporation (EEI) and subsidiaries	
	2015	2014	2015	2014	2015	2014
Assets						
Current assets	₱578	₱408	₱452	₱1,418	₱1,295	₱11,891
Noncurrent assets	134	143	80	3,917	3,365	6,461
	₱712	₱551	₱532	5,335	4,660	18,352
						₱13,601
Liabilities and Equity						
Current liabilities	₱603	₱444	₱425	₱850	₱668	₱10,822
Noncurrent liabilities	2	3	3	572	656	871
	605	447	428	1,422	1,324	11,693
Equity	107	104	104	3,913	3,336	6,659
	₱712	₱551	₱532	₱5,335	₱4,660	₱18,352
						₱13,601
Revenue	₱1,978	₱1,471	₱1,230	₱2,309	₱2,045	₱17,080
Net income	3	-	(8)	746	632	918
						203
Share of NCI in net assets	₱59	₱57	₱57	₱2,635	₱2,246	₱3,351
Share of NCI in net income (loss)	2	-	(4)	502	426	462
						110
						₱2,897
						459



36. 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 that contributes 10.0% or more to the revenues of the Group in 2015, 2014 and 2013.



37. 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, 2015 and 2014, the Group has available credit facilities with banks aggregating to ₱29,987.5 million ₱23,886.8 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.

	2015					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	₱2,339,213,766	₱-	₱-	₱-	₱-	₱2,339,213,766
Accounts receivable	3,707,398,307	3,687,723,367	48,552,944	49,334,853	-	7,493,009,471
Loans receivable	-	10,171,348	3,491,253	-	-	13,662,601
Receivables from related parties	52,755,117	1,482,432	-	-	-	54,237,549
Miscellaneous deposits	12,369,881	34,224,248	9,300	-	-	46,603,429
Receivable from EEI Retirement Fund, Inc. (including future interest receivable)	-	117,070,494	129,188	161,850	-	117,361,532
Financial assets as FVPL	8,205,773	-	-	-	-	8,205,773
Available-for-sale securities:						
Quoted	51,650,391	180,000	14,389,673	-	-	66,220,064
Unquoted	218,021,079	237,279,889	15,000,000	98,128,011	-	568,428,979
	₱6,389,614,314	₱4,088,131,778	₱81,572,358	₱147,624,714	₱-	₱10,706,943,164
Financial Liabilities						
Loans payable (including future interest payable)	₱-	₱1,179,566,225	₱1,179,583,993	₱1,800,849,782	₱-	₱4,160,000,000
Accounts payable and accrued expenses						
Accounts payable	2,960,093,024	1,916,189,970	679,029,307	3,048,785	-	5,558,361,086
Accrued expenses	534,122,834	7,440,714	-	-	-	541,563,548
Accrued interest payable	10,816,753	4,192,020	-	-	-	15,008,773
Subscriptions payable	14,357,213	-	17,631,505	-	-	31,988,718
Dividends payable	-	23,816,752	-	-	-	23,816,752
Others	3,199,298	483,214	-	-	-	3,682,512
Lease liability	-	-	-	-	-	-
Due to related parties	3,443,999	-	-	-	-	3,443,999
Long-term debt (including future interest payable)	-	1,043,418,548	2,420,083,197	298,857,498	-	3,762,359,243
	₱3,526,033,121	₱4,175,107,443	₱4,296,328,002	₱2,102,756,065	₱-	₱14,100,224,631



	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
Financial assets at FVPL	8,021,630	-	-	-	-	8,021,630
Available-for-sale 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
	₱6,359,241,343	₱3,022,864,799	₱414,143,874	₱171,295,694	₱-	₱9,967,545,710
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

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 available-for-sale securities.

Quoted available-for-sale securities assets are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.



The analysis below is performed for reasonably possible movements in the market index with all other variables held constant, showing the impact on equity.

Market Index	2015		2014	
	Change in variable	Effect on Equity	Change in variable	Effect on Equity
PSE	+5.93%	₱3,363,305	+20.83%	₱11,610,950
	-5.93%	(3,363,305)	-20.83%	(11,610,950)
Others	+10.21%	1,396,464	+5.00%	837,250
	-10.21%	(1,396,464)	-5.00%	(837,250)

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 6% and 10% in 2015, respectively, and 21% and 5% in 2014, 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 ₱9.1 million, ₱3.9 million and ₱4.5 million in 2015, 2014 and 2013, 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, €), Japanese yen (JPY, ¥) and British pound (GBP, £) 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).



	2015		2014	
	Percentage increase/decrease in foreign currency	Effect on profit before tax	Percentage increase/decrease in foreign currency	Effect on profit before tax
USD	+1.92%	₱3,190,161	+0.5%	₱1,291,243
SGD	+2.30%	408,063	+4.8%	431,142
EUR	+2.60%	76,098	+1.3%	11,871
JPY	+2.30%	2,722,936	+0.3%	180
GBP	+13.40%	1,880	—	—
USD	-1.92%	(3,190,161)	-0.5%	(1,291,243)
SGD	-2.30%	(408,063)	-4.8%	(431,142)
EUR	-2.60%	(76,098)	-1.3%	(11,871)
JPY	-2.30%	(2,722,936)	-0.3%	(180)
GBP	-13.40%	(1,880)	—	—

The sensitivity analyses shown above are based on the assumption that the movements in US dollars, Singapore dollars, Euro, Japanese yen and British pound will more likely be limited to the upward or downward fluctuation of 1.92%, 2.30%, 2.60%, 2.30% and 13.40% respectively, in 2015 and 0.5%, 4.8%, 1.3%, 0.3% and nil, respectively, in 2014.

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, 2015 and 2014.

