COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 5 3 9 3

COMPANY NAME

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A AMENDED		

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)
386	July 20	December 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, 2018**

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**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

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

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

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

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

Title of Each Class	Number of Shares Outstanding
Common, P1.5 par value	615,996,114
Preferred, P0.40 par value	618,535,387

Total Debt Outstanding as of December 31, 2018: P21.4 Billion

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

12. Check whether the registrant:

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

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

13. As of March 31, 2019, 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 Two Billion, Two Hundred Twenty Nine Million, Seven Hundred Eighty-Eight Thousand, Eight Pesos (P2,229,788,008) or Three Hundred Eighteen Million, Five Hundred Forty-One Thousand and One Hundred Forty-Four (318,541,144) shares at P 7.0/share.

**** 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.***

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference:

(a) 2018 Audited Consolidated Financial Statements

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1: Description of Business

House of Investments, Inc. ("House of Investments" or "the Company") was incorporated in 1959 as an investment bank, the first of such bank to be organized in the Philippines in 1959. Through the years, the Company has evolved into an investment holding and management company with a diversified portfolio and has become one of the four major flagship corporations of the Yuchengco Group of Companies ("YGC"). The Company is a publicly listed company on the Philippine Stock Exchange (PSE:HI).

Throughout its history, House of Investments 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 2018, it has a total consolidated asset base of PhP39.60 billion. Consolidated revenues for 2018 summed to PhP32.31 billion, with consolidated net income of PhP1.16 billion.

Using funding raised through various sources, House of Investments seeks to buy entire businesses (or take majority control or a significant minority in a friendly transaction) with a view towards increasing the returns from such enterprises. By investing in 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.

The Company's core business focus is organized into four segments, namely: Car Dealership, Construction, Education and Property Services. Current portfolio investments are in pharmaceuticals, energy, consumer finance, and afterlife services.

CORE BUSINESS UNITS:

A. <u>CAR DEALERSHIP:</u>
House of Investments operates two car-retailing brands: Honda and Isuzu.

House of Investments owns and operates Honda dealerships in the following Metro Manila locations: Quezon Ave., Manila, Marikina, Fairview, and Marcos Highway and one service center in Tandang Sora. HI also owns a majority stake in Honda Cars Kalookan, Inc. that owns and operates dealerships in Kalookan and Greenhills.

The Company's Isuzu dealerships, on the other hand, are in four locations: Manila, Commonwealth, Greenhills, and Leyte.

B. <u>CONSTRUCTION</u>
House of Investments 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.

C. <u>EDUCATION</u>
House of Investments owns a majority stake in iPeople, inc. ("iPeople"), the vehicle for investments in education. iPeople (together with House of Investments) wholly owns the Malayan Education System, Inc. (Operating under the name of Mapúa University) ("MES"). Mapúa University is widely considered to be the leading and largest private engineering and I.T. school in the country.

D. <u>PROPERTY SERVICES</u>
House of Investments wholly owns Landev Corporation. Landev is primarily engaged in property management and project management for the YGC. It also provides comprehensive security services to leading institutions through its subsidiary Greyhounds Security and Investigation Agency Corporation ("GSIA").

House of Investments also owns a minority stake in RCBC Realty Corporation ("RRC"), which owns the RCBC Plaza. The operations of RCBC Plaza are managed by House of Investments.

The operations of each core business, along with a discussion of risks and 2017 performance, will be discussed in the appropriate section.

PORTFOLIO INVESTMENTS:

A. ENERGY

House of Investments has investments in the energy sector through its stake in PetroEnergy Resources Corporation ("PERC") and EEI Power Corporation, a wholly-owned subsidiary of EEI.

PetroEnergy Resources Corporation (PERC) is a publicly listed Philippine energy company founded in 1994 to undertake upstream oil exploration and development. Since then, it has diversified into renewable energy and power generation. PetroEnergy, through its renewable energy arm, PetroGreen Energy Corporation (PGEC), has investments in the following joint venture companies : PetroSolar Corporation, PetroWind Energy Inc., and Maibarara Geothermal Incoporated.

EEI Power Corporation 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 participation in Petro Wind Energy, Inc. and PetroSolar Corporation, both of which are subsidiaries of PERC.

B. PHARMACEUTICALS

House of Investments owns 50% of HI-Eisai Pharmaceuticals, Inc. ("HEPI"), which is a joint venture with the Eisai Co. of Japan. HEPI imports pharmaceuticals from Japan, which it sells in the Philippine market through established drug distributors.

C. AFTERLIFE SERVICES

House of Investments 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.

D. CONSUMER FINANCE

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

THE HOLDING COMPANY

The executive management takes an active role in the management of the core businesses. In addition, the executive management monitors the business performance of the portfolio companies very closely. Through regular review of actual results compared to budgets and previous year performance, House of Investments 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 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 identifying growth opportunities in existing businesses; helping develop new products and services that increase organic growth; or buying entire companies or controlling stakes in companies which show high growth potential.

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 core business unit, please refer to the appropriate section in this report.*

a. Interest Rate Risk
The Company 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. HI does not speculate on the direction of interest rates. The main objective is to lower financing costs as much as possible.

b. Foreign Exchange Risk
The Company's exposure to foreign exchange risk is minimal. The company has 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.

c. Liquidity Risk
The Company seeks to manage its liquidity to be able to service maturing debts, finance capital requirements, and pay for existing operations. House of Invesments maintains a consistent level of funding to be able to pay for its day-to-day operations. The Company constantly monitors its projected cash flows. Close attention is paid to asset liability management.

d. Credit Risk
The Company's holding of cash and short-term securities exposes the company to the credit risk of the counterparty. Given House of Investments's diverse body of counterparties, it does not have a concentrated credit risk exposure.

e. 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.

The Company has non-core holdings in its AFS investments. For its non-core holdings, the Company'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 the Company's intention to liquefy these investments and put the excess cash to work.

f. Business Continuity Risk
The Company 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 Company's Board through its Risk Oversight Committee and the management team ensures that the business continuity plans of each operating subsidiary are in place and is up to date.

g. Competition
The company is subject to competition in the segments in which each of its core business units operates. *Please refer to the related section of each core business unit on the risks each group faces.*

h. Succession Risk
The Company knows that people are an important resource and that its executive management team is a significant contributor to the continuing growth of House of Investments' investment portfolio. In order to preserve the management chain of succession and institutional knowledge that comes with it, the executive management works with the executives of the operating subsidiaries to ensure continuous training and career development are in place.

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

CAR DIVISIONS

House of Investments operates two car-retailing brands: Honda and Isuzu. Honda's vehicle line-up includes passenger cars and commercial vehicle categories, while Isuzu's are purely commercial vehicles.

New vehicle unit sales are cyclical. Changes in unit sales are driven by factors like new models, manufacturer incentives, interest rates, fuel prices, unemployment, inflation, the level of personal discretionary spending, credit availability, consumer confidence and others.

Our dealerships also generate revenue through repair services, the sale of replacement and aftermarket parts, and the sale of third-party finance and insurance products. We believe our various income streams help to lower the impact of the cyclicality found in the automotive sector. Revenues from service and parts sales are typically less cyclical than retail vehicle sales.

Risk Factors at the Car Divisions

a. 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 new and used vehicle sales volumes; availability of consumer credit; changes in consumer demand; consumer confidence levels; fuel prices; personal discretionary spending levels; interest rates; and unemployment rates.

b. Operational Risks
- Franchise Agreements with Honda and Isuzu. Our dealerships operate under a franchise agreement with Honda Cars Philippines Inc. and with Isuzu Philippines Corp., which authorizes our dealerships to sell new vehicles of the brands we carry or perform manufacturer authorized warranty service. 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

- Information Technology and Cyber Security. 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.

- Property loss, business interruption or other liabilities. Our operations can be hampered by property losses due to fire, adverse weather conditions, and militant activities e.g. rallies and strikes, among others. In addition, our business is subject to substantial risk of loss resulting from: 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.

c. Market Risk
- 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.

- Competition. 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 lower profits

d. Availability of financing and interest rate sensitivity
- To the Company. The operations rely heavily on loans to fund its working capital and cash flow. The car divisions access credit through the lines available to House of Investments, Inc. while Honda Cars Kalookan, Inc. has its own lines with Banks.
  A sustained or significant decrease in our operating cash flows could lead to an inability to meet our debt service requirements.
  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.

- To our clients. A significant portion of vehicle sales in the Philippines is funded through bank financing. Access to credit for vehicle buyers and increased interest rates may also decrease vehicle sales, which would negatively affect our operating results.

e. 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.

- Tax Reform for Acceleration and Inclusion ("TRAIN"). In particular, the implementation of the TRAIN saw an increase in the Excise Taxes on vehicles sold effective January 2018, which resulted in a decline in sales. The restrictive fiscal policy reduced the demand for brand new vehicles leading to lower revenues by the car dealerships.
- Data Privacy Act. The Data Privacy Law requires that personal and sensitive information of the car dealerships' stakeholders held by the company be taken care of with utmost privacy. A breach of this requirement would mean stiff penalty and also possibly result to costly lawsuits that may tarnish our reputation. A committee has already been formed to spearhead the awareness for this requirement and implementation of necessary policies that protect personal data.

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.

f. 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.

THE CONSTRUCTION SECTOR

EEI CORPORATION AND SUBSIDIARIES

EEI Corporation (EEI or the Company) was founded in 1931 as machinery and mills supply house for the mining industry. Over the past 87 years, aside from broadening the range of industrial machinery and systems it distributes, the Company also expanded into construction services, and in the supply of manpower in the Philippines and overseas. Today, EEI is one of the country's leading construction companies, with a reputable track record in general contracting and specialty works.

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

It has been involved in the installation, construction, and erection of power generating facilities; oil refineries; chemical production plants; cement plants; food and beverage manufacturing facilities; semiconductor assembly plants; roads, bridges, railroads, ports, airports, elevated expressways, metro rail transit system and other infrastructure; high rise residential and office towers, and hotel buildings. The Company also operates one of the country's modern steel fabrication plants.

Driven by a commitment to Philippine development and to have greater presence in the economy, EEI continues to expand its core business to a wide array of construction competencies. The Company has also been engaged in doing construction projects overseas for more than forty years.

EEI has been recognized by contractors worldwide for the quality of its work and for its safety records, and is certified as compliant with ISO 9001:2008, ISO 14001:2004 (Environmental Management System), and OHSAS 18001:2007 (Occupational Safety and Health Management System) standards. The Company stays abreast with the latest developments in technology, materials engineering, and construction methodologies while including its own innovation in the application of its work, making it a preferred provider of construction services to global Engineering, Procurement, and Construction companies.

Principal Activities

A. Building Construction
B. Infrastructure
C. Industrial Facilities
D. Steel Fabrication
E. Manpower Supply
F. Trading
G. Power Supply

EEI also owns five major subsidiaries:

- **Equipment Engineers, Inc.** engages in the supply and marketing of a broad range of industrial plant facilities, process equipment, systems, and parts to the industrial, commercial, and property development companies; and, engages also in supply management services.
- **EEI Power Corporation** is a power producer and engages as well in building, rehabilitating, and operating power generating plants.
- **EEI Construction and Marine, Inc.** engages in structural fabrication works and light steel construction works such as storage tanks, pressure vessels, ducts and pipes.
- **GAIC Group** provides manpower services to both local and foreign markets.
- **EEI Realty Corporation** is engaged in the development of land, housing, and other properties.
- **JPSAI** is a provider of formworks and scaffolding.

Risk Factors at the Construction Sector

The risk management function is an important aspect of corporate governance. EEI has a Risk Management Program which has been in place since 2009. A Risk Management Council composed of the President and CEO, the Chief Risk Officer and key department heads meet regularly to discuss the new and emerging risks brought about by the peculiarities of new projects, changes in the market place, economic shifts, political upheavals, disasters, unusual events and probable impending events which had been identified in the various areas of company's business activities. The Risk Management Council is responsible for providing timely, relevant and comprehensive risk information to the Board through the Board Risk Oversight Committee, which is composed, of five directors.

The company is expecting the following major risks and opportunities (in no particular order) to factor into its business and is doing the corresponding actions to properly address them:

a. Geopolitical risk and opportunities
   - Philippine Infrastructure Boom. As the government continues to change the political and economic situation in the country including EEI's relationships with other nations, the effects of which to the construction markets where EEI has interests is of particular interest:
     - The "Build, build, build" initiative of the government initiative of the government is expected to provide a sizable opportunity for players in the construction industry but the funding for such and fairness of the government in awarding contracts are important factors.
     - The government has signed 29 bilateral agreements during the Chinese President's visit in November 2018 highlighting the growing relationship between the two countries. These agreements follow the signing of 13 cooperation agreements and securing financial assistance and investment pledges worth USD 24 billion during President Duterte's visit to China in October 2016. There are concerns about onerous contracts from other countries which were granted ODA by China.
     - Japan remains the top ODA provider with almost USD 6 billion or 40% of the total ODA received by the Philippines.

   To mitigate this risk, EEI has made alliances with foreign EPCs mainly Japanese in our pursuit for more infrastructure projects. EEI is also establishing working relationships with known local developers that will most likely be awarded government projects. In addition, due diligence on Chinese investors is being done prior to entering into any partnership. Contracts related to such partnership are being thoroughly reviewed to ensure its fairness.

- Global Economic Slowdown and Global Trade War**.** The global growth forecast for 2019 and 2020 had already been revised downward in the last World Economic Outlook of the IMF, partly because of the negative effects of tariff increases enacted in the United States and China.

  Risks to global growth tilt to the downside. Financial conditions have already tightened. A range of triggers beyond escalating trade tensions could spark a further deterioration in risk sentiment with adverse growth implications, especially given the high levels of public and private debt. These potential triggers include a "no-deal" withdrawal of the United Kingdom from the European Union and a greater-than-envisaged slowdown in China. To mitigate this risk, EEI monitors steel prices for opportunistic medium-term supply contract. EEI also initiates capital increase before liquidity squeeze.

  Effects of charter change. A shift to federalism may face a protracted process, weak government absorption, and ineffective consolidation of federal regions. Weak federal regions may transfer costs to Filipino public, impose financial burdens on businesses, and face grim prospects of financial bailouts. With increase cost of bureaucracy, funds initially intended for the infrastructure projects can be diverted. To mitigate this risk, EEI is focusing on ODA financed projects to assure funding to project completion.

  Boom and Bust of Cycle of the Construction Business. The current main source of revenue of the company is in the construction business in the Philippines (mainly in infrastructure) and in Saudi Arabia (mainly electro mechanical projects in the oil and gas industry). The company's financial performance can easily be affected by the changes in the business climate in these countries. To mitigate this risk, EEI is looking to diversify, not only in non-construction business but also geographically, which will generate recurring revenue stream for the company.

b. Saudi country risk

A relatively sizable operation of the Company is situated in the Kingdom of Saudi Arabia and the uncertainties in that area is of some concern. The prevailing low oil prices, the political instability and regional security threats (Iran, Syria and Yemen) continue to be a factor that affects the operations there. The Khashoggi incident will isolate the Kingdom from international investors (mainly US and Europe) and may be subject to BDS (Boycott, Divestment and Sanction) similar to Israel due to human rights violation. FDI to finance the Neom project of the Saudi Crown Prince is at risk

On the other hand, emerging opportunities exist with the new Crown Prince's Vision 2030 initiatives, Saudi Aramco's IPO and alliance with Russia and China, which will not only stabilize the oil price but also create new economic activities. To mitigate this risk, EEi continues to focus on sustainable operations and maintenance and manpower supply contracts where margins are higher and risks are limited. EEI is also diversifying into infrastructure business.

c. Business concentration risk

As much as EEI values its current roster of regular clients, it is always better to create a wider client base. Doing this will not only expand the opportunities open to the company but also make the company more resilient to any fluctuations in the business of our clients.

EEI was able to establish new clients but at the same time recognize that expanding the client base has its limits. It is the reality of the Philippine business environment that investors are not that many. So EEI will expand its client base as much as possible but will give equal emphasis on the "quality" of the clients that EEI caters to – clients that have a track record of being fair and with sound financial standing are preferred. EEI also identified ways to expand its contracting capacity to be able to increase its government contracts portfolio when there are favorable opportunities to do so and also possibly serve as a balancing force to EEI's non-government contracts portfolio.

d. Credit Risk

It is typical in the industry, here and abroad, that executing a construction project involves a certain amount of credit between us (the contractor) and the client. Though the client's down payment is meant to provide working capital for the contractor, usually this is insufficient considering the fast-paced work, change orders, and timing difference between billing and collection. Thus, most of the time, a certain amount of work is being "financed" by the contractor and the probability of successfully collecting such is the risk. As EEI has undergone a significant increase in the number and size of projects that it are doing, the level of credit risk has also proportionately risen and should be given ample attention.

EEI performs close monitoring of project cash flow and prompt billing is being done, ensures that all change orders are only executed with proper approval documents from the client to ensure collectability of the work, initiate due diligence of new clients during tender stage as part of KYC, and negotiate for higher down-payment from the client. EEI is also establishing a cresit scoring system and negotiating for higher down-payment from the client.

e. Funding risk
With the infrastructure boom, EEI is expected to double or triple its existing backlog in the next three years. Fresh capital infusion may have to be injected for it to expand banking facilities and satisfy project funding requirements.

EEI will enhance net contracting capacity through efficient collection of receivables and claim recoveries. EEI is also looking at entering into joint ventures with foreign RPCs who will contribute ODA funding assistance. Another option is to intiate capital infusion through sgock rights issue and reinstatement of the employee stock option plan.

f. Interest rate risk
The era of quantitative easing known as QE3, using dollars is over in the United States. This will signal an end to easy money in Asia. Interest rates have risen in 2018 although US Federal Reserve Chairman suggested that the Federal Central Bank is likely to lower its forecast from two interest rate hikes in 2019 amid volatile financial markets and a slowing U.S. and global economys. To mitigate this risk, EEI's efforts to expand its facilities from banks to an optimum level, which have been successful and efforts to reduce debt levels are continuing.

g. Competition risk
Influx of new foreign competitors is expected with the loosening of the local laws for foreign contractor entry into the local construction market. EEI's local competitors tie up with specialty foreign contractors has also contributed to the intense competition inthe market. EEI continues to focus on its core business where is has competitive advantage and has cemented its business relationship with its main customer base and is continuing with its initiative to enter into foreign markets with the help of its current and future foreign partners.

h. Succession planning
The retirement of EEI's senior executive officers at the Construction Division including a few officers who either retired or left the subsidiary companies factors into its succession planning. Ensuring that proper control of operations and strategic direction remains intact and effective during the transition will be important. To mitigate this risk, vacant positions were promptly filled up with capable people. EEI continues to run extensive management development training programs to prepare the successors of the retiring managers.

i. Manpower sourcing
The construction boom in the Philippines has put considerable strain in the supply of human labor as various construction companies vie for their services. Although EEI's pool of workers is sufficient for the present amount of work, the anticipated award of new projects will require additional workers.

The capacity of EEI's recruitment group to acquire talents from various parts of the country has been supplemented by increasing their manpower complement. Efforts are now being done to make the deployment of our workers to various projects more efficient – that is, spot over-supply in certain areas and redistribute them to projects where they can be better utilized. In addition, training programs for zero-skilled applicants are being intensified to properly equip new recruits to work in our projects.

The use of technology and machines in lieu of human labor is also being explored.

j. Effects of Tax Reform for Acceleration and Inclusion (TRAIN) Law
The TRAIN Law is expected to induce price increase in the resources we use in our projects. These price movements may result to additional costs without compensating increase in revenue if not properly identified and managed. EEI has included escalation clauses in the contract provisions with their clients. In addition, medium- term supply contracts have been arranged with major suppliers except for steel products where prices are expected to decline due to supply glut that may arise from the trade war between US and China.

k. Disruptive technology
Just like the steam engine ushered in the first industrial revolution… Then electrical power delivered the second…And the internet brought us the third…5G heralds the advent of the fourth industrial revolution.

The fourth Industrial Revolution is shaped by advanced technologies from the physical, digital and biological worlds that combine to create innovations at a speed and scale unparalleled in human history. Collectively, these transformations are changing how individuals, governments and companies relate to each other and the world at large. Players failing to adopt or even adapt to such changes may prove disastrous as they risk obsolescence. Efforts to explore and study the use of these technologies in the construction industry are being done by EEI.

l. Sustainability
The WEF 2014 report defines sustainability as "long-term economic development compatible with available natural resources and the preservation of natural environment." According to a GRI 2012 report, there are ten global social and environmental sustainability megaforces that are expected to drive and shape business operations until 2030. These are climate change, energy and fuel, material resource scarcity, water scarcity, population growth, wealth, urbanization, food security, ecosystem decline, and deforestation.

According to GRI-KPMG report, there are six types of risks companies face from social and environmental megaforces:

- Physical risk refers to damage to assets and supply chains from physical impacts such as storms, floods, water shortages and sea-level rise.
- Regulatory risk refers to complex and rapid changes to the regulatory landscape.
- Reputational risk refer to damage to corporate reputation from being seen to do the wrong thing.
- Competitive risk refers to impacts of fast-changing market dynamics, and uncertainty of supply and price volatility of key inputs.
- Social risks refer to conflicts, social unrest, community and worker protests, labor shortages, migration, etc.
- Legal or litigation risks refer to exposure to potential legal action, for example, over nondisclosure of environmental, social and governance information.

Since these megaforces are interrelated in a complex system, the company has started its Sustainability initiative to integrate a systems approach to our sustainability strategy, manage risks to reduce long term costs, and capitalize on opportunities starting with corporate social responsibility and sustainability reports. Using GRI as framework, we will be better able to predict and manage risks emanating from sustainability-related dimensions of business and allow the company, among other benefits, to:

- Anticipate and prepare for issues in communities of operation
- Increase agility in process improvement
- Anticipate and prepare for future materials scarcity

m. Cyber security

With the onset of digital innovation and the technological backbone of the Fourth Industrial Revolution, new threats, vulnerabilities and attack vectors evolved e.g. malicious URL, web attacks, formjacking attacks, cryptojacking, enterprise and mobile ransomware, supply chain attacks, malicious email, powershell, etc. With our Oracle Fusion ERP migration to cloud environment, security challenges emerge on multiple fronts. From simple misconfiguration issues to vulnerabilities in hardware chips we saw a wide range of security challenges that the cloud presents. Assessments on these threats and equipment to protect against these attacks are continuously being monitored collaboratively with the Central SOC of YGC non-financial sector IT Security Group.

n. Data Privacy

The recently passed Data Privacy Law requires that personal and sensitive information of EEI's stakeholders held by the company be taken care of with utmost privacy. A breach of this requirement would mean stiff penalty and also possibly result to costly lawsuits that may tarnish our reputation. A committee has already been formed to spearhead the awareness for this requirement and implementation of necessary policies that protect personal data.

o. Operational risks

- General. The company's construction projects can generally be divided into 4 types: buildings, infrastructure, electromechanical, and industrual. Whatever the type of project, the operational risks that the company encounters can be categorized under the following types of risks: Estimation errors; Issues with manpower; Issues with equipment or tools; Issues with materials; Inefficiencies in EEI's performance during project execution; Inefficiencies in client's and their nominated subcontractors' performance during project execution; Site conditions that may affect the work; Actions by third parties (i.e. the public at large or government) that may affect the work; and Government approvals and right of way issues.

  The operational risks that the company encounters from year to year changes only in its mix mainly depending on the mix of projects that are being executed. This is because then ature of the work in each type of project results to a different mix of operational risks.

  To mitigate this risk, increased awareness of project risk owners of the identification of risk and its impact on the project and performance of probabilistic forecasting to enable improved management of these external factors were implemented. Efforts to enhance the monitoring of project performance including the possible effects of all type of risk exposures are continuing in its development and is expected to further improve the company's anticipation of risks and response were done.

  Future construction contracts are being negotiated EEI to contain provisions that either transfers these externalities or at the very least provides a means of spreading or minimizing the risk. Risk mitigation also happens during the tender stage where EEI can decide to pursue or ignore a tender. Creation of rules of thumbs during project execution to contain losses when the risk materializes

- Accidents. Possibility of accidents is a high risk for any of our projects and this has always been well-managed. However, the Company's portfolio of infrastructure projects (e.g. railways, elevated roads, metrorail transport system to name a few) have significantly increased recently. Such projects cannot be isolated from the general public as these are usually located within urbanized areas, there is heightened exposure of the public at large to accidents due to our construction activities.

  A more stringent safety plan is being implemented in all of the projects particularly those involving infrastructure executed in public areas. Proper insurance policies, properly designed to sufficiently cover any damage to 3rd parties, are procured to protect the welfare of the general public and also the financial performance of the projects.

- Right of way and obstruction issues. Another standard risk of infrastructure projects are Right of Way (ROW) and obstruction issues that impede the execution resulting to delays and, possibly, costs overruns. Considering that our big-ticket infrastructure projects are mostly located in developed cities, the occurrence of such issues cannot be prevented.

  Whenever possible, EEI taps the capabilities of our design team to explore and suggests redesign of the structure to the client in order circumvent any ROW or obstruction issues. EEI also anticipates effects of possible ROW or obstruction issues and adjust the plan of the schedule so as to minimize its financial impact without necessarily compromising the project duration.
- Contractual issues. The construction contract is critical in any project's success and the proper understanding and implementation of its provision is key to having a harmonious relationship with the client. However, there is the risk that certain provisions may be vague or even onerous which

are contained in the contract that can put the contractor at a significant disadvantage during disputes thus result to unrecoverable costs. These issues should be identified and properly resolved with the other party to prevent any problems later on.

EEI has made changes in our contracts management team and appointed a new Contracts Administrator so as to make the coordination between our legal department and project management team more effective in handling such issues. Lessons learned from the past experiences with contractual issues enabled us to come up with a checklist of provisions that we should carefully look at so as to make sure that it is stated in such a way that it is fair and protect our interests. This checklist is part of the considerations made during contract review of prospective construction projects.

THE EDUCATION SECTOR

iPeople, inc. ('iPeople") is the holding company under House of Investments that drives investments in the education sector. iPeople is a publicly listed company on the Philippine Stock Exchange (PSE:IPO).

iPeople owns a majority stake (93%) in Malayan Education System, Inc. (Operating under the name of Mapúa University). Mapúa University has two other wholly owned operating subsidiary schools, the Malayan Colleges Laguna, Inc., A Mapúa School ("MCL") and the Malayan High School of Science, Inc. ("MHSS").

Mapúa University expanded in Mindanao with Malayan Colleges Mindanao (A Mapua School), Inc. ("MCM"). The school opened its doors to the first batch of Grade 11 and college freshmen students on July 2, 2018.

MALAYAN EDUCATION SYSTEM, INC. (OPERATING UNDER THE NAME OF MAPUA UNIVERSITY)

Mapúa University is widely considered as the leading and largest private engineering and technological university in the Philippines. Don Tomas Mapúa, the first registered Filipino architect, founded Mapúa Institute of Technology on January 25, 1925. Mapúa operates in two (2) major campuses: its main campus in Intramuros and its extension campus in Makati.

Mapúa University's commitment to its continuous quality improvement philosophy has earned for the institution the reputation as a recognized leader in providing quality education in the country, especially in the field of engineering.

The Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) confirmed Mapúa's Civil Engineering program and other seven programs with Level IV and III status, respectively. Through the accreditation, these programs are highly respected, having prestige and authority comparable to similar programs in excellent foreign universities. PACUCOA is a private accrediting agency, which gives formal recognition to an educational institution by attesting that its academic program maintains excellent standards in its educational operations, in the context of its aims and objectives.

The Commission on Higher Education (CHED) confirmed Mapúa with the autonomous status effective from April 2016 to May 2019. CHED also recognized eight (8) of University's engineering programs as Centers of Excellence (COE) and one (1) as Center of Development (COD). Mapúa has the most number of engineering programs with COE status in the Philippines.

Mapúa University is also the first school in Southeast Asia to receive the prestigious accreditation from the United States' ABET (www.abet.org) for 11 of its engineering programs and three (3) of its computing programs. ABET accreditation ensures that graduates from the degree programs receive education and training comparable to similar degree programs in the US and Europe. The University currently holds the highest number of ABET-accredited programs in a single academic entity in the Philippines.

The University is also the first private educational institution in the country to have programs awarded with full accreditation by the Philippine Technological Council - Accreditation and Certification Board for Engineering and Technology (PTC-ACBET). Mapúa also received program accreditations from the Philippine Computer Society - Information and Computing Accreditation Board (PICAB). The University now has eight (8) PTC-ACBET-accredited engineering programs and three (3) PICAB- accredited computing programs.

Further testifying to its academic excellence, Mapúa has been granted University status by the Commission on Higher Education on May 18, 2017. This milestone recognizes the institution's sustained efforts to raise the standards of technological education and research in the Philippines.

Also in 2017, Mapúa University was awarded an overall three-star rating for excellence by the Quacquarelli Symonds (QS). The QS Stars is a rating system that gives students and the international community a wider picture of a higher education institution's strengths and qualities. Mapúa received a five-star rating in the categories of employability, facilities, and social responsibility, and four stars in inclusiveness and teaching.

The following year, Mapúa has been recognized as one of the best universities in Asia, earning a spot in the QS Asia Top 500 University Rankings for 2019. It is one of the eight Philippine universities that made it to the list. In the same year, the University acquired an ISO certification on environmental management systems, or ISO 140001:2015, a testament to its dedication to reducing its carbon footprint. Mapúa is the first Philippine educational institution granted ISO 14001 certification by TÜV SÜD. Mapúa has also upgraded its ISO certification on quality management systems from 9001:2008 to 9001:2015, demonstrating Mapúa's processes and management systems' adherence to international standards.

Mapúa University continues to be among the top performing schools in licensure examinations regulated by the Professional Regulation Commission (PRC). Its graduates consistently place in the top ten of various board examinations. To date, Mapúa has produced a total of 361 topnotchers across 11 of the PRC–administered licensure examinations since 2000.

Mapúa graduates also receive the highest average monthly salary for employees with one to four years experience, supervisors or employees with experience of five years or more, and assistant managers or managers, as revealed by a survey conducted by online publication Entrepreneur Philippines and online employment portal Jobstreet.com Philippines in July 2017.

MALAYAN COLLEGES LAGUNA, INC., A MAPÚA SCHOOL

Located in Cabuyao, Laguna, alongside several science and industrial parks, Malayan Colleges Laguna was established to extend the brand of the Mapúa Institute of Technology to the south by offering programs in engineering, computer science, information technology, business, accountancy, and hotel and restaurant management to students who prefer to stay closer to home.

The institution's community started with 854 students in its first year in the academe. Today, there are 5,183 students under both college and Senior High School ("SHS"). MCL, like its parent company Mapúa University, offered SHS. MCL also adopted Mapúa's design for and imbedded Internet of Things ("IoT") in its SHS curricula. IoT is an emerging technology that primarily deals with communication between smart / intelligent devices through the internet. This gave MCL a unique advantage in the secondary education sector, ensuring that our students and curricula remain competitive on a global scale as well. MCL SHS was opened in 2016 welcoming 1,012 Grade 11 students. In 2017, MCL took in 1,345 Grade 11 students.

In 2006, the CHED gave the approval for MCL to offer eight 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. To date, the campus offers 22 bachelor's degree programs and two diploma programs under five colleges and one institute: the Mapúa Institute of Technology at Laguna, the E.T. Yuchengco College of Business, the College of Computer and Information Science, the College of Arts and Science, the Mapúa-PTC College of Maritime Education, and the Institute for Excellence in Continuing Education and Lifelong Learning.

As part of its pledge to provide quality education to its students, MCL has reached yet another milestone in 2017 by having its Chemical Engineering and Computer Engineering programs granted a 2-year accreditation term for Academic Year 2018-2019 to 2019-2020 by the PTC-ACBET. MCL's Electronics Engineering (ECE) and Mechanical Engineering (ME) programs, which were granted their certificates of accreditation last March 2016, were also awarded re-certification for another period of 4 years (AY 2017-2018 to 2020-2021), which is tantamount to eventually getting PTC-ACBET's Full Accreditation certification.

With its excellent facilities, technologically advanced and IT-integrated curricula, MCL was envisioned to be a Center of Excellence for science and technology education in Southern Luzon. Over a decade later, the institution finds itself succeeding, as proven by its graduates' and students' consistent excellent performance in licensure and certification exams, and in local and national competitions and quiz bowls. In 2016, FindUniversity.ph marked it as the number one private school in CALABARZON and the 10th best school in the Philippines.

As a result of its quest to continually improve 21st century education, MCL took home the Blackboard Catalyst Award for Leading Change during the Blackboard Teaching and Learning Conference Asia 2017 in Singapore on October 4. The Catalyst Award for Leading Change is given to institutions that are steering educational innovation by developing and implementing high impact strategies.

MCL, being an institution envisioning to be a global steeple of excellence in professional education and research, had produced its first international research interns. 4th year Chemical Engineering (ChE) students under MCL's Research Director, underwent a short-term research internship at National Chiao Tung University (NCTU) in Hsinchu, Taiwan from October to December 2017. Their thesis, which is about the removal of copper and lead in waste water using capacitive deionization (CDI), is part of a project under the MECO-TECO Program of DOST-GIA.

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 with technology-driven companies during their academic years.

MCL is also continuously producing topnotchers in different licensure and certification examinations.

In the July 2017 Master Plumber Licensure Examination, MCL ranked as the no. 1 Top Performing School with an 85.71% passing rate.

This school year, MCL once again excelled in the different licensure and certification exams, garnering outstanding performances and perfect passing rates (100%) in the Electrical Engineer Licensure Exam, Electronics Technician Licensure Exam, Industrial Engineering Certification Exam, Mechanical Engineer Licensure Exam, the National Institute of Accounting Technicians (NIAT) Certification Exam for Registered Cost Accountants, and even in the PRC-Licensure Exam for Teachers (Secondary Level).

MALAYAN COLLEGES MINDANAO (A MAPÚA SCHOOL), INC.

Incorporated in 2015, Malayan Colleges Mindanao (A Mapua School), Inc. was established to offer Mapua-education in Davao and Mindanao.

MCM looms along General Douglas MacArthur Highway in Matina, Davao City, and opened its doors to senior high school and college students last July 2, 2018. It was inaugurated by Philippine President Rodrigo Duterte and graced by the cordial presence of Davao City Mayor Sara Duterte, and YGC Chairperson Mrs. Helen Yuchengco-Dee.. YGC executives and special guests from both public and private sectors attended the inauguration ceremony last July 7, 2018.