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:

	2015					Equivalents in PHP
	USD	SGD	EUR	JPY	GBP	
Financial assets						
Cash	US\$2,021,312	S\$531,071	€16,731	¥62,202,248	£—	₱138,048,981
Receivables	768,063	—	40,800	245,838,594	—	134,133,088
	2,789,375	531,071	57,531	308,040,842	—	272,182,069
Financial liabilities						
Accounts payable and accrued expenses	483,434	8,599	167	—	200	23,061,319
	US\$2,305,941	S\$522,472	€57,364	¥308,040,842	(£200)	₱249,120,750



	2014					Equivalents in PHP
	USD	SGD	EUR	JPY	GBP	
Financial assets						
Cash	US\$2,852,042	S\$267,840	€16,720	¥169,196	£-	₱137,540,694
Receivables	3,187,709	-	-	-	-	142,554,346
	6,039,751	S\$267,840	€16,720	¥169,196	£-	280,095,040
Financial liabilities						
Accounts payable and accrued expenses	119,250	-	-	-	-	5,332,860
	US\$5,920,501	S\$267,840	€16,720	¥169,196	£-	₱274,762,180

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, JPY and GBP amounting ₱47.06, ₱33.52, ₱51.74, ₱0.39 and ₱70.18, respectively in 2015 and to ₱44.72, ₱33.70, ₱54.34 and ₱0.37, respectively in 2014.

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:

	2015						TOTAL In Php
	Below 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	
Long-term debt							
Peso floating							
Philippine Peso	₱21,519,994	₱ 54,366,300	₱54,366,300	₱54,366,300	₱54,366,300	₱413,514,806	₱652,500,000
	BSP Overnight plus 1.50% spread						
Floating rate							
Peso fixed							
Philippine Peso	21,519,994	54,366,300	54,366,300	54,366,300	54,366,300	413,514,806	652,500,000
Interest rate	Floating rate plus 0.50% spread						
Philippine Peso	86,000,000	16,500,000	-	-	-	-	102,500,000
Interest rate	3-month PDST- F rate plus 1.75%						

	2014						TOTAL In Php
	Below 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	
Long-term debt							
Peso floating							
Philippine Peso	₱-	₱21,519,994	₱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	944,797,163	1,155,466,576
Interest rate	Floating rate plus 0.50% spread						
Philippine Peso	86,000,000	86,000,000	86,000,000	86,000,000	86,000,000	-	430,000,000
Interest rate	3-month PDST- F rate plus 1.75%						



In order to effectively manage its interest rate risk and its financing costs, the Group closely monitors the movements of interest rates, as well as, economic factors affecting the trends of these movements. In certain cases, depending on its assessment of future movements of interest rates, the Group would pre-terminate its debt and obtain a new loan facility which provides for either floating or fixed interest rates. This is intended to minimize its financing costs.

The Group is exposed to receivables and borrowings with floating interest rates. The receivable from EEI-RFI. is earning interest based on bank's internal average lending rate. The outstanding principal amounted to ₱273.4 million and ₱387.5 million as at December 31, 2015 and 2014, 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):

	2015		2014	
	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	₱1,366,808	+50	₱1,937,659
	-50	(1,366,808)	-50	(1,937,659)
Peso floating rate borrowing	+23	(2,550,281)	+23	(811,213)
	-23	2,550,281	-23	811,213

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 2015 and fifty (50) basis points and twenty-three (23) basis points upward or downward fluctuation, respectively in 2014. 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, 2015 and 2014.

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, 2015 and 2014 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:

	2015	2014
Loans receivable at gross	₱25,262,474	₱30,264,723
Less: Allowance for probable loss	3,819,369	3,687,378
Unearned discount and interest	7,780,504	9,977,820
	₱13,662,601	₱16,599,525

The Group's maximum credit risk exposure for its secured loans receivables is equal to its carrying value amounting ₱25.3 million and ₱30.0 million in 2015 and 2014, 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 2015 and 2014. This resulted to a nil net exposure as at December 31, 2015 and 2014.

With respect to credit risk arising from cash and cash equivalents, unsecured loans receivables, accounts receivable, due from related parties, available-for-sale securities and receivables from EEI- RFI, 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	2015				Impaired Assets
			Past due but not impaired				
			< 30 days	30 - 60 days	60 - 90 days	> 90 days	
			₱--	₱--	₱--	₱--	₱--
Loans receivable	₱13,662,600	₱13,662,600					
Receivables from:							
Construction and infrastructure	5,301,390,692	4,272,859,369	713,402,654	27,947,691	32,598,254	199,756,870	54,825,854
Car dealership	732,345,921	367,729,460	-	138,228,287	69,580,688	123,768,480	33,039,006
Education and information technology	183,325,950	99,000,472	16,112,451	4,056,212	9,619,935	-	54,536,880
Other services	18,964,887	13,237,479	2,159,227	2,249,045	-	712,035	607,101
Other receivables:							
Consultancy fee	289,688,635	18,621,925	21,677,873	17,862,299	21,018,704	210,507,834	-
Others	1,236,978,356	926,771,376	33,322,378	37,399,905	15,629,260	97,179,308	126,676,129
Due from related parties	54,237,549	54,237,549	-	-	-	-	-
Financial assets at FVPL	8,205,773	8,205,773	-	-	-	-	-
Receivable from EEI Retirement Fund, Inc.	435,687,704	435,687,704	-	-	-	-	-
Miscellaneous deposits	46,603,429	932,900	1,367,196	174,000	543,400	39,823,506	3,762,427
	₱8,321,091,496	₱6,210,946,607	₱788,041,779	₱227,917,439	₱148,990,241	₱671,748,033	₱273,447,397



	2014							Impaired Assets P-
	Total	Neither past due nor impaired P16,599,525	Past due but not impaired					
			< 30 days P-	30 - 60 days P-	60 - 90 days P-	> 90 days P-		
Loans receivable	P16,599,525	P16,599,525	P-	P-	P-	P-	P-	
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		-
Financial assets at FVPL	8,021,630	8,021,630	-	-	-	-		-
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
	P7,581,260,091	P5,727,857,847	P894,162,518	P93,306,262	P77,711,874	P595,990,933		P192,230,657

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.

	2015			
	Neither past due nor impaired		Past due or Individually Impaired	Total
	High Grade	Standard		
Cash and cash equivalents (excluding cash on hand)	P2,231,377,548	P-	P-	P2,231,377,548
Loans receivable	13,662,600	-	-	13,662,600
Accounts receivable				
Receivables from:				
Construction and infrastructure	2,961,601,143	2,285,252,669	88,144,847	5,334,998,659
Car dealership	694,551,350	4,755,565	33,039,006	732,345,921
Education and information technology	120,123,969	8,665,101	54,536,880	183,325,950
Other services	13,237,479	5,120,307	607,101	18,964,887
Other receivables:				
Consultancy fee	289,688,635	-	-	289,688,635
Rent receivable	168,187	284,708	46,813	499,708
Others	1,084,723,421	58,444,904	93,310,323	1,236,478,648
Due from related parties	54,237,550	-	-	54,237,550
Other assets:				
Miscellaneous deposits	45,557,335	1,046,094	-	46,603,429
Receivables from EEI Retirement Fund, Inc.	435,687,704	-	-	435,687,704
Available-for-sale securities				
Quoted	66,220,064	-	-	66,220,064
Unquoted	568,428,979	-	-	568,428,979
	P8,579,265,964	P2,363,569,348	P269,684,970	P11,212,520,282



	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
Available-for-sale 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

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, 2015 and 2014.

As at December 31, 2015 and 2014, 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

	2015	2014
Loans payable	₱410,000,000	₱395,000,000
Subscription payable	17,631,505	17,631,505
Long-term debt	1,788,144,957	1,683,978,355
Total liabilities	2,215,776,462	2,096,609,860
Less cash and cash equivalents	375,036,206	299,551,191
Net liabilities	1,840,740,256	1,797,058,669
Total equity	₱3,586,816,923	₱3,155,670,292
Debt to equity ratio	0.62:1	0.66:1
Net debt to equity ratio	0.51:1	0.57:1



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

	2015	2014
Current liabilities	P13,945,723,553	P10,822,079,407
Noncurrent liabilities	1,623,818,465	870,836,272
Total liabilities	15,569,542,018	11,692,915,679
Total equity	P6,781,242,556	P6,659,458,057
Debt to equity ratio	2.30:1	1.76:1

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

	2015	2014
Current liabilities	P785,620,362	P849,812,833
Noncurrent liabilities	312,460,514	572,007,279
Total liabilities	1,098,080,876	1,421,820,112
Equity excluding minority interest	P4,799,389,245	P3,672,663,548
Debt to equity ratio	0.23:1	0.39:1

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, 2015 and 2014:

	2015		2014	
	Carrying values	Fair values	Carrying values	Fair values
Financial Liabilities				
<i>Other financial liabilities</i>				
Long-term debt	P3,762,359,243	P3,701,715,786	P2,648,319,126	P2,987,058,111

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.



2015				
	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:				
Available-for-sale Securities				
Quoted equity instruments	P66,216,003	P-	P-	P66,216,003
Investment properties	-	-	282,614,836	282,614,836
Property and equipment - revalued	-	-	4,093,370,740	4,093,370,740
	P66,216,003	P-	P4,375,985,576	P4,442,201,579
Liabilities for which fair value is disclosed				
Long-term debt	P-	P-	P 1,788,144,957	P1,788,144,957
2014				
	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:				
Available-for-sale Securities				
Quoted equity instruments	P83,894,869	P-	P-	P83,894,869
Investment properties	-	-	262,855,019	262,855,019
Property and equipment - revalued	-	-	2,836,565,819	2,836,565,819
	P83,894,869	P-	P3,099,420,838	P3,183,315,707
Liabilities for which fair value is disclosed				
Long-term debt	P-	P-	P526,250,715	P526,250,715

There were no transfers between levels of fair value measurements in 2015 and 2014. 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.

38. 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, 2015, 2014 and 2013 follows:

	2015		2014		2013	
	Amount	Shares	Amount	Shares	Amount	Shares
Beginning of the year	₱344,007,243	860,018,109	₱380,670,413	951,676,035	₱421,284,050	1,053,210,126
Redemption of preferred stock	(33,128,338)	(82,820,845)	(36,663,170)	(91,657,929)	(40,570,612)	(101,426,529)
Conversion of preferred stock to common stock (Note 40)	(149,036)	(372,591)	–	–	(43,025)	(107,562)
	₱310,729,869	776,824,673	₱344,007,243	860,018,106	₱380,670,413	951,676,035

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, 2015, 2014 and 2013 follows:

	2015		2014		2013	
	Amount	Shares	Amount	Shares	Amount	Shares
Beginning of the year	₱924,295,136	616,196,757	₱924,295,136	616,196,757	₱924,252,111	616,168,074
Conversion of preferred stock to common stock	149,036	99,357	–	–	43,025	28,683
	924,444,172	616,296,114	924,295,136	616,196,757	924,295,136	616,196,757
Treasury stock	(2,607,600)	(300,000)	(2,607,600)	(300,000)	(2,607,600)	(300,000)
	₱921,836,572	615,996,114	₱921,687,536	615,896,757	₱921,687,536	615,896,757

On May 24, 2013, the Parent Company repurchased 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>	2015	2014	2013
November 26, 2015, converted 372,591 shares of stock into 149,036 of common stock	₱149,036	₱–	₱–
March 22, 2013, converted 107,562 shares of preferred stock into 28,683 of common stock	–	–	43,025
	₱149,036	₱–	₱43,025