MCM has come to Davao City with the core vision of transforming students to become globally competitive professionals highly preferred by industries locally and abroad. The prestigious institution also distinguishes itself from rest of the colleges and universities in Mindanao through:

1. Learner-centered outcomes-based education
2. Blended online and face-to-face learning sessions
3. Industry Partnerships
4. Mindanao-centric Learning
5. Advanced Learning Facilities

With 14 baccalaureate programs in engineering, architecture, arts and sciences, information science, business, and complete senior high school academic and technical-vocational tracks, MCM has already reached its target number of enrollees in its first year of operation in Davao City.

For the school year 2019-2020, MCM expands global initiatives with new partners and opening of three additional programs under Alfonso T. Yuchengco College of Business namely, B.S. Accountancy, B.S. Management Accounting and B.S. Tourism Management.

Topped with cutting-edge learning facilities and resources, MCM equips students towards achieving excellence and relevance.

MALAYAN HIGH SCHOOL OF SCIENCE, INC.

MHSS is a science- and math-oriented high school located in Pandacan, Manila. Modeled after similar but publicly funded science high schools, MHSS offers a rigorous academic program geared towards graduating hard-working, mathematical and scientific-trained students that will excel in their university studies and beyond. The school is focused on optimizing student-to-teacher time and currently has 237 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, Mapúa Institute of Technology, 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.

Risk Factors related to School Operations

a. Regulatory, recognition of academic programs, and accreditations from government, and self-regulating private accreditation organizations.

- Accreditations. The schools are governed and regulated by the CHED and by the Department of Education ("DepEd"), depending on the program offerings. In addition, MES and MCL are also accredited by bPACUCOA while the initial accreditation of MCM is ongoing. MES is also accredited by the ABET. MES and MCL are both accredited by PTC-ACBET and PICAB.

  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.

- Tuition Fee. The Commission on Higher Education and the Department of Education regulates tuition increases at the university level and the secondary level, respectively, and routinely sets maximum limits on percentage increases in tuition fees. MES, MCL, MCM, and MHSS are subject to maximum percentage increase guidelines issued by both the CHEd and the DepEd, as applicable. The inability of our higher education institutions to increase tuition fees to cover higher operating costs may pose a risk to profits and cash flows over time.

- Changes in regulations. The DepEd K+12 program increases the total number of years of education at the pre-university level from 10 years to 12 years. The addition of two extra years of schooling prior to the university level means universities and colleges ended up with two academic years of no entering freshman classes.

  The reduction of the student population because of the K+12 program affected the Company's profits and cash flows in the medium term. MES, MCL and MHSS offered SHS starting 2016 to cushion the effects of the K + 12 Program. However, these measures may not offset the entire impact of a loss of two freshman batches.

  The Universal Access to Tertiary Education Act (RA10931) had its first time implementation this AY 2018-19. There was a decline in college freshman intake in private schools as a result. A large portion of the incoming freshman had applied with SUC/LUCs to avail of free education under the Act.

b. Competition

- Faculty. The schools depend on high quality faculty to teach the educational programs. To the extent that they can, the schools at both the tertiary 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.

- Students. Competition among schools for greater student enrolment is fierce. The schools 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, it also has its own impressive set of resources. It continues to pursue accreditations from self-regulating private accreditation organizations in addition to the government accreditation bodies.

c. Credit Risk
As the schools increase their enrollment, the level of receivables also increases. Some of the students who cannot afford to make the full payment of tuition and miscellaneous fees during an academic quarter execute 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 given that 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.

d. Operational Risk
The following may hamper the operations of the Mapúa schools:

- Transportation Strikes. In the event of a transportation strike, students, faculty, and the admin staff are unable to come to the campuses affected. Classes are normally suspended during these events.

- Natural calamities and disasters. 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.

- Labor unrest. Mapúa University has two unions, Faculty Association of MIT (FAMIT) and MIT Labor Union (MITLU). A strike by any of the two unions would obstruct operations.

  Mapúa University is bound by the collective bargaining agreement (CBA) signed between the institution and the two unions. Mapúa University 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 Mapúa University 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 Mapúa University.

In the event of calamities, strikes, and the like that could hamper the operations of the schools, Mapúa has tested and instituted the use of Blackboard, its learning management system that is capable of conducting real-time online classes across all campuses.

e. Interest Rate Risk
It is a company policy to use excess liquidity to pay down any 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. The Company 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.

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.

In order to grow, the 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 capital is raised through borrowings, the Mapúa schools will also be subject to interest rate risk. An increase in our negative carry will also adversely impact our profitability.

f. Market Risk and Political Risk
In the event that adverse macro-economic or micro-economic factors hit the country that may force a subset of students to temporarily drop out and continue their education at a later time, permanently stop school, or they decide to transfer to another school, our enrolment may be negatively impacted and this will have a negative effect on our profitability.

A certain portion of the student population depends on family members who are Overseas Filipino Workers to pay for their tuition and miscellaneous fees. International relations of the Philippines with the employer countries is a key element to avoid any serious disruption in the size and frequency of inward-bound overseas remittances.

The Free College Tuition also poses a risk to our schools. This may reduce the enrollment if current prospective students will opt to enroll in state-run universities and colleges.

PROPERTY SERVICES

LANDEV CORPORATION

House of Investments, Inc. 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, RCBC Savings Bank Corporate Center, Y Tower 1 and 2, and ETY Building;
- Facilities management for RCBC and RCBC Savings Bank branches nationwide; and
- Project management for the construction of the Mapúa Makati campus and the renovations of National Teachers' College.

GREYHOUNDS SECURITY AND INVESTIGATION AGENCY

Landev wholly owns a subsidiary named Greyhounds Security and Investigation Agency. GSIA provides comprehensive security services to leading installations like RCBC Plaza, RCBC Savngs Bank Corporate Center, all RCBC branches, and RCBC Savings Bank.

RCBC REALTY CORPORATION

House of Investments 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, the Yuchengco Museum, a 200-seat chapel, a VIP lounge, banking chambers, convenience and service shops, food court, seven-level basement parking, gym and health spa, and open-air courtyard. YGC members such as the RCBC and AY Foundation hold their offices here.

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

In May 2018, RCBC Plaza received its Leadership in Energy and Environmental Design (LEED) Gold certification, making it the first multi-tenanted building in the Philippines to achieve the prestigious certification. LEED is a certification program designed by the US Green Building Council (USGBC) and has become the most widely used green building rating system to assess environmental compliance in terms of sustainability, energy conservation, water reduction, air quality and materials, and resources.

Risk Factors at the Property Services

a. 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.

b. Credit Risk

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.

c. Operational Risk

- Loss 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.

- Natural calamities and disasters. Our operations can be hampered by property losses (both ours and our clients') due to fire, adverse weather conditions, earthquakes, and militant activities e.g. rallies and strikes, among others. In addition, our business is subject to substantial risk of loss resulting from: 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 and our clients 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.

d. 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 and facilities 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.

e. Competition

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 and security 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.

- Service Contracts. 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.

- Recruitment and Retention. Our business involves the labor-intensive delivery of our 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 security, 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.

f. 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.

We are also 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.

g. 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.

h. Liability

In many cases, our property 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.

i. Changes in Technology

Technological change that provides alternatives to property services or that decrease the number of personnel to effectively perform their services may decrease our customers' demand for our services. A decrease in the demand for our property services or our inability to effectively utilize such technologies may adversely affect our business, financial condition and results of operations.

Item 2: Properties

The office space used by House of Investments belongs to an affiliate. As a holding company, the Company 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 House of Investments.

The following summarizes information on House of Investments and subsidiaries real property ownership as of December 31, 2018.

PROPERTY DESCRIPTION	DATE ACQUIRED	AREA (SQ. M.)	TYPE
HOUSE OF INVESTMENTS, INC.			
Quezon Avenue	2002	4,604	Industrial
EEI CORPORATION			
Talayan, Q.C.	2002	2,700	Warehouse
Itogon, Benguet	1985	688	Residential (Monterazza)
Majada, Canlubang, Laguna	1998	29,481	Former ESG Yard
Golden Haven Memorial - Las Pinas	2003	31.72	Memorial Lots
Bigte, Norzagaray, Bulacan	2005	64,855	Agricultural
Minuyan, San Jose del Monte, Bulacan	2005	206,732	Agricultural
Minuyan, San Jose del Monte, Bulacan	2005	102,633	Cogon/Agricultural
Bauan, Batangas	2012	118,522	Fabrication Shop
EEI CONSTRUCTION AND MARINE, INC.			
Silang, Cavite	2010	21,197	Fabrication Shop
EEI REALTY CORP.CORPORATION			
Tanauan, Tanza, Cavite	1995	404,806	Residential Rawland
Tanauan, Tanza, Cavite	1995	183,316	Industrial (New ESG Yard)
Tanauan, Tanza, Cavite	1995	139,814	Residential JV with RHI
Calamba, Laguna	1995-96	66,575	Agricultural (In Process Conversion)
Marikina - Suburbia East	1999	913	Residential
Ayala Greenfield	2003	Sold Out	Residential
EQUIPMENT ENGINEERS, INC.			
Itogon, Buenguet	2006	Sold Out	Residential
Irisan, Benguet	2009	3,201	Residential
GULF ASIA INTERNATIONAL CORPORATION			
General Trias, Cavite	1998	259	Residential
EEI POWER CORPORATION			
Tagum City, Davao Del Norte	2013	7,887	Industrial
GULF ASIA INTERNATIONAL CORPORATION			
General Trias, Cavite	1998	259	Residential
EEI POWER CORPORATION			
Tagum City, Davao Del Norte	2013	7,887	Industrial
MALAYAN EDUCATION SYSTEM, 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
Sta. Cruz, Makati City	2018	5,114	School Campus (Bldg. under construction)
MALAYAN HIGH SCHOOL OF SCIENCE, INC.			
Paco, Manila	2002	3,624	School campus
MALAYAN COLLEGES LAGUNA, INC.			
Cabuyao, Laguna	2010	60,000	School campus
Cabuyao, Laguna	2012	14,640	Vacant lot for expansion
MALAYAN COLLEGES MINDANAO, INC.			
Ma-a, Davao	2015	23,000	School campus
Ma-a, Davao	2018	7,000	School campus

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

PROPERTY DESCRIPTION	LOCATION	AREA (IN SQM)	LEASE EXPIRATION
HOUSE OF INVESTMENTS, INC.			
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
HOUSE OF INVESTMENTS, INC.			
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 MES and EEI.

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 the Company and its main subsidiaries that are engaged in construction and infrastructure, education, and car dealership. As a holding company, House of Investment'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.

Item 3 – Legal Proceedings

EEI has not been involved in any legal proceeding for petition for bankruptcy, insolvency, or receivership. No judgment or resolution have been issued against any Director or Officer which would materially affect their ability or put into question their integrity to serve in their current position. The Corporation in involved in various cases the final resolution of which will not have any material effect on the continued operation or financial position of the Corporation.

Mapúa University is involved in certain disputes that arise in the ordinary conduct of business. Management believes that these suits will ultimately be settled in the normal course of operations and will not adversely affect the subsidiaries' financial position and operating results.

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

There were no matters during the Annual Stockholders' Meeting held on 20 July 2018 that required the vote of the Company's stockholders owning more than 2/3 of the outstanding number of shares.

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.

	STOCK PRICE	
PERIOD	HIGH	LOW
2019 First Quarter	7.14	5.75
2018 Fourth Quarter	7.80	5.75
2018 Third Quarter	9.00	5.70
2018 Second Quarter	7.23	5.96
2018 First Quarter	7.82	6.90
2017 Fourth Quarter	8.00	6.25
2017 Third Quarter	8.68	7.40
2017 Second Quarter	8.40	6.12
2017 First Quarter	6.68	5.76
2016 Fourth Quarter	6.00	5.29
2016 Third Quarter	6.88	5.93
2016 Second Quarter	7.50	6.01
2016 First Quarter	6.24	5.18

The market price of House of Investments' common stock as of May 8, 2019 (latest practicable trading date) is at P6.20 for high and P6.17 for low.

Stockholders

The top 20 owners of common stock as of April 30, 2019 are as follows:

STOCKHOLDER	COMMON SHARES	% OF TOTAL
Pan Malayan Management & Investment Corporation	294,759,570	47.85%
PCD Nominee Corporation	276,698,527	44.92%
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%
Enrique T. Yuchengco, Inc.	1,211,360	0.20%
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%
Wilson, Cathleen Ramona	420,170	0.07%
Wilson, Claudia	420,170	0.07%
Siguion-Reyna, Leonardo	404,880	0.07%
SUB TOTAL	605,523,707	98.31%
Others	10,472,407	1.69%
TOTAL	**615,996,114**	**100.00%**

House of Investments has a total of 382 common shareholders owning a total of 615,996,114 shares as of April 30, 2019.

Top 20 owners of preferred stock as of April 30, 2019.

STOCKHOLDER	PREFERRED SHARES	% OF TOTAL
Yuchengco, Alfonso T.	337,961,370	54.64%
Pan Malayan Management & Investment Corporation	232,024,666	37.51%
Alfonso T. Yuchengco, Inc.	15,764,785	2.55%
Enrique T. Yuchengco, Inc.	14,888,448	2.41%
Gomez, Eriberto H.	8,677,685	1.40%
Siguion-Reyna, Leonardo	1,719,351	0.28%
Alvendia Jr., Carmelino P.	1,188,380	0.19%
RP Land Development Corporation	1,077,983	0.17%
Rosario, Rodolfo P. Del	661,648	0.11%
Tantuco, Eloisa G.	495,161	0.08%
Wilson, Isabel Caro	491,733	0.08%
JAKA Investment Corporation	266,111	0.04%
Padilla, Alexander A.	214,235	0.03%
Padilla, Felipe A.	202,274	0.03%
Padilla, Francisco A.	202,274	0.03%
Padilla, Mercedes A.	202,274	0.03%
Villonco, Romeo	142,195	0.02%
Chan, Frederick	137,567	0.02%
Galvez, Maria Rosario P.	134,849	0.02%
Padilla Jr., Ambrosio	134,849	0.02%
SUB TOTAL	616,587,838	99.66%
Others	1,947,549	0.33%
TOTAL	**618,535,387**	**100.00%**

House of Investments has a total of 48 preferred shareholders owning a total of 616,535,387 shares as of April 30, 2019.

Dividends

In accordance with the Corporation Code of the Philippines, House of Investments intends to declare dividends (either in cash or stock or both) in the future. Common and preferred stockholders of the Company 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 House of Investments' 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 the Company'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 2019	N/A	P00.7580	P4.69MM
Q4 2018	N/A	P0.00719	P4.45MM
Q3 2018	N/A	P0.00529	P3.27MM
Q2 2018	P0.065	P0.02274	P54.10MM
Q1 2018	N/A	P0.00465	P2.95 MM
Q4 2017	N/A	P0.00402	P2.62 MM
Q3 2017	N/A	P0.00413	P2.76 MM
Q2 2017	P0.065	P0.02154	P2.88 MM
Q1 2017	N/A	P0.00415	P2.92 MM
Q4 2016	N/A	P0.00311	P2.48 MM
Q3 2016	N/A	P0.00342	P2.53 MM
Q2 2016	P0.065	P0.02059	P55.90 MM
Q1 2016	N/A	P0.00355	P2.76 MM

House of Investments 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 2018.

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

The equity capital structure of the firm as of December 31, 2018 is shown below:

	Common Stock	Preferred Stock
Authorized Capital	1,250,000,000	2,500,000,000
Issued	616,296,114	618,535,387
Paid Up Capital	P924,444,171.00	P247,414,154.80
Par Value	P1.50	P0.40
Features	**Common Stock**	**Preferred Stock**
Dividends		
General	Dividends shall be declared only from the surplus profits and shall be payable at such time and in such manner and in such amounts as the Board of Directors shall determine. No dividends shall be declared which will impair the capital of the company.	
Other Features	Not Applicable	Entitled to dividends at the rate of average 91-day T-Bill plus two percent; Fully participating as to distribution of dividends
Voting	All common and preferred shareholders shall have voting rights	
Liquidation Rights	Not Applicable	All preferred shareholders shall have preferences as to assets upon dissolution of the Parent Company over common shareholders.
Conversion	Not Applicable	Convertible into common shares at the option of the holders thereof from the date of issue at the conversion rate of 3 and 3/4 preferred shares to 1 common share for a price of Php1.5 per common share subject to adjustments
Redemption and Sinking Fund Provision	Not Applicable	Redeemable at any one time or from time to time, at the option of the BOD of the Parent Company, subject to availability of funds The Company shall provide for a sinking fund
Pre-emption Rights	All stockholders shall have no pre-emptive rights with respect to any shares of any other class or series of the present capital or on future or subsequent increases in capital	

Item 6 – Management Discussion and Analysis of Operations

Plan of Operations within the next twelve months

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

Management Discussion and Analysis

CONSOLIDATED RESULTS

Year 2018 vs. Year 2017

INCOME STATEMENT

The Group registered a net income after tax of P1.16 billion against P1.46 billion in 2017.

Total revenues grew by 17%, from P27.55 billion to P32.31 billion, primarily because of increase in construction revenues as a result of higher construction activities of on-going domestic projects of EEI. This was softened, however, by lower revenues from both the education and the car dealership segments. For the year, the car dealerships registered a 29% drop in revenues due to lower number of vehicle units sold. Likewise, the education segment showed a decline compared to last year due to combined effects of change in academic calendar year and lower average number of students.

Other income is lower this year primarily because of the following: (a) recognition of gain on sale of its investment property amounting to P270 million in 2017; (b) reversal of long outstanding payables amounting to P79 million, also in 2017; and (c) reclassification of the dealer's income and commission income to Revenues, as a result of adoption of PFRS 15 effective this year. Equity in net earnings dropped by 12% primarily because of the Group's share in the net losses of one of its associates, Al-Rushaid Construction Company, Ltd. (ARCC).

General and administrative expenses increased by 14% primarily due to: (a) provision for probable losses on consultancy fee receivable under the construction segment amounting to P325 million, (b) increase in taxes and licenses due to higher DST, resulting from additional loans obtained by the Group coupled with increase in tax rates upon implementation of the TRAIN law; and (c) increase in rent and utility expenses. Interest expenses increased by 65% due to increase in loan level coupled with increase in interest rates. Provision for income tax is higher by 26% due to higher taxable income posted by the Group during the year.

BALANCE SHEET

Consolidated total assets stood at P39.60 billion against P37.35 billion last year.

Total current assets dropped by 9%, from P17.73 billion last year to P16.09 billion, whereas the total non-current assets increased by 20%.

The significant movements in the following accounts are brought about by the Group's adoption of the new standards, PFRS 9 (Financial Instruments) and 15 (Revenue from Contracts with Customers), effective January 2018:

- Receivables, due to reclassification of retention receivables of EEI to a new account, Contract Assets (for the current portion) and to Other non-current assets (for the non-current portion);
- Contract assets, a new account upon adoption of PFRS 15, which represents all construction work-in-progress, including the portion retained by the customer;
- Costs and estimated earnings in excess of billings on uncompleted contracts, the old account description prior to adoption of PFRS 15, which included unbilled production and uninstalled materials;
- Inventories, which now includes uninstalled materials;
- Equity investments at fair value through other comprehensive income, formerly presented as Available for Sale Financial Assets, which represents the Group's total investments at its fair value. Prior to PFRS 9, the unquoted equity investments of the Group are measured at its cost.
- Deferred tax assets, due to the tax effect on the recognition of allowance for impairment on receivables relative to adoption of PFRS 9.

Receivable from related parties is lower compared to last year due to improved collections of an EEI subsidiary from other YGC entities. Prepaid expenses and other current assets increased due to higher unutilized input value added tax and creditable withholding taxes of the Group.

Investments in associates and joint ventures increased by 14% mainly due to the additional shares of Petroenergy Resources Corporation (PERC) purchased by the Parent Company amounting to P332.60 million. Increase in property and equipment pertains mainly to acquisition of machinery, tools and equipment intended for newly awarded domestic projects of EEI, and the increase in the market value of the Group's real properties.

Consolidated total liabilities increased from P21.0 billion to P21.43 billion.

The Group's adoption of PFRS 9 and 15 resulted to the following changes:

- Introduction of a new account, Contract Liabilities, which represents the consideration received by the Group before it transfers goods or services to its customers. For this period, the Contract Liabilities presented in the Group's Statement of Financial Position represent its unearned tuition fees and customers' deposits;
- Reclassification of Billings in Excess of Costs and Estimated Earnings to Contract Liabilities. This account represents the unrecouped portion of the down payment paid by the customers on construction contracts. For this period, the total transaction amount has been offset against the Contract Assets.
- Increase in deferred tax liabilities, which represent taxes related to change in measurement of the Group's investment in unquoted securities, from cost to fair value.

Total current liabilities increased from P18.10 billion to P18.58 billion primarily due to additional loans obtained by the Group to finance the new projects of EEI and the on-going construction in P.Ocampo property, as well as to settle the outstanding development costs of Malayan Colleges of Mindanao. Increase in accounts payable and accrued expenses pertain to increased production activities of EEI thereby incurring higher billings from subcontractors and suppliers. Current portion of long term debt is higher due to additional borrowings of EEI to fund its operational requirements. Income tax payable increased by P20 million as result of higher taxable income incurred by the Group. Due to related parties mainly pertains to foreign currency adjustment in relation to EEI's share in ARCC's income tax and other administrative fees.

Total noncurrent liabilities decreased from P2.90 billion to P2.85 billion. Reduction in long term debt pertains mainly to net impact of the partial settlement of the Parent Company of its loans. Reduction in other noncurrent liabilities was due to reclassification of deferred VAT output to accounts payables and accrued expenses account.

Consolidated equity grew from P16.35 billion to P18.17 billion, of which P12.43 billion is attributable to the Parent Company. Reduction in preferred stock represents the regular redemption of the Parent Company. Revaluation increment represents the increase in the fair market value of the Group's real properties based on the recent valuation reports. Cumulative translation adjustment pertains mainly to 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. Retained earnings grew from P8.41 billion to P9.20 billion.

Year 2017 vs. Year 2016

INCOME STATEMENT

The Group posted a net income after tax of P1.46 billion vis-à-vis the P0.22 billion in 2016. The increase is attributable to improved performance in the automotive segment and of one of the associates of the Group, Al-Rushaid Construction Company, Ltd (ARCC).

Total revenues grew by 7%, from P25.74 billion to P27.55 billion, primarily because of higher sales volume of the car dealerships. Revenues from the construction segment are slightly lower due to right of way issues, which slowed down the progress of construction of MRT 7 and Skyway 3. This is the primary reason for the drop in sale of services. Similarly, revenues from schools and related operations are lower this period still because of the effect of the K plus 12 Program of Department of Education, which resulted to lower number of Freshmen and Sophomore enrollees. Dividend income has also dropped, from P52.89 million to P1.85 million, mainly because last year includes dividends from RRC, an affiliate of the Group.

Other income increased by 93%, from P476.23 million to P920.94 million, on account of: (a) gain on sale of investment property; (b) increase in dealers' income; (c) increase in commission income; and (d) reversal of long outstanding payables of the Group. Income from investment in other companies showed a significant improvement, hence for this period the Group reported equity in net earnings of P0.29 billion compared to last year's equity in net losses of P1.09 billion.

General and administrative expenses increased by 10% largely due to higher selling and marketing costs of the car dealerships as it intensified the promotion of new model units. The increase is also attributable to: (a) higher personnel cost due to increase in manpower; (b) increase in rent and utilities as a result of new leased office spaces and renewal of existing leases; (c) higher taxes due to documentary stamp tax (DST) on loans; and (d) higher depreciation mainly due to additional machinery and construction equipment acquired by EEI.

BALANCE SHEET

Consolidated total assets stood at P37.35 billion against P33.69 billion last year.

Total current assets increase by P0.40 billion or 2% higher than last year. Cash and cash equivalents are lower this year as the Group continues to pay down its loans and its other obligations. Receivables increased by 16% primarily due to new projects of EEI and increase in sales of the car dealerships. Cost and estimated earnings in excess of billings on uncompleted contracts is lower than last year due to completion of several domestic projects of EEI. Inventories are lower by 29% due to higher sales volume of the dealerships. Receivables from related parties are significantly higher because of advances made by EEI Limited, a foreign subsidiary of EEI Corporation, to ARCC. Prepaid expenses and other current assets are higher by 29% due to increase in unutilized input taxes and advances to contractors and suppliers of EEI.

Investments in associates and joint ventures increased by 30% due to improved financial performance of ARCC, where EEI has a 49% stake, from net loss in 2016 to net income this year. The full redemption of RRC of its preferred shares resulted to reduced available-for-sale securities. Investment properties dropped significantly due to sale of the Group's property in Batangas. Increase in property and equipment pertains mainly to construction of a new school building in Mindanao and acquisition of new machinery, tools and construction equipment. Increase in other noncurrent assets pertains primarily to receivable of the Group relative to the sale of its Batangas property.

Consolidated total liabilities increased from P19.08 billion to P21.00 billion.

Total current liabilities increased from P15.77 billion to P18.10 billion primarily due to additional loans availed by the Group to finance the new projects of EEI and the construction of the new school building in Mindanao. Reduction in accounts payable and accrued expenses pertain primarily to settlement of obligations to its suppliers and contractors. Whereas, reduction in billings in excess of costs and estimated earnings on uncompleted contracts represent recoupment of down payment from EEI's completed projects. Unearned tuition fees are higher due to increase in the number enrollees in SHS. Increase in customers' deposits represents collections from EEI's prospective buyers for its housing project in Cavite.

Total noncurrent liabilities were reduced from P3.32 billion to P2.90 billion as the Group continues to pay down its long-term debt. The increase in deferred tax liabilities represent taxes related to revaluation increment of land, which has significantly increased this year.

Consolidated equity grew from P14.61 billion to P16.35 billion, of which P11.20 billion is attributable to the Parent Company. Reduction in preferred stock represents the regular redemption of the Parent Company. Retained earnings increased from P7.53 billion to P8.41 billion.

Year 2016 vs. Year 2015

INCOME STATEMENT

For the year ending December 2016, the Group posted a net income after tax of P0.22 billion vis-à-vis the P1.37 billion in 2015. The 84% decline is attributable to the losses incurred by ARCC, an associate of EEI Corporation. EEI's 49% share in the net loss amounted to P1.42 billion as compared to last year's P0.67 billion.

Total revenues decreased by 12%, from P29.09 billion to P25.74 billion. Sales of services decline by 20% due to the completion of the following major projects for the year 2016 such as FDC Misamis 3x135MW Coal Power Plant for NEPC Power Construction Corporation in Misamis Oriental; Slag Flotation Plant for Philippine

Associated Smelting and Refinery Corporation in Isabel, Leyte; The New CNS Sumitomo ATM Contract Package 1 and 2 for Sumitomo Corporation; Star Trec Project – Bundle 1B for Pilipinas Shell Petroleum Coorporation in Batangas City; Uptown Mall Towers 1, 2, 3 & 4 and BPO Offices for Megaworld Corporation in Taguig City; Segment 9 North Link Road Project Phase 1 for Manila North Tollways Corporation; Rehabilitation Of Condensed Milk Plant and Milk Powdered Plant for Alaska Milk Corporation in San Pedro, Laguna; San Gabriel Unit 70 450MW Combined Cycle Power Plant Project for Siemens Inc. in Santa Rita Batangas; Caticlan Airport Development Design & Build for Interim Runway Extension for Transaire Holdings Corporation in Malay, Aklan. Sale of goods improved by 10% due to an increase in vehicles sold by the car dealerships. Revenues from schools slightly decrease by 2%, from P2.25 billion to P2.20 billion, due to the effects of the K plus 12 program of the Department of Education (DepEd). Interest and discounts dropped by 8% due to lower interest earnings of Zamboanga Industrial Financing Corporation (ZIFC). Income from dividends increased to P0.053 billion from P0.051 billion.

Other Income increase by 21% y-o-y on account of increases in the following: (a) gain from redemption of preferred shares; (b) commission income; and (c) interest income. Equity in net losses of associates increased by P0.63 billion primarily due to provisions for probable losses incurred by ARCC because of project delays in its major project.

General and administrative expenses went up by 17% due to increases in: (a) personnel related expenses of the Group; (b) advertising and promotions related to increase in numbers of vehicle units sold by Car Dealerships; and (c) increase in miscellaneous expenses related to EEI's skills training expenses this year, which was charged to cost of management and techinical services last year. Interest and finance charges were higher in 2016 because of additional short-term loans availed by the Group to finance its operating activities. Provision for income tax decreased due to a lower provision by EEI for the year.

BALANCE SHEET

Consolidated total assets stood at P33.69 billion against P34.80 billion last year.

Total current assets decreased by P0.81 billion. Receivables increased from P7.49 billion to P8.0 billion because of substantial increase in retention receivables from EEI. The increase in current and non-current portion of loans receivable is related to ZIFC operations. Costs and estimated earnings in excess of billings on uncompleted contracts went down due to completion of domestic projects of EEI. Increase in Inventories is due to buildup in stock inventory by Honda and Isuzu and in fire and waterproofing materials and petroleum parts by Equipment Engineers. Prepaid expenses and other current assets went up due to reclassification of receivable from a project owner from other noncurrent assets to current assets resulting from the agreement that the receivable will be settled in 2017.

Investments in associates and joint ventures dropped due to impact of EEI share on ARCC's losses. Available for sale securities declined by 17% as RCBC Realty Corporation redeemed its preferred shares. Investment properties decreased due to the sale of land in Baguio by House of Investments and the increase in sale of condominium units and parking slots by EEI. Property and equipment at revalued amount went up due higher appraised value of the Company's Quezon City property and of IPO Group's Mindanao property. Deferred tax assets decreased primarily due to the tax effect of EEI's unrealized foreign currency exchange loss and accrued retirement. Retirement asset increased due to higher contribution made for 2016. Decrease in other noncurrent assets pertains to EEI's reclassification of advances from a customer to current asset.

Consolidated total liabilities decreased from P20.62 billion to P19.08 billion.

Total current liabilities drop by P0.94 billion. Accounts payable and accrued expenses decreased by 8% due to settlement of the Group on its obligations during the year. Billings in excess of costs and estimated earnings on uncompleted contracts went down due to recoupment of down payments from various completed projects. Significant increase in unearned tuition fees is due to effect of Senior High School offering from IPO Group. Income tax payable decreased due to the application of creditable withholding taxes and lower earnings posted by the Group. Customers' deposits dropped by 12% due to the application by EEI of its deposit on the progress billings for various clients other than construction contracts.

Total noncurrent liabilities decreased by P0.60 billion, from P3.78 billion to P3.18 billion. Long-term debt decreased by 18% as the Group settled its maturing obligations with the banks. Accrued retirement liability declined as the Group increased its contribution to the retirement fund. Deferred tax liabilities increased relative to higher valuation on land.

Total consolidated equity rose from P14.18 billion to P14.61 billion, of which P10.05 billion is attributable to the parent company. Decrease in preferred stock reflects regular redemption of the Parent Company's preferred shares. Revaluation increment significantly increased due to higher valuation of land owned by the Group. Net unrealized gains on available-for-sale securities due to the drop in prices of of quoted available-for-sale securities. Remeasurement losses on net retirement liability decline by 91% due to 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.

Total consolidated retained earnings increased from P7.19 billion to P7.53 billion.

Financial Ratios

Below are the financial ratios that are relevant to the Group's for the years ended December 31, 2018 and 2017:

Financial ratios		**2018**	2017
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**0.87:1**	0.98:1
Solvency Ratio *Shows how likely a company will be to continue meeting its debt obligations*	Net Income+Depreciation / Total liabilities	**0.10:1**	0.11:1
Debt-to-equity ratio *Measures the Group's overall leverage*	Total Debt / Total Equity	**1.18:1**	1.28:1
Asset to Equity Ratio *Measures the group's leverage and long-term solvency*	Total Assets / Total Equity	**2.18:1**	2.28:1
Interest Rate Coverage *Shows how easily a company can pay interest on outstanding debt*	EBIT* / Interest Expense	**4.65:1**	7.73:1
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income / Average Total Assets	**3.03%**	4.12%
Return on Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Total Equity	**6.74%**	9.45%

**Earnings before interest and taxes*

Current ratio decreased from 0.98:1 in 2017 to 0.87:1 in 2018. This is attributable to the increase in loans obtained by the Group.

Solvency ratio decreased from 0.11:1 in 2017 to 0.10:1 in 2017 due to lower net income posted by the Group coupled with additional loan incurred by the Group to finance its operational and development costs.

Debt-to-Equity ratio measures the Group's leverage. It decreased from 1.28 to 1.18 this year primarilydue to the impact of adoption of PFRS 9.
Asset-to-Equity ratio decreased from 2.28 in 2017 to 2.18 in 2018 due to increase in equity component as a result of adoption of PFRS 9 and 15.

Interest Rate Coverage ratio shows how easily a company can pay interest on outstanding debt. It is lower at 4.65 times compared to last year due to higher interest expense of the Group as a result of additional loans for the period coupled with increase in borrowing rates.

Return on Assets measures the ability to utilize the Group's assets to create profits. The Group's return on assets for the year 2018 decreased to 3.03% from 4.12% in 2017 due to lower earnings posted by the Group during the year.

Return on Average Stockholders' Equity (ROAE) measures the profitability of the Company in relation to the average stockholders' equity. The ROAE for 2018 decreased to 6.74% from 9.45% in 2017 due to lower income generated by the Group.

The above-mentioned ratios are applicable to the Group as a whole.

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 the Company's liquidity increasing or decreasing in any material way;

  a. House of Investments does not anticipate any cash flow or liquidity problems within the next twelve months;
  b. House of Investments is not in default or breach of any note, loan, lease, or other indebtedness or financing arrangement which will require the Company to make payments;
  c. There is no significant amount of trade payable that have not been paid within the stated terms; and
  d. House of Investments 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) Below are the material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.

iPeople, inc's subsidiary, Malayan Education System, Inc. (Operating under the name of Mapúa University) is constructing of a new campus on a 5,114 square-meter property in Makati. Completion is expected in time for the Academic Year 2020-2021. The entire project is estimated to cost around P2.5 billion and will be funded partially by debt.