<i>Redemption:</i>	2015	2014	2013
December 3, 2015, redeemed 19,918,581 preferred shares at 0.40 per share	₱7,967,433	₱–	₱–
September 24, 2015, redeemed 20,438,868 preferred shares at 0.40 per share	8,175,547	–	–
July 17, 2015, redeemed 20,962,941 preferred shares at 0.40 per share	8,385,177	–	–
March 20, 2015, redeemed 21,500,453 preferred shares at 0.40 per share	8,600,181	–	–
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
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
	₱33,128,338	₱36,663,170	₱40,570,612

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, 2015:

Year	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities as of year end
Preferred shares:				
January 1, 2014	951,676,035	₱0.40	March 21, 2014	49
Movement:	(22,051,746)	0.40	December 4, 2014	
	(22,617,176)	0.40	October 2, 2014	
	(23,197,103)	0.40	July 17, 2014	
	(23,791,901)	0.40	March 31, 2014	
December 31, 2014	860,018,109			49

(Forward)



Year	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities as of year end
Movement:	(21,500,455)	0.40	March 20, 2015	
	(20,962,941)	0.40	July 17, 2015	
	(20,438,868)	0.40	September 24, 2015	
	(19,918,581)	0.40	December 3, 2015	
December 31, 2015	777,197,264			49
Conversion	(372,591)		November 26, 2015	
December 31, 2015	776,824,673			48

Year	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities as of year end
Common Shares:				
January 1, 2014	616,196,757			406
No Movement	-			
December 31, 2015	616,196,757			403
Conversion	99,358	₱1.50	November 26, 2015	
December 31, 2015	616,296,115			403

SEC approved the registration of the Parent Company's authorized capital stock before its listing date with the PSE, which was on July 2, 1962. The actual number of shares initially listed were 584,085 at an offer price of ₱10.0 per share. Total number of preferred and common shareholders was 49 and 414, respectively, as of December 31, 2015.

39. Retained Earnings

Cash Dividends

The BOD declared cash dividends as follows:

	2015	2014	2013
December 8, 2015, ₱0.003 per share cash dividend to stockholders of preferred shares as of December 29, 2015 payable on or before January 22, 2016. The cash dividend covered the fourth quarter of 2015.	₱2,947,950	₱-	₱-
September 24, 2015, ₱0.003 per share cash dividend to stockholders of preferred shares as of October 23, 2015 payable on or before November 13, 2015. The cash dividend covered the third quarter of 2015.	3,156,579	-	-
July 17, 2015, ₱0.003 per share cash dividend to stockholders of preferred shares as of August 14, 2015 payable on or before May 12, 2015. The cash dividend covered the second quarter of 2015.	3,311,306	-	-

(Forward)



	2015	2014	2013
July 17, 2015, ₱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, 2015 payable on or before September 9, 2015.	₱54,564,800	₱-	₱-
March 20, 2015, ₱0.003 per share cash dividend to stockholders of preferred shares as of April 17, 2015 payable on or before May 12, 2015. The cash dividend covered the first quarter of 2015.	2,983,403	-	-
December 4, 2014, ₱0.003 per share cash dividend to stockholders of preferred shares as of December 29, 2014 paid on 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	-
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.	-	-	1,952,912
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

(Forward)



	2015	2014	2013
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 paid on May 15, 2013.	-	-	2,169,612
	₱66,964,038	₱67,919,478	₱62,682,299

After reconciling items, the retained earnings of the Parent Company that are available for dividend declaration amounted to ₱1,838.3 million and ₱1,509.3 million as of December 31, 2015 and 2014, 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 ₱5,352.1 million and ₱4,725.4 million in 2015 and 2014, 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.

40. Notes on Consolidated Statements of Cash Flows

Noncash investing and financing activities are as follows:

- a. Revaluation of parcel of land resulting to revaluation increment amounting ₱819.6 million and ₱95.5 million in 2015 and 2014, respectively (Noted 14).
- b. Conversion of preferred stock to common stock amounting ₱149,036 in 2015 and ₱43,025 in 2013 (Note 38).
- c. The Group reclassified the receivable from EEI - RFI to current assets in 2012 because the receivable is expected to be collected in the following year. However, in 2013, receivable from the Fund amounting to ₱390.0 million was restructured and reclassified to other noncurrent assets (Note 17).

In 2014, receivable from the Fund amounting ₱117.0 million was reclassified from other noncurrent assets to other current assets, since the amount is expected to be collected within the following year.



41. 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.

42. Events after the Financial Reporting Date

Honda Cars Quezon City Fire Incident

On April 5, 2016, a fire hit Honda Quezon City, one of the Honda car dealerships of the Group. The estimated cost of damaged property and inventory is around P43 million. Both the property and inventory are covered by insurance. Management believes that if ever there would be losses the financial impact to the Group is immaterial.

Cash Dividends

Parent Company

On March 31, 2016, the BOD approved the declaration of cash dividends of ₱0.0036 per share with a total amount of ₱2.8 million to the stockholders of the Parent Company's preferred shares as of April 28, 2016 covering the first quarter of 2016, and payable on or before May 20, 2016.

EEI Corporation

The BOD of the Parent Company in its meeting held on March 4, 2016 declared cash dividends amounting ₱207.3 million representing ₱0.20 per share to common stockholders of record broken down as follows:

<u>Record Date</u>	<u>Payment Date</u>	<u>Amount</u>
April 8, 2016	April 30, 2016	₱0.10 per share
September 1, 2016	September 25, 2016	₱0.10 per share

Capital Stock Redemption

On March 31, 2016, the BOD approved the redemption of 19,420,617 preferred shares at ₱0.40 per share amounting to ₱7.8 million from the stockholders of the Parent Company's preferred shares as of April 28, 2016 covering the first quarter of 2016, and payable on or before May 24, 2016.

43. 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.

Proposed Amendments to the EPIRA

Below are proposed amendments to the EPIRA that, if enacted, may have a material effect on the Group's electricity generation business, financial condition and results of operations.

In the Philippine Senate, pending for committee approval are:

1. Senate Bill (SB) No. 2167: An Act Amending Section 47 of Republic Act No. 9136, Otherwise Known As the Electric Power Industry Reform Act
2. Senate Bill (SB) No. 2059: An Act Amending Republic Act No. 9136, Otherwise Known As the Electric Power Industry Reform Act
3. House Bill (HB) No. 4822: An Act Amending Republic Act No. 9136 or the Electric Power Industry Reform Act (EPIRA) and Providing for Needed Additional Reforms in the Energy Sector for the Protection of Electricity Consumers Against Market Power Abuse and Unwarranted Power Rates Increases, And For Other Purposes
4. House Bill (HB) No. 4479: An Act Amending Certain Provisions of Republic Act No. 9136 Otherwise Known as an Act Ordaining Reforms in The Electric Power Industry or EPIRA and for Other Purposes.
5. House Bill (HB) No. 3958: An Act Amending Republic Act No. 9136, Otherwise Known as the Electric Power Industry Reform Act of 2001 or EPIRA, and for Other Purposes
6. Joint Resolution Authorizing The President Of The Philippines, His Excellency Benigno S. Aquino III, To Effectively Address The Projected Electricity Imbalance In The Luzon Grid From March 1, 2015 To July 31, 2015, And Providing The Terms And Conditions Therefore

The aforementioned bills passed their respective first readings and are currently being deliberated in the committees.

The Group cannot provide any assurance whether this proposed amendment will be enacted in its current form, or at all, or when any amendment to the EPIRA will be enacted. Proposed amendments to the EPIRA, including the above bills, as well as other legislation or regulation could have material impact on the Group's business, financial position and financial performance.

b. Clean Air Act

On November 25, 2000, the IRR of the Philippine Clean Air Act (PCAA) took effect. The IRR contain provisions that have an impact on the industry as a whole and on the Group in particular, that need to be complied with within 44 months (or July 2004) from the effectivity date, subject to approval by the DENR. The power plant of the Group uses natural gas as fuel and has emissions that are way below the limits set in the National Emission Standards for Sources Specific Air Pollution and Ambient Air Quality Standards. Based on the Group's



initial assessment of its power plant's existing facilities, the Group believes that it is in full compliance with the applicable provisions of the IRR of the PCAA.

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

On January 28, 2012, the Group entered into a Power Supply Agreement (PSA) with DANECO wherein the Group shall supply contract energy generated by the Group's power facility for distribution to DANECO's end users.

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, the Group 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 the Group's Sub-transmission Line located along Maharlika Highway, Barangat 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.

44. Approval of Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 31, 2016.



HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON
SRC RULE 68 AS AMENDED
DECEMBER 31, 2015

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 the purpose 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 ₱634.6 million do not constitute 5% or more of the total current assets of the Group as at December 31, 2015.

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, 2015:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
<i>(In Thousands)</i>				
<i>EEI</i>				
Macapagal, Norman K.	₱1,533	₱32	₱33	₱1,532
Mercado, Oscar D.	1,442	74	61	1,455
San Miguel, Simon Elmer D.	489	–	–	489
Zulueta, Reynaldo S.	320	103	322	101
Albarda, John Christian	250	–	40	210
Largosta, Christopher M.	245	–	47	198
Matibag, Jun E.	225	–	51	174
Cabrera, Lovette O.	175	2	17	160
Villarin , Pantaleon T. Jr.	150	29	11	168
Edorot, Rico C.	131	–	–	131
Sunga, Renato Z.	122	–	15	107
Alonzo, Antonina J.	121	–	–	121
Canero, Raul C.	117	–	–	117
Burgos, Manuel B.	108	–	–	108
Manalo, Noelito D.	–	381	54	327
Alcaraz, Jimmy S.	–	204	–	204
Cadiz, Cirilo Victoriano L.	–	167	54	113
Bondoc, Alberto D.	–	160	43	117
Encila, William L.	–	159	15	144
Bernal, Edgardo A.	–	126	–	126
Duran, Roque C.	–	109	–	109
Bundalian, Rolando S.	–	102	–	102
	₱5,428	₱1648	₱763	₱6,313
<i>iPeople</i>				
Geguiento , Edgardo P.	₱395	₱–	₱83	₱312
Apsay, Christopher	380	–	53	327
Balan, Ariel Kelly	364	–	73	291
Papas, Aileen Kate A.	361	–	28	333
Cinco, Arnold	347	–	70	277

(Forward)



Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
		<i>(In Thousands)</i>		
Cabanilla, Angela Celine	₱347	₱-	₱70	₱277
Camus, Rosette Eira	341	-	70	271
Sabio, Maurice	298	-	84	214
Hofilena, Joy	289	-	84	205
Uy, Francis Aldrine	280	-	76	204
Arenillo, Denise Jordan	271	-	62	209
Macayan, Jonathan	264	-	74	190
Kikuchi, Khristian	262	-	78	184
Teodoro, Gloria	199	-	76	123
Caluyo, Felicito	176	-	176	-
Bitor, Rolando	170	-	82	88
Tablante, Dennis H.	147	-	80	67
Sabino, Lilibeth	137	-	64	73
Salvacion, Jonathan	128	-	73	55
Songsong, Maribel	126	-	78	48
Ballado, Alejandro Jr.	-	327	34	293
Francisco, Ruth C.	-	402	18	384
Sauquillo, Dante	-	364	-	364
Judilla, Roel John	-	367	-	367
Adanza, Carina Victoria T.	-	819	280	539
Costales Aloysius Nathaniel	-	934	374	560
	₱5,282	₱3,213	₱2,240	₱6,255
<i>HI-Parent</i>				
Villegas, Sonia P	₱528	₱7	₱105	₱430
Joven, Ma. Esperenza F	459	18	72	405
Bautista, Ma. Teresa	217	8	73	152
Gan, Ma. Eloisa	207	48	74	181
Cajes, Cieolo M..	-	451	77	374
Galang, Alexander G.	-	400	38	362
	₱1411	₱932	₱439	₱1904
Total	₱12,121	₱5,793	₱3,442	₱14,472