(v) Below are the known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

The K+12 program of the DepEd, which calls for the two extra years of basic education started in 2016. There will be two academic years where there will be no students moving on to tertiary studies in starting 2016. This is expected to severely impact the profit and cash flow of both for-profit and non-profit tertiary education institutions during the transition period.

To address the effects during the transition period, Mapúa University and Malayan Colleges Laguna, Inc. offered Senior High School and started to take in Grade 11 students in 2016 who accelerated to Grade 12 in 2017. Also, as a strategic response to the K Plus 12 developments, iPeople is actively seeking opportunities to expand its current education portfolio.

The Universal Access to Quality Tertiary Education Act (RA10931) shifts the proportion of college students between SUCs/LUCs and private Universities and Colleges. This will affect the enrollment in private Universities and Colleges, including the Mapúa schools.

Other than the above, there is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income of the Group from continuing operations;

(vi) There are no significant elements of income or loss that did not arise from the House of Investments' 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 2018 audited consolidated financial statements of House of Investments 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 Co. (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 Ms. Wenda Lynn M. Loyola, as the engagement partner of SGV & Co. effective 2016. SEC rules mandate the compulsory rotation of audit partners after 5 years.

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.

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
2018	P3,182,750
2017	P3,021,500
2016	P2,961,500

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

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

<u>All Other Fees</u>
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

House of Investments' Board of Directors 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 the Company'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**
Ms. Helen Y. Dee	Chairperson	16 Years
Mr. Medel T. Nera	President & CEO	7 Years
Atty. Wilfrido E. Sanchez	Director	18 Years
Dr. Reynaldo B. Vea	Director	8 Years
Mr. Lorenzo V. Tan	Director	1 Year and 8 Months
Ms. Yvonne S Yuchengco	Director	17 Years

INDEPENDENT DIRECTORS		
Name	**Position**	**Length of Service**
Dr. Roberto F. de Ocampo	Director	18 Years
Mr. John Mark Frondoso	Director	2 Years
Mr. Ermilando D. Napa	Director	3 Years
Mr. Francisco H. Licuanan III	Director	11 Years
Mr. Juan B. Santos	Director	4 Years

EXECUTIVE OFFICERS			
Name	**Position**	**Age**	**Citizenship**
Ms. Helen Y. Dee	Chairperson	73	Filipino
Mr. Medel T. Nera	President & CEO	63	Filipino
Ms. Gema O. Cheng	EVP – COO, CFO & Treasurer	54	Filipino
Mr. Alexander Anthony G. Galang	SVP – Internal Audit	58	Filipino
Mr. Raul Victor B. Tan	SVP – Group Treasury Head	59	Filipino
Mr. Joselito D. Estrella	SVP – Chief Information Officer	54	Filipino
Ms. Ma. Esperanza F. Joven	VP – Finance	48	Filipino
Ms. Ma. Elisa E. Delara	VP – Internal Audit	49	Filipino
Ms. Maria Teresa T. Bautista	AVP – Corporate Controller	44	Filipino
Ms. Sonia P. Villegas	AVP – Human Resources Head	50	Filipino
Atty. Lalaine P. Monsarate	AVP – Legal & Compliance Officer	54	Filipino
Atty. Samuel V. Torres	Corporate Secretary	54	Filipino
Atty. Ma. Elvira Bernadette G. Gonzalez	Asst. Corporate Secretary	42	Filipino

POSITION AND BACKGROUND WITHIN THE LAST 5 YEARS

HELEN Y. DEE, 74 years old, Filipino, has been **Chairperson of the Board** since 2001 to present. She was also President and CEO of the company from 2001-2011. She is the **Chairperson** of EEI Corporation, PetroEnergy Resources Corporation, Rizal Commercial Banking Corporation, all of which are PSE-listed companies. She is the Chairperson, Vice Chairperson or a director of several companies engaged in banking, insurance, and real property businesses. ***Educational Background:*** Ms. Dee received her Master's Degree in Business Administration from De La Salle University.

MEDEL T. NERA, 63, Filipino, is a **Director** and the **President & CEO** from 2011 to present. He is also the **Chairman of the Board** of, Greyhounds Security & Investigation Agency Corp., and Zamboanga Industrial Finance Corporation (ZIFC); **Director and President** of Honda Cars Kalookan, Inc. and RCBC Realty Corp.; **Director** of EEI Corp., EEI Realty Corp., iPeople, inc., HI-Eisai Pharmaceuticals, Inc., Investment Managers, Inc., Landev Corp., Malayan Colleges Laguna, Inc. Manila Memorial Cemetery Park, Inc., and YGC Corporate

Services, Inc.; **Director and Treasurer** of Seafront Resources Corp.; **Independent Director** of National Reinsurance Corp. of the Philippines; ***His past experiences include:*** **Director and Chairman of Risk Committee** of Rizal Commercial Banking Corp.; **Director and Treasurer** of CRIBS Foundation, Inc., and **Senior Partner** at Sycip Gorres Velayo & Co. ***Educational Background:*** Master in Business Administration from Stern School of Business, New York University, USA and Bachelor of Science in Commerce from Far Eastern University, Philippines, International Management Program from Manchester Business School, UK, Pacific Rim Program from University of Washington, USA.

ATTY. WILFRIDO E. SANCHEZ, 82, Filipino, is a **Director** from 2000 to present. He is also a **Director** in Adventure International Tours, Inc., Amon Trading Corporation, Asia Brewery, Inc., Center for Leadership & Change, Inc., EEI Corporation, EMCOR, Inc., Eton Properties Philippines, Inc., J-DEL Investments and Management Corporation, JRV Foundation, Inc., K-Servico, Inc., Kawasaki Motor Corporation, LT Group, Inc., Magellan Capital Holdings, Corporation, Tanduay Distillers, Inc., Transnational Diversified Corporation, Transnational Financial Services, Inc., Transnational Plans, Inc. and Universal Robina Corporation; **Tax Counsel** of Quiason Makalintal Barot Torres Ibarra Sison and Damaso Law Firm; and **Trustees** of Asian Institute of Management (AIM). ***His Past experiences include***: **Managing Director & Head, Tax Division** of Sycip Gores Velayo & Co.; **Vice Chairman** of Center for Leadership and Change, Inc.; **Vice President** of JVR Foundation, Inc.; **Director** of NYK-TDG Maritime Academy, Wodel, Inc., Grepalife Asset Management Corporation, Grepalife Fixed Income Fund Corporation, Omico Corporation, APEX (Phils.) Equities Corporation, Grepalife Bond Fund Corporation, PET Plans, Inc., and Rizal Commercial Banking Corp. ***Educational Background:*** Masters of Law from Yale Law School, USA; Bachelor of Laws and Bachelor of Arts from Ateneo de Manila University, Philippines.

REYNALDO B. VEA, PhD, 67, Filipino, is a **Director** from 2010 to present. He is also the **President & CEO** of Malayan Education System, Inc. (Operating under the name Mapúa University); **Director and President** of iPeople, inc., Malayan Colleges Laguna (A Mapúa School), Inc., Malayan Colleges Mindanao (A Mapua School), Inc., Malayan High School of Science, Inc., Mapua Techserv; Trustee of AY Foundation, Yuchengco Center of De La Salle University, and Yuchengco Museum; **Director** of Maibarara Geothermal, Inc., and Petrogreen, Inc., **Chairman** of the Engineering Science and Technology Division of the National Academy of Science and Technology and the Philippine Science High School Foundation, Inc. ***His past experiences include:*** **Director** of Grepalife Dollar Bond Fund, Grepalife Fixed Income Fund, National Research Council of the Philippines, PetroWind, Inc., Rizal Commercial Banking Corp.,; **Member** of Philippine Fulbright Commission and UNESCO National Commission; **Trustee** of Philippine Association Colleges and University; **Chairman** of Committee on Science and Technology in UNESCO National Commission; **Dean** of UP College of Engineering. ***Educational Background:*** Ph.D. in Engineering from University of California, Berkley, USA; Master in Naval Architecture and Marine Engineering from Massachusettes Intitute of Technology, USA; and Bachelor of Science in Mechanical Engineering (magna cum laude) from University of the Philippines.

YVONNE S. YUCHENGCO, 65, Filipino, is a **Director** from 1999-2006, 2008 to present. She is also the **Chairperson** of First Nationwide Assurance Corp., RCBC Capital Corp. and XYZ Assets Corp..; **Chairperson and President** of Royal Commons, Inc., Y Tower II Office Condominium Corp. and Yuchengco Tower Office Condominium Corp.; **Chairperson and Trustee** of The Malayan Plaza Condominium Owners Association Inc.,; **Director, Chairman and President** of Philippine Integrated Advertising Agency, Inc.; **Director and Chairman** of Y Realty Corp., and Yuchengco Museum, Inc.;**Director and President** of Alto Pacific Corp. Malayan Insurance Co., Inc., MICO Equities, Inc., and RCBC Land, Inc.; **Director** of Annabelle Y. Holdings and Management Corp., Asia-Pac Reinsurance Co., Ltd., A.T. Yuchengco, Inc., DS Realty, Inc., Enrique T. Yuchengco, Inc., First Nationwide Assurance Corp., GPL Holdings, Inc., HYDee Management & Resource Corp., La Funenaria Paz Sucat, Inc., Luisita Industrial Park Corp., Malayan Education System, Inc. (operating under the name Mapúa University), Malayan Colleges Laguna, Inc., Malayan Colleges Mindanao, Inc.. Malayan Insurance Co. (H.K.) Ltd., Malayan International Insurance Corp., Manila Memorial Park Cemetery, Inc., National Reinsurance Corp. of the Phils., Pan Malayan Express, Inc., Pan Malayan Realty Corp., , RCBC Capital Corp., Seafront Resources Corp., Shayamala Corp., YGC Corporate Services, Inc., and Yuchengco Center, Inc.; **Director and Vice President** of A.Y. Holdings, Inc. **Director, Vice President and Treasurer** of Pan Managers, Inc**.; Director and Corporate Secretary** of MPC Investment Corp., **Director and Treasurer** of Honda Cars Kalookan, Inc., Malayan High School of Science, Inc., Mona Lisa Development Corp., Petro Energy Resources Corp. and Water Dragon, Inc.,; **Director, Treasurer and CFO** of Pan Malayan Management & Investment Corp.; **Trustee** of AY Foundation, Inc., Mapua Institute of Technology and Phil-Asia Assistance Foundation, Inc.,; **Advisory Member** of Rizal Commercial Banking Corp. ***Educational Background:*** Bachelor of Arts in Interdisciplinary Studies from Ateneo De Manila University, Philippines.

ROBERTO F. DE OCAMPO, 73, Filipino, former Secretary of Finance, is an **Independent Director** from 2000 to present. He is also the **Chairman** of the British Alumni Association, Philippine Veterans Bank, Philam Asset Management, STRADCOM, and Foundation for Economic Freedom; **Chairman and Board member** of Alaska Milk Corp., Centennial Asia Advisors Pte. Ltd. (Singapore), Centennial Group (Washington, D.C.), EEI Corp., Investment & Capital Corp. of the Philippines (ICCP) Group of Companies, Philam Asset Management Inc., Phinma Corp., Robinson's Land Corp., **Chairman of the Board of Advisers** of the RFO Center for Public Finance & Regional Economic Cooperation, which is an ADB Regional Knowledge Hub; **Co-Vice Chairman** of the Makati Business Club; **Founding Partner** of a Global Advisory Group (Centennial Group), Washington, D.C.; **Founding Director** of Global Economic Forum: The Emerging Markets Forum; **Emeritus Member** of the Financial Executives of the Philippines (FINEX). **Board of Advisers** of the Conference Board, New York. ***His past experiences:*** **Chairman and CEO** of Development Bank of the Philippines; **Chairman,** Land Bank of the Philippines, former member of Board of Governors of World Bank, Asian Development Bank (ADB), and International Monetary Fund. **President** of Asian Institute of Management, **President,** Management Association of the Philippines (MAP); **Member** of the AIM Board of Trustees. ***Educational Background:*** Doctorate of Humane Letters (Honoris Causa) from San Beda College, Doctorate in Philosophy in Business Administration (Honoris Causa) from De La Salle University, Doctorate in Laws (Honoris Causa) from Philippine Women's University, Doctorate in Public Administration (Honoris Causa) from University of Angeles City, Fellow in Development Administration (DDA) from London School of Economics, UK; Master in Business Administration from University of Michigan, USA; and Bachelor of Arts Major in Economics from Ateneo De Manila University, Philippines.

JOHN MARK S. FRONDOSO, 44, Filipino, was elected as an **Independent Director** in December 2016. He is also the **President** of FSG Technology Ventures, Inc. (Digipay); **President** of Star Two Holdings, Inc.; **Trustee and Chairman of the Investment Committee** of the Philippine Public School Teachers Association; **Director** of HC Consumer Finance Philippines, Inc. (Home Credit),; **Chairman & President** of FSG Capital, Inc. ***His Past experiences include:*** **Philippine Chief Representative & Executive Director** of Morgan Stanley (Singapore) Holdings Pte Ltd.; **Associate Director** of Barclays Capital (Investment Banking Division of Barclays Bank PLC). ***Educational Background:*** Bachelor of Science in Industrial Management (University Honors) from Carnegie Mellon University, USA

FRANCISCO H. LICUANAN III, 75, Filipino, is an **Independent Director** since 2006 to present. He is also **Chairman & CEO** of Battery Park Investment, Inc., Geo EState Development Corporation and New Pacific Resources Management Inc.; **President & CEO** of Innovative Property Solutions, Inc.; **President** of Stonebridge Corporation ***Educational Background:*** Master of Business Administration from Harvard Business School, USA; Bachelor of Arts in Economics (cum laude) from Ateneo De Manila University, Philippines

ERMILANDO D. NAPA, 69, Filipino, was elected as an **Independent Director** in 2016. He is also the **Founding CEO** of Manila Consulting & Management Co., Inc., and Catanauan Resources and Development Corp.; **Independent Director** at the iPeople, inc. and National Reinsurance Corporation of the Philippines (Nat Re).; **Chairman** of the Audit Committee of Nat Re, Interim Governance Board of the National Life Insurance Company of the Philippines (NLIC), Court Appointed Board of Liquidators of Capitol Hills Golf and Country Club Inc. ***His previous professional experience include*** being a **President and CEO**, and **Vice Chairman** of the Board of Trade and Investment Development Corporation aka Philippine Export – Import Credit Agency, **Partner** of SyCip Gorres & Velayo Company (Philippines), a **Principal** of Kassim Chan & Company in Kuala Lumpur, Malaysia (a former member firm of SGV Group and Delloite Haskins & Sells International), and a **Manager** of Arthur Andersen in New York. In 2013, he was appointed as **Conservator** of the National Life Insurance Company (NLIC) and spearheaded its rehabilitation. ***Educational background:*** Attended special trainings and various courses such as Strategic Management and IMPACT Productivity Improvement in Chicago and Corporate Finance in New York and various corporate governance courses. He holds a bachelor's degree in Business Management from Aquinas University (1970) and a master's degree in Management from the Asian Institute of Management (1980).

JUAN B. SANTOS, 80, Filipino, was elected as an **Independent Director** in 2014. He is also a **Director** of Allamanda Management Corporation, Alaska Milk Corporation, Philippine Investment Management, Inc., Philippine Investment Management Corp., Rizal Commercial Banking Corporation, Sunlife Grepa Financial, Inc.; **Chairman, Board of Trustee** of Dualtech Training Center Foundation, Inc.; **Trustee** of St. Luke's Medical Center; **Member of the Board of Advisors** of East-West Seeds Co., Mitsubishi Motor Phil. Corporation; **Consultant** of Marsman-Drysdale Group of Companies. ***His past experiences include:*** **Chairman** of Social Security System; **Secretary** of Trade and Industry, Philippines ; **Chairman and CEO** of Nestle

Philippines, Singapore and Thailand; **Director** of Philex Mining Corporation, Philippine Long Distance Telephone Company (PLDT), San Miguel Corporation; ***Educational Background:*** Advanced Management from International Institute of Management Development (IMD), Lausanne, Switzerland; Post-graduate studies on Foreign Trade from Thunderbird School of Global Management, Arizona, USA; and Bachelor of Science in Business Administration from Ateneo De Manila University, Philippines.

LORENZO V. TAN, 57, Filipino, was elected as a **Director in 2017**. He is also the **Vice Chairman** of TOYM Foundation; **Director** of Digitel Telecommunications, EEI Corp., iPeople, inc., Malayan Insurance Company, Inc., Smart Communications, Inc., Sun Life Grepa Financial, Inc., and Phil Realty Holdings and Investment Corp.; **Board of Trustees** at De La Salle Zobel; Managing Director of Primeiro Partners, Inc. ***His past experiences include:*** **President, Chief Executive Officer and Director** of Rizal Commercial Banking Corporation; **Chairman** of Asian Bankers Association; **President** of Bankers Association of the Philippines (BAP). As BAP president, he led the Association in representing the BAP in the ASEAN Bankers Association (ABA), composed of the national banking associations from the 10-member countries in the Association of Southeast Asian Nations (ASEAN). ***Educational Background:*** Certified Public Accountant in Pennsylvania, USA and in the Philippines. Mr. Tan graduated from De La Salle University with a Bachelor of Science degree in Accounting and Commerce, and holds a Master in Management degree from the J.L. Kellogg Graduate School of Management, Northwestern University.

EXECUTIVE OFFICERS:

GEMA O. CHENG, 54, Filipino, is the **Executive Vice President – Chief Operating Officer, Chief Finance Officer and Treasurer**. She also holds the following positions within the group: **Executive Vice President – Chief Financial Officer, and Treasurer of** iPeople, inc.; **Director, Chief Financial Officer and Treasurer** of Investment Managers, Inc.; **Director, Vice President for Finance and Treasurer** of Landev Corporation; **Director** of Malayan Colleges Laguna, Inc., and Manila Memorial Park Cemetery, Inc. She was previously **Senior Vice President** of SM Investments Corp. with the following roles: **Treasury Head** for SM Prime and its various business segments (Malls, Hotels & Conventions, Residences, Leisure and Commercial Properties Group); **Finance Head** for the SMIC Property Group; **Chief Finance Officer** for SM Land Inc., SM Development Corp., Costa del Hamilo Inc., Prime Metroestate Inc., Summerhills Homes and Development Corp. and Pico de Loro Beach and Country Club. ***Educational Background:*** Bachelor of Arts in Economics (Magna Cum Laude) from the University of the Philippines-Diliman, Philippines; Certificate of Special Studies in Administration and Management from Harvard University, USA.

ALEXANDER ANTHONY G. GALANG, 58, Filipino, is the **Senior Vice President for Internal Audit** since 2009. He was **Vice President** of the company from 2004 to 2009. ***His past experiences include:*** **Vice President for Audit & Special Projects** of Anglo Asian Strategic Management Inc.; **President** of Avrion Systems Inc.; **Deputy Managing Director** of Cala Paniman, Inc.; **Treasury Head** of Anglo Asian Holdings Corporation; **Regional Auditor** for Asia and Pacific of Triumph International, Inc.; **Finance Head** of Triumph International Vietnam, Inc.; **Senior International Corporate Auditor** of International Semi-Tech Microelectronics, Inc., then parent company of Singer Sewing Machine Co. USA.; **Internal Audit Manager** of Honda Philippines, Inc., **Finance Comptroller** of Midas Touch Foods Corp, et. al.; **Senior Auditor** at SGV and Co. CPAs.; **Member, Board of Trustees** of the Association of Certified Fraud Examiners - Philippine Chapter. He is a Certified Public Accountant (CPA) having placed 12th in the 1981 licensure exams. He has a Global Certification as a Certified Fraud Examiner (CFE) and a Certification in Risk Management Assurance (CRMA). ***Educational Background:*** Bachelor of Science in Business Administration Major in Accounting (Cum Laude) from University of Sto. Tomas, Philippines.

RAUL VICTOR B. TAN, 59, Filipino, is the Senior Vice President-Group Treasury Head. He was appointed to the position in July 2017. He is also the Treasurer of Malayan Education Systems, Inc. and Dean of the ETY School of Business Management of Mapua University. Prior to his appointment, he was a consultant of the Company. ***His previous affiliations include:*** Executive Vice President and Treasurer of Rizal Commercial Banking Corporation (RCBC); Director of RCBC Services Bankard Corporation and Merchants Savings and Loan Association; Inc. (Rizal Microbank- A Thrift Bank); Head of Treasury and Chief Dealer, United Coconut Planters Bank. ***Educational Background:*** Bachelor of Science in Business Management from Ateneo de Manila University and Masters in Business Administration from Fordham University, N.Y., U.S.A.

JOSELITO D. ESTRELLA, 54, Filipino, is the **Senior Vice President and Chief Information Officer**. He is also a **Senior Vice President – Chief Information Officer** of iPeople, inc. ***His past experiences include:*** **Vice**

President for Sales & Marketing of AGD Infotech Inc.; **Sales Manager, Business Development Manager and Product and Services Head** of Pan Pacific Computer Center Inc. ***Educational Background:*** Bachelor of Science in Commerce Major in Management from San Beda College; Master of Science in Information Technology from De La Salle University.

MA. ESPERANZA F. JOVEN, 48, Filipino, is the **Vice President for Finance**. She is also the **Vice President for Finance** in iPeople, inc.; **Vice President for Finance & Treasurer** in HI-Eisai Pharmaceuticals, Inc.; and a **Director** in Manila Memorial Park Cemetery, Inc., Zamboanga Industrial Finance Corporation, and San Lorenzo Ruiz Institute of Health Sciences, Inc. ***Her past experiences include:*** **MSCF Program Coordinator** and **Assistant Professional Lecturer** at De La Salle University; **Assistant Vice President for Financial Reporting** at J.P.Morgan Chase Bank N.A. She also held the Series 7, 63, and 24 licences with the Financial Industry Regulatory Authority (FINRA), The Nasdaq Stock Market, and in the 52 states and territories of the USA under E*Trade Securities LLC. ***Educational Background:*** Master of Science in Computational Finance and Bachelor of Science in Applied Mathematics from De La Salle University-Manila.

MARIA ELISA E. DE LARA, 49, Filipino, is the **Vice President for Internal Audit** since 2013. She joined the company in October 2010 and was appointed as **Assistant Vice President** for Group Internal Audit effective January 2011. She is a Certified Public Accountant and holds a Global Certification in Risk Management Assurance (CRMA). ***Educational Background:*** Bachelor of Science in Business Administration Major in Accounting (Magna Cum Laude) from the Philippine Women's University.

MARIA TERESA T. BAUTISTA, 46, Filipino, is the **Vice President - Controller** since July, 2017. She is also the **Vice President - Controller** of iPeople, inc.; **Chief Financial Officer** of Greyhounds Security and Investigation Agency Corp., People eServe Corp., Xamdu Motors, Inc., Zamboanga Carriers, Inc. and Zambowood Realty and Development Corp.; **CFO and Treasurer** of Hexagon Lounge, Inc.; **Treasurer** of Secon Professional Security. ***Her past experiences include:*** **Group Finance Manager** of Prime Orion Philippines, Inc. She is a Certified Public Accountant, holds a Global Certification for Internal Auditors (CIA) and has completed the Six Sigma Green Belt Program. ***Educational Background:*** Bachelor of Science in Accountancy from St. Paul College, Philippines.

LALAINE P. MONSERATE, 54, Filipino, joined the Company in November, 2016 as **Assistant Vice President – Legal and Compiance Officer**. She was appointed **Data Privacy Officer** for the Company on June 2017. She is also the Corporate Secretary of Greyhounds Security and Investigation Agency Corporation from August 2018 to present. ***Her past experiences include:*** **Assistant Director** of the Investigation and Prosecution Division, Enforcement and Investor Protection Department of the Securities and Exchange Commission (SEC). She spent 12 years at the SEC, rising from the ranks, i.e. from Securities Investigator, Securities Counsel, Chief Counsel, Division Head and Assistant Director. ***Educational Background***: Bachelor of Laws and Bachelor of Arts in Political Science from University of Nueva Caceres. She passed the Bar Examinations in 1999.

SAMUEL V. TORRES, 54, Filipino, is the **Corporate Secretary.** His other present positions include: **General Counsel & Corporate Secretary** of Pan Malayan Management & Investment Corporation and **Corporate Secretary** of A. T. Yuchengco, Inc., A Y Foundation, Inc., A.Y. Holdings, Inc., Bankers Assurance Corp., Bluehounds Security and Investigation Agency, Inc., Luisita Industrial Park Corp., RCBC Bankard Services, Inc., Enrique T. Yuchengco, Inc. Investment Managers, Inc., Sun Life Grepa Financial, Inc., Grepaland, Inc., Grepa Realty Holdings Corporation, PetroEnergy Resources Corp., Seafront Resources Corp., GPL Cebu Tower Office Condominium Corp., Hexagon Integrated Financial & Insurance Agency, Inc., Hexagon Lounge, Inc., iPeople, inc., RCBC Land, Inc., RCBC Forex Brokers Corp., RCBC Realty Corp., RCBC Securities, Inc., RCBC Capital Corporation, Malayan High School of Science, Inc., Malayan Education System, Inc., Malayan Colleges Mindanao (A Mapua School), Inc., Malayan Colleges Foundation, Inc., Malayan Information Technology Center, Inc., Malayan Colleges Laguna, Inc Led by A Mapua School, GPL Holdings, 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 Express, Inc., Pan Malayan Realty Corp., Philippine Advertising Agency, Inc., First Nationwide Assurance Corp., Malayan Insurance Co., Inc., MICO Equities, Inc., and Tokio Marine Malayan Insurance Corp. ***His past experiences include:*** **International Counsel** of South Pacific for Federal Express Corp. ***Educational Background:*** Bachelor of Laws, Ateneo De Manila University School of Law; Bachelor of Science in Business Economics, University of the Philippines.

MA. ELVIRA BERNADETTE C. GARCIA-GONZALEZ, 42, Filipino, is the **Assistant Corporate Secretary**. She is also the **Assistant General Counsel** of Pan Malayan Management & Investment Corporation and **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., Y Tower II Office Condominium Corp., and GPL Holdings, Inc. ***Her past experiences include:*** **Legal Counsel and Assistant Corporate Secretary** of Coca-Cola Bottlers Philippines, Inc.; **Assistant Corporate Secretary** of Philippine Bottlers, Inc. and Luzviminda Land Holdings, Inc. ***Educational Background:*** Juris Doctor, Ateneo De Manila University School of Law; Bachelor of Arts in Political Science, Ateneo De Manila University.

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 House of Investments 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.

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.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Company is not aware of the following events during the past 5 years up to March 31, 2019:

(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, EVP – Chief Operating Officer, Chief Financial Officer & Treasurer 3. Alexander Anthony G. Galang, SVP – Internal Audit 4. Raul Victor B. Tan, SVP & Group Treasury Head 5. Joselito D. Estrella, SVP – Chief Information Officer	2019	P 35.4M (est)	P0	P0
	2018	P 33.8M	P0	P0
	2017	P29.3M	P0	P0
All other officers and directors as group unnamed.	2019	P28.7M (est)	P0	P1.2M (est)
	2018	P27.8M	P0	P0.7M
	2017	P28.3M	P0	P0.8M
TOTALS	2019	P64.1M(est)	P0	P1.2M (est)
	2018	P61.5M	P0	P0.7M
	2017	P56.6M	P0	P0.8M

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, 2019.
The following table shows the beneficial owners directly or indirectly owning more than 5% of the Company's capital stock as of March 31, 2019:

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 CORPORATION** 48/F, Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City *Principal Stockholder*	**Ms. Helen Y. Dee** *Chairperson* is authorized to direct voting of the shares held by Pan Malayan Management & Investment Corporation	Filipino	294,759,570	47.83%
Common	**RCBC SECURITIES, INC.** *7/F Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City*	**Mr. Raul M. Leopando** *Nominee* **Mr. Raul Ruiz** *VP - Research* are authorized to direct voting of the shares held by RCBC Securities	Filipino	89,402,405	14.51%

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	**BPI SECURITIES CORPORATION** *8/F BPI Head Office Bldg., Ayala Ave., cor. Paseo de Roxas Makati City*	**Mr. Claro P. Bonilla** *Nominee* is authorized to direct voting of the shares held by BPI Securities Corporation	Filipino	46,328,585	7.52%

PREFERRED STOCK

SHARE CLASS	NAME AND ADDRESS OF RECORD OWNER	NAME OF BENEFICIAL OWNER & RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NUMBER OF SHARES BENEFICIALLY OWNED	% OF TOTAL
Preferred	**YUCHENGCO, ALFONSO T.** 48/F, Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City *Principal Stockholder*	**Ms. Helen Y. Dee** is authorized to direct voting of the shares held by Amb. Alfonso T. Yuchengco pending settlement of estate proceedings.	Filipino	337,961,370	54.64%
Preferred	**PAN MALAYAN MANAGEMENT & INVESTMENT CORPORATION** 48/F, Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City	**Ms. Helen Y. Dee** *Chairperson* is authorized to direct voting of the shares held by Pan Malayan Management & Investment Corporation	Filipino	232,024,666	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, 2019 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
Ms. Helen Y. Dee	Filipino	Direct Indirect	1,125,345 770,780	0.1827% 0.1251%
Mr. John Mark S. Frondoso	Filipino	Direct	5	0.0000%
Mr. Francisco H. Licuanan III	Filipino	Direct	500	0.0001%
Mr. Emilando Napa	Filipino	Direct	5	0.0000%
Mr. Medel T. Nera	Filipino	Direct	5	0.0000%
Dr. Roberto F. de Ocampo	Filipino	Direct	5	0.0000%
Atty. Wilfrido E. Sanchez	Filipino	Direct	5	0.0000%
Mr. Juan B. Santos	Filipino	Direct	5	0.0000%
Mr. Lorenzo V. Tan	Filipino	Direct	5	0.0000%
Dr. Reynaldo B. Vea	Filipino	Direct	5	0.0000%
Ms. Yvonne S Yuchengco	Filipino	Direct Indirect	45 90,210	0.0000% 0.0146%
Sub-Total			**1,986,920**	**0.3226%**
Total Common Shares			**615,996,114**	**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 and subsidiaries.

There are no material transactions which were negotiated by the Company with parties whose relationship with the Company fall outside the definition of "related parties" under Philippine Accounting Standards 24, Related Party Disclosures, but with whom the Company has relationship that enables such parties to negotiate terms that may not be available from other, more clearly independent parties on an arm's length basis.

In November 2018, Mapúa University finalized the purchase of a 5,114 sqm. property along P. Ocampo Sr. Ave. (formerly Vito Cruz Ext.) from House of Investments, Inc. where Mapúa will develop a new school building. The total budget for the entire project is PhP2.5 Billion.

Please refer to Note 21 to the consolidated financial statements for the details of related party transactions. As discussed in the notes, in the normal conduct of business, other transactions with certain affiliates include sharing in general and administrative expenses and cash advances.

PART IV – CORPORATE GOVERNANCE

Item 13 – Corporate Governance

(a) Evaluation System to Measure Compliance with the Manual on Corporate Governance

The Company has monitored its compliance with Securities and Exchange Commission (SEC) Memorandum Circulars as well as all relevant Philippine Stock Exchange (PSE) Circulars on Corporate Governance. The Company submitted its New Corporate Governance Manual last May 30, 2017 in compliance with SEC Memorandum Circular No. 19, dated November 22, 2016. It has complied with the leading practices and principles on good corporate governance and appropriate self-rating assessment and performance evaluation to determine and measure its compliance with the said New Manual.

In compliance with SEC Memorandum Circular No. 20 dated December 8, 2016, the Company has submitted its Integrated Annual Corporate Governance Report (IACGR), for the period covering the year 2017, last May 30, 2018. For the period covering the year 2018, the Company will submit its IACGR this May 30, 2019.

(b) Measures Undertaken to Fully Comply with Leading Practices on Corporate Governance

In its IACGR, the Company has complied with the majority of the provisions and recommendations in the New Manual on Corporate Governance.

(c) Deviation from the Manual on Corporate Governance

Except for a few recommendations in the New Manual on Corporate Governance which the Company failed to comply (based on the "comply or explain" policy of SEC), the Company committed to comply with the same in 2018. Said compliance will be reflected in the 2018 IACGR due on May 30, 2019.

(d) Plans to Improve Corporate Governance

In order to improve the Company's adherence to the leading practices in good corporate governance as well as the New Manual on Corporate Governance, the Company's Directors and top Management continuously attends the annual seminar on Corporate Governance conducted by an entity accredited with the Securities and Exchange Commission. Further, the Company continuously monitors all relevant PSE and SEC Circulars on Corporate Governance that maybe used to improve compliance with the New Manual on Corporate Governance.

PART V – EXHIBITS AND SCHEDULES

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

SUMMARY OF SEC FORM 17-C

July 20, 2018

- First quarter consolidation report (SEC 17Q) of House of Investments, Inc.
- Declaration of PhP 3,342,255.96 cash dividends to the preferred stockholders covering the second quarter of 2018, i.e. April to June. The equivalent dividend per preferred share is PhP0.005403. The record date is August 16, 2018 and the payment date is September 11, 2018.
- Declaration of PhP 50,758,965.67 in cash dividends to the stockholders of record as of August 16, 2018, representing 615,996,114 common shares and 618,636,387 participating preferred shares. The equivalent to dividend per common stock is PhP0.065 and the equivalent dividend per preferred stock is PhP0.01733. This is equivalent to 1.08% dividend yield. The payment date is September 11, 2018.
- Elections of members of the board of directors for the year 2018-2018
- Re-appointment of SGV & Co., as external auditors for the fiscal year ending 2018
- Election of officers of House of Investments, Inc. and the appointment of Chairmen/members of the various committees.

September 28, 2018

- Second Quarter Consolidation Report (SEC 17Q) of House of Investments, Inc.
- Declaration of PhP 3,273,289.27 cash dividends to the HI preferred stockholders of record as of October 25, 2018 covering the 3rd quarter of 2018 (July 2017 to September 2017). The equivalent dividend per preferred share is PhP 0.005292. The payment date is November 21, 2018.
- Resolution to vote in favor of the merger by and between its subsidiary, iPeople, inc. and AC Education, Inc. (AEI), a subsidiary of Ayala Corporation, during a special meeting of shareholders of IPO that will be called for that purpose. Under the terms and conditions of the merger, IPO will be the surviving corporation and, thus, its corporate existence shall continue.
- Execution of a Memorandum of Agreement by and among House of Investments, Inc., iPeople, inc., Ayala Corporation, and AC Education, Inc. in connection with the merger between iPeople, inc. and AEI. The merger shall be completed as a statutory merger in accordance with Philippine law, shall be subject to the approval of the respective Board of Directors and stockholders of IPO and AEI, and the appropriate regulatory authorities.
- Request for the suspension of the trading of House of Investments, Inc. ("HI") common shares from 9:00 AM, October 1, 2018, to be lifted at 9:00 AM, October 2, 2018.

October 24, 2018

- Full settlement of penalty for for non-compliance with the SEC-prescribed website template for Publicly-Listed Companies

December 7, 2018

- Third Quarter Consolidation Report (SEC 17Q) of House of Investments, Inc.

December 18, 2018

- Declaration of PhP 4,449,125.04 cash dividends to the HI preferred stockholders of record as of January 11, 2019, covering the fourth quarter of 2018 (October 2018 to December 2018). The equivalent dividend per preferred share is PhP 0.007193. Payment Date is on February 6, 2019.

February 1, 2019

- Execution of the Plan and Articles of Merger between iPeople, inc. and AC Education Inc.

February 8, 2019

- Filling of the Plan and Articles of Merger between iPeople, inc. and AC Education Inc. with the Securities and Exchange Commission.

March 4, 2019

- Acquisition of additional La Funeraria Paz-Sucat, Inc. shares.

April 5, 2019

- Approval of the 2018 Audited Financial Statements of House of Investments, Inc. and its subsidiaries.
- Declaration of PhP 4,688,498.23 cash dividends to the preferred stockholders of HI covering the 1st quarter of 2019 (January 2019 to March 2019). The equivalent dividend per preferred share is PhP 0.00758. The record date is May 2, 2019 and the payment date is May 28, 2019.

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Makati on April 30, 2019.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this 30th day of April, 2019 at Makati City.

By:

Medel T. Nera
President & CEO

Gema O. Cheng
EVP- COO, CFO & Treasurer

Maria Teresa T. Bautista
VP –Controller

Atty. Samuel V. Torres
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAY 08 2019 day of ____ 2019, at PASAY CITY.
Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

Names	Document No.	Date & Place of Issue/Expiration
Medel T. Nera	P1271862A	12-19-2016 Manila / 12-18-2021
Gema O. Cheng	DL#N06-84-036923	12-14-2017 Mandaluyong / 12-08-2022
Maria Teresa T. Bautista	DL#6-92-094899	11-23-2017 Makati / 11-23-2022
Atty. Samuel V. Torres	DL#13-83-001463	11-08-2017 QC / 11-10-2022

Doc. No. 195;
Page No. 40;
Book No. ______;
Series of 2019.

ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DEC 31, 2020
PTR NO. 6397931 PASAY CITY
IBP NO. 058411 PASAY CITY
ISSUED ON 1/3/2019
ROLL NO. 28761 PASAY CITY
MCLE COMPLIANCE NO. V-0024151/10/25/2016

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

CONSOLIDATED FINANCIAL STATEMENTS

SUPPLEMENTARY SCHEDULES

HI
HOUSE OF INVESTMENTS, INC.
A YGC Member
3rd Floor, Grepalife Building, 219 Sen. Gil Puyat Avenue, Makati City

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 including the schedules attached therein, for the years ended December 31, 2018, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

SUBSCRIBED AND SWORN TO BEFORE ME THIS APR 15 2019 AT PASAY CITY

HELEN Y. DEE
Chairman of the Board

MEDEL T. NERA
President and Chief Executive Officer

GEMA O. CHENG
EVP - COO/Chief Financial Officer & Treasurer

ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DEC. 31, 2020
PTR NO. 6397931 PASAY CITY
IBP NO. 058411 PASAY CITY
ISSUED ON 1/3/2019
ROLL NO. 28761 PASAY CITY
MCLE COMPLIANCE NO. V-0024151/

DOC NO. 464
PAGE NO. 84
BOOK NO. 10
SERIES OF 2019

Signed this 5th day of April, 2019

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
House of Investments, Inc.
3rd Floor, Grepalife Building
219 Sen. Gil J. Puyat Avenue
Makati City, Metro Manila

Opinion

We have audited the consolidated financial statements of House of Investments, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, 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, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach. The adoption of PFRS 15 resulted in changes in the Group's revenue recognition policies, process and procedures.

Recognition for revenue from schools and related operations

The adoption of PFRS 15 is significant to our audit because this involves application of significant management judgment and estimation in: determining whether the criteria for the recognition of revenue from tuition fees and other matriculation fees is met, particularly for students with school-granted scholarships; and determining the timing of satisfaction of performance obligation.

Recognition of revenue from construction contracts

More than 60% of the Group's revenue are derived from construction projects on electromechanical works, production facilities, buildings and infrastructure.

Under the new revenue standard, the Group assessed that there is only one performance obligation for each construction agreement that it has entered and that revenue arising from such agreements qualify for recognition over time. The Group also recognized as part of its construction revenue, the effects of variable considerations arising from various change orders and claims, to the extent that they reflect the amounts the Group expects to be entitled to and to be received from the customers, provided that it is highly probable that a significant reversal of the revenue recognized in connection with these variable considerations will not occur in the future. The Group elected to use the input method to measure the progress of the fulfilment of its performance obligation, which is based on the actual costs incurred to date relative to the total estimated cost to complete the construction projects.

Aside from the significance of the amount involved, we consider this as a key audit matter because this process involves significant judgment and estimates, particularly with respect to the estimation of the variable considerations arising from the change orders and claims and calculation of estimated cost to complete construction projects (i.e., determination of the quantity of the inputs such as materials, labor and equipment needed to complete the construction), which requires the technical expertise of the Group's engineers.

The Group's disclosures about revenue from schools and related operations and construction contracts are included in Notes 3, 4, 5 and 22 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's process in implementing the new revenue recognition standard. We reviewed PFRS 15 adoption papers and accounting policies prepared by management which includes analysis of contracts.

For the revenue from schools and related operations, we obtained the contracts which is the certificate of matriculation and assessment and reviewed whether the accounting policies appropriately considered the five-step model of PFRS 15.

For the revenue from construction contracts, we inspected sample contracts and supplemental agreements and reviewed management's assessment on the identification of performance obligation within the contract and the timing of revenue recognition.

Where construction revenue includes significant effects of the variable considerations, we obtained an understanding of the management's process to estimate the amount of consideration expected to be received from the customers. For change orders and claims of sample contracts, we compared the amounts approved by the customers against the amounts estimated by management to be received from those customers.

For the measurement of progress of the construction projects, we tested actual costs incurred by examining invoices and other supporting third party correspondence on a sampling basis. We also considered the competence, capabilities and objectivity of the Group's cost engineers by referring to their qualifications, experience and reporting responsibilities. We conducted ocular inspections on selected sample projects and discussed the status of the projects under construction with the Group's engineers We inspected the related project documentation and inquired about the significant deviations from the targeted completion.

Accounting for investment in Al-Rushaid Construction Company Ltd.

The Group owns 49% equity interest in Al-Rushaid Construction Company Ltd. (ARCC), a company incorporated in the Kingdom of Saudi Arabia and an associate engaged in the construction business. The investment in this associate is accounted for under the equity method. As of December 31, 2018, ARCC recognized deferred tax asset on net operating loss carryover of ₱374.5 million. We consider the accounting for the results and investment in ARCC as a key audit matter due to the Group's share in ARCC's net earnings and the carrying value of the investment. In addition, management's assessment process on the recoverability of the tax loss is based on assumptions, which are affected by expected future market or economic conditions.

The Group's disclosures about the investment in ARCC are included in Note 12 to the consolidated financial statements.

Audit response

We sent instructions to ARCC's statutory auditors to perform an audit on the relevant financial information of ARCC for the purpose of the consolidated financial statements of the Group, detailing their scope of work and reporting requirements. We obtained an understanding of the statutory auditor's key audit areas and their planned audit procedures. We also reviewed their working papers and obtained relevant conclusion statements related to their audit procedures. Furthermore, we also evaluated management's assumptions and inquired with the Group's management on the basis of the projections.

Valuation of unquoted equity investments carried at fair value through other comprehensive income

The Group has investments in unquoted equity securities of PetroGreen Energy Corporation (PGEC) and Hermosa Ecozone Development Corporation (HEDC) carried at fair value through other comprehensive income. As of December 31, 2018, the investments' carrying values amounted to ₱0.9 billion. In determining the fair values of these investments, the Group engaged external valuers and exercised judgments in selecting the appropriate valuation methodology. This includes estimating future cash flows using assumptions and inputs taking into consideration the industry where the investee operates. This matter is significant to our audit because estimating the fair value of an unquoted equity instrument involves the use of valuation inputs that are not observable in the market.

The Group's disclosures about these unquoted equity investments are included in Notes 5, 11 and 37 to the consolidated financial statements.

Audit response

We evaluated the competence, capabilities and qualifications of the external valuers by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of the real properties. We inquired from the external valuer the basis of adjustments made to the sales price. We also compared the fair value of investment in PGEC against a range of values determined using the market approach.

Valuation of Land

The Group accounts for its land, where the school buildings and other facilities are located, using the revaluation model. As of December 31, 2018, the carrying value of the Group's land amounted to ₱7,023.4 million, representing 18% of the Group's total assets. In addition, the Group recognized a revaluation gain of ₱470.5 million in other comprehensive income for the year ended December 31, 2018. The valuation of the land requires the assistance of an external appraiser whose calculations involve certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors. This matter is significant to our audit because it involves significant judgment and estimates.

The Group's disclosures about land are included in Notes 5 and 13 to the consolidated financial statements.

Audit response

We involved our internal specialist in the review of the scope, bases, methodology and results of the work by the Group's external appraiser whose professional qualifications and objectivity were also taken into consideration. We compared the relevant information supporting the sales price of similar properties and the adjustments made to the sales price against real estate industry data and made inquiries to the external appraiser as to the basis. We also reviewed the Group's disclosures with respect to the fair value of the land.

Recoverability of Goodwill of Malayan Education System, Inc.

Under PFRSs, the Group is required to annually test the amount of goodwill for impairment. As of December 31, 2018, the Group's goodwill attributable to the acquisition of Malayan Education System, Inc. (formerly Malayan Colleges, Inc.) amounted to ₱137.9 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process involves judgments and is based on assumptions such as revenue from number of forecasted students and related tuition and other matriculation fees, profit margins, long-term growth rate and discount rate in estimating discounted cash flow projections.

The Group's disclosures about goodwill are included in Notes 5 and 14 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's impairment model and the assumptions on the key business drivers of the cash flow forecasts, specifically on the revenue from number of forecasted students, related tuition and other matriculation fees and the profit margins. We checked if the Group has considered the impact of the K to 12 Basic Education Program implementation on these key assumptions and also compared them against historical performance. We involved our internal specialist to assist us in evaluating the methodology and assumptions used. We compared the long-term growth rate against relevant publish market information. We tested the parameters used in the determination of discount rate against market data. In addition, we reviewed the Group's disclosures about those assumptions to which the outcome of the impairment tests are most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of the goodwill.

Assessment of Contingent Liabilities and Estimation of Provisions from Claims

The Group is involved in certain legal proceedings. The inherent uncertainty over the outcome of these claims is brought about by the difference in the interpretations and implementation of the relevant regulations. The assessment of whether the provision should be recognized and the estimation of the potential liability resulting from these assessments require significant judgment by management. As at December 31, 2018, total provisions recognized by the Group amounted to ₱153.6 million.

The disclosures on management judgment on assessment of contingent liabilities and estimation of provisions and amounts recognized are included in Notes 17 and 34 to the consolidated financial statements.

Audit response

We inquired of the Group's legal counsel and management about the status of the claims and obtained legal opinion from the legal counsels, and representation from the Group management. We also inspected relevant correspondences with the regulatory bodies and other relevant parties. We involved our internal specialist in the evaluation of management's assessment on whether provision should be recognized and the estimation of such amount.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wenda Lynn M. Loyola.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola
Partner
CPA Certificate No. 109952
SEC Accreditation No. 1540-AR-1 (Group A),
January 10, 2019, valid until January 9, 2022
Tax Identification No. 242-019-387
BIR Accreditation No. 08-001998-117-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 7332565, January 3, 2019, Makati City

April 5, 2019

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

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱2,039,664,825**	₱1,967,498,425
Receivables (Note 7)	**4,780,021,190**	9,310,699,885
Contract assets (Note 8)	**4,966,434,784**	–
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 8)	–	3,753,207,563
Receivables from related parties (Note 21)	**145,966,212**	155,102,232
Inventories (Note 9)	**2,694,172,298**	1,117,527,767
Prepaid expenses and other current assets (Note 10)	**1,464,970,619**	1,427,087,674
Total Current Assets	**16,091,229,928**	17,731,123,546
Noncurrent Assets		
Equity investments at fair value through other comprehensive income (FVOCI) (Note 11)	**974,709,294**	–
Available-for-sale (AFS) financial assets (Note 11)	–	449,585,193
Investments in associates and joint ventures (Note 12)	**5,505,955,000**	4,821,213,966
Investment properties (Note 15)	**18,157,018**	18,715,503
Property and equipment (Note 13)		
At revalued amount	**7,023,425,494**	6,312,509,812
At cost	**7,531,418,455**	6,585,840,280
Goodwill (Note 14)	**471,357,459**	471,357,459
Retirement assets (Note 31)	**28,059,472**	46,490,063
Deferred tax assets - net (Note 32)	**139,503,935**	103,817,692
Other noncurrent assets - net (Note 16)	**1,817,267,027**	812,054,308
Total Noncurrent Assets	**23,509,853,154**	19,621,584,276
Total Assets	**₱39,601,083,082**	₱37,352,707,822
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 18)	**₱10,519,000,000**	₱7,685,000,000
Accounts payable and other current liabilities (Note 17)	**6,794,791,483**	5,586,176,162
Current portion of long-term debt (Note 19)	**774,603,175**	491,865,198
Income tax payable (Note 32)	**42,310,920**	21,834,468
Due to related parties (Note 21)	**134,849,411**	124,038,237
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 8)	–	4,085,077,913
Contract liabilities (Note 8)	**314,947,490**	–
Unearned tuition fees	–	89,159,755
Customers' deposits	–	18,213,875
Total Current Liabilities	**18,580,502,479**	18,101,365,608
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 19)	**2,020,634,921**	2,180,081,616
Retirement liabilities (Note 31)	**141,017,371**	148,565,857
Deferred tax liabilities - net (Note 32)	**544,975,039**	412,856,405
Other noncurrent liabilities	**142,164,037**	158,414,754
Total Noncurrent Liabilities	**2,848,791,368**	2,899,918,632
Total Liabilities	**21,429,293,847**	21,001,284,240

(Forward)

	December 31	
	2018	2017
Equity		
Attributable to equity holders of the Parent Company		
Preferred stock (Note 38)	**₱247,414,156**	₱253,758,109
Common stock (Note 38)	**921,836,572**	921,836,572
Additional paid-in capital	**154,578,328**	154,578,328
Equity reserve on acquisition of non-controlling interest	**(179,954,180)**	(179,954,180)
Revaluation increment on land - net (Note 13)	**1,602,230,727**	1,329,730,248
Cumulative translation adjustments	**249,703,345**	224,366,002
Net unrealized gain on AFS financial assets (Note 11)	**–**	87,185,459
Fair value reserve of equity investments at FVOCI (Note 11)	**259,855,707**	–
Remeasurement loss on defined benefit plans (Note 31)	**(27,924,073)**	(5,100,398)
Retained earnings (Note 39)	**9,198,512,458**	8,407,828,501
	12,426,253,040	11,194,228,641
Non-controlling interests (Note 35)	**5,745,536,195**	5,157,194,941
Total Equity	**18,171,789,235**	16,351,423,582
	₱39,601,083,082	₱37,352,707,822

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2018	2017	2016
REVENUE (Note 22)	**₱32,308,577,095**	₱27,548,143,708	₱25,741,744,177
COSTS OF SALES AND SERVICES (Note 24)	**28,052,537,041**	24,303,452,648	22,132,958,299
GROSS PROFIT	**4,256,040,054**	3,244,691,060	3,608,785,878
OTHER INCOME - Net (Note 23)	**257,733,641**	920,939,339	476,225,101
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 12)	**255,783,370**	289,372,254	(1,094,246,390)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 28)	**(2,651,245,784)**	(2,319,954,488)	(2,100,882,227)
INTEREST AND FINANCE CHARGES (Notes 18, 19, 21 and 30)	**(455,751,589)**	(276,067,989)	(300,802,231)
INCOME BEFORE INCOME TAX	**1,662,559,692**	1,858,980,176	589,080,131
PROVISION FOR INCOME TAX (Note 32)			
Current	**485,226,256**	388,854,133	345,800,248
Deferred	**13,050,924**	7,057,293	23,920,309
	498,277,180	395,911,426	369,720,557
NET INCOME	**₱1,164,282,512**	₱1,463,068,750	₱219,359,574
Net income (loss) attributable to:			
Equity holders of the Parent Company	**₱848,267,992**	₱941,441,126	₱402,669,546
Non-controlling interests	**316,014,520**	521,627,624	(183,309,972)
	₱1,164,282,512	₱1,463,068,750	₱219,359,574
EARNINGS PER SHARE (Note 33)			
BASIC	**₱1.3369**	₱1.4909	₱0.6153
DILUTED	**₱1.0862**	₱1.1990	₱0.5013

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2018	2017	2016
NET INCOME	**₱1,164,282,512**	₱1,463,068,750	₱219,359,574
OTHER COMPREHENSIVE INCOME			
Items to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustments	**229,125,040**	(4,640,619)	110,020,860
Share in other comprehensive income of an associate (Note 12)	**7,750,939**	67,023,747	–
Net unrealized gain (loss) on AFS (Note 11)	**–**	10,704,379	(6,887,653)
Items not to be reclassified to profit or loss in subsequent periods:			
Revaluation increment on land (Note 13)	**470,581,594**	405,825,900	374,754,842
Remeasurement gains (losses) on net retirement liability (Note 31)	**48,180,540**	(2,400,238)	49,658,724
Share in other comprehensive income of the associates (Note 12)	**–**	(3,377,562)	–
Changes in fair value of equity investments carried at FVOCI (Note 11)	**(7,435,251)**	–	–
Income tax effect relating to items that will not be reclassified	**(124,153,319)**	(60,324,543)	(67,375,039)
	624,049,543	412,811,064	460,171,734
TOTAL COMPREHENSIVE INCOME	**₱1,788,332,055**	₱1,875,879,814	₱679,531,308
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱1,128,371,055**	₱1,234,329,122	₱714,412,479
Non-controlling interests	**659,961,000**	641,550,692	(34,881,171)
	₱1,788,332,055	₱1,875,879,814	₱679,531,308

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Attributable to Equity Holders of the Parent Company												
	Capital stock (Note 38)												
	Preferred Stock	Common Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Non-controlling Interest	Revaluation Increment on Land - Net (Note 13)	Cumulative Translation Adjustments (Notes 11 and 40)	Net Unrealized Gain on AFS Financial Assets (Note 11)	Fair Value Reserve of Equity Investments at FVOCI (Note 11)	Remeasurement losses on Defined Benefit Plans (Note 31)	Retained Earnings (Note 39)	Subtotal	Non-controlling Interests (Note 35)	Total
BALANCES 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)**	**₱7,190,445,946**	**₱9,429,186,917**	**₱4,745,893,595**	**₱14,175,080,512**
Net income	–	–	–	–	–	–	–	–	–	402,669,546	402,669,546	(183,309,972)	219,359,574
Other comprehensive income	–	–	–	–	230,288,283	59,807,339	(6,657,922)	–	28,305,233	–	311,742,933	148,428,801	460,171,734
Total comprehensive income	–	–	–	–	230,288,283	59,807,339	(6,657,922)	–	28,305,233	402,669,546	714,412,479	(34,881,171)	679,531,308
Redemption of preferred stock	(29,927,049)	–	–	–	–	–	–	–	–	–	(29,927,049)	–	(29,927,049)
Dividend declaration	–	–	–	–	–	–	–	–	–	(63,659,496)	(63,659,496)	(155,137,382)	(218,796,878)
BALANCES AT DECEMBER 31, 2016	**₱280,802,820**	**₱921,836,572**	**₱154,578,328**	**(₱179,954,180)**	**₱1,106,401,670**	**₱159,864,897**	**₱79,859,050**	**–**	**(₱2,832,302)**	**₱7,529,455,996**	**₱10,050,012,851**	**₱4,555,875,042**	**₱14,605,887,893**
Net income	–	–	–	–	–	–	–	–	–	941,441,126	941,441,126	521,627,624	1,463,068,750
Other comprehensive income	–	–	–	–	223,328,578	64,501,105	7,326,409	–	(2,268,096)	–	292,887,996	119,923,068	412,811,064
Total comprehensive income	–	–	–	–	223,328,578	64,501,105	7,326,409	–	(2,268,096)	941,441,126	1,234,329,122	641,550,692	1,875,879,814
Redemption of preferred stock	(27,044,711)	–	–	–	–	–	–	–	–	–	(27,044,711)	–	(27,044,711)
Changes in of non-controlling interests	–	–	–	–	–	–	–		–		–	20,000,000	20,000,000
Dividend declaration	–	–	–	–	–	–	–	–	–	(63,068,621)	(63,068,621)	(60,230,793)	(123,299,414)
BALANCES AT DECEMBER 31, 2017	**₱253,758,109**	**₱921,836,572**	**₱154,578,328**	**(₱179,954,180)**	**₱1,329,730,248**	**₱224,366,002**	**₱87,185,459**	**–**	**(₱5,100,398)**	**₱8,407,828,501**	**₱11,194,228,641**	**₱5,157,194,941**	**₱16,351,423,582**
Impact of initial adoption of PFRS 9 and 15	–	–	–	–	–	–	(87,185,459)	254,766,791	–	7,188,651	174,769,983	–	174,769,983
BALANCES AT JANUARY 1, 2018	**₱253,758,109**	**₱921,836,572**	**₱154,578,328**	**(₱179,954,180)**	**₱1,329,730,248**	**₱224,366,002**	**–**	**₱254,766,791**	**(₱5,100,398)**	**₱8,415,017,152**	**₱11,368,998,624**	**₱5,157,194,941**	**₱16,526,193,565**
Net income	–	–	–	–	–	–	–	–	–	848,267,992	848,267,992	316,014,520	1,164,282,512
Other comprehensive income	–	–	–	–	272,500,479	25,337,343	–	5,088,916	(22,823,675)	–	280,103,063	343,946,480	624,049,543
Total comprehensive income	–	–	–	–	272,500,479	25,337,343	–	5,088,916	(22,823,675)	848,267,992	1,128,371,055	659,961,000	1,788,332,055
Redemption of preferred stock	(6,343,953)	–	–	–	–	–	–	–	–	–	(6,343,953)	–	(6,343,953)
Dividend declaration	–	–	–	–	–	–	–	–	–	(64,772,686)	(64,772,686)	(71,619,746)	(136,392,432)
BALANCES AT DECEMBER 31, 2018	**₱247,414,156**	**₱921,836,572**	**₱154,578,328**	**(₱179,954,180)**	**₱1,602,230,727**	**₱249,703,345**	**₱–**	**₱259,855,707**	**(₱27,924,073)**	**₱9,198,512,458**	**₱12,426,253,040**	**₱5,745,536,195**	**₱18,171,789,235**

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,662,559,692**	₱1,858,980,176	₱589,080,131
Adjustments for:			
Depreciation and amortization (Notes 14, 16 and 17)	**990,169,507**	923,058,850	901,670,818
Interest and finance charges (Notes 19, 20, and 22)	**455,751,589**	276,067,989	300,802,231
Loss on liquidation of subsidiaries (Note 23)	–	–	26,174,418
Market gain on financial asset at fair value through profit or loss	**(237,925)**	(122,177)	(133,870)
Unrealized foreign exchange loss (gain)	**(44,861,160)**	(932,596)	1,381,743
Dividend income (Notes 4 and 22)	**(954,613)**	(1,851,934)	(52,890,208)
Provision for (gain on reversal) of impairment loss on investment properties	**1,800,309**	(14,182,841)	–
Loss on write-off of an investment	**58,218**		
Interest income (Note 23)	**(50,382,962)**	(71,659,747)	(77,124,698)
Equity in net losses (earnings) of associates and joint venture (Note 13)	**(255,783,370)**	(289,372,254)	1,094,246,390
Gain on sale of:			
Property and equipment (Notes 14 and 23)	**(16,966,241)**	(8,813,780)	(4,179,887)
Available-for-sale financial assets (Notes 12 and 23)	–	(58,680,807)	(63,041,964)
Investment properties (Note 16)	**(5,534,890)**	(279,071,868)	(24,746,631)
Movements in net retirement liabilities	**(39,709,903)**	(5,790,386)	(92,732,309)
Operating income working capital changes	**2,695,908,251**	2,327,628,625	2,598,506,164
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**4,416,078,195**	(1,205,505,232)	(572,171,445)
Costs and estimated earnings in excess of billings on uncompleted contracts	–	446,832,915	1,666,872,418
Receivables from related parties	**3,963,793**	(100,660,804)	21,972,285
Contract assets	**(5,691,810,971)**		
Inventories	**(1,568,407,114)**	449,199,649	(260,477,779)
Prepaid expenses and other current assets	**881,044**	(342,671,078)	(262,176,260)
Increase (decrease) in:			
Due to related parties	**(36,669,306)**	2,172,337	5,134,239
Billings in excess of costs and estimated earnings on uncompleted contracts	–	(537,153,534)	(361,086,918)
Accounts payable and other current liabilities	**1,273,162,720**	(721,706,117)	(532,888,330)
Contract liabilities	**209,301,128**		
Customers' deposits	–	1,572,572	(2,262,171)
Unearned tuition fees	–	36,118,312	40,587,600
Other noncurrent assets	**(922,345,269)**	–	–
Net cash generated from operations	**380,062,471**	355,827,645	2,342,009,803
Interest received	**50,112,827**	71,659,747	77,124,698
Interest and finance charges paid	**(412,440,353)**	(275,231,879)	(300,212,692)
Income tax paid	**(566,863,820)**	(405,705,362)	(360,445,037)
Net cash flows provided by (used in) operating activities	**(549,128,875)**	(253,449,849)	1,758,476,772

(Forward)

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investments in associates and joint ventures (Note 13)	**(₱508,135,581)**	₱–	(₱296,369,355)
Property and equipment (Note 14)	**(1,775,895,109)**	(2,688,689,420)	(998,056,194)
Equity investments at FVOCI (Note 12)	**(22,877,652)**	–	–
Computer software	**(7,670,451)**		
Available-for-sale securities (Note 12)	–	(20,865,766)	–
Investment property (Note 14)	**(3,250,000)**	–	–
Proceeds from sale of:			
Available-for-sale securities (Note 12)	–	162,750,000	166,686,113
Property and equipment (Note 14)	**13,695,944**	31,379,487	11,353,056
Investment properties (Note 16)	**154,877,235**	137,684,592	54,118,895
Return of capital (Note 12)	–	–	53,000
Proceeds from return of investments in an associate	–	–	4,191,782
Dividends received	**49,006,541**	41,259,930	94,334,408
Decrease in other noncurrent asset	–	–	152,127,823
Deposit for future subscription of shares of stock of a Company (Note 16)	**(80,999,919)**	–	–
Advances extended to an associate (Note 13)	–	(794,208,366)	–
Net cash flows used in investing activities	**(2,181,248,992)**	(3,130,689,543)	(811,560,472)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loans payable (Note 19)	**17,624,000,000**	13,127,000,000	12,470,000,000
Long-term debt (Note 20)	**1,815,476,193**	–	–
Changes in non-controlling interests (Note 43)	–	20,000,000	–
Payments of:			
Loans payable (Note 19)	**(14,790,000,000)**	(9,542,000,000)	(12,530,000,000)
Long-term debt (Note 20)	**(1,703,608,061)**	(494,446,885)	(601,397,435)
Redemption of preferred shares (Note 39)	**(6,343,953)**	(27,044,711)	(29,927,049)
Cash dividends paid (Note 38)	**(142,094,297)**	(121,558,238)	(219,240,811)
Net cash flows provided by (used in) financing activities	**2,797,429,882**	2,961,950,166	(910,565,295)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**5,114,385**	(3,513,570)	17,636,450
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**72,166,400**	(425,702,796)	53,987,455
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,967,498,425**	2,393,201,221	2,339,213,766
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱2,039,664,825**	₱1,967,498,425	₱2,393,201,221

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

House of Investments, Inc. (the Parent Company) is a stock corporation incorporated under the laws of the Republic of the Philippines on May 21, 1959. On July 20, 2007, the Parent Company's corporate life was extended for another fifty (50) years starting May 21, 2009.

The Parent Company and its subsidiaries (collectively known as the Group) are 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).

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

Authorization of the Issuance of the Consolidated Financial Statements
The accompanying consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors (BOD) on April 5, 2019.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The 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 assets at FVPL and FVOCI and AFS financial assets which are measured at fair value. The accompanying consolidated financial statements are presented in Philippine Peso (Php, ₱), which is also the Parent Company's functional currency. Except as indicated, all amounts are rounded off to the nearest peso.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statement include the Parent Company and the following companies that it controls:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2018 Direct	2018 Indirect	2017 Direct	2017 Indirect
Landev Corporation	Philippines	Property management	Philippine Peso	**100.00**	**–**	100.00	–
Hexagon Lounge, Inc.	Philippines	Restaurant	Philippine Peso	**–**	**100.00**	–	100.00
Greyhounds Security and Investigation Agency Corp.	Philippines	Security agency	Philippine Peso	**–**	**100.00**	–	100.00
Secon Professional Security Training Academy Inc.	Philippines	Training service provider	Philippine Peso	**–**	**100.00**	–	100.00
Xamdu Motors, Inc. (XMI)	Philippines	Car dealership	Philippine Peso	**100.00**	**–**	100.00	–
Investment Managers, Inc. (IMI)	Philippines	Insurance agent, financing, trading and real estate	Philippine Peso	**100.00**	**–**	100.00	–
Zambowood Realty and Development Corporation (ZRDC)	Philippines	Real estate	Philippine Peso	**100.00**	**–**	100.00	–
Zamboanga Carriers, Inc. (ZCI)	Philippines	Transportation	Philippine Peso	**100.00**	**–**	100.00	–
Honda Cars Kalookan, Inc. (HCKI)	Philippines	Car dealership	Philippine Peso	**55.00**	**–**	55.00	–
Zamboanga Industrial Finance Corporation (ZIFC)	Philippines	Consumer Finance	Philippine Peso	**50.00**	**–**	50.00	–
EEI Corporation (EEI)	Philippines	Construction	Philippine Peso	**54.36**	**–**	54.36	–
EEI Limited	British Virgin Islands	Holding company	US Dollar	**–**	**100.00**	–	100.00
Clear Jewel Investments, Ltd.	British Virgin Islands	Holding company	US Dollar	**–**	**100.00**	–	100.00
Nimaridge Investments, Limited	British Virgin Islands	Holding company	US Dollar	**–**	**100.00**	–	100.00
EEI (PNG), Ltd	Papua New Guinea	Holding company	US Dollar	**–**	**100.00**	–	100.00
EEI Corporation (Guam), Inc.	United States of America	Construction	US Dollar	**–**	**100.00**	–	100.00
EEI Construction and Marine, Inc.	Philippines	Construction	Philippine Peso	**–**	**100.00**	–	100.00
EEI Realty Corporation (EEI Realty)	Philippines	Real estate	Philippine Peso	**–**	**100.00**	–	100.00
EEI Subic Corporation	Philippines	Construction	Philippine Peso	**–**	**100.00**	–	100.00
Equipment Engineers, Inc. (EE)	Philippines	Construction	Philippine Peso	**–**	**100.00**	–	100.00
JP Systems Asia Inc. (JPSAI)	Philippines	Rental of scaffolding and formworks	Philippine Peso	**–**	**60.00**	–	60.00
EEI Power Corporation (EPC)	Philippines	Power generation	Philippine Peso	**–**	**100.00**	–	100.00
Gulf Asia International Corporation (GAIC)	Philippines	Manpower services	Philippine Peso	**–**	**100.00**	–	100.00
GAIC Professional Services, Inc. (GAPSI)	Philippines	Manpower services	Philippine Peso	**–**	**100.00**	–	100.00
GAIC Manpower Services, Inc. (GAMSI)	Philippines	Manpower services	Philippine Peso	**–**	**100.00**	–	100.00
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	Consultancy services	Philippine Peso	**–**	**100.00**	–	100.00
Philmark, Inc.	Philippines	Construction	Philippine Peso	**–**	**100.00**	–	100.00
Philrock Construction and Services, Inc.	Philippines	Manpower services	Philippine Peso	**–**	**100.00**	–	100.00
iPeople, Inc. (IPO)	Philippines	Education and Information Technology	Philippine Peso	**67.34**	**–**	67.34	–
Malayan Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.)	Philippines	Education and Information Technology	Philippine Peso	**7.00**	**93.00**	7.00	93.00
Mapua Information Technology Center, Inc. (MITC)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Mapua Techserv, Inc. (MTI)	Philippines	Consultancy	Philippine Peso	**–**	**100.00**	–	100.00
Mapua Techpower, Inc.	Philippines	Consultancy	Philippine Peso	**–**	**75.00**	–	75.00
San Lorenzo Ruiz Institute of Health Sciences, Inc. (SLRHSI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Malayan High School of Science, Inc. (MHSSI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Malayan Colleges Laguna, Inc. (MCLI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Malayan Colleges Mindanao, Inc. (MCMI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
People eServe Corporation (People eServe)	Philippines	Technology	Philippine Peso	**–**	**100.00**	–	100.00
Pan Pacific Computer Center, Inc. (PPCCI)	Philippines	Technology	Philippine Peso	**–**	**100.00**	–	100.00

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.

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.