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, 2015:

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	₱1,078,803	₱4,540,669	₱ (5,464,833)	₱-	₱154,639
Dividends receivable	22,500,000	30,000,000	(42,500,000)	-	10,000,000
	23,578,803	34,540,669	(47,964,833)	-	10,154,639
<i>Greyhounds Security and Investigation Agency Corporation</i>					
Due from affiliates	347,667	2,122,450	(1,993,541)	-	476,576
<i>Investment Managers, Inc.</i>					
Due from affiliates	136,986	10,251,983	(9,930,063)	-	458,906
Dividends receivable	1,000,170	2,000,000	(1,000,000)	(170)	2,000,000
	1,137,156	12,251,983	(10,930,063)	(170)	2,458,906

(Forward)



Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Balance at end of period
<i>iPeople, inc. and subsidiaries</i>					
Due from affiliates	₱4,968,478	₱18,996,367	(₱20,215,193)	₱-	₱3,749,652
Dividends receivable	89,654,798	140,343,700	(180,706,539)	-	49,291,959
	94,623,276	159,340,067	(200,921,732)	-	53,041,611
<i>EEl Corporation and subsidiaries</i>					
Due from affiliates	759,544	3,219,717	(2,573,479)	-	1,405,782
<i>Zamboanga Industrial Finance Corporation</i>					
Dividends receivable	-	1,250,000	(1,250,000)	-	-
<i>Hexagon Lounge, Inc.</i>					
Due from affiliates	129	2,128	(2,257)	-	-
<i>Xamdu Motors, Inc.</i>					
Due from affiliates	(107)	1,355	-	-	1,248
	₱120,446,468	₱212,728,369	(₱265,635,905)	(₱170)	₱67,538,762

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, 2015, 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 EEl, 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	28,505,569	7,128,929	(19,842,671)	-	-	15,791,827
	₱499,863,028	₱7,128,929	(₱19,842,671)	₱-	₱-	₱487,149,286

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%.	₱644,072,478	₱13,591,574	₱630,480,904
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	644,072,478	13,591,575	630,480,903



Type of Obligation	Amount	Current	Noncurrent
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.			
Peso-denominated five (5) year term loan, payable quarterly starting March 2014 with interest of 5.00% per annum	₱500,000,000	₱100,000,000	₱400,000,000
MCI			
Peso-denominated syndicated bank loan payable after 10 years since November 2010 without grace period on principal payment, subject to floating rate equal to the 3-month Philippine Dealing System Treasury Reference Rates-Fixing (PDST-F) plus a per annum spread of 1.75% payable in accelerating amounts up to November 22, 2020.	188,500,000	86,000,000	102,500,000
EEl			
Fixed-rate corporate promissory notes with effective interest of 5.1667% and 5.1875% per annum	1,303,571,428	214,285,714	1,089,285,714
EEl 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	482,142,857	71,428,571	410,714,286
	₱3,762,359,241	₱498,897,434	₱3,263,461,807

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, 2015.

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, 2015.

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	615,996,114	344,701,851	3,394,275	267,899,988
Preferred shares	2,500,000,000	776,824,672	329,899,753	424,449,007	22,475,912



HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION

Items	Amount
Unappropriated Retained Earnings, <i>as adjusted to available for dividend distribution beginning</i>	₱1,509,299,003
Net income based on the face of available-for-sale	440,772,023
Less: Non-actual/unrealized Income net of tax	—
Equity in net income of associate/joint venture	—
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	—
Unrealized actuarial gain	—
Fair value adjustment (M2M gains)	—
Effect of change in accounting policy - PAS 19R	—
Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP - gain	—
Movement in deferred tax liability	—
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	440,772,023
Dividends declaration during the year	(66,964,038)
Treasury stock	—
Unappropriated Retained Earnings, as adjusted, ending	₱1,883,106,988



HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as of December 31, 2015:

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and 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 is the list of all effective Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2015:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				✓
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	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	✓		
	Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version): Hedge Accounting			✓
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosure		✓	
	Financial Instrument (2013 version)			✓
	Financial Instrument (2014 version)			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions			✓
PFRS 11 (Revised)	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts	✓		
IFRS 15	Revenue from Contracts with Customers	✓		
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	✓		
	Amendments to PAS 1: Presentation of financial statements disclosure initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Bearer Plants			
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits			✓
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendments to PAS 21: 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	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		✓	
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
PAS 36	Impairment of Assets	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 36: Recoverable Amount Disclosures for Non - Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version): Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
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			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	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 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
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 Company but have no significant covered transactions for the year ended December 31, 2015.

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2015. The Company will adopt the Standards and Interpretations when these become effective.



HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF
DECEMBER 31, 2015 AND 2014

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2015 and 2014:

Financial ratios		2015	2014
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.08:1	1.17:1
Solvency ratio	$\frac{\text{Net income plus depreciation}}{\text{Total liabilities}}$	0.10:1	0.16:1
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	1.45:1	1.26:1
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	2.45:1	2.26:1
Interest rate coverage	$\frac{\text{EBIT*}}{\text{Interest expense}}$	7.26:1	10.46:1
Return on assets	$\frac{\text{Net income}}{\text{Average total assets}}$	4.30%	7.58%
Return on equity	$\frac{\text{Net income}}{\text{Average total equity}}$	10.15%	16.62%