Non-controlling interest represents the portion of profit or loss and net assets not held by the Group. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Losses within a subsidiary are attributed to the non-controlling 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;
- Derecognizes the carrying amount of any non-controlling interests;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Reclassifies to profit or loss, or transfer directly to retained earnings if required by other PFRSs, the amounts recognized in other comprehensive income in relation to the subsidiary; and recognizes any resulting difference as a gain or loss in profit or loss attributable to the Parent Company

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

  PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to contracts that are not completed as at January 1, 2018.

  The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11 and PAS 18. The effect of adopting PFRS 15 as at January 1, 2018 was, as follows:

	As at December 31, 2017	Increase (Decrease) due to PFRS 15 Adjustments	As at January 1, 2018
Assets			
Receivables (Note 7)	₱9,310,699,885	(₱2,653,822,787)	₱6,656,877,098
Contract assets (Note 8)	–	2,423,815,236	2,423,815,236
Costs and estimated earnings in excess of billings on uncompleted contracts	3,753,207,563	(3,753,207,563)	–
Other current assets	1,427,087,674	(35,885,189)	1,391,202,485
	₱14,490,995,122	(₱4,019,100,303)	₱10,471,894,819
Liabilities			
Income tax payable (Note 32)	₱21,834,468	₱10,421,536	32,256,004
Billings in excess of costs and estimated earnings on uncompleted contracts	4,085,077,913	(4,085,077,913)	–
Unearned tuition fees	89,159,755	(4,160,802)	84,998,953
Customers' deposits	18,213,875	(18,213,875)	–
	₱4,214,286,011	(4,097,031,054)	₱117,254,957
Equity			
Retained earnings	₱–	₱77,930,751	₱–

Inventories and property and equipment purchased for specific projects and previously included in costs and estimated earnings in excess of billings on uncompleted contracts have been reclassified to their respective asset accounts as of January 1, 2018.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on OCI or the Group's operating, investing and financing cash flows. The first column shows amounts prepared under PFRS 15 and the second column shows what the amounts would have been had PFRS 15 not been adopted:

Consolidated Statement of Income

	Amounts Prepared under		Increase/
	PFRS 15	Legacy Standards	(Decrease)
Revenue	₱32,308,577,095	₱30,437,656,194	₱1,870,920,901
Cost of sales and services	28,052,537,041	26,495,711,105	1,556,825,936
Gross profit	4,256,040,054	3,941,945,089	314,094,965
Other income - net	257,733,641	252,009,725	5,723,916
Equity in net losses of associates and joint venture	255,783,370	255,783,370	–
General and administrative expenses	(2,651,245,784)	(2,605,148,940)	(46,096,844)
Interest and finance charges	(455,751,589)	(455,751,589)	–
Income before income tax	1,662,559,692	1,388,837,655	273,722,037
Provision for income tax	498,277,180	416,013,864	82,263,316
Net income	₱1,164,282,512	₱972,823,791	₱191,458,721
Net income attributable to:			
Equity holders of the Parent Company	₱848,267,992	₱656,809,271	₱191,458,721
Non-controlling interests	316,014,520	316,014,520	–
	₱1,164,282,512	₱972,823,791	₱191,458,721
Earnings (Loss) Per Share - Basic	₱1.3369	₱1.0289	₱0.2725
Earnings (Loss) Per Share - Diluted	₱1.0892	₱0.8365	₱0.2384

Consolidated Statement of Financial Position

	Amounts Prepared under		Increase/
	PFRS 15	Legacy Standards	(Decrease)
Assets			
Receivables	₱4,780,021,190	₱8,399,666,298	(₱3,619,645,108)
Contract assets	6,116,918,179	–	6,116,918,179
Costs and estimated earnings in excess of billings on uncompleted contracts	–	4,349,771,760	(4,349,771,760)
Prepaid expenses and other current assets (Note 10)	1,464,970,619	1,672,540,743	(207,570,124)
	₱12,361,909,988	₱14,421,978,801	(₱2,060,068,813)
Liabilities			
Income tax payable	₱42,310,920	₱30,211,467	₱12,099,453
Billings in excess of costs and estimated earnings on uncompleted contracts	–	5,811,691,811	(5,811,691,811)
Contract liabilities	314,947,490	–	314,947,490
Unearned tuition fees	–	(295,587,030)	295,587,030
Customers' deposits	–	23,482,665	(23,482,665)
	₱357,258,410	₱5,569,798,913	(₱5,212,540,503)
Equity			
Retained earnings	₱9,198,512,458	₱9,007,053,737	₱191,458,721

The nature of the adjustments as at January 1, 2018 and the reasons for the significant changes in the consolidated statement of financial position as at December 31, 2018 and the consolidated statement of income for the year ended December 31, 2018 are described below:

Construction and infrastructure
The Group is mainly engaged in the construction business with more than 60% of the Group's revenue are derived from construction projects. The Group assessed that there is only one performance obligation for each construction agreement that it has entered and that revenue arising from such agreements qualify for recognition over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced by applying par. 35(b) of PFRS 15. The Group also recognized as part of its construction revenue, the effects of variable considerations arising from various change orders and claims, to the extent that they reflect the amounts the Group expects to be entitled to and to be received from the customers, provided that it is highly probable that a significant reversal of the revenue recognized in connection with these variable considerations will not occur in the future. The Group elected to use the input method to measure the progress of the fulfilment of its performance obligation, which is based on the actual costs incurred to date relative to the total estimated cost to complete the construction projects. Previously, the Group measures the progress of its project on the basis of estimated completion of the physical proportion of the contract work.

The Group presents all construction work-in-progress including the portion retained by the customer as part of contract assets upon adoption of PFRS 15. Unbilled receivables previously presented as either costs and estimated earnings in excess of billings on uncompleted contracts or billings in excess of costs and estimated earnings on uncompleted contracts are now presented as part of contract assets.

The Group presents retentions withheld by customer as contract assets as the Group's right for consideration is conditioned on the lapse of the defect and liability period and customer certification that there are no defects on the constructed asset.

Down payments received from the customers are presented as contract liabilities and subsequently recognized as revenue once the Group starts to fulfill its performance obligation.

The Group presents each contract with customer in the consolidated statement of financial position either as a contract asset or a contract liability.

Car delearship
Sale of vehicles usually includes processing of registration of vehicles to the authorized government agencies. Further, in certain arrangements, the Group provides free of charge, the registration of vehicle as well as other free deliverables such as one-year insurance coverage, among others.

The Group has assessed that the registration services and other freebies included in the sale of vehicle are a separate performance obligation to which a portion of the transaction price needs to be allocated based on the stand-alone selling price of each of promised goods or services. Prior to adoption of PFRS 15, the Group treats the registration service and other free deliverables as part of a single performance obligation to deliver the vehicle to the customer. Revenue from registration services and other free deliverables forms part of "Revenue" in the consolidated statements of comprehensive income. The Group concluded that it is acting as an agent on its obligation to provide registration services and one-year insurance services as it is not primarily responsible for fulfilling the promised services and has no discretion in establishing the price.

Education and Information Technology

a) Scholarship grants and discounts to students, previously presented as student-related expenses under Cost of schools and related operations, are now presented as deduction from revenue from tuition and other related fees.
b) Bookstore income and related cost, previously presented at net under revenue, is now presented at gross with bookstore income included under Revenue from tuition and other related fees and related cost presented as part of Cost of tuition and other related fees.
c) Reversal of deferred charges and related unearned revenue representing the unearned revenue arising from students entitled to scholarship grants and discounts.
d) Other reclassifications to conform with the 2018 presentation.

Upon initial adoption of PFRS 15, the Group recognized a credit to retained earnings of ₱77.9 million for which the related tax liabilities are either applied against the Group's creditable withholding taxes or recognized as outright income tax payable to the tax authority.

- PFRS 9, *Financial Instruments*

PFRS 9, *Financial Instruments* replaces PAS 39*, Financial Instruments: Recognition and Measurement* for annual periods beginning on or before January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied PFRS 9 using the modified retrospective approach, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in beginning retained earnings and other comprehensive income.

The effect of adopting PFRS 9 as at January 1, 2018 was, as follows:

	Increase (decrease) due to PFRS 9 adjustments
Assets	
Receivables	(₱38,782,324)
Contract assets	(12,384,062)
Equity investments at FVOCI	959,304,394
AFS financial assets	(449,585,193)
Deferred tax assets - net	15,349,916
	₱473,902,731
Liability	
Deferred tax liabilities	₱76,457,880
Equity	
Net unrealized gain on AFS financial assets	(3,092,775)
Fair value reserve of equity investments at FVOCI	238,613,629
Retained earnings	(19,469,833)
Attributable to Parent Company	292,508,901
Noncontrolling interest	181,393,830
	₱473,902,731

(a) *Classification and measurement*

Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payment of principal and interest' (SPPI) on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at initial recognition of the assets.

In summary, upon the adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018.

		PFRS 9 Measurement Category		
PAS 39 Measurement Category	As at January 1, 2018	Fair value through profit or loss	Amortized cost	FVOCI
Loans and receivables:				
Cash and cash equivalents	₱1,967,498,425	₱–	₱1,967,498,425	₱–
Receivables	9,310,699,885	–	9,310,699,885	–
Receivables from related parties	155,102,232	–	155,102,232	–
AFS financial assets:				
Quoted equity investments	70,037,553	–	–	70,037,553
Unquoted equity investments	379,547,640	–	–	889,266,841
Total	₱11,882,885,735	₱–	₱11,433,300,542	₱959,304,394

(b) *Impairment*

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

Upon adoption of PFRS 9, the Group recognized additional impairment on the Group's financial assets of ₱51,166,385, which resulted in a decrease in retained earnings of ₱35,816,470 as at January 1, 2018.

	Allowance for impairment under PAS 39 as at December 31, 2017	Remeasurement	ECL under PFRS 9 as at January 1, 2018
Cash (Note 6)	₱–	₱1,016	₱1,016
Receivable (Note 7)	29,728,864	21,619,906	51,348,770
Contract asset (Current) (Note 8)	–	25,206,180	25,206,180
Advances to officers and employees (Note 7)	469,475	8,216	477,691
Contract asset (Noncurrent) (Note 16)	–	4,331,067	4,331,067
Total	₱30,198,339	₱51,166,385	₱81,364,724

(c) *Deferred taxes*

Deferred taxes were adjusted against retained earnings and other comprehensive income as necessary upon adoption of PFRS 9 as at January 1, 2018.

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on 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 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

4. Summary of Significant Accounting Policies

Revenue Recognition

After adoption of PFRS 15

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from construction contracts
The Group assessed that there is only one performance obligation for each construction agreement that it has entered and that revenue arising from such agreements qualify for recognition over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced by applying par. 35(b) of PFRS 15. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. The customer, having the ability to specify the design (or any changes thereof) of the asset, controls the asset as it is being constructed. Furthermore, the Group builds the asset on the customer's land (or property controlled by the customer), hence, the customer generally controls any work in progress arising from the Group's performance. The Group also recognized as part of its construction revenue, the effects of variable considerations arising from various change orders and claims, to the extent that they reflect the amounts the Group expects to be entitled to and to be received from the customers, provided that it is highly probable that a significant reversal of the revenue recognized in connection with these variable considerations will not occur in the future. For unpriced change orders and claims, the Group uses the "most likely amount" method to predict the amounts the Group expects to be entitled to and to be received from the customers.

The Group elected to use the input method to measure the progress of the fulfilment of its performance obligation, which is based on the actual costs incurred to date relative to the total estimated cost to complete the construction projects because there is a direct relationship between the Group's effort (i.e., costs incurred) and the transfer of service to the customer.

Revenue from sale of goods
Revenue from sale of goods is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery and acceptance of the inventory item.

Revenue from tuition and other related fees
Revenue from tuition fees and other matriculation fees are recognized over time as revenue over the corresponding school term using the output method (i.e., time lapsed over the service period such as semester or school year, depending on the curriculum registered). Upon enrollment, students have the option to pay the tuition and other matriculation fees in full or installment.

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 (at point in time).

Revenue from power generation
The Group's power supply agreement with its customer requires the Group to deliver certain units of electricity (in kWh) to the customer per month. As delivery of electricity constitutes a series of distinct good or services that are substantially the same and have the same pattern of transfer to the customer (i.e., the good or service would be recognized over time using the same measure of progress), this was treated by the Group as a single performance obligation. Because electricity is simultaneously provided and consumed, the Group's performance obligation to deliver electricity qualifies for revenue recognition over time by applying par. 35(a) of PFRS 15. The Group recognizes revenue from power generation by applying the "right to invoice" practical expedient since the Group's right to payment is for an amount that corresponds directly with the value to the customer of the Group's performance to date.

Revenue from manpower services
Under the Group's service agreements with its customers, the Group is required to provide manpower services (including but not limited to janitorial, messengerial and other allied services). As provision of these services constitutes a series of distinct good or services that are substantially the same and have the same pattern of transfer to the customer (i.e., the good or service would be recognized over time using the same measure of progress), this was treated by the Group as a single performance obligation. Because the services are simultaneously provided and consumed by the customer, the Group's performance obligation to render such services qualifies for revenue recognition over time by applying par. 35(a) of PFRS 15. The Group recognizes revenue from manpower supply services by applying the "right to invoice" practical expedient since the Group's right to payment is for an amount that corresponds directly with the value to the customer of the Group's performance to date.

Contract balances arising from revenue with customer contracts

Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer

pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Before Adoption of PFRS 15

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.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue from construction contracts
Revenue from construction contracts are recognized using the percentage-of-completion method of accounting. Under this method, revenue is generally measured on the basis of estimated completion of the physical proportion of the contract work.

Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. The amount of such loss is determined irrespective of whether or not work has commenced on the contract; the stage of completion of contract activity; or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements that may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined. Profit incentives are recognized as revenue when their realization is reasonably assured.

The asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents total 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 costs incurred and estimated earnings recognized. Contract retentions are presented as part of "Trade receivables" under the "Receivables" account in the consolidated statement of financial position.

Revenue from sale of goods
Revenue from sale of merchandise is recognized immediately upon the buyer's acceptance of delivery when the installation process is simple in nature, as applicable, otherwise, revenue is recognized when the buyer accepts delivery and when installation and inspection are complete.

*Revenue from s*chool 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.

Revenue from power generation
Revenue derived from the generation and/or supply of electricity is recognized based on the actual delivery of electricity as agreed upon between parties.

Interest Income
Interest income is recognized as it accrues taking into account the effective yield on the asset.

Rent Income
Rent income is recognized as revenue on a straight-line basis over the lease term.

Dividend Income
Dividend income is recognized when the Group's right to receive the payment is established.

Expenses
Expenses are recognized in the consolidated statement of income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Cost of sales and services
Cost of sales is recognized as an expense when the related goods are sold. Cost of services include all direct materials and labor costs and those indirect costs related to contract performance which are recognized as incurred.

General and administrative expenses
Administrative expenses constitute costs of administering the business and are expensed as incurred.

Current versus Non-current Classification
The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and deferred tax liabilities are classified as non-current assets and liabilities.

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.

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.

Financial Instruments - Initial Recognition and Subsequent Measurement Effective January 1, 2018

Financial Assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.

'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.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, receivables, and due from related parties.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably all its equity investments under this category.

The Group does not have any debt financial assets at fair value through OCI and financial assets at fair value through profit or loss as of December 31, 2018.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The loss allowance was adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group generally considers a financial asset in default when contractual payments are 90 days past due. For a financial asset that arises from long-term construction contracts, the Group considers the asset to be in default if contractual payments are not settled within 30 days from the completion of the construction project. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Instruments - Initial Recognition and Subsequent Measurement Prior to January 1, 2018

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial instruments that require delivery of financial instruments 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 do not have any HTM investments and financial liabilities at FVPL as of December 31, 2017.

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.

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 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 asset at FVPL consist of peso-denominated investment in unit investment trust fund (UITF) in Rizal Commercial Banking Corporation (RCBC).

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, receivable from a customer, miscellaneous deposits (included in the prepaid expenses and other current assets) and receivable from EEI Retirement Fund, Inc.

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 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 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 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 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 11).

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 statement of 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, 2017.

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 in 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.

Financial Instruments - Initial Recognition and Subsequent Measurement Prior to and After January 1, 2018

Financial Liabilities

The accounting for the Group's financial liabilities remains the same as it was under PAS 39. The Group initially measures a financial liability at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs. The Group has no financial liabilities at FVPL.

Subsequent to initial recognition, the Group's financial liabilities are carried at amortized cost. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

This category generally applies to the Group' accounts payable and other current liabilities, bank loans, long-term debt and due to related parties

Derecognition of Financial Instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: (a) the rights to receive cash flows from the asset have expired; or (b) 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 (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

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.

The Group's other financial liabilities consist of loans payable, accounts payable and other current liabilities, due to related parties and long-term debt.

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) amounted to ₱1.3 million as of December 31, 2017, respectively, and included under "Accounts payable and other current liabilities" in the consolidated statements of financial position (Note 17).

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

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.

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

The cost of real estate inventories includes (a) land cost; (b) freehold and leasehold rights for land; (c) amounts paid to contractors for construction; (d) borrowing costs, planning and design cost, cost of site preparation, professional fees, property taxes, construction overheads and other related costs.

Cost of inventories is generally determined primarily using the moving-average method, except for automotive units of the car dealerships and real estate inventories of EEI Realty, which are accounted for using the specific identification method.

Value-Added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position up to the extent of the recoverable amount.

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. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint venture are accounted for using the equity method of accounting. Under this method, the investment amount is increased or decreased to recognize the Group’s share in the profit or loss of the investee after the date of acquisition. Dividends received from the investee reduces the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group’s proportionate interest in the investee arising from changes in the investee’s other comprehensive income.
Gains and losses resulting from ‘upstream’ and ‘downstream’ transactions between the Group and its associate or joint venture are recognized in the consolidated financial statements only to the extent of unrelated investors’ interests in the associate or joint venture.

The reporting dates and the accounting policies of the associates and joint venture conform to those used by the Group for like transactions and events in similar circumstances.

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 impairment loss 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.

The Group's associates and joint venture accounted for using the equity method as of December 31 follows:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership	
				2018	2017
Associates:					
Hi-Eisai Pharmaceutical, Inc. (HEPI)	Philippines	Pharmaceutical	Philippine peso	**50.00**	50.00
La Funeraria Paz Sucat, Inc. (LFPSI)	Philippines	Funeral Service	Philippine peso	**37.50**	37.50
T'boli Agro-Industrial Development, Inc.	Philippines	Agriculture	Philippine peso	**28.47**	28.47
Manila Memorial Park Cemetery, Inc. (MMPC)	Philippines	Funeral Service	Philippine peso	**25.98**	25.98
Lo-oc Limestone Development Corporation (LLDC)	Philippines	Mining	Philippine peso	**25.00**	25.00
Petroenergy Resources Corporation (PERC)	Philippines	Renewable energy	Philippine peso	**28.36**	22.41
RCBC Realty Corporation (RRC)	Philippines	Realty	Philippine peso	**10.00**	10.00
Al-Rushaid Construction Company Limited (ARCC)	Saudi Arabia	Construction	Saudi riyal	**49.00**	49.00
PetroSolar Corporation (PSOC)	Philippines	Renewable energy	Philippine peso	**44.00**	44.00
Joint venture:					
PetroWind Energy, Inc. (PWEI)	Philippines	Renewable energy	Philippine peso	**20.00**	20.00

On February 2, 2018, the Parent Company purchased additional 69.3 million PERC shares from stock rights offering for ₱332.6 million resulting to an increase in ownership interest from 22.41% to 28.36% (Note 12).

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 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	5 - 40
Machinery, tools and construction equipment	2 - 20
Transportation and service equipment	5
Furniture, fixtures and office equipment	3 - 5

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 income in the year the asset is derecognized.

Upon disposal of land, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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 depreciated on a straight-line basis over its estimated useful life of fifteen (15) to twenty years (20). Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment in value.

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.

Software Costs
Software costs are stated at cost less accumulated amortization and any impairment in value. Costs related to software purchased by the Group for use in the operations are amortized on a straight-line basis over a period of three (3) years.

Costs associated with developing and maintaining computer software programs are recognized as an expense when incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any.

Impairment of Nonfinancial Assets
For investments in associate and joint venture, property and equipment, investment properties and computer software costs, 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
Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset including property and equipment while the qualifying asset is under construction are capitalized as part of the cost of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Capitalization of borrowing cost should commence when: (i)

expenditures for the asset and borrowing costs are being incurred; and (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalization ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalization is suspended. When construction occurs piecemeal and use of each part is possible as construction continues, capitalization of each part ceases upon substantial completion of that part. For borrowing of funds associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. All other borrowing costs are expensed as incurred. However, if the carrying amount of the asset after capitalization of borrowing costs exceeds its recoverable amount, an impairment loss is recognized.

Business Combination and Goodwill

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.

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.

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 an 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.

<u>General and Administrative Expenses</u>
The Group's general and administrative expenses constitute costs of administering the business. General and administrative expenses are recognized as incurred.

<u>Foreign Currency-denominated Transaction and Translation</u>
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.

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso 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. Likewise, the the financials of the Group's associate whose functional currency is not the Philippine Peso that is accounted for under equity method are translated to the presentation currency of the Parent Company in a similar manner. The exchange differences arising on the translation are taken directly to a separate component of equity under "Cumulative translation adjustments" 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 or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benfits available in the form or refunds from the plan or reduction 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 government 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.

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 recognized outside profit or loss 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

Group as a lessee

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 is computed by dividing net income for the year attributable to equity holders of the Group adjusted for the after-tax amounts of dividends on preferred stock by the weighted average number of common stock outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits.

Diluted EPS is computed by adjusting the net income for the year attributable to equity holders of the Group and the weighted average number of common stock outstanding during the year after giving retroactive effect for any stock dividends, stock splits or reverse stock splits and adjusted for the effects of all dilutive potential common stock.

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*.

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.

Capital Stock
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
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).

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.

5. **Significant Accounting Judgments and Estimates**

The preparation of the consolidated financial statements in compliance with PFRSs 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.

Judgment
Recognition of revenue from construction contracts
Under the new revenue standard, PFRS 15, *Revenue from Contracts with Customers*, which the Group adopted starting January 1, 2018, the Group assessed that there is only one performance obligation for each construction agreement that it has entered and that revenue arising from such agreements qualify for recognition over time. The Group elected to use the input method to measure the progress of the fulfilment of its performance obligation, which is based on the actual costs incurred to date relative to the total estimated cost to complete the construction projects. The Group believes that this method faithfully depicts the Group's performance towards satisfaction of its performance obligation because there is a direct relationship between the Group's effort (i.e., costs incurred) and the transfer of service to the customer (Notes 3, 4 and 22).

Determination of significant influence on investment in an associate 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% because it has an active participation in the policy-making process including operating decisions of the investee.

As of December 31, 2018 and 2017, 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%.

Estimates
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.

Estimating variable considerations arising from change orders and claims
The Group frequently agrees to change orders that modify the scope of its work previously agreed with customers and regularly submits claims to customers when unanticipated additional costs are incurred because of delays or changes in scope caused by the customers. PFRS 15 requires the Group to recognize, as part of its revenue from construction contracts, the estimated amounts the Group expects to be entitled to and to be received from customers due to these change orders and claims (otherwise known as variable considerations), provided that it is highly probable that a significant reversal of the revenue recognized in connection with these variable considerations will not occur in the future. For these unpriced change orders and claims, the Group uses the "most likely amount" method to predict the amount to which it will be entitled and expected to be received from the customers.

The aggregate carrying values of receivables and contract assets arising from construction contracts amounted to ₱9.7 billion as of December 31, 2018.

Fair value measurement of unquoted equity investments at FVOCI
The Group uses valuation techniques such as discounted cash flow approach and adjusted net asset method with significant unobservable inputs to calculate the fair value of its unquoted equity investments at FVOCI. These inputs include revenue growth assumptions, discount rates, appraised value of real properties, among others. Changes in assumptions relating to these factors could affect the reported fair value of these unquoted equity financial instruments.

The fair value of unquoted equity investments amounted to ₱0.9 billion as of December 31, 2018 (Note 11).

Provision for expected credit losses of trade receivables and contract assets
The Group uses the simplified approach in calculating the ECL of its trade receivables and contract assets wherein the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The model is based on the Group's historical observed default rates and adjusted to include forward looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of December 31, 2018, the aggregate carrying values of receivables and contract assets are disclosed in Notes 7, 8 and 16 to the consolidated financial statements.

Estimation of 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 carrying value of receivables are disclosed in Notes 7, 16 and 22 to the consolidated financial statements.

Valuation of land under revaluation basis
The Group's parcel of land are carried at revalued amounts. The valuations of these parcels of land were performed by SEC accredited independent appraisers and were determined using the market approach. Significant adjustments to inputs used in determining the fair value of land such as location and utility could affect the appraised value of the assets.

Land carried under revaluation basis amounted to ₱7,023.4 million and ₱6,312.5 million as of December 31, 2018 and 2017, respectively. The key assumptions used to determine the fair value of the parcels of land are disclosed in Note 13

Provisions and 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 Management does not believe that these proceedings will have a material adverse effect on the Group's financial statement because management and its legal counsels believe that the Group has substantial legal and factual bases for its 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 17 and 34).

Impairment of goodwill of Malayan Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.)
The Group determines whether goodwill is impaired on an annual basis every December 31, or more frequently, if events or changes in circumstances indicate that it may be impaired. This requires an estimation of the recoverable amount, which is the higher of fair value less costs of disposal and value in use of the CGU to which the goodwill is attributed.

Estimating value in use requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. This estimate is based on the Group's past results and future expectations on cash flow from the CGU. However, there is no assurance that the Group will generate sufficient cash flow to associate that the goodwill will not be impaired in the future.

Management determined that the goodwill of Malayan Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.) amounting to ₱137.9 million as of December 31, 2018 and 2017 is not impaired (Note 14).

Estimation of 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 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.

Retirement assets amounted to ₱28.0 million and ₱46.5 million as of December 31, 2018 and 2017, respectively whereas retirement liabilities amounted to ₱141.0 million and ₱148.6 million as of December 31, 2018 and 2017, 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 and unrecognized by the Group are disclosed in Note 32 to the consolidated financial statements.

6. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand and in banks	**₱1,465,704,010**	₱1,250,528,876
Short-term investments	**573,960,815**	716,969,549
	₱2,039,664,825	₱1,967,498,425

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 earns annual interest at the respective short-term investment rates.

Interest income from cash in banks and short-term investments amounted to ₱17.5 million, ₱17.3 million and ₱27.3 million for the years ended December 31, 2018, 2017 and 2016, respectively (Note 23).

7. Receivables

This account consists of:

	2018	2017
Trade		
Construction and infrastructure	**₱3,157,748,969**	₱6,751,234,748
Car dealership	**813,294,034**	1,552,261,016
Education and information technology	**302,795,237**	159,320,973
Other services	**97,597,545**	75,631,683
Other receivables		
Receivable from sale of investment properties	**125,789,113**	121,760,316
Receivable from EEI RFI (Notes 16 and 31)	**55,000,000**	45,000,000
Advances to officers and employees	**54,704,876**	20,048,873
Receivable from customers	**65,201,427**	61,400,000
Receivables from plant	**52,527,813**	27,877,545

(Forward)

	2018	2017
Loans receivable - current	**₱10,105,165**	₱10,159,319
Rent receivable	**721,798**	399,328
Consultancy fee	–	306,621,841
Others	**277,390,384**	380,158,023
	5,012,876,361	9,511,873,665
Less allowance for impairment	**232,855,171**	201,173,780
	₱4,780,021,190	₱9,310,699,885

The movements in allowance for impairment for the years ended December 31 follow:

	2018					
	Construction and Infrastructure	**Car Dealership**	**Education and Information Technology**	**Other Services**	**Other Receivables**	**Total**
Balances at beginning of year	**₱20,771,357**	**₱37,680,707**	**₱65,536,139**	**₱5,972,188**	**₱71,213,389**	**₱201,173,780**
Impact of PFRS 9	**38,782,324**	**–**	**–**	**–**	**–**	**38,782,324**
Provisions - net of recoveries (Notes 27 and 28)	**(6,698,289)**	**1,629,893**	**1,899,577**	**1,863,771**	**292,532**	**(1,012,516)**
Transfers	–	**–**	**–**	**–**	**–**	**–**
Write-offs	–	**–**	**(6,088,417)**	**–**	**–**	**(6,088,417)**
Balances at end of year	**₱52,855,392**	**₱39,310,600**	**₱61,347,299**	**₱7,835,959**	**₱71,505,921**	**₱232,855,171**
Individually impaired	**₱52,855,392**	**₱39,310,600**	**₱–**	**₱7,835,959**	**₱71,505,921**	**₱171,507,872**
Collectively impaired	**–**	**–**	**61,347,299**	**–**	**–**	**61,347,299**
Total	**₱52,855,392**	**₱39,310,600**	**₱61,347,299**	**₱7,835,959**	**₱71,505,921**	**₱232,855,171**

	2017					
	Construction and Infrastructure	Car Dealership	Education and Information Technology	Other Services	Other Receivables	Total
Balances at beginning of year	₱35,347,628	₱38,035,317	₱61,125,773	₱6,208,855	₱74,520,419	₱215,237,992
Provisions - net of recoveries (Notes 27 and 28)	(4,880,582)	(283,090)	5,831,619	493,993	7,723,478	8,885,418
Transfers	(9,695,689)	–	–	–	(4,589,853)	(14,285,542)
Write-offs	–	(71,520)	(1,421,253)	(730,660)	(6,440,655)	(8,664,088)
Balances at end of year	₱20,771,357	₱37,680,707	₱65,536,139	₱5,972,188	₱71,213,389	₱201,173,780
Individually impaired	₱20,771,357	₱37,680,707	9,614,596	₱5,972,188	₱71,213,389	₱145,252,237
Collectively impaired	–	–	55,921,543	–	–	₱55,921,543
Total	₱20,771,357	₱37,680,707	₱65,536,139	₱5,972,188	₱71,213,389	₱201,173,780

Trade receivables

The trade receivables are noninterest-bearing and collectible within one (1) year which consists of the following:

Receivable from construction and infrastructure

Receivables from construction and infrastructure mainly represent amounts arising from domestic construction contracts which are generally on a 30-day credit term. Prior to January 1, 2018, this account includes retention receivables which are recouped upon the lapse of defect and liability period and the receipt of customer certification that there are no defects on the constructed asset. After January 1, 2018, retention receivables to which the Group's right for consideration is conditioned on the lapse of the defect and liability period and the receipt of customer certification that there are no defects on the constructed asset are presented as part of the contract asset.

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.

Consultancy fees receivables arise from EEI Limited's management and advisory services to ARCC. During 2018, EEI Limited agreed to waive the amount in favor of ARCC and wrote off the amount outstanding as of December 31, 2017 (Note 28).

No trade receivables were used as collaterals to secure obligations as of December 31, 2018 and 2017.

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

	2018	2017
Time loan principals	**₱27,217,114**	₱25,207,600
Unearned discount and interest	**(9,237,416)**	(7,671,002)
	17,979,698	17,536,598
Less allowance for impairment	**3,689,875**	3,869,959
	₱14,289,823	₱13,666,639

Time loan principals are collectible in full at maturity date while interest is due monthly or at maturity. Annual interest rates range from 3% to 5% in 2018 and 2017. 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

	2018	2017
Secured loans		
Chattel mortgage	**₱6,289,961**	₱6,615,867
Real estate mortgage	**19,787,140**	16,966,783
	26,077,101	23,582,650
Unsecured loans	**1,140,013**	1,624,950
	₱27,217,114	₱25,207,600

b) As to maturity

	2018	2017
Maturing within one year	**₱20,624,140**	₱18,194,813
Maturing one year to five years	**6,592,974**	7,012,787
	₱27,217,114	₱25,207,600

The changes in individually assessed allowance for expected credit losses as at December 31 follow:

	2018	2017
Balance at beginning of year	**₱3,869,959**	₱4,053,542
Provision for impairment losses (Note 28)	**468,422**	380,000
Written-off	**(648,506)**	(563,583)
Balance at end of year	**₱3,689,875**	₱3,869,959

Receivable from sale of investment properties
On December 11, 2017, the Group sold a parcel of land located in Batangas for ₱466.7 million. Both parties agreed the selling price will be settled in eight (8) semi-annual installments and shall bear annual interest rate of 2%.

Receivable from EEI RFI pertains to the Group's sale of land to EEI RFI, a trustee of the Group's employee retirement fund in previous years. Both parties agreed the selling price will be repaid in installments and bear annual interest rate of 5%. In 2016, the Parent Company and the Fund agreed to extend the term of the payment until April 30, 2021 (Note 21).

Receivable from customers
In 2017, trade receivables with gross value of ₱290.8 million (provided with allowance of ₱11.2 million) were reclassified to receivables from customers after the Group and the customers agreed to extend the credit terms. These receivables bear interest of 5% per annum and will be repaid in five (5) years' time.

Details of the abovementioned receivables follow:

	2018	2017
Receivable from sale of investment properties		
Current portion	**₱125,789,113**	₱121,760,316
Noncurrent portion (Note 16)	**155,245,566**	252,642,633
Receivable from EEI RFI		
Current portion	**55,000,000**	45,000,000
Noncurrent portion (Note 16)	**78,000,000**	133,000,000
Interest-bearing trade receivables		
Current portion	**65,201,427**	61,400,000
Noncurrent portion (Note 16)	**88,307,263**	150,807,263

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.

Advances to officers and employees are interest-bearing and repaid on a monthly basis through salary deductions.

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

8. Contract Assets and Liabilities

Contract Assets

The Group presents contract receivable and retentions withheld by customer as contract assets as the Group's right for consideration is conditioned on the lapse of the defect and liability period and the receipt of customer certification that there are no defects on the constructed asset. These are reclassified as receivables upon the lapse of the defect and liability period and final customer acceptance.

The Group's contract assets amounted to ₱6.12 billion and ₱2.42 billion as of December 31, 2018 and January 1, 2018, respectively. The increase in this account is largely caused by construction works already performed by the Parent Company.

Details of the Group's contract assets as of December 31, 2018 are shown below (Note 16).

	Current	Noncurrent	Total
Contract asset	₱4,979,692,385	₱1,152,088,370	₱6,131,780,755
Less: Allowance for expected credit losses	(13,257,601)	(1,624,975)	(14,882,576)
	₱4,966,434,784	₱1,150,463,395	₱6,116,898,179

Movement in the allowance for expected credit losses for the year ended December 31, 2018 follows:

	Current	Noncurrent	Total
Balance as at January 1	₱28,779,586	₱757,661	₱29,537,247
Provision (recovery)	(15,521,985)	867,314	(14,654,671)
Balance as at December 31	₱13,257,601	₱1,624,975	₱14,882,576

Contract Liabilities

Contract liabilities consist of down payments received in relation to construction contracts, unearned tuition fees and accounts payable to students that will be recognized as revenue in the future as the Group satisfies its performance obligations. Payables to students are advance collections from students to be applied to the next school year or school term December 31, 2018.

As at December 31, 2018, contract liabilities amounted to ₱314.95 million and these will be recognized as revenue in the following year. Contract liabilities as of January 1, 2018 amounting to ₱89.16 million were recognized as revenue in 2018. The increase in contract liabilities in 2018 is due to the increase in unearned tuition fees brought about by the change in start of school year from July to August which resulted to a one month unearned tuition fees as of December 31, 2018.

Costs, estimated earnings and billings on uncompleted contracts

The details of the costs, estimated earnings and billings on uncompleted contracts as of December 31, 2017 follow:

Total costs incurred	₱57,929,041,179
Add: Estimated earnings	6,758,211,585
	64,687,252,764
Less: Total billings	65,019,123,114
	(₱331,870,350)

The foregoing balances are reflected in the consolidated statement of financial position under the following accounts as of December 31, 2017:

Costs and estimated earnings in excess of billings on uncompleted contracts	₱3,753,207,563
Billings in excess of costs and estimated earnings on uncompleted contracts	(4,085,077,913)
	(₱331,870,350)

As of December 31, 2017, the Group received advances from customers amounting to ₱6,188.0 million.

9. Inventories

This account consists of:

	2018	2017
Construction materials	**₱1,163,219,906**	₱74,421,644
Real estate:		
Land and land development	**152,725,721**	217,303,784
Subdivision lots and contracted units for sale	**76,793,014**	91,619,497
Raw lands	**45,229,389**	45,229,389
Merchandise	**1,110,486,934**	651,266,483
Spare parts and supplies	**145,717,334**	37,686,970
	₱2,694,172,298	₱1,117,527,767

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 ₱7,281.9 million, ₱10,108.8 million and ₱7,339.3 million in 2018, 2017 and 2016, respectively (Notes 24 and 25).

The rollforward of allowance for inventory obsolescence is as follows:

	2018	2017
Balances at beginning of year	**₱70,874,400**	₱45,228,031
Provisions (Note 28)	**31,074,321**	34,451,669
Reversals	**(5,506,374)**	(8,805,300)
Balances at end of year	**₱96,442,347**	₱70,874,400

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

	2018	2017
Balances at beginning of year	**₱354,152,670**	₱362,706,061
Construction/development costs incurred	**16,671,157**	18,587,513
Cost of real estate sales	**(38,321,997)**	(27,140,904)
Transfer to property and equipment (Note 13)	**(57,753,706)**	–
Balances at end of year	**₱274,748,124**	₱354,152,670

No inventories were pledged as security to obligations as of December 31, 2018 and 2017.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	2018	2017
Advances to suppliers and contractors	**₱712,412,784**	₱651,696,569
Creditable withholding taxes	**367,387,252**	317,959,744
Miscellaneous deposits	**86,958,456**	78,266,698
Prepaid expenses	**75,702,134**	89,608,794
Input value added tax (VAT)	**74,084,987**	138,938,652
Restricted cash investment	**38,601,563**	22,026,782
Advances to officers and employees	**30,739,604**	21,729,986
Restricted funds	**21,356,004**	40,770,732
Prepaid taxes	**9,759,208**	19,957,723
Unused office supplies	**3,620,204**	4,583,204
Others	**48,156,881**	45,311,217
	1,468,779,077	1,430,850,101
Less allowance for impairment	**3,808,458**	3,762,427
	₱1,464,970,619	₱1,427,087,674

Advances to suppliers and contractors 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.

Prepaid expenses mainly include prepayments for membership fees, subscriptions, rentals and insurance, among others.

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

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.

Restricted funds significantly pertain to funds invested in money market placements exclusively for use in CWTS, NSTP, for financing of scholars of certain private entities and for the purpose of undertaking socio-economic studies and development projects.

11. **Equity Investments at Fair value through Other Comprehensive Income (FVOCI) / Available-for-Sale Financial Assets**

This account consists of:

	2018	2017
Quoted equity investments	**₱63,140,918**	₱70,037,553
Unquoted equity investments	**911,568,376**	379,547,640
	₱974,709,294	₱449,585,193

Rollforward analysis of the account follow:

	2018	2017
Balance at beginning of year	**₱449,585,193**	₱524,064,241
Impact of adoption of PFRS 9	**509,719,202**	–
Additions	**22,877,650**	20,865,766
Disposals and redemption	**–**	(104,069,193)
Reclassification/Write-off	**(37,500)**	(1,980,000)
Fair value changes recognized in other comprehensive income	**(7,435,251)**	10,704,379
	₱974,709,294	₱449,585,193

In 2018, the Group invested additional ₱22.4 million in PetroGreen Energy Corporation (PGEC). This transaction did not result to a change in the Group's 10% equity interest in PGEC.

Movements in the fair value reserve recognized in other comprehensive income are as follows:

	2018	2017
Attributable to equity holders of the parent:		
Balance at beginning of year	**₱87,185,459**	₱79,859,050
Income recognized in OCI	**167,502,355**	7,326,409
Impact of adoption of PFRS 9	**5,167,893**	–
Balance at end of year	**259,855,707**	87,185,459
Non-controlling interests:		
Balance at beginning of year	**6,063,829**	2,685,859
Income recognized in OCI	**193,759,233**	3,377,970
Impact of adoption of PFRS 9	**2,267,358**	–
Balance at end of year	**202,090,420**	6,063,829
	₱461,946,127	₱93,249,288

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

	2018	2017
PetroGreen Energy Corporation	**₱483,916,588**	₱258,079,889
Hermosa Ecozone Development Corporation	**404,918,702**	100,000,000
Brightnote Assets Corporation	**10,677,732**	11,000,000
Sta. Elena Properties	**7,680,033**	7,680,033
Subic Power Corporation	**–**	37,500
Others	**4,375,321**	2,750,218
	₱911,568,376	₱379,547,640

The Group elected to present the fair value changes of all its equity investments in other comprehensive income because it does not intend to hold these investments for trading.

PetroGreen Energy Corporation (PGEC)
The fair value of the Group's investment in PGEC is determined by an independent third party professional services firm using the discounted cash flow model. The valuation requires certain assumptions to be made, such as forecast cash flows, the discount rate, among others (Note 37).

Hermosa Ecozone Development Corporation (HEDC)
The fair value of the Group's investment in HEDC is determined using the adjusted net asset approach wherein the assets of HEDC consisting mainly of parcels of land are adjusted from cost to their fair value. The valuation was performed by an independent SEC-accredited appraiser as of December 31, 2017 (Note 37).

Dividends earned from equity investments at FVOCI amounted to ₱0.6 million in 2018. Dividends earned from AFS financial assets amounted to ₱1.0 million in 2017.

The Group's investments in RRC, classified as AFS securities, are non-voting preference shares. Investments in RRC financial assets amounting ₱104.1 million were redeemed in 2017 at a gain of ₱58.6 million (Note 23).

In 2017, the Group invested an additional ₱20.87 million in PGEC. This transaction did not result to a change in the Group's 10% equity interest in PGEC as the other PGEC investors were also required by the investee to make additional investments proportionate to their ownership interest.

No equity investments at fair value through other comprehensive income (FVOCI) were pledged as security to obligations as of December 31, 2018 and 2017 (Note 20).

12. **Investments in Associates and Joint Venture**

The rollforward analysis of this account follows:

	2018	2017
Acquisition cost		
Balances at beginning	**₱4,114,397,589**	₱3,320,189,223
Additions	**508,366,190**	–
Reclassification	**–**	794,208,366
Balance at end of year	**4,622,763,779**	4,114,397,589
Accumulated impairment loss	**74,536,609**	74,536,609
Accumulated equity in net earnings		
Balance at beginning of year	**642,289,767**	394,177,443
Equity in net earnings	**255,783,370**	289,372,254
Dividends received	**(155,940,634)**	(41,259,930)
Balance at end of year	**742,132,503**	642,289,767
Subtotal	**5,290,359,673**	4,682,150,747
Share in other comprehensive income of an associate	**64,571,875**	63,646,185
Cumulative translation adjustment	**151,023,452**	75,417,034
	₱5,505,955,000	₱4,821,213,966

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

(Amounts in millions)

	2018					
	PERC	**RRC**	**MMPC**	**ARCC**	**PSOC**	**PWEI**
Acquisition cost:						
Balance, January 1	**₱538**	**₱959**	**₱120**	**₱1,626**	**₱366**	**₱257**
Reclassification	–	–	–	–	–	–
Additions	**333**	–	–	–	**176**	–
Balance, December 31	**871**	**959**	**120**	**1,626**	**542**	**257**
Accumulated equity in net earnings (losses):						
Balance, January 1	**196**	**356**	**250**	**(396)**	**159**	**53**
Equity in net earnings (losses)	**119**	**123**	**136**	**(289)**	**102**	**60**
Dividends declared	**(8)**	**(60)**	**(22)**	–	**(48)**	–
Balance, December 31	**307**	**419**	**364**	**(685)**	**213**	**113**
Subtotal	**1,178**	**1,378**	**484**	**941**	**755**	**370**
Accumulated share in other comprehensive income:						
Balance, January 1	**64**	–	–	–	–	–
Share in remeasurement loss on retirement liability	**1**	–	–	**1**	–	–
Share in cumulative translation adjustments	**7**	–	–	–	–	–
Balance, December 31	**72**	–	–	**1**	– –	
Equity in cumulative translation adjustments	–	–	–	**187**	–	–
	₱1,250	**₱1,378**	**₱484**	**₱1,129**	**₱755**	**₱370**

	2017					
	PERC	RRC	MMPC	ARCC	PSOC	PWEI
Acquisition cost:						
Balance, January 1	₱538	₱959	₱120	₱832	₱366	₱257
Reclassification	–	–	–	794	–	–
Additions	–	–	–	–	–	–
Balance, December 31	538	959	120	1,626	366	257
Accumulated equity in net earnings (losses):						
Balance, January 1	152	240	194	(382)	65	14
Equity in net earnings (losses)	44	126	80	(14)	94	39
Dividends declared	–	(10)	(24)	–	–	–
Balance, December 31	196	356	250	(396)	159	53
Subtotal	734	1,315	370	1,230	525	310
Accumulated share in other comprehensive income:						
Balance, January 1	–	–	–	–	–	–
Share in remeasurement loss on retirement liability	(3)	–	–	–	–	–
Share in cumulative translation adjustments	67	–	–	–	–	–
Balance, December 31	64	–	–	–	– –	
Equity in cumulative translation adjustments	–	–	–	112	–	–
	₱798	₱1,315	₱370	₱1,341	₱525	₱310

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

	2018					
	PERC	**RRC**	**MMPC**	**ARCC**	**PSOC**	**PWEI**
Net assets *	**₱4,320**	**₱7,753**	**₱1,566**	**₱2,305**	**₱1,313**	**₱1,853**
Proportionate ownership in the associate	**28.36%**	**10.00%**	**25.98%**	**49.00%**	**44.00%**	**20.00%**
Share in net identifiable assets	**1,225**	**775**	**407**	**1,129**	**578**	**370**
Share in deposits for future stock subscription	**–**	**–**	**–**	**–**	**176**	**–**
Transaction costs						
Premium	**25**	**603**	**77**	**–**	**1**	**–**
Carrying value	**₱1,250**	**₱1,378**	**₱484**	**₱1,129**	**₱755**	**₱370**

**Excluding treasury shares and non-controlling interest*

	2018					
	PERC	RRC	MMPC	ARCC	PSOC	PWEI
Net assets *	₱3,451	P7,115	P1,128	P1,118	P1,190	P1,551
Proportionate ownership in the associate	22.41%	10.00%	25.98%	49.00%	44.00%	20.00%
Share in net identifiable assets	773	712	293	548	524	310
Transaction costs	–	–	–	–	1	–
Premium	25	603	77	–	–	–
Carrying value	₱798	₱1,315	₱370	₱548	₱525	₱310

**Excluding treasury shares and non-controlling interest*

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

	2018					
	PERC	**RRC**	**MMPC**	**ARCC**	**PSOC**	**PWEI**
Current assets	**₱2,323**	**₱1,275**	**₱1,930**	**₱6,848**	**₱864**	**₱829**
Noncurrent assets	**8,287**	**12,460**	**716**	**821**	**2,792**	**3,757**
Total assets	**₱10,610**	**₱13,735**	**₱2,646**	**₱7,669**	**₱3,656**	**₱4,586**
Current liabilities	**1,253**	**1,903**	**763**	**2,765**	**663**	**466**
Noncurrent liabilities	**5,037**	**4,079**	**317**	**2,599**	**1,680**	**2,267**
Total liabilities	**₱6,290**	**₱5,982**	**₱1,080**	**₱5,364**	**₱2,343**	**₱2,733**
Revenues	**₱2,139**	**₱2,534**	**₱1,332**	**₱7,680**	**₱615**	**₱848**
Cost	**(1,045)**	**(765)**	**(369)**	**(7,491)**	**(214)**	**(349)**
Gross margin	**₱1,064**	**₱1,769**	**₱963**	**₱189**	**₱401**	**₱498**
Selling and administrative, and other expenses	**(381)**	**(215)**	**(416)**	**(592)**	**(157)**	**(196)**
Pre-tax income (loss)	**₱713**	**₱1,553**	**₱547**	**(₱403)**	**₱245**	**₱302**
Proportionate ownership in the associate	**28.36%**	**10.00%**	**25.98%**	**49.00%**	**44.00%**	**20.00%**
Share in pre-tax income (loss)	**71**	**155**	**142**	**(197)**	**107**	**60**
Income tax	**(5)**	**(32)**	**(6)**	**(92)**	**(5)**	**–**
Non-controlling interest	**(274)**	**–**	**–**	**–**	**–**	**–**
Equity in net earnings (losses)	**₱119**	**₱123**	**₱136**	**(₱289)**	**₱102**	**₱60**
Dividends received	**₱8**	**₱60**	**₱22**	**₱–**	**₱48**	**₱–**

	2017					
	PERC	RRC	MMPC	ARCC	PSOC	PWEI
Current assets	₱1,704	₱1,251	₱1,349	₱7,716	₱497	₱787
Noncurrent assets	10,294	12,501	1,069	1,472	2,849	3,899
Total assets	₱11,998	₱13,752	₱2,418	₱9,188	₱3,346	₱4,686
Current liabilities	1,396	1,684	934	5,579	261	633
Noncurrent liabilities	5,511	4,953	356	2,491	1,895	2,502
Total liabilities	₱6,907	₱6,637	₱1,290	₱8,070	₱2,156	₱3,135
Revenues	₱2,310	₱2,717	₱2,176	₱9,318	₱622	₱726
Cost	(906)	(931)	(932)	(8,875)	(221)	(329)
Gross margin	₱1,404	₱1,786	₱1,244	₱443	₱401	₱397
Selling and administrative, and other expenses	(146)	(165)	(828)	(294)	(178)	(201)
Pre-tax income (loss)	₱1,258	₱1,621	₱416	₱149	₱223	₱196
Proportionate ownership in the associate	22.41%	10.00%	25.98%	49.00%	44.00%	20.00%
Share in pre-tax income (loss)	282	162	108	73	98	39
Income tax	(3)	(36)	(28)	(87)	(5)	–
Non-controlling interest	(235)	–	–	–	–	–
Equity in net earnings (losses)	₱44	₱126	₱80	(₱14)	₱93	₱39
Dividends received	₱–	₱10	₱24	₱–	₱–	₱–

Other relevant financial information of PWEI are as follow:

	2018	2017
Cash and cash equivalents	**₱321,377,116**	₱227,987,466
Current financial liabilities *	**240,000,000**	337,000,000
Noncurrent financial liabilities *	**2,266,973,821**	2,486,988,420

** excluding trade and other payables and provisions*

	2018	2017
Depreciation and amortization	**₱190,335,999**	₱189,397,350
Interest income	**4,645,182**	3,567,098
Interest expense	**186,910,482**	205,270,100

ARCC
EEI Limited made additional investment of ₱294.9 million to ARCC in 2016.

In 2017, the stockholders of ARCC extended advances amounting to ₱1,620.8 million (SAR121.75 million) to ARCC to refinance the associate's maturing bank loan and other funding requirements. The amount of the extended loan is proportionate to the ownership interests of the stockholders. Subsequently, the stockholders agreed to treat the SAR121.75 million loan as non-refundable Shareholders' funding in the statement of equity of ARCC. Consequently, the ₱794.2 million (SAR59.66 million) advances extended by the Company to ARCC was reclassified as additional investment in ARCC.

PSOC
In 2015, EEI purchased 3.7 million shares from PSOC amounting to ₱366.43 million which resulted to 44% ownership. PSOC has a 50 megawatt solar farm in Tarlac City.

In 2018, EEI made an additional investment of ₱175.8 million in PSOC. This transaction did not result to a change in the 44% ownership of EEI over PSOC.

PWEI
In 2013, EEI Power acquired 20% stake in PWEI for ₱118.75 million. PWEI has a wind energy project in Nabas, Aklan.

PWEI is owned 40% by PERC, 40% by BCPG Wind Cooperatief U.A. and 20% by EEI. BCPG Wind Cooperatief U.A. bought out the other shareholder (CapAsia ASEAN Wind Holdings Cooperatief U.A.) on May 16, 2017.

The Parent Company's effective interest in PSOC and PWEI is 41.26% and 23.26%, respectively.

PERC

The shares of capital stock of PERC are listed with Philippine Stock Exchange. On February 2, 2018, the Parent Company purchased additional 69,285,418 shares amounting for ₱332.6 million on 4.8 per share resulting to an increase in ownership interest from 22.41% to 28.36%. Its share price amounted to ₱3.5 per share and ₱6.1 per share as of December 29, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, no investments in asssociates were pledged as security to obligations (Notes 19 and 20).

13. Property and Equipment

Property and equipment at revalued amount

Movements in the revalued land are as follows:

	2018	2017
Balance at beginning of year	**₱6,312,509,812**	₱4,955,173,600
Additions:		
Acquisition	**240,334,088**	934,327,800
Appraisal increase	**470,581,594**	405,825,900
Capitalized transaction costs	–	17,182,512
Balance at end of year	**₱7,023,425,494**	₱6,312,509,812

The Parent Company owns a parcel of 7,304 sqm land located in Quezon Avenue, Quezon City wherein the car dealership showroom was erected.

On October 26, 2017, the Parent Company acquired a parcel of 5,114 sqm land located in Sta. Cruz, Makati City for ₱951.5 million where a new office building will be erected and will be used for administrative purposes. In 2018, the Parent Company sold to MESI the said property.

Capitalizable costs include taxes paid for purchase of land and borrowing costs. Borrowing costs capitalized as part of the cost of the land acquired in 2017 amounted to ₱6.2 million based on capitalization rate of 3.13% which is the interest rate of the specific borrowing (nil in 2016) (Note 18).

As of December 31, 2018 and 2017, the appraised values of the parcels of land were determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size, shape and terrain and location among others. The significant unobservable valuation input is price per square meter (level 3 - Significant unobservable inputs). The parcels of land were valued in terms of their highest and best use.

Management believes that the carrying amount of the land in Sta. Cruz, Makati City approximate its fair value because it was acquired recently and there were no significant improvements made to the said land since October 6, 2017.

Below is a listing of the properties owned by the Group together wth the description of the valuation techniques used and key inputs to valuation of land:

Location	Valuation Techniques	Unobservable Inputs Used	Range (Weighted Average) 2018	2017
Sen. Gil Puyat Avenue corners Nicanor Garcia and Jupiter Streets, Bel-Air, Makati City	Market Approach	Price per square meter	**₱183,750 to ₱227,500 (₱210,287)**	₱168,000 to ₱238,000 (₱200,000)
Muralla Street, Intramuros, Manila	Market Approach	Price per square meter	**₱42,075 to ₱55,575 (₱44,764)**	₱36,000 to ₱49,400 (₱44,000)
Paz Mendoza Guazon, Pandacan, Manila	Market Approach	Price per square meter	**₱56,525 to ₱68,400 (₱59,755)**	₱45,000 to ₱58,526 (₱52,000)
Barangay Pulo and Niyugan, City of Cabuyao, Laguna	Market Approach	Price per square meter	**₱8,289 to ₱31,350 (₱18,910)**	₱10,800 to ₱11,800 (₱11,300)
MacArthur Highway (Davao-Cotabato National Road), Brgy. Ma-a, Davao City	Market Approach	Price per square meter	**₱13,968 to ₱31,350 (₱25,835)**	₱6,863 to ₱30,600 (₱27,684)
Quezon and Panay Avenue, Quezon City	Market Approach	Price per square meter	**₱100,000 to ₱1545000 (₱89,000)**	₱100,000 to ₱150,000 (₱86,000)
Barangay Tuding, Itogon, Benguet	Market Approach	Price per square meter	**₱6,864 to ₱7,220 (₱7,000)**	₱6,500 to ₱8,000 (₱7,591)
Barangay Sta. Maria, Itogon and Bolo Bauan, Batangas	Market Approach	Price per square meter	**₱5,526 to ₱4,005 (₱7,000)**	₱5,526 to ₱4,005 (₱7,000)
Barangay Biga I, Silang, Province of Cavite	Market Approach	Price per square meter	**₱8,000 to ₱5,000 (₱5,200)**	₱8,000 to ₱5,000 (₱5,362)
Barangay Majada Labas, Calamba, Laguna	Market Approach	Price per square meter	**₱2,520 to ₱5,670 (₱4,300)**	₱6,000 to ₱4,500 (₱5,026)

Net adjustment factors arising from external and internal factors (i.e. market conditions, competitiveness, size/shape/terrain, and development) affecting the subject properties as compared to the market listing of comparable properties ranges from -20% to +20%.

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

In 2018, 2017 and 2016, the Group revalued its land based on the appraisals made by SEC accredited appraisers. Movements in revaluation increment on land, net of deferred tax effect, for the years ended December 31 follow:

	2018	2017	2016
Beginning of year	**₱1,837,421,370**	₱1,489,905,172	₱1,170,506,366
Revaluation increment	**407,285,115**	347,516,198	319,398,806
End of year	**₱2,244,706,485**	₱1,837,421,370	₱1,489,905,172

As of December 31, 2018 and 2017, the cost of the parcels of land carried at revalued amounts amounted to ₱3,624.7 million and ₱3,414.3 million, respectively.

Property and equipment at cost
The rollforward analysis of this account follows:

	2018					
	Buildings and Improvements	**Machinery, Tools and Construction Equipment**	**Transportation and Service Equipment**	**Furniture, Fixtures, and Office Equipment**	**Construction in Progress**	**Total**
Cost						
At beginning of year	**₱3,117,422,633**	**₱4,901,377,474**	**₱1,388,034,898**	**₱2,324,244,550**	**₱1,016,737,644**	**₱12,747,817,199**
Additions	**–**	**776,255,794**	**14,356,481**	**259,503,067**	**264,137,149**	**1,314,252,491**
Disposals	**–**	**(9,985,585)**	**(30,599,745)**	**(3,381,323)**	**–**	**(43,966,653)**
Reclassifications	**1,122,181,578**	**–**	**1,322,880**	**67,473,103**	**(1,191,002,250)**	**(24,689)**
Transfer in (Notes 3 and 9)	**57,753,706**	**536,968,544**	**16,265,258**	**10,337,725**	**–**	**621,325,233**
Transfer out	**(7,000,000)**	**–**	**–**	**–**	**–**	**(7,000,000)**
At end of year	**4,290,357,917**	**6,204,616,227**	**1,389,379,772**	**2,658,177,122**	**89,872,543**	**14,632,403,581**
Accumulated Depreciation and Amortization						
At beginning of year	**1,593,075,002**	**2,110,460,155**	**656,955,889**	**1,801,485,873**	**–**	**6,161,976,919**
Depreciation and amortization (Note 29)	**152,790,278**	**469,868,075**	**133,693,797**	**226,622,710**	**–**	**982,974,860**
Disposals/retirements	**–**	**(9,985,585)**	**(30,599,745)**	**(3,381,323)**	**–**	**(43,966,653)**
Reclassifications	**(696,152)**	**(9,897,833)**	**379,201**	**10,214,784**	**–**	**–**
At end of year	**1,745,169,128**	**2,560,444,812**	**760,429,142**	**2,034,942,044**	**–**	**7,100,985,126**
Net Book Value at Cost	**₱2,545,188,789**	**₱3,644,171,415**	**₱628,950,630**	**₱623,235,078**	**₱89,872,543**	**₱7,531,418,455**

	2017					
	Buildings and Improvements	Machinery, Tools and Construction Equipment	Transportation and Service Equipment	Furniture, Fixtures, and Office Equipment	Construction in Progress	Total
Cost						
At beginning of year	₱3,040,969,843	₱4,595,069,640	₱1,311,587,441	₱2,176,124,841	₱55,586,824	₱11,179,338,589
Additions	60,818,339	366,613,258	142,729,579	163,263,895	1,003,754,037	1,737,179,108
Disposals/retirements	–	(60,305,424)	(66,282,122)	(42,112,952)	–	(168,700,498)
Reclassifications	15,634,451	–	–	26,968,766	(42,603,217)	–
At end of year	3,117,422,633	4,901,377,474	1,388,034,898	2,324,244,550	1,016,737,644	12,747,817,199
Accumulated Depreciation and Amortization						
At beginning of year	1,459,628,216	1,736,060,857	580,404,743	1,629,009,765	–	5,405,103,581
Depreciation and amortization (Note 29)	133,446,786	423,328,186	131,913,349	214,319,808	–	903,008,129
Disposals/retirements	–	(48,928,888)	(55,362,203)	(41,843,700)	–	(146,134,791)
At end of year	1,593,075,002	2,110,460,155	656,955,889	1,801,485,873	–	6,161,976,919
Net Book Value at Cost	₱1,524,347,631	₱2,790,917,319	₱731,079,009	₱522,758,677	₱1,016,737,644	₱6,585,840,280

The distribution of the depreciation and amortization expenses of the Group's property and equipment follows:

	2018	2017	2016
Cost of sales and services			
Construction contracts (Note 26)	**₱533,700,871**	₱471,687,826	₱483,036,014
Tuition and other fees (Note 27)	**187,605,487**	194,769,392	190,097,703
Manpower and other services (Note 26)	**48,899,277**	58,781,486	46,535,401
Capitalized as part of cost of inventories	**554,093**	493,326	165,063
	770,759,728	725,732,030	719,834,181
General and administrative expenses (Note 28)	**212,215,132**	177,276,099	169,410,284
	₱982,974,860	₱903,008,129	₱889,244,465

Construction in progress mainly includes the general cost of construction of MCI's school building in Makati City and other direct cost.

14. **Goodwill**

The carrying amount of goodwill allocated to each of the CGUs follows:

	2018	2017
EEI Corporation and Subsidiaries	**₱300,859,305**	₱300,859,305
Malayan Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.)	**137,853,346**	137,853,346
iPeople,inc.	**32,644,808**	32,644,808
	₱471,357,459	₱471,357,459

Goodwill of EEI Corporation and Subsidiaries and iPeople, Inc. (iPeople)
Management determined that the recoverable amount of the goodwill balances of EEI Corporation and Subsidiaries and iPeople were fair values less costs of disposal wherein the fair values are the quoted prices of the shares of stocks of EEI Corporation and Subsidiaries and iPeople in the Philippine Stock Exchange as of December 31, 2018 and incorporated control premium in the said fair values (Level 3 – Significant unobservable inputs). Management assessed that the costs of disposal, which mainly consist of the stock transaction tax, brokers' commission and transaction fee with the stock exchange to be insignificant.

Goodwill of Malayan Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.)
Key assumptions used in the value in use (VIU) calculation
As at December 31, 2018 and 2017, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU are most sensitive to the following:

- Future revenues, profit margins and revenue growth rates: Cash flow projections based on financial budgets approved by management covering a five-year period (2019-2023) and considers the impact of the Enhanced K+12 Basic Education Program on MESI's financial performance effective 2016.
- Long-term growth rates (*3.74% for 2018 and 5.25% for 2017*): The long-term growth rate is expected growth rate in the education industry sector.
- Discount rate (10.98% for 2018 and 9.06% for 2017): The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to Parent Company's capital structure.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of goodwill to materially exceed its recoverable amount.

15. **Investment Properties**

The rollforward analysis of this account follows:

	2018		
	Land Held for Capital Appreciation	**Condominium Units and Parking Slots**	**Total**
Cost			
Balances at beginning of year	**₱13,680,421**	**₱11,759,375**	**₱25,439,796**
Additions		**3,250,000**	**3,250,000**
Impairment loss	**(1,800,309)**	**–**	**(1,800,309)**
Reclassification	**7,000,000**	**–**	**7,000,000**
Disposals	**(1,480,874)**	**(10,266,458)**	**(11,747,332)**
Balances at end of year	**17,399,238**	**4,742,917**	**22,142,155**
Accumulated Depreciation			
Balances at beginning of year	**–**	**6,724,293**	**6,724,293**
Depreciation (Note 29)	**–**	**346,234**	**346,234**
Disposals	**–**	**(3,085,390)**	**(3,085,390)**
Balances at end of year	**–**	**3,985,137**	**3,985,137**
Net Book Value	**₱17,399,238**	**₱757,780**	**₱18,157,018**

	2017		
	Land Held for Capital Appreciation	Condominium Units and Parking Slots	Total
Cost			
Balances at beginning of year	₱194,030,421	₱24,507,418	₱218,537,839
Reversal of impairment loss	14,182,841	–	14,182,841
Reclassification	1,980,000	–	1,980,000
Disposals	(196,512,841)	(12,748,043)	(209,260,884)
Balances at end of year	13,680,421	11,759,375	25,439,796
Accumulated Depreciation			
Balances at beginning of year	–	12,103,242	12,103,242
Depreciation (Note 29)	–	979,946	979,946
Disposals	–	(6,358,895)	(6,358,895)
Balances at end of year	–	6,724,293	6,724,293
Net Book Value	₱13,680,421	₱5,035,082	₱18,715,503

Land classified as investment properties include parcels of land located in Benguet, Cavite, Nueva Ecija, Bulacan and memorial lots in Las Piñas with carrying values of ₱6.6 million, ₱0.5 million, ₱0.2 million, ₱7.0 million and ₱1.1 million, respectively, as of December 31, 2018. Carrying values of parcels of land located in Benguet, Cavite, Nueva Ecija, Bulacan and memorial lots in Las Piñas were ₱6.3 million, ₱0.5 million, ₱0.2 million, ₱2 thousand and ₱2.9 million, respectively, as of December 31, 2017.

As of December 28, 2018, the fair value of the land, including residential building, Benguet amounted to ₱7.3 million, which was determined based on valuation performed by an independent SEC accredited appraiser whose report was dated January 28, 2019. The fair value of the land was determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size, and shape (Level 3 - Significant unobservable inputs).

In 2017, the Group reversed impairment loss previously recognized on its parcel of land in Batangas amounting to ₱14.2 million. On December 11, 2017, the Group sold a parcel of land located in Batangas for ₱466.7 million.

The fair values of the aforementioned investment property were determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size, location, frontage/visability, view and utilization (Level 3 - Significant unobservable inputs).

The aggregate carrying values of the condominium units located in Taguig, Manila and Makati amounted to nil and ₱3.6 million as of December 31, 2018 and 2017, respectively. Parking slots located in Taguig and Pasig have carrying values amounting to ₱0.3 million and ₱0.9 million as of December 31, 2018 and 2017, respectively.

As of December 31, 2018, the fair value of the condominium units and the parking slots amounted to ₱12.5 million, based on market transactions involving identical or comparable assets (Level 2 - Significant unobservable inputs).

Rental income derived from the investment properties amounted to ₱6.8 million, ₱6.9 million, and ₱7.9 million in 2018, 2017 and 2016, respectively (Note 23).

None of the investment properties were pledged as a security to obligations as of December 31, 2018 and 2017.

16. **Other Noncurrent Assets**

This account consists of:

	2018	2017
Contract asset- net of current portion (Note 8)	**₱1,150,463,395**	₱–
Deferred input VAT	**215,311,643**	226,209,383
Receivable from sale of investment property - net of current portion (Note 7)	**155,245,566**	252,642,633
Deposit for future subscription of shares of stock of BiotechJP Corp.	**80,999,919**	–
Receivable from customers - net of current portion (Note 7)	**88,307,263**	150,807,263
Receivable from EEI-RFI - net of current portion (Notes 7)	**78,000,000**	133,000,000
Computer software	**14,298,226**	13,476,188
Prepaid taxes	**9,759,208**	3,507,320
Others	**24,881,807**	32,411,521
	₱1,817,267,027	₱812,054,308

Deposit for Future Subscription of Shares of Stock of BiotechJP Corp.
In November 2018, EEI Corporation deposited ₱81.0 million with BiotechJP Corp. in exchange for 60% ownership in the latter. BiotechJP Corp. is in the business of manufacturing food and therapeutic food. Management is in the position that the Company has not obtained control over BiotechJP in 2018 because the Company can only exercise its right as a stockholder owning 60% equity interest in BiotechJP upon receipt of the shares of capital stock of the investee. As of April 5,

2019, the Company has not yet received the shares of capital stock and has no participation in the management of BiotechJP.

Rollforward of computer software follows:

	2018	2017
Cost		
Balance at the beginning of the year	**₱123,869,766**	₱105,095,475
Additions	**7,670,451**	18,774,291
Balance at the end of the year	**131,540,217**	123,869,766
Accumulated Amortization		
Balance at the beginning of the year	**110,393,578**	91,322,803
Amortization (Note 29)	**6,848,413**	19,070,775
Balance at the end of the year	**117,241,991**	110,393,578
Net Book Value	**₱14,298,226**	₱13,476,188

As of December 31, 2018, the remaining amortization period of the software range from 4 months to 2 years.