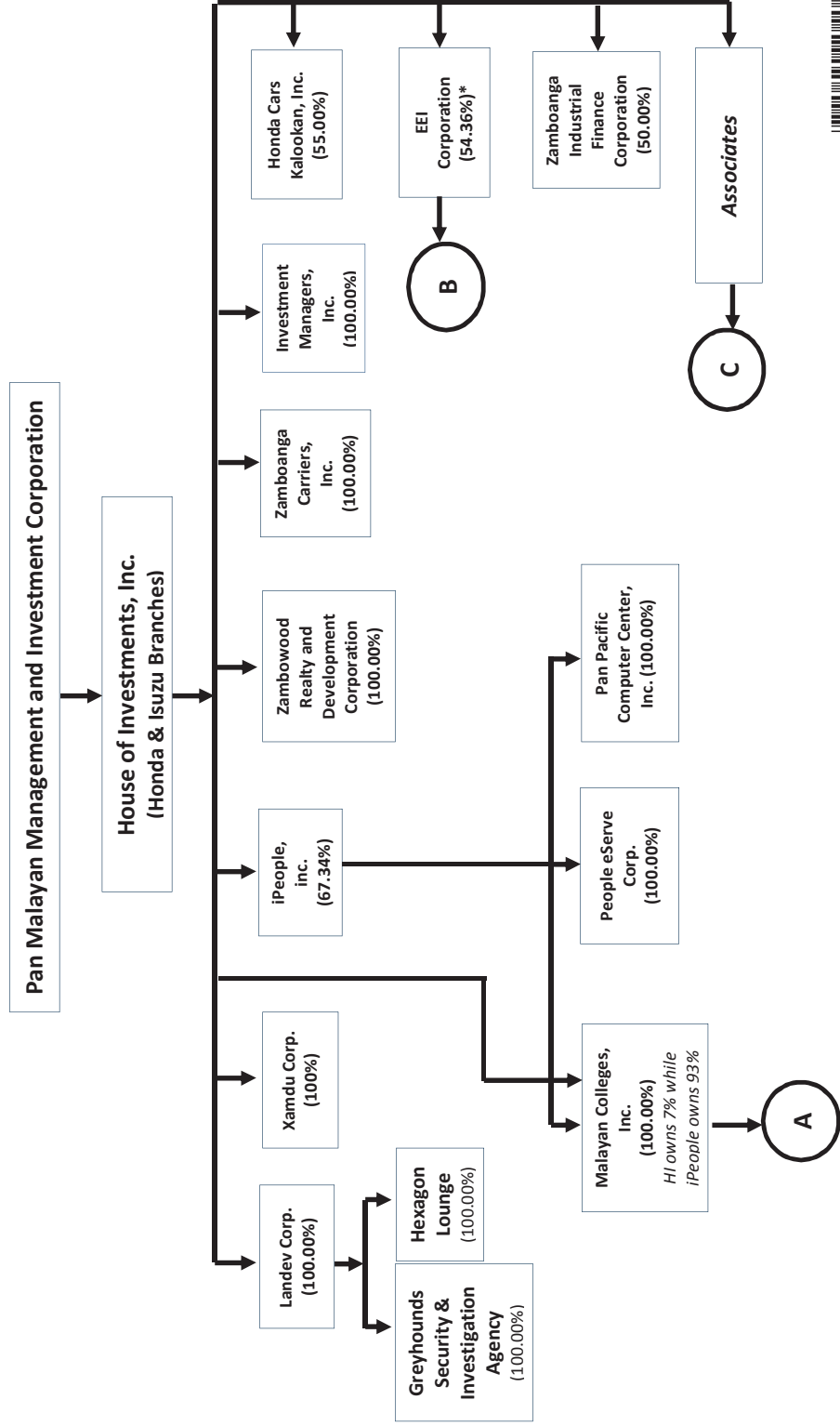
*Earnings before interest and taxes (EBIT)