17. Accounts Payable and Other Current Liabilities

This account consists of:

	2018	2017
Accounts payable	**₱5,414,465,593**	₱4,309,875,935
Deferred output taxes	**744,845,437**	573,701,211
Accrued expenses	**176,520,142**	267,278,206
Provisions	**153,558,082**	142,976,418
Withholding taxes and others	**99,678,224**	87,450,053
Output tax payable	**87,109,634**	17,855,181
Subscriptions payable	**27,482,213**	31,988,718
Dividends payable	**23,071,231**	25,113,996
Chattel mortgage payable	**13,654,776**	12,156,245
SSS and other contributions	**5,984,466**	28,716,373
Payable to Land Transportation Office	**5,390,644**	7,210,062
Deferred income	**3,873,163**	6,041,506
Payable to PTC	**–**	1,340,016
Others	**39,157,878**	74,472,242
	₱6,794,791,483	₱5,586,176,162

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.

Subscriptions payable represents unpaid subscriptions on equity securities.

Accrued expenses consist of:

	2018	2017
Accrued salaries and wages	**₱57,446,450**	₱125,239,867
Accrued insurance	**28,100,852**	35,616,733
Accrued professional fees	**4,026,484**	14,271,684
Accrued interest	**24,370,643**	11,002,531
Accrued security services	**17,440,334**	10,447,373
Accrued rent	–	9,814,754
Accrued utilities	**4,063,613**	3,613,796
Others	**41,071,766**	57,271,468
	₱176,520,142	₱267,278,206

The movements in dividends payable for the years ended December 31 follow:

	2018	2017
Beginning of year	**₱25,113,996**	₱23,372,820
Dividend declared	**242,473,877**	123,299,414
Dividend paid	**(244,516,642)**	(121,558,238)
End of year	**₱23,071,231**	₱25,113,996

Other noncurrent liabilities pertain to noncurrent portion of retention payables and deferred output tax that are expected to be settled beyond one year from the end of reporting period. As of December 31, 2018 and 2017, other noncurrent liabilities amounted to ₱142.1 million and ₱158.4 million, respectively.

18. Loans Payable

This account consists of:

	2018	2017
Loans payable (Note 21)		
Unsecured bank loans	**₱8,979,000,000**	₱6,875,000000
Secured bank loans	**1,540,000,000**	810,000,000
	₱10,519,000,000	₱7,685,000,000

Unsecured

Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 3.00% to 6.13% and 2.50% to 4.00% in 2018 and 2017, respectively.

Secured

In 2017, the Group, through MCMI, obtained a short-term loan (STL) facility with BPI, which was earmarked from the long-term loan facility of the Group from same bank, to finance the construction of MCMI's school building. Each STL facility may be re-availed/renewed/extended within a period of one year provided that the sum of the terms of re-availments/renewal/ extension will not exceed 360 days. The STL facility may be converted into a 10-year term loan facility which shall be partially secured by the real estate mortgage on the real property of MCMI. The STL facility is secured by the Continuing Suretyship Agreement of MESI.

Total STL drawdowns in 2018 and 2017 amounted to ₱1,850.00 million and ₱940.00 million, respectively, with interest rates ranging from 3.00% to 5.50% p.a.

In November and December 2018, the Group, through MCMI, obtained short-term loans from Land Bank of the Philippines amounting to ₱110.00 million, with annual interests ranging from of 5.60% to 6.25%. The loans remained outstanding as at December 31, 2018.

Movements in loans payable during the years ended December 31 follow:

	2018	2017
Beginning balance	**₱7,685,000,000**	₱4,100,000,000
Availment	**17,624,000,000**	13,127,000,000
Payments	**(14,790,000,000)**	(9,542,000,000)
Ending balance	**₱10,519,000,000**	₱7,685,000,000

19. **Long-term Debt**

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

	2018	2017
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%	**₱–**	₱578,830,550
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	**–**	578,830,550
Peso-denominated five (5) year term loan, payable in twenty (20) equal quarterly installments starting March 2016 with interest of 5.11% per annum	**200,000,000**	300,000,000
EEI		
Fixed-rate corporate promissory notes with interest rate of 4.80% per annum	**2,327,380,953**	875,000,000
EEI Power		
Peso-denominated seven (7) year term loan, payable in equal quarterly installments and will mature on August 27, 2022 with interest of 4.80% per annum.	**267,857,143**	339,285,714
	2,795,238,096	2,671,946,814
Less current portion of long-term debt	**774,603,175**	491,865,198
	₱2,020,634,921	₱2,180,081,616

Parent Company
On September 17, 2013, the Parent Company obtained interest-bearing loans from various local commercial banks 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 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. In 2017, the Parent Company's creditors released all of the former's deed of collateral on its long-term debt (Note 12). On December 17, 2018 and December 31 2018, the Parent Company preterminated the fixed rate long-term loan and floating rate long-term loan, respectively.

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.

EEI
In 2014, EEI received ₱500.0 million proceeds from the issuance of unsecured fixed-rate corporate promissory notes to a local bank that bear annual interest of 5.2%. Subsequently, the bank reduced the interest rate to 4.8% starting May 26, 2015 until maturity. The promissory notes mature within seven (7) years from the date of issuance.

On June 15, 2015, EEI received ₱1,000 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.8%. The promissory note matures within seven (7) years from the date of issuance.

On May 23, 2018, The Parent Company received ₱2,000 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.8%. The promissory note matures within five (5) years from the date of issuance.

The proceeds from the promissory notes were used for general corporate and project financing requirements.

Interest expense incurred on these corporate notes amounted to ₱62.9 million, ₱37.4 million and ₱47.9 million in 2018, 2017 and 2016, respectively.

EEI Power Corporation
On August 28, 2015, EEI Power availed a ₱500.0 million long-term loan from a local bank that bears an annual interest of 4.8%. The loan is payable in equal quarterly installments and will mature on August 27, 2022.

Interest expense incurred on these corporate notes amounted to ₱15.7 million, ₱18.6 million and ₱23.0 million in 2018, 2017 and 2016, respectively.

Movements in the account follow:

	2018	2017
Balance at beginning of year	**₱2,671,946,814**	₱3,163,695,450
Availments	**1,815,476,190**	–
Payments	**(1,703,608,058)**	(494,446,885)
Amortization of transaction costs	**11,423,150**	2,698,249
Balance at end of year	**2,795,238,096**	2,671,946,814
Less current portion	**(774,603,175)**	(491,865,198)
	₱2,020,634,921	₱2,180,081,616

The aforementioned loans require the Group to maintain certain financial ratios. As of December 31, 2018 and 2017, the Group was in compliance with the loan covenants.

20. EEI's Stock Option Plan

The 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 the Parent Company and its subsidiaries.

Under the Amended Plan, the option or subscription price must be equal to the book value of the EEI's common stock but not less than 80% of the average market price quoted in PSE for five trading days immediately preceding the grant, but in no case less than the par value. The option or subscription price should be paid over a period of five years in 120 equal semi-monthly installments. Shares acquired under the Amended Plan are subject to a holding period of one year.

A summary of the plan availments is shown below.

	Number of Shares
Shares allocated under the Original Stock Option Plan	19,262,500
Shares allocated under the Amended Stock Option Plan	15,737,500
Total shares allocated	35,000,000
Shares subscribed under the Original Stock Option Plan	19,365,815
Shares subscribed under the Amended Stock Option Plan	10,886,188
Total shares subscribed	30,252,003
Shares allocated at end of year	4,747,997

The EEI opted to avail the exemption in PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, 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.

21. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or the party is an associate or a joint venture. Related parties may be individuals or corporate entities. 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):

		2018			
Category		**Amount/ Volume**	**Outstanding Balance Receivable (Payable)**	**Terms**	**Conditions**
Parent Company - PMMIC					
a.	Accounts payable	**₱558**	**(₱248)**	**Noninterest-bearing**	**Unsecured**
	Miscellaneous expenses incurred	**506**	–		
b.	Dividends payable	**688**	**(1,669)**	**Noninterest-bearing**	**Unsecured**
	Dividends declared	**25,542**	–		
Associates					
c.	Dividends receivable	–	**10,000**	**Noninterest-bearing**	**Unsecured, no impairment**
	Dividends earned	**107,541**	–		
d.	Receivables from related parties	–	**123,176**	**Noninterest-bearing**	**Unsecured**
	Rendering management and audit services	**7,451**	–		
	Extension of advances	**3,528**	–		
	Rendering of services	**117,670**	–		
e.	Due to related parties	**(7,495)**	**(131,069)**	**Noninterest-bearing**	**Unsecured**
f.	Subscriptions payable	–	**(9,735)**	**Noninterest-bearing**	**Unsecured**
Other affiliates					
g.	Interest income on receivables	**8,795**	**141,112**	**Interest-bearing, 5% per annum**	**Secured, no impairment**
	Sale of property	**7,671**	**133,000**	**Interest-bearing, 5% per annum**	**Secured, no impairment**
	Lease of property	**57,433**	–		
Entities under common control					
h.	Cash and cash equivalents	–	**1,764,680**	**Interest-bearing at prevailing bank deposit rates**	**Unrestricted**
	Interest earned	**17,702**	–		

(Forward)

Category		2018 Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
i.	Accounts receivable	**₱–**	**₱85,749**	**Noninterest-bearing**	**Unsecured, no impairment**
	Sale of vehicles	**85,359**	**–**		
	Agency fee income earned	**49,221**	**–**		
j.	Dividends receivable	**(300)**	**–**	**Noninterest-bearing**	**Unsecured, no impairment**
	Dividends earned	**30**	**–**		
k.	Commission receivable	**–**	**382**	**Noninterest-bearing**	**Unsecured, no impairment**
	Commission earned	**97**	**–**		
l.	Receivables from related parties	**–**	**22,790**	**Noninterest-bearing**	**Unsecured, no impairment**
	Rendering janitorial service	**429,199**	**–**		
	Other income earned	**916**	**–**		
	Rental income earned	**–**	**–**		
	Audit fee income earned	**3,383**	**–**		
m.	Management fee receivable	**–**	**42,756**	**Noninterest-bearing**	**Unsecured, no impairment**
	Rendering management services	**133,257**	**–**		
n.	Accounts payable and accrued expenses	**179**	**–**	**Noninterest-bearing**	**Unsecured**
	Rental of office space	**6,736**	**–**		
o.	Due to related parties	**–**	**(3,781)**	**Noninterest-bearing**	**Unsecured**
	Insurance expense	**8,759**	**–**		

Category		2017 Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Parent Company - PMMIC					
a.	Accounts payable	₱1,701	(₱–)	Noninterest-bearing	Unsecured
	Miscellaneous expenses incurred	1,489	–		
b.	Dividends payable	–	(981)	Noninterest-bearing	Unsecured
	Dividends declared	27,798	–		
Associates					
c.	Dividends receivable	–	10,000	Noninterest-bearing	Unsecured, no impairment
	Dividends earned	41,260	–		
d.	Receivables from related parties	–	106,252	Noninterest-bearing	Unsecured
	Rendering management and audit services	7,186	–		
	Extension of advances	1,704	–		
	Rendering of services	101,546	–		
e.	Due to related parties	–	(123,574)	Noninterest-bearing	Unsecured
f.	Subscriptions payable	–	(9,735)	Noninterest-bearing	Unsecured

(Forward)

Category		2017 Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Other affiliates					
g.	Interest income on receivables	₱18,224	₱201,112	Interest-bearing, 5% per annum	Secured, no impairment
	Sale of property	9,750	178,000	Interest-bearing, 5% per annum	Secured, no impairment
	Lease of property	54,698	–		
Entities under common control					
h.	Cash and cash equivalents	–	1,791,036	Interest-bearing at prevailing bank deposit rates	Unrestricted
	Interest earned	19,550	–		
i.	Accounts receivable	–	133,177	Noninterest-bearing	Unsecured, no impairment
	Sale of vehicles	125,729	–		
	Agency fee income earned	45,816	–		
j.	Dividends receivable	–	300	Noninterest-bearing	Unsecured, no impairment
	Dividends earned	743	–		
k.	Commission receivable	–	382	Noninterest-bearing	Unsecured, no impairment
	Commission earned	1,303	–		
l.	Receivables from related parties	–	48,050	Noninterest-bearing	Unsecured, no impairment
	Rendering janitorial service	364,966	–		
	Other income earned	3,411	–		
	Rental income earned	257	–		
	Audit fee income earned	3,611	–		
m.	Management fee receivable	–	32,035	Noninterest-bearing	Unsecured, no impairment
	Rendering management services	142,427	–		
n.	Accounts payable and accrued expenses	–	(179)	Noninterest-bearing	Unsecured
	Rental of office space	6,620	–		
o.	Due to related parties	–	(465)	Noninterest-bearing	Unsecured
	Insurance expense	7,745	–		

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, 2018 and 2017 amounted to ₱0.2 million and nil, respectively.

b. Dividends declared in 2018 and 2017 by the Parent Company amounted to ₱64.8 million and ₱63.1 million, respectively (see Note 39). Out of the total declared dividends, dividends payable to PMMIC as at December 31, 2018 and 2017 amounted to ₱1.7 million and ₱1.0 million, respectively.

Associates

c. Outstanding dividends receivable from associates as at December 31, 2018 and 2017 amounted to ₱10.0 million.

d. Receivable from related parties arises from services rendered by the Parent Company and EEI to its associates. These services include management consultancy, internal audit fees and extension of advances. As at December 31, 2018 and 2017, the Group has an outstanding receivable from its associates amounting ₱123.2 million and ₱106.3 million, respectively. Management fee income charged to associates is fixed per month while audit fee income depends on the audit engagement letter agreed by both parties.

e. Due to related parties pertains to advances extended by EEI Limited to ARCC. As at December 31, 2018 and 2017, the Group has an outstanding payable to its associates amounting ₱123.2 million and ₱123.6 million, respectively.

f. Outstanding subscription payable to an associate amounted to ₱9.7 million as at December 31, 2018 and 2017.

Other affiliates

g. In 2013, EEI was contracted by PWEI for the construction of 18 units WTG foundations, roadways and temporary landing pad intended for the 36MW Nabas Wind Power Project (NWPP) in Nabas, Aklan for ₱1,100.0 million. The project was completed on April 30, 2015. The outstanding receivables amounted to ₱141.1 million and ₱201.3 million as of December 31, 2018 and 2017, respectively.

   In 2006, 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 (see Note 13). Interest income recognized from the receivables from EEI-RFI is disclosed in Note 23. The receivables bear interest of 5% per annum in 2018, 2017 and 2016.

   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. Rental expense for the property located in Manggahan, Quezon City amounted to ₱57.4 million, ₱54.7 million and ₱52.1 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 28).

   On December 12, 2012, EEI acquired certain parcels of land including land improvements located in Bauan, Batangas from EEI-RFI amounting to ₱581.8 million, inclusive of 12% VAT. The operating lease agreement of the said properties between EEI and EEI-RFI was terminated on the same date.

   In 2013, the receivable from the EEI-RFI amounting to ₱390.0 million was restructured and reclassified to other noncurrent assets with fixed 5% interest rate per annum. In 2016, EEI and the Fund agreed to extend the term of the payment until April 30, 2021.

Entities under common control of PMMIC

h. The Group maintains cash and cash equivalents with RCBC, an entity under common control. As at December 31, 2018 and 2017, cash and cash equivalents with RCBC amounted to ₱1,764.7 million and ₱1,791.0 million, respectively. The related deposits earn interest at the prevailing bank deposit rates. Interest income earned from cash and cash equivalents amounted to ₱17.7 million, ₱19.6 million and ₱20.9 million in 2018, 2017 and 2016, respectively.

i. The Group generates income by providing security services at a 20% mark-up to entities under common control. In 2018, 2017 and 2016, the Group's agency fee income is attributable to security services provided to majority of RCBC branches in the country. As at December 31, 2018 and 2017, the Group's accounts receivable from RCBC amounted to ₱47.7 million and ₱43.6 million, respectively. Agency fees amounted to ₱49.2 million, ₱45.8 million and ₱40.6 million in 2018, 2017 and 2016, 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 ₱85.4 million and ₱89.5 million as at December 31, 2018 and 2017, respectively. Revenues from motor vehicle sales amounted to ₱85.4 million, ₱125.7 million and ₱39.9 million in 2018, 2017 and 2016, respectively.

j. Dividend income earned in 2018, 2017 and 2016 from entities under common control of PMMIC amounted to ₱0.03 million, ₱0.7 million and ₱52.8 million, respectively. Unpaid dividends amounted to nil million and ₱0.30 million as at December 31, 2018 and 2017, respectively.

k. The Group earns commission income from insurance referrals to all insurance affiliate. As at December 31, 2018 and 2017, commission receivables amounted to ₱0.38 million. Commission income amounted to ₱0.1 million, ₱1.3 million and nil in 2018, 2017, and 2016, respectively.

l. Receivable from related parties arises mainly from janitorial services rendered by EEI (GAMSI) to the Group's affiliates. The service revenue earned from janitorial serviced rendered in 2018, 2017 and 2016 amounted to ₱429.2 million, ₱329.5 million and ₱175.3 million, respectively.

m. One of the subsidiaries entered 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 ₱42.8 million and ₱32.0 million as at December 31, 2018 and 2017, respectively. Services fees amounted to ₱133.3 million, ₱142.4 million and ₱119.9 million in 2018, 2017 and 2016, respectively.

n. Payable to an entity under common control pertains to rental of office space and share in the utilities expense of the Group amounting to nil and ₱0.2 million as at December 31, 2018 and 2017, respectively.

o. iPeople and EEI 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. As at December 31, 2018 and 2017, total outstanding payable amounted to ₱3.8 million and 0.5 million, respectively.

The Group maintains its retirement fund with RCBC trust division. As at December 31, 2018 and 2017, the fair values of the plan assets of the retirement fund amounted to ₱1,286.9 million and ₱1,266.3 million, respectively (see Note 31). Trust fees amounting to ₱5.0 million, ₱5.2 million and ₱5.0 million were recognized by the retirement plan arising from its transactions with RCBC for the years ended December 31, 2018, 2017 and 2016, respectively.

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

	2018	2017	2016
Compensation and short-term benefits	**₱295,874,351**	₱262,665,060	₱263,788,022
Post-employment benefits	**13,748,867**	14,038,849	45,790,605
	₱309,623,218	₱276,703,909	₱309,578,627

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 related parties for the years ended December 31, 2018 and 2017. 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.

22. **Revenue from Contracts with Customers**

Set out below is the disaggregation of the Group's revenue from contracts with customers for the year ended December 31, 2018:

Revenue from construction contracts	₱20,262,488,228
Sales of goods	7,884,084,729
Schools and related operations	1,807,593,037
Power generation	411,113,436
Manpower	625,826,773
Others	1,317,470,892
	₱32,308,577,095

The Group recognized revenue amounting to ₱17.5 billion in 2018 from performance obligations partially satisfied in the previous periods.

Performance obligations

Information about the Group's performance obligations are summarized below:

The transaction price allocated to the remaining performance obligations of the Group (unsatisfied or partially unsatisfied) in connection with the construction contracts that have an original expected duration of more than one year (otherwise known as backlogs) as at December 31, 2018 are as follows:

Within one year	₱4,646,334,288
More than one year	2,379,773
	₱4,648,714,061

Revenue from schools and related operations consists of:

	2018
Tuition and other matriculation fees	**₱1,671,496,122**
Other student-related income:	
Bookstore sales	**39,828,321**
Seminar fee income	**14,335,836**
Miscellaneous	**81,897,845**
	₱1,807,558,124

Miscellaneous income consists of other student-related income which are other than payment for tuition fees. These include, but not limited to, entrance examination fees, exit examination fees, oral examination fees, graduation fees, certification of grades, good moral and other school credentials, photocopying and printing, among others.

23. **Other Income -** Net

This account consists of:

	2018	2017	2016
Interest income	**₱59,012,581**	₱71,659,747	₱77,124,698
Foreign exchange gain (loss)	**56,505,871**	(11,827,606)	(65,119)
Rental income	**42,195,891**	12,791,720	13,434,051
Gain on sale of assets	**24,981,758**	346,566,455	91,968,482
Finance income	**24,160,344**	227,814,636	122,007,715
Space and car rentals	**13,604,883**	7,968,814	6,900,920
Dividend income	**954,613**	1,851,934	
Tax refund/discount	**392,721**	2,826,869	14,791,234
Income from reversal of payables	**40,702**	78,506,494	10,781,594
Loss on liquidation of subsidiaries	–	–	(26,174,418)
Recoveries from previously written-off receivables	–	4,241,071	787,826
Income from defaults	–	–	7,558,561
Commission income	–	109,930,063	98,840,187
Insurance income	–	23,772,634	15,127,483
Miscellaneous	**35,884,277**	44,836,508	43,141,887
	₱257,733,641	₱920,939,339	₱476,225,101

Gain on sale of assets arose from the sale of the following assets:

	2018	2017	2016
Property and equipment (Note 14)	**₱17,058,635**	₱8,813,780	₱4,179,887
Investment properties (Note 16)	**7,923,123**	279,071,868	24,746,631
Available-for-sale securities (Note 12)	–	58,680,807	63,041,964
	₱24,981,758	₱346,566,455	₱91,968,482

Commission income pertains to the administrative fee 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). In 2018, administrative fees were recognized under revenue from contracts with customers.

Interest income consists of income from:

	2018	2017	2016
Installment contract receivable	**₱19,396,680**	₱40,532,658	₱35,754,791
Savings deposit and short-term investments (Note 6)	**17,532,694**	17,310,166	27,272,071
Receivable from EEI-RFI (Notes 8, 17 and 22)	**7,671,131**	9,749,504	11,928,075
Others	**14,412,076**	4,067,419	2,169,761
	₱59,012,581	₱71,659,747	₱77,124,698

In 2018, 2017 and 2016, certain payables that were long-outstanding amounting to ₱0.04 million and ₱78.51 million and ₱10.78 million, respectively, were written-off and recognized as other income. Based on management's assessment, the settlement of these payables are remote.

In 2016, the Group wrote-off dormant and closed subsidiaries and recognized a loss of ₱26.2 million. The loss mainly pertains to the reclassification of cumulative translation adjustment relating to EEI Corporation (Singapore) Pte. Ltd. previously taken up in other comprehensive income to profit or loss.

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:

	2018	2017	2016
Cost of services (Note 26)			
Cost of construction contracts	**₱17,774,856,638**	₱11,364,201,342	₱12,126,749,307
Cost of manpower and other services	**1,716,344,334**	1,543,838,972	1,366,858,357
	19,491,200,972	12,908,040,314	13,493,607,664
Cost of goods sold			
Cost of merchandise sold (Note 25)	**7,243,611,097**	10,081,613,087	7,325,372,012
Cost of real estate sold (Note 9)	**38,321,997**	27,140,904	13,935,705
	7,281,933,094	10,108,753,991	7,339,307,717
Cost of tuition and other fees (Note 27)	**1,279,402,975**	1,286,658,343	1,300,042,918
	₱28,052,537,041	₱24,303,452,648	₱22,132,958,299

25. Cost of Merchandise Sold

This account consists of (Notes 9 and 24):

	2018	2017	2016
Inventory, beginning	**₱809,783,825**	₱1,249,249,386	₱998,419,786
Purchases	**8,890,747,762**	9,628,244,033	7,569,405,400
Total goods available for sale	**9,700,531,587**	10,877,493,419	8,567,825,186
Less inventory end	**2,465,032,904**	809,783,825	1,249,249,386
Cost of inventories sold	**7,235,498,683**	10,067,709,594	7,318,575,800
Personnel expenses	**5,171,961**	8,952,762	4,291,512
Others	**2,940,453**	4,950,731	2,504,700
	₱7,243,611,097	₱10,081,613,087	₱7,325,372,012

26. Cost of Services

	2018	2017	2016
Cost of construction contracts (Note 24)			
Equipment costs and others	**₱7,846,306,554**	₱4,374,623,075	₱3,960,863,198
Labor	**6,725,263,743**	4,216,532,653	5,119,261,703
Materials	**2,669,585,470**	2,301,357,788	2,563,588,392
Depreciation and amortization (Notes 13 and 29)	**533,700,871**	471,687,826	483,036,014
	17,774,856,638	11,364,201,342	12,126,749,307
Cost of manpower and other services (Note 24)			
Personnel expenses	**779,402,074**	666,803,169	583,300,152
Materials	**432,461,177**	293,155,154	400,031,702
Parts and accessories	**277,309,550**	218,368,775	162,178,505
Depreciation and amortization (Notes 13 and 29)	**48,899,227**	58,781,486	46,535,401
Others	**178,272,306**	306,730,388	174,812,597
	1,716,344,334	1,543,838,972	1,366,858,357
	₱19,491,200,972	₱12,908,040,314	₱13,493,607,664

27. Cost of Tuition and Other Fees

This amount consists of (Note 24):

	2018	2017	2016
Personnel expenses (Note 21)	**₱608,761,306**	₱575,949,479	₱602,806,069
Depreciation and amortization (Notes 13, 15 and 16)	**187,605,487**	194,769,392	190,097,703
Management and other professional fees (Note 21)	**113,974,424**	113,628,794	106,690,199
Student-related expenses	**110,314,055**	144,837,519	146,784,618
Utilities	**84,042,240**	81,734,815	85,398,299
IT expense - software license	**36,622,759**	27,321,190	23,819,290

(Forward)

	2018	2017	2016
Tools and library books (Note 13)	**₱26,333,830**	₱30,198,284	₱26,008,973
Periodicals	**21,693,225**	19,665,658	15,625,679
Advertising	**19,901,017**	16,659,662	24,338,283
Repairs and maintenance	**15,720,212**	12,251,634	13,688,679
Seminar	**12,667,874**	18,995,992	14,250,241
Accreditation cost	**8,951,062**	7,242,083	9,483,202
Research and development fund	**8,806,118**	17,303,387	16,303,676
Office supplies	**7,405,855**	6,944,143	5,779,015
Insurance	**7,350,745**	6,619,921	5,149,653
Laboratory supplies	**3,810,433**	6,565,801	7,865,267
Transportation and travel	**1,844,524**	1,144,372	876,604
Taxes and licenses	**1,527,092**	1,800,770	2,003,163
Entertainment, amusement and recreation	**510,375**	387,474	327,857
Rent	**205,301**	624,492	945,095
Miscellaneous	**1,355,041**	2,013,481	1,801,353
	₱1,279,402,975	₱1,286,658,343	₱1,300,042,918

28. **General and Administrative Expenses**

This account consists of:

	2018	2017	2016
Personnel expenses (Note 31)	**₱929,513,234**	₱922,969,345	₱853,867,893
Provision for probable losses on loans and accounts receivables (Notes 7, 8 and 21)	**331,816,497**	9,265,418	12,150,289
Rent, light and water	**256,172,009**	205,458,195	193,916,894
Taxes and licenses	**203,665,580**	151,900,821	122,719,124
Depreciation and amortization (Notes 13, 15 and 29)	**219,409,779**	197,326,820	181,836,637
Transportation and travel	**92,599,351**	79,323,189	73,794,310
Professional fees	**77,936,754**	66,784,730	72,946,736
Advertising and promotions	**59,361,741**	163,180,208	76,698,091
Entertainment, amusement and recreation	**56,707,083**	87,252,976	92,620,687
Securities and utilities	**51,715,038**	66,642,740	60,806,777
Management and other fees	**47,631,687**	25,277,692	78,322,882
Repairs and maintenance	**44,588,159**	28,407,620	29,727,429
Insurance	**24,814,252**	19,094,768	22,542,484
Commissions	**22,686,652**	29,856,401	25,820,748
Office expenses	**21,738,960**	21,157,909	25,625,855
Direct expenses	**18,647,870**	60,587,733	40,434,457
Donations and contributions	**12,200,117**	12,232,541	18,762,449
Seminars	**3,176,366**	1,100,338	3,782,758
Provision for impairment	**2,301,307**	1,000,000	2,542,324
Accreditation cost	**89,679**	–	–

(Forward)

	2018	2017	2016
Provision for inventory obsolescence (Note 9)	**₱25,567,947**	₱25,646,369	₱3,010,000
Miscellaneous	**148,905,922**	145,488,675	108,953,403
	₱2,651,245,984	₱2,319,954,488	₱2,100,882,227

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 on loans receivable and accounts receivable (Notes 7 and 8):

	2018	2017	2016
Provision			
Loans receivable	**₱468,422**	₱380,000	₱542,324
Write-off of consultancy fee receivable	**330,335,559**		
Accounts receivable	**1,012,516**	8,885,418	15,241,699
	331,816,497	9,265,418	15,784,023
Reversals	**–**	–	(3,633,734)
	₱331,816,497	₱9,265,418	₱12,150,289

29. Depreciation and Amortization

This account consists of depreciation and amortization included in (Notes 13, 15 and 16):

	2018	2017	2016
Cost of sales and services			
Construction contracts (Note 26)	**₱533,700,871**	₱471,687,826	₱483,036,014
Tuition and other fees (Note 27)	**187,605,487**	194,769,392	190,097,703
Manpower and other services (Note 26)	**48,899,277**	58,781,486	46,535,401
Capitalized as part of cost of inventories	**554,093**	622,472	165,063
	770,759,728	725,732,030	719,834,181
General and administrative expenses (Note 28)	**219,409,779**	197,326,820	181,836,637
	₱990,169,507	₱923,058,850	₱901,670,818

30. Interest and Finance Charges

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

	2018	2017	2016
Long-term debt (Note 19)	**₱92,904,155**	₱140,746,490	₱172,484,833
Loans payable (short-term) (Note 18)	**358,786,552**	129,504,172	125,251,727
Advances to affiliates and other finance charges (Note 21)	**4,060,882**	5,817,327	3,065,671
	₱455,751,589	₱276,067,989	₱300,802,231

31. **Retirement Plan**

The Group has funded, noncontributory retirement plans (the Plans) for all of its regular employees, in compliance with Republic Act No. 7641, The New Retirement Pay Law. The Plans provide for normal, early retirement, death and disability benefits. The most recent actuarial valuation was made for the Group's retirement plans as of December 31, 2018.

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 plans.

	2018	2017
Retirement liabilities	**₱141,017,371**	₱148,565,857
Retirement assets	**28,059,472**	46,490,063
Net retirement liabilities	**112,957,899**	102,075,794
Net retirement expenses	**132,337,485**	127,143,113

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

	2018	2017	2016
Current service cost	**₱128,964,699**	₱118,273,222	₱120,966,325
Net interest cost	**5,152,317**	5,398,656	9,779,168
Past service cost	**(1,779,531)**	3,471,235	4,532,574
	₱132,337,485	₱127,143,113	₱135,278,067

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

Net retirement liabilities	**2018**	2017
Present value of defined benefit obligation	**₱1,225,093,077**	₱1,224,062,916
Fair value of plan assets	**(1,084,075,706)**	(1,075,497,059)
	₱141,017,371	₱148,565,857

Net retirement assets	**2018**	2017
Present value of defined benefit obligation	**₱174,297,947**	₱144,370,458
Fair value of plan assets	**(202,357,419)**	(190,860,521)
	(₱28,059,472)	(₱46,490,063)

The movements in the net retirement liability follow:

	2018	2017
At beginning of year	**₱102,075,794**	₱107,866,180
Contributions paid	**(169,124,407)**	(142,687,290)
Net retirement expense	**132,337,485**	127,143,113
Transfer from affiliate	–	8,296,383
Remeasurement loss (gain)	**48,180,540**	2,400,238
Withdrawal of plan asset	**728,168**	952,187
Adjustment to defined benefit obligation	**(1,239,681)**	(1,895,017)
At end of the year	**₱112,957,899**	₱102,075,794

In 2017, plan assets of PEC amounting to ₱0.73 million were withdrawn. It was determined that there were no employees qualified to receive benefits due under the retirement plan. Also, withdrawals were made from the plan asset of PPCCI amounting to ₱0.22 million.

Movement of cumulative remeasurement effect recognized in OCI:

	2018	2017
Balance at beginning of year	**(₱69,817,717)**	(₱67,417,479)
Remeasurement gain (loss)	**48,180,540**	(2,400,238)
Total amounts recognized in OCI	**(₱21,637,177)**	(₱69,817,717)

The movements in the present value of defined obligation follow:

	2018	2017
Balance at beginning of year	**₱1,368,433,374**	1,310,004,535
Current service cost	**128,964,699**	118,273,222
Interest cost on obligation	**76,484,226**	68,413,090
Transfer from affiliates	**–**	8,296,381
Past service cost	**(1,779,531)**	3,471,235
Reversal	**(1,239,682)**	(1,733,630)
Remeasurement gain	**(91,341,457)**	(8,630,231)
Benefits paid	**(79,690,656)**	(129,661,228)
Balance at end of year	**₱1,399,830,973**	₱1,368,433,374

The movements in the fair value of plan assets follow:

	2018	2017
Balance at beginning of year	**₱1,266,357,580**	₱1,202,138,355
Contributions	**169,124,407**	142,687,290
Remeasurement loss	**(139,521,997)**	(11,030,471)
Asset return in net interest cost	**71,331,909**	63,014,434
Benefits paid	**(79,690,656)**	(129,661,228)
Adjustments to plan assets	**–**	161,387
Withdrawal of plan assets	**(728,168)**	(952,187)
Balance at end of year	**₱1,286,873,075**	₱1,266,357,580

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

	2018	2017
Cash	**₱207,543,792**	₱108,883,832
Investment in government securities	**833,841,877**	806,978,215
Investments in shares of stock	**191,034,360**	316,087,132
Investments in other securities and debt instruments	**52,131,165**	26,259,164
Interest receivables and other receivables	**10,319,741**	10,268,579
Accrued trust fees and other payables	**(7,997,860)**	(2,119,342)
	₱1,286,873,075	₱1,266,357,580

The Group expects to contribute ₱106.4 million to its defined benefit pension plans in 2019.

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 2018, 2017 and 2016 amounted to ₱5.0 million, ₱5.2 million and ₱5.0 million, respectively.

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

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

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

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

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

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

In 2018, the Fund has investment in equity securities of related parties with fair values and accumulated gain of ₱120.2 million and ₱60.5 million, 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 principal actuarial assumptions used in determining retirement expense are as follows:

	2018	2017
Discount rate		
Beginning	**4.70%-5.74%**	5.15%-5.67%
End	**7.04%-7.38%**	4.70%-5.74%
Future salary increases		
Beginning	**3.00%-6.00%**	3.00%-6.00%
End	**3.00%-6.50%**	3.00%-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.