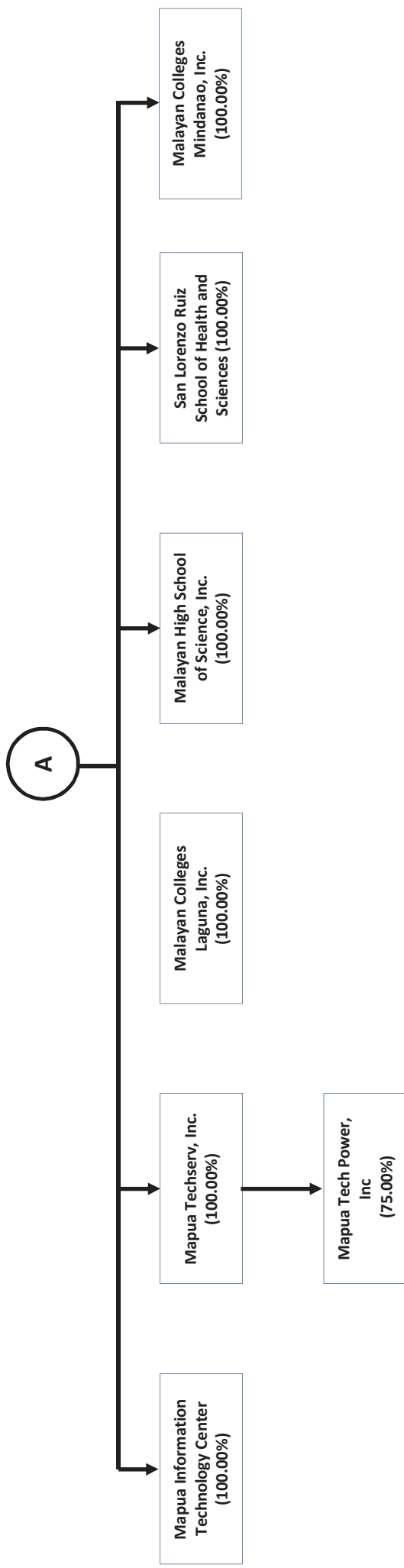


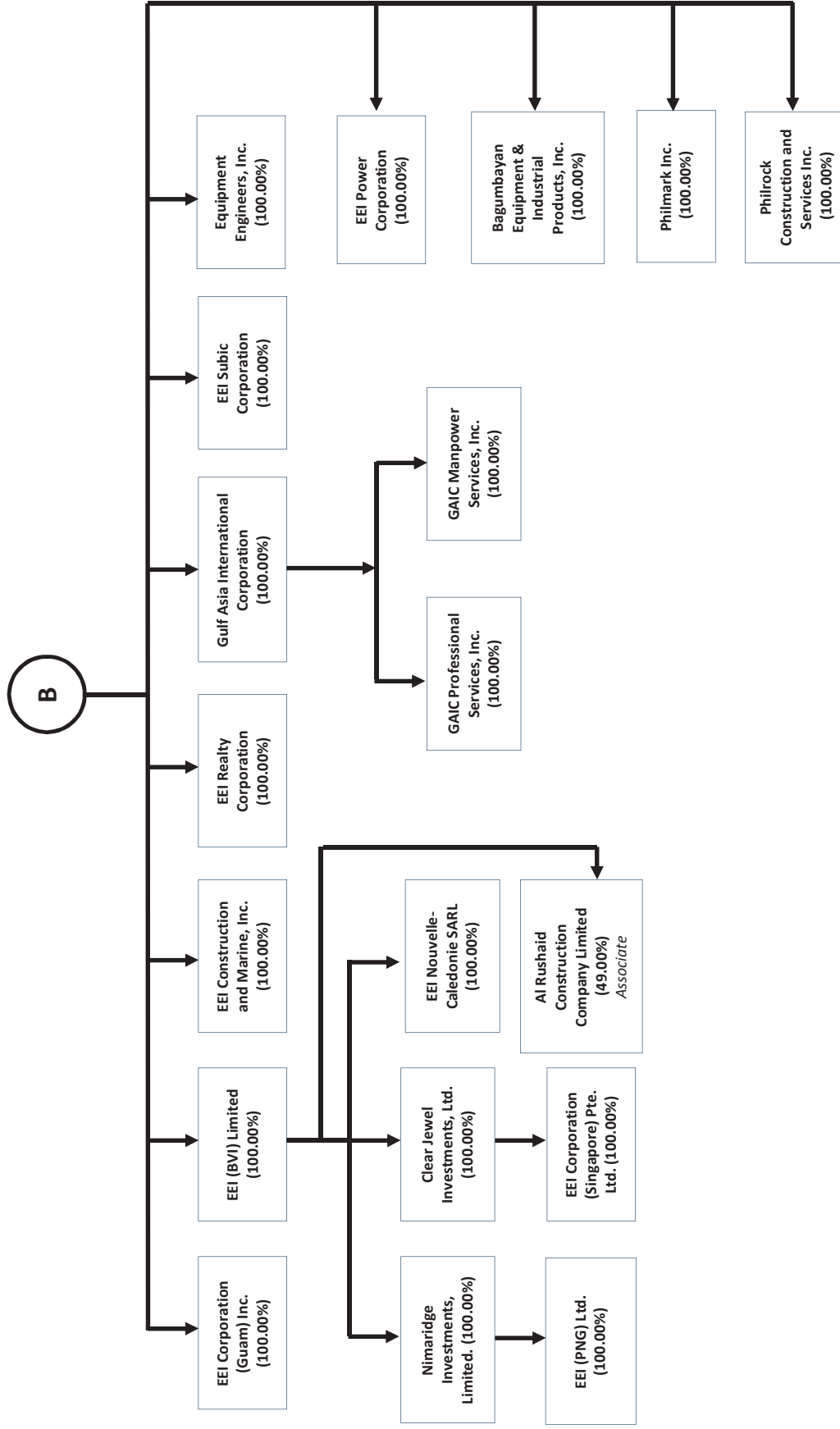
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

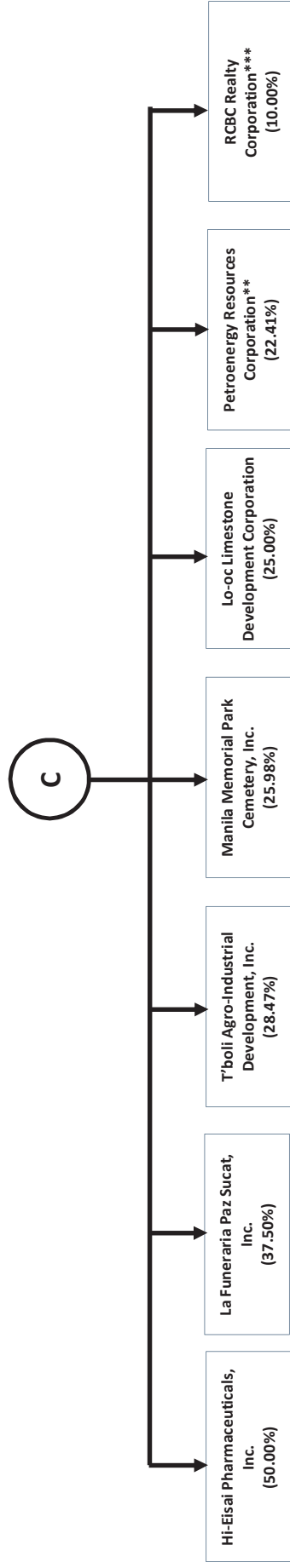
Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2015:









* In 2015, the Group purchased additional 41.9 million shares resulting to an increased ownership interest from 50.32% to 54.36%.

** 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



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, Metro Manila

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, 2015 and 2014, and for each of the three years in the period ended December 31, 2015 included in this Form 17-A, and have issued our report thereon dated April 8, 2016. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. Schedules I - III listed in the Index to 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. 5321688, January 4, 2016, Makati City

April 8, 2016