	2018		2017	
	Increase (decrease)	**Effect on defined benefit obligation**	Increase (decrease)	Effect on defined benefit obligation
Discount rates	**+50bps to +100bps**	**(₱238,783,151)**	+50bps to +100bps	(₱252,519,470)
	-50bps to -100bps	**269,600,023**	-50bps to -100bps	293,610,468
Salary increase rates	**+50bps to +100bps**	**318,788,477**	+50bps to +100bps	350,575,254
	-50bps to -100bps	**(282,992,024)**	-50bps to -100bps	(304,513,412)

32. **Income Taxes**

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:

	2018	2017	2016
Income before income tax	**30.00%**	30.00%	30.00%
Add (deduct) reconciling items:			
Equity in net earnings of associates and joint venture	**4.62%**	(12.57)	71.55
Movement of deferred income tax assets not recognized	**–**	–	(30.10)
Income subject to lower tax rate and others	**(4.62%)**	3.87	(8.69)
	30.00%	21.30%	62.76%

All companies in the Group are subject to the RCIT rate of 30%, except for MESI, MITC, MHSSI and MCLI, which are subject to a lower tax rate of 10%.

The Group's net deferred tax assets and liabilities consist of the following:

	2018	2017
Net deferred income tax assets on a per subsidiary level:		
Accrued retirement expense	**₱3,141,396**	₱57,461,046
Capitalized borrowing cost	**(1,000,175)**	(1,299,070)
Retirement asset	**14,793,384**	–
Retirement liability	**(38,427,451)**	–
Unamortized past service cost	**34,402,202**	–
Remeasurement loss on defined benefit plans	**49,660,958**	–
Allowance for doubtful accounts, inventory, obsolescence and other expenses	**26,283,573**	29,667,448
Accrued rent	**2,801,334**	6,008,209
NOLCO	**5,562,655**	9,603,201
MCIT	**6,101,630**	2,673,630
Unrealized foreign exchange loss	**(10,682,874)**	(38,284)
Unrealized gain on rendering of construction services	**33,996,375**	–
Others	**12,870,928**	(258,488)
	₱139,503,935	₱103,817,692
Net deferred income tax liabilities on a per subsidiary level:		
Revaluation increment on land	**₱490,030,788**	₱436,393,387
Retirement liability	**88,010,757**	17,494,839
Accrued retirement expense	**(9,486,029)**	(12,998,480)
NOLCO	**–**	(1,363,083)
Allowance for doubtful accounts, inventory obsolescence and other expenses	**(5,050,115)**	(5,050,115)
Accrued expenses	**(15,355,808)**	(8,525,245)
Others	**(3,174,554)**	(13,094,898)
	₱544,975,039	₱412,856,405

The movements of the Group's net deferred tax liabilities follow:

	2018	2017
Beginning	**₱309,038,713**	₱238,092,899
Provisions during the year	**13,050,924**	7,057,293
Tax effects of:		
Effect of initial adoption of PFRS 9	**61,107,964**	–
Revaluation increment on land (Note 13)	**147,323,274**	58,309,702
Remeasurement gains (losses) on defined benefit plans (Note 31)	**14,454,162**	5,578,819
	₱544,975,037	₱309,038,713

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.

	2018	2017
NOLCO	**₱64,986,290**	₱33,529,277
Impairment loss	**–**	22,971,836
Allowance for doubtful accounts, inventory obsolescence and other expenses	**143,106,961**	4,999,395
MCIT	**9,141,020**	2,383
Accrued retirement expense	**6,405,774**	8,394,229
Others	**1,076,172**	515,820

The Group did not recognize deferred tax liabilities on undistributed earnings and cumulative translation adjustments of foreign subsidiaries in 2018 and 2017 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. The undistributed earnings of the Group's foreign subsidiaries amounted to ₱424.0 million and ₱448.0 million as at December 31, 2018 and 2017, respectively.

As of December 31, 2018, 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
2018	₱45,304,531	₱–	₱45,304,531	2021
2017	40,189,238	–	40,189,238	2020
2016	16,952,892	42,600	16,910,292	2019
	₱102,446,661	₱42,600	₱102,404,061	

As of December 31, 2018, the amounts of MCIT still allowable as tax credit consist of:

Taxable Period	Amount	Applied/Expired	Balance	Expiry Year
2018	₱3,890,763	₱–	₱3,890,763	2021
2017	861,146	143,975	717,171	2020
2016	4,785,876	3,110,297	1,675,579	2019
	₱9,537,785	₱3,254,272	₱6,283,513	

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

	2018	2017	2016
Net income	**₱848,267,992**	₱941,441,126	₱402,669,546
Less dividends attributable to preferred shares	**24,732,938**	23,028,873	23,619,749
Net income applicable to common shares	**823,535,054**	918,412,253	379,049,797
Divided by the weighted average number of common shares	**615,996,114**	615,996,114	615,996,114
Basic earnings per share	**₱1.3369**	₱1.4909	₱0.6153

Diluted earnings per share

	2018	2017	2016
Net income applicable common share for basic earnings per share	**₱823,535,054**	₱918,412,253	₱379,049,797
Add dividends attributable to preferred stock	**24,732,938**	23,028,873	23,619,749
Net income applicable to common stockholders for diluted earnings per share	**848,267,992**	941,441,126	402,669,546
Weighted average number of shares of common stock	**615,996,114**	615,996,114	615,996,114
Dilutive shares arising from convertible preference stock	**164,942,770**	169,172,072	187,201,880
Weighted average number of shares of common stock for diluted earnings per share	**780,938,884**	785,168,186	803,197,994
Diluted earnings per share	**₱1.0862**	₱1.1990	₱0.5013

The weighted average number of shares of common stock is computed as follows:

	2018	2017	2016
Number of shares of common stock issued	**616,296,114**	616,296,114	616,296,114
Less treasury shares	**300,000**	300,000	300,000
	615,996,114	615,996,114	615,996,114

34. **Contingencies and Commitments**

Contingencies

a. Provisions and Contingencies

- Provisions include the Groups's recognized payable associated with the Faculty Associations of Mapua Institute of Technology (FAMIT) reranking case. This case involves the faculty ranking and evaluation instrument that was part of the 2001 Collective Bargaining Agreement negotiations with the FAMIT. The Supreme Court reversed an earlier Court of Appeals decision in favor of management. An entry of judgment dated March 13, 2008 was made in the Supreme Court Book of Entries of Judgments, making the decision final and executory. A Memorandum of Agreement was entered into by management with FAMIT before the Voluntary Arbitrators wherein the parties agreed to continue the process of faculty ranking. The evaluation process was completed in December 2008.

  On January 22, 2009, MESI and FAMIT entered into a Compromise Agreement regarding the payment of the amounts due to the permanent faculty members of MESI in relation to the faculty reranking case.

  As at December 31, 2018 and 2017, total accumulated payments to faculty members amounted to ₱230.78 million. Related accruals as at December 31, 2017 amounting to ₱64.09 million was reversed by the Group in 2018. Management assessed that the liability already prescribed after applying the 10-year prescription period which ended in March 2018.

- The Group is involved in certain claims arising from the ordinary conduct of business which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external counsels handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings.

  The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of pending litigations.

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:

	2018	2017
Within one year	**₱92,614,341**	₱88,443,671
After one year but not more than five years	**239,630,061**	239,925,503
More than five years	**157,138,965**	168,655,244
	₱489,383,367	₱497,024,418

The Group's Intramuros and Makati campuses lease spaces to Digitel, Investment Manager's Inc. (IMI) and Bell Telecommunication Philippines, Inc. The lease terms cover lease periods of between three (3) years to ten (10) years with escalation rates ranging from 3.00% to 10.00%.

Future minimum rental receivable under the aforementioned lease agreement follows:

	2018	2017
Within one (1) year	**₱1,750,332**	₱1,967,496
More than 1 year but not more than five (5) years	**4,005,587**	3,763,169
Later than five years	**1,369,753**	3,395,445
	₱7,125,672	₱9,126,110

35. Non-controlling Interests

Dividends paid to non-controlling interests amounted to ₱70.0 million, ₱65.0 million and ₱159.0 million in 2018, 2017 and 2016, respectively.

The summarized financial information attributable to non-controlling interests for significant subsidiaries as of and for the years ended December 31, 2018, 2017 and 2016 are as shown below:

	Honda Cars Kalookan, Inc. (HCKI)[a]			iPeople, inc. (iPeople) and Subsidiaries[b]			EEI Corporation (EEI) and Subsidiaries[c]		
	2018	2017	2016	**2018**	2017	2016	**2018**	2017	2016
Assets									
Current assets	**₱777**	₱1,020	₱753	**₱1,007**	₱914	₱1,120	**₱12,536**	₱13,578	₱13,287
Noncurrent assets	**95**	107	123	**8,965**	6,982	5,410	**9,919**	7,814	6,916
	872	1,127	876	**9,972**	7,896	6,530	**22,455**	21,392	20,203
Liabilities and Equity									
Current liabilities	**₱739**	₱984	₱763	**₱3,310**	₱1,628	₱792	**₱12,514**	₱13,555	₱12,934
Noncurrent liabilities	**11**	7	1	**249**	244	221	**2,229**	1,162	1,425
	750	991	764	**3,559**	1,872	1,013	**14,743**	14,717	14,359
Revenue	**₱2,892**	₱3,633	₱2,308	**₱1,809**	₱1,983	₱2,360	**₱22,148**	₱14,921	₱14,836
Net income	**₱11**	₱24	₱4	**211**	836	₱643	**₱529**	₱836	(₱848)
Total comprehensive income	**₱10**	₱24	₱3	**580**	714	₱916	**₱1,081**	₱811	(₱730)
Share of NCI in net assets	**₱54**	₱61	₱50	**₱2,033**	₱1,908	₱1,802	**₱3,522**	₱3,046	₱2,657
Share of NCI in net income (loss)	**₱5**	₱11	₱2	**₱69**	₱125	₱210	**₱243**	₱382	(₱387)
Dividends paid	**₱11**	₱–	₱–	**₱59**	₱59	₱65	**₱–**	₱–	₱94
Operating	**₱109**	(₱84)	(₱119)	**₱557**	₱586	₱796	**(₱1,538)**	(₱1,020)	₱1,652
Investing	**4**	(10)	(12)	**(1,820)**	(1,345)	(235)	**(677)**	(1,156)	(1,026)
Financing	**(112)**	144	157	**1,218**	518	(289)	**2,581**	1,824	(873)

(a) Proportion of ownership owned by non-controlling interests as of December 31, 2018 and 2017: 45.00%
(b) Proportion of ownership owned by non-controlling interests as of December 31, 2018 and 2017: 32.66%
(c) Proportion of ownership owned by non-controlling interests as of December 31, 2018 and 2017: 45.36%

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 revenue from the following reportable segments:

<u>Construction and Infrastructure</u> - 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.

<u>Property management</u> - represents property and project management services of the Group.

<u>Education</u> - primarily consists of revenues from iPeople and subsidiaries in education, consulting, development, installation and maintenance of information technology systems.

<u>Car Dealership</u> - represents automotive dealerships of the Group.

<u>Other Services</u> - 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.

In 2018, revenues from two (2) customers from the construction and infrastructure segment each represents 10% or more of the Group's revenue. Following are the revenue contributed by each of these customers: ₱10,193 million and ₱2,667 million.

In 2017, revenues from three (3) customers from the construction and infrastructure segment each represents 10% or more of the Group's revenue. Following are the revenues contributed by each of these customers: ₱3,293.2 million, ₱2,253.1 million and ₱1,508.6 million.

In 2016, revenues from two (2) customers from the construction and infrastructure segment each represent 10% or more of the Group's revenue. Following are the revenue contributed by each of these customers: ₱2,745.4 million and ₱1,766.9 million.

(Amounts in Millions)

	Construction and Infrastructure			Education			Car Dealerships			Property Management			Other Services			Elimination			Consolidation		
	2018	2017	2016	**2018**	2017	2016	**2018**	2017	2016	**2018**	2017	2016	**2018**	2017	2016	**2018**	2017	2016	**2018**	2017	2016
Revenue																					
Domestic	**₱22,148**	₱14,921	₱14,836	**₱1,809**	₱1,983	₱2,360	**₱8,445**	₱11,256	₱8,286	**₱233**	₱209	₱180	**₱539**	₱361	₱509	**(₱866)**	(₱1 182)	(₱429)	**₱32,309**	₱27,548	₱25,742
Foreign	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Intersegment sales	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	₱22,148	₱14,921	₱14,836	**₱1,809**	₱1,983	₱2,360	**₱8,445**	₱11,256	₱8,286	**₱233**	₱209	₱180	**₱539**	₱361	₱509	**(₱866)**	(₱1,182)	(₱429)	**₱32,309**	₱27,548	₱25,742
Net Income attributable to share of parent	**₱533**	₱836	(₱848)	**₱211**	382	₱596	**₱41**	₱124	₱73	**₱90**	₱64	₱51	**₱319**	₱259	₱417	**(₱346)**	(₱723)	₱113	**₱848**	₱941	₱403
Other Information																					
Segment assets	**₱22,454**	₱21,392	₱20,203	**₱9,972**	₱7,897	₱6,529	**₱3,227**	₱3,800	₱3,577	**₱186**	₱167	₱161	**₱4,819**	₱5,555	₱4,529	**(₱1,058)**	(₱1,459)	(₱1,310)	**₱39,601**	₱37,353	₱33,689
Deferred tax assets	**(70)**	(79)	(84)	**(5)**	(6)	(6)	**(18)**	(16)	(27)	**(2)**	(2)	(2)	**(78)**	(1)	36	**34**	–	–	**(140)**	(104)	(121)
Net segment assets	**₱22,384**	₱21,313	₱20,119	**₱9,967**	₱7,891	₱6,523	**₱3,209**	₱3,784	₱3,550	**₱184**	165	₱159	**₱4,741**	₱5,554	₱4,565	**(₱1,024)**	(₱1,459)	(₱1,310)	**₱39,461**	₱37,249	₱33,568
Segment liabilities	**₱14,743**	₱14,717	₱14,359	**₱3,559**	₱1,872	₱1,014	**₱1,176**	₱1,496	₱1,309	**₱133**	₱122	₱117	₱2,055	3,303	₱2,555	**(₱236)**	(₱508)	₱271	**₱21,429**	₱21,001	₱19,083
Income tax payable	**(28)**	(13)	(4)	**(11)**	(7)	(8)	–	–	(5)	**(3)**	(2)	(2)	**(1)**	(1)	(1)	–	–	–	**(42)**	(22)	(20)
Deferred tax liabilities	**(76)**	–	–	**(209)**	(177)	(147)	**(147)**	(137)	(126)	–	–	–	**(3)**	(6)	(10)	**(110)**	(92)	(76)	**(545)**	(413)	(359)
Net segment liabilities	**₱14,639**	₱14,704	₱14355	**₱3,339**	₱1,688	₱859	**₱1,029**	₱1,359	₱1,178	**₱130**	₱120	₱115	**₱2,052**	₱3,296	₱2,544	**(₱346)**	(₱600)	(₱347)	**₱20,842**	₱20,566	₱18,704
Investments in associates and joint ventures	**₱2,255**	₱2,177	₱1,270	**₱–**	₱–	₱–	**₱–**	₱–	₱–	**₱6**	₱6	₱5	**₱4,369**	₱4,228	₱4,044	**(₱1,124)**	(₱1,589)	(₱1,778)	**₱5,506**	₱4,821	₱3,722
Equity in net earnings (losses) of associates	**(₱127)**	₱118	(₱1,316)	**₱–**	₱–	₱–	**₱–**	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	**₱382**	₱171	₱222	**₱256**	₱289	(₱1,094)
Cash flows arising from:																					
Operating activities	**(₱1,604)**	(₱1,020)	₱1,652	**₱557**	₱586	₱796	**(₱6)**	₱185	(₱451)	**₱87**	₱44	₱57	**₱4**	(₱116)	(₱46)	**₱413**	₱68	(₱250)	**(₱549)**	(₱253)	₱1,758
Investing activities	**(649)**	(1,156)	(1,026)	**(1,820)**	(1,345)	(235)	**(9)**	(69)	(53)	**(2)**	(5)	(4)	**1**	(550)	(4)	**298**	(6)	510	**(2,181)**	(3,131)	(812)
Financing activities	**2,581**	1,824	(873)	**1,218**	518	(289)	**(137)**	(16)	525	**(90)**	(57)	(32)	**1,069**	536	(332)	**(1,844)**	157	90	**2,797**	2,962	(911)
Capital expenditures	**(803)**	(569)	(1,030)	**(2,107)**	(1,047)	(227)	**(40)**	38	55	**(2)**	(5)	(3)	**35**	956	24	**599**	(1,751)	119	**(2,318)**	(2,378)	(1,294)
Interest income	**35**	56	61	**11**	13	12	–	–	–	–	1	–	**10**	12	15	**(106)**	(10)	(11)	**(50)**	72	77
Interest expense	**300**	162	163	**36**	4	62	**62**	53	57	–	–	–	–	57	73	**57**	–	(54)	**455**	276	301
Provision for income tax	**435**	255	226	**28**	48	79	**5**	13	10	**27**	20	15	**12**	53	40	**(9)**	7	–	**498**	396	370
Earnings before income tax	**964**	1,087	(622)	**265**	461	722	**45**	150	83	**117**	84	67	**332**	416	525	**(60)**	(351)	(250)	**1,663**	1,847	525
Earnings before income tax and depreciation and amortization	**1,672**	1,728	6	**484**	670	928	**103**	201	166	**120**	87	70	**339**	420	537	**(65)**	(336)	(280)	**2,653**	2,770	1,427
Noncash items:																					
Additional revaluation increment on land	**₱–**	₱–	₱–	**₱389**	₱315	₱280	**₱22**	₱37	₱49	**₱–**	₱–	₱–	**₱–**	₱–	₱–	**(₱3)**	₱54	₱6	**₱408**	₱406	₱375
Depreciation and amortization	**708**	641	628	**219**	209	206	**58**	51	83	**3**	3	3	**7**	4	12	**(5)**	15	(30)	**990**	923	902

37. **Financial Instruments and Financial Risk Management Objectives and Policies**

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 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.

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

	2018				
	On demand	**< 1 year**	**1 to < 2 years**	**> 2 years**	**Total**
Financial Liabilities					
Accounts payable and accrued expenses*	**₱4,415,207,346**	**₱826,520,126**	**₱225,779,705**	**₱ 389,666,533**	**₱5,857,173,710**
Bank loans					
Peso loan	–	**10,519,000,000**	–	–	**10,519,000,000**
Interest	–	**199,925,161**	–	–	**199,925,161**
Long-term debt					
Peso loan	–	**1,052,383,112**	**1,123,811,684**	**619,043,299**	**2,795,238,095**
Interest	–	**106,453,849**	**62,701,214**	**15,200,650**	**184,355,713**
Due to related parties	**134,849,412**	–	–	–	**134,849,412**
	4,550,056,758	**12,704,282,248**	**1,412,292,603**	**1,023,910,482**	**19,690,542,091**
Financial Assets					
Cash					
Cash on hand and in banks	**1,465,702,110**	–	–	–	**1,465,702,110**
Short-term investments	**573,962,714**	–	–	–	**573,962,714**
Accounts receivables					
Trade receivables	**1,599,710,357**	**2,758,426,119**	**7,477,655**	**5,821,653**	**4,371,435,784**
Consultancy fees	–	–	–	–	–
Receivables from plant	**52,527,813**	–	–	–	**52,527,813**
Others	**517,571,507**	–	**1,582,831**	**4,948,384**	**524,102,722**
Loan receivables	–	**10,105,165**	**4,184,658**	–	**14,289,823**
Receivable from related parties	**145,966,212**		–	–	**145,966,212**
	4,355,440,713	**2,768,531,284**	**13,245,144**	**10,770,037**	**7,147,987,178**
Liquidity gap (position)	**₱194,616,045**	**₱9,935,750,964**	**₱1,399,047,459**	**₱1,013,140,445**	**₱12,542,554,913**

**Excluding statutory liabilites*

	2017				
	On demand	< 1 year	1 to < 2 years	> 2 years	Total
Financial Liabilities					
Accounts payable and accrued expenses*	₱3,432,037,613	₱690,296,051	₱179,663,955	₱406,731,477	₱4,708,729,096
Bank loans					
Peso loan	70,000,000	7,615,000,000	–	–	7,685,000,000
Interest	–	15,348,641	–	–	15,348,641
Long-term debt					
Peso loan	–	491,865,198	1,608,657,364	571,424,252	2,671,946,814
Interest	–	267,053,764	211,335,661	37,198,117	515,587,542
Due to related parties	124,038,237	–	–	–	124,038,237
	3,626,075,850	9,079,563,654	1,999,656,980	1,015,353,846	15,720,650,330
Financial Assets					
Cash					
Cash on hand and in banks	1,250,528,876	–	–	–	1,250,528,876
Short-term investments	716,969,549	–	–	–	716,969,549
Accounts receivables					
Trade receivables	4,519,012,457	3,658,155,658	4,023,209	5,920,859	8,587,263,128
Consultancy fees	–	306,621,841	–	–	306,621,841
Receivables from plant	27,877,545	–	–	–	11,302,104
Others	371,866,101	–	667,439	1,129,235	360,096,775
Loan receivables	–	10,159,319	3,507,320	–	13,666,639
Receivable from related parties	155,083,681	18,551	–	–	155,102,232
	7,041,338,209	3,974,955,369	8,197,968	7,050,094	11,401,551,144
Liquidity gap (position)	₱1,692,125,746	₱166,096,789	₱1,991,459,012	₱1,008,303,752	₱4,487,975,795

**Excluding statutory liabilites*

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.

c. *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.

	2018		2017	
Market Index	**Change in variable**	**Effect on Equity**	Change in variable	Effect on Equity
PSE	**15.04%**	**₱2,996,406**	4.93%	₱149,376
	-15.04%	**(2,996,406)**	-4.93%	(149,376)
Others	**17.57%**	**1,010,337**	25.53%	3,373,146
	-17.57%	**(1,010,337)**	-25.53%	(3,373,146)

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 5% and 26% in 2018, respectively, and 5% and 26% in 2017, 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 risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's currency risk arise mainly from cash and receivables which are denominated in a currency other than the Group's functional currency or will be denominated in such a currency.

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.

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).

	2018		2017	
	Percentage increase/ decrease in foreign currency	**Effect on profit before tax**	Percentage increase/ decrease in foreign currency	Effect on profit before tax
USD	**0.10%**	**100,100**	5.00%	2,277,233
SGD	**0.20%**	**1,938**	1.80%	126,755
EUR	**3.20%**	**506,330**	1.20%	96,221
JPY	**2.00%**	**13,697**	0.40%	1,168
GBP	**1.70%**	–	0.80%	104
USD	**-0.10%**	**(100,100)**	-5.00%	(2,277,233)
SGD	**-0.20%**	**(1,938)**	-1.80%	(126,755)
EUR	**-3.20%**	**(506,330)**	-1.20%	(96,221)
JPY	**-2.00%**	**(13,697)**	-0.40%	(1,168)
GBP	**-1.70%**	–	-0.80%	(104)

The forecasted movements in percentages used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.

The foreign currency-denominated financial assets and financial liabilities in original currencies and equivalents to the functional and presentation currency are as follows:

	2018					
						Equivalents in PHP
Financial assets						
Cash and cash equivalents	**US$2,879,943**	**S$28,026**	**€10,900**	**¥208,852**	**£–**	**₱153,537,379**
Receivables	**1,694,556**			**1,229,193 –**		**89,927,765**
	4,574,499	**28,026**	**10,900**	**1,438,045**	**–**	**243,465,144**
Financial liabilities						
Accounts payable and accrued expenses	**268,711**	**–**	**275,454**	**–**	**–**	**30,780,451**
	US$4,305,788	**S$28,026**	**(€264,554)**	**¥1,438,045**	**(£–)**	**₱212,684,693**

1 Exchange rate used - ₱52.72 to US$1
2 Exchange rate used - ₱38.47 to S$1
3 Exchange rate used - ₱60.31 to €1
4 Exchange rate used - ₱0.48 to ¥1
5 Exchange rate used - ₱66.7 to £1

	2017					
						Equivalents in PHP
Financial assets						
Cash and cash equivalents	US$1,918,252	S$187,184	€5,361	¥1,149,351	£–	₱103,569,704
Receivables	200,998			1,662,820	–	10,765,461
	2,119,250	187,184	5,361	2,812,171	–	114,335,165
Financial liabilities						
Accounts payable and accrued expenses	380,873	–	144,228	3,520,030	200	29,175,802
	US$1,738,377	S$187,184	(€138,867)	(¥707,859)	(£200)	₱85,159,363

1 Exchange rate used - ₱49.72 to US$1
2 Exchange rate used - ₱34.35 to S$1
3 Exchange rate used - ₱51.84 to €1
4 Exchange rate used - ₱0.42 to ¥1
5 Exchange rate used - ₱60.87 to £1

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:

	2018						
	Below 1 Year	**1-2 Years**	**2-3 Years**	**3-4 Years**	**4-5 Years**	**Over 5 Years**	**TOTAL In Php**
Long-term debt							
Peso floating							
Philippine Peso Floating rate	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**

	2017						
	Below 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	TOTAL In Php
Long-term debt							
Peso floating							
Philippine Peso Floating rate	₱54,366,300	₱54,366,300	₱54,366,300	₱54,366,300	₱54,366,300	₱304,782,206	₱576,613,706
Peso fixed							
Philippine Peso Interest rate	54,366,300	54,366,300	54,366,300	54,366,300	54,366,300	304,782,206	576,613,706

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 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):

	2018		2017	
	Increase/decrease in basis points	**Effect on profit before tax**	Increase/decrease in basis points	Effect on profit before tax
Peso floating rate borrowing	**+184**	**₱9,523,400**	+67	₱4,384,331
	-184	**(₱9,523,400)**	-67	(₱4,384,331)

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.

There are no other impact on the Group's equity other than those already affecting the consolidated statements of income.

d. *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.

For a financial asset that arises from long-term construction contracts, the Group considers the asset to be in default if contractual payments are not settled within 90 days from the completion of the construction project. The Group's normal credit terms for construction projects is within 90 days based on its historical experience. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. It is the ZIFC's policy that all prospective debtors are subject to screening procedures. In addition, receivable balances are monitored on an ongoing. An analysis of concentrations of credit risk all pertains to ZIFC, as of December 31 is shown below:

	2018	2017
Loans receivable at gross	**₱25,289,246**	₱24,913,877
Less: Allowance for probable loss	**3,689,875**	3,869,959
Unearned discount and interest	**7,309,548**	7,671,002
	₱14,289,823	₱13,372,916

The Group's maximum credit risk exposure for its secured loans receivables is equal to its carrying value amounting ₱25.3 million and ₱24.9 million in 2018 and 2017, 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 2018 and 2017. This resulted to a nil net exposure as at December 31, 2018 and 2017.

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:

	2018						
	Neither past due nor impaired	**Past due but not impaired**				**Impaired Assets**	**Total**
		< 30 days	**30 - 60 days**	**60 - 90 days**	**> 90 days**		
Cash in bank and cash equivalents	**₱2,039,309,828**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,039,309,828**
Loans receivable	**14,289,823**	**–**	**–**	**–**	**–**	**–**	**14,289,823**
Receivables from:							
Construction and infrastructure	**705,246,761**	**47,033,807**	**411,702,482**	**225,313,386**	**1,715,597,141**	**52,855,392**	**3,157,748,969**
Car dealership	**579,405,679**	**114,017,406**	**45,531,488**	**16,583,070**	**18,445,791**	**39,310,600**	**813,294,034**
Education and information technology	**225,366,564**	**10,615,569**	**2,047,423**	**3,418,382**	**–**	**61,347,299**	**302,795,237**
Other services	**38,337,095**	**40,363,272**	**4,800,174**	**2,180,059**	**4,080,986**	**7,835,959**	**97,597,545**
Other receivables:							
Consultancy fee	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Receivables from plant	**47,222,895**					**5,304,918**	**52,527,813**
Others	**351,175,500**	**21,430,714**	**3,812,160**	**10,475,684**	**80,703,350**	**56,505,314**	**524,102,722**
Miscellaneous deposits	**1,251,122**	**3,263,046**	**995,964**	**1,772,360**	**76,103,813**	**3,572,151**	**86,958,456**
Due from related parties	**145,966,212**	**–**	**–**	**–**	**–**	**–**	**145,966,212**
Receivable from a customer	**143,813,001**	**–**	**–**	**–**	**–**	**9,695,689**	**153,508,690**
Receivable from EEI Retirement Fund, Inc.	**133,000,000**	**–**	**–**	**–**	**–**	**–**	**133,000,000**
	₱4,424,384,480	**₱236,723,814**	**₱468,889,691**	**₱259,742,941**	**₱1,894,931,081**	**₱236,427,322**	**₱7,521,099,329**

	2017						
	Neither past due nor impaired	Past due but not impaired				Impaired Assets	Total
		< 30 days	30 - 60 days	60 - 90 days	> 90 days		
Cash in bank and cash equivalents	₱1,967,498,425	₱–	₱–	₱–	₱–	₱–	₱1,967,498,425
Loans receivable	13,666,639	–	–	–	–	–	13,666,638
Receivables from:							
Construction and infrastructure	3,308,636,465	979,016,374	712,992,155	141,100,633	1,585,725,672	23,763,449	6,751,234,748
Car dealership	1,052,813,105	250,725,566	99,729,382	22,357,158	95,744,905	30,078,900	1,552,261,016
Education and information technology	77,570,144	7,488,152	4,418,343	13,212,700	–	56,631,634	159,320,973
Other services	28,433,800	34,640,436	734,854	948,874	4,388,807	6,484,912	75,631,683
Other receivables:							
Consultancy fee	–	–	–	–	306,621,841	–	306,621,841
Receivables from plant	10,539,782					17,337,763	27,877,545
Others	181,337,381	49,226,159	27,776,039	3,976,115	29,802,340	81,544,741	373,662,774
Miscellaneous deposits	78,266,698	–	–	–	–	–	78,266,698
Due from related parties	155,102,232	–	–	–	–	–	155,102,232
Receivable from a customer	211,513,105	–	–	–	–	11,095,689	222,608,794
Receivable from EEI Retirement Fund, Inc.	178,000,000	–	–	–	–	–	178,000,000
	₱7,263,377,776	₱1,321,096,687	₱845,650,773	₱181,595,480	₱2,022,283,565	₱226,937,088	₱11,861,753,367

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.

	2018			
	Neither past due nor impaired		Past due or Individually	
	High Grade	Standard	Impaired	Total
Cash in banks and cash equivalents	**₱2,007,098,986**	**₱–**	**₱–**	**₱2,007,098,986**
Loans receivable	**14,289,823**	–	–	**14,289,823**
Receivables from:				
Construction and infrastructure	**2,504,001,799**	**600,891,778**	**52,855,392**	**3,157,748,969**
Car dealership	**773,983,434**	–	**39,310,600**	**813,294,034**
Education and information technology	**206,288,341**	**35,159,597**	**61,347,299**	**302,795,237**
Other services	**47,599,315**	**42,162,271**	**7,835,959**	**97,597,545**
Other receivables:				
Consultancy fee	–	–	–	–
Rent receivable	**202,463**	**88,818**	**430,517**	**721,798**
Others	**537,478,609**	**29,825,901**	**71,075,404**	**638,379,914**
Receivable from sale of investment properties	**281,034,679**	–	–	**281,034,679**
Due from related parties	**145,966,212**	–	–	**145,966,212**
Receivable from a customers	**143,813,001**	–	–	**143,813,001**
Receivables from EEI Retirement Fund, Inc.	**133,000,000**	–	–	**133,000,000**
Miscellaneous deposits	**83,051,923**	**571,340**	**3,572,151**	**87,195,414**
	₱6,877,808,585	**₱708,699,705**	**₱236,427,322**	**₱7,822,935,612**

	2017			
	Neither past due nor impaired		Past due or Individually	
	High Grade	Standard	Impaired	Total
Cash in banks and cash equivalents	₱2,361,251,782	₱–	₱–	₱2,361,251,782
Loans receivable	15,324,655	–	–	15,324,655
Receivables from:				
Construction and infrastructure	5,339,609,046	1,411,625,702	–	6,751,234,748
Car dealership	1,045,098,799	67,161,240	440,000,978	1,552,261,017
Education and information technology	79,806,032	3,565,774	75,949,167	159,320,973
Other services	65,397,572	1,576,813	8,657,298	75,631,683
Other receivables:				
Consultancy fee	306,621,841	–	–	306,621,841
Rent receivable	594,566	–	75,307	669,873
Others	251,849,641	20,929,582	128,761,095	401,540,318
Receivable from sale of investment properties	374,402,949	–	–	374,402,949
Due from related parties	155,102,232	–	–	155,102,232
Receivable from a customers	222,608,794	–	–	222,608,794
Receivables from EEI Retirement Fund, Inc.	178,000,000	–	–	178,000,000
Miscellaenous deposits	78,266,698	–	–	78,266,698
	₱10,473,934,607	₱1,504,859,111	₱653,443,845	₱12,632,237,563

Neither past due nor impaired accounts receivables, other receivables are classified into 'high grade' and 'standard grade'. Neither past due nor impaired cash and cash equivalents, loans receivable, due from related parties, receivable from a customer and receivables from EEI-RFI are normally 'high grade' in nature. The Group sets financial assets as 'high grade' based on the Group's positive collection experience. On the other hand, 'standard grade' are those which have credit history of default in payments.

The Company has the following financial assets that are subject to the expected credit loss model under PFRS 9:

- Cash and cash equivalents;
- Receivables;
- Contract assets
- Advances to officers and employees

The ending loss allowances as of December 31, 2018 reconcile to the opening loss allowances as follows:

Balances as of January 1, 2018, as calculated under PAS 39	₱201,173,780
Amount restated through opening retained earnings	38,782,324
Balances as of January 1, 2018, as calculated under PFRS 9	239,956,104
Provision (Recoveries)	1,012,516
Write off (Note 7)	(6,088,417)
Balances as of December 31, 2018	₱234,880,203

Credit Quality
The Group maintains internal credit rating system. Neither past due nor impaired financial assets are graded as either "A" or "B" based on the following criteria:

- Grade A are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

- Grade B are active accounts with minimal to regular instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to the Group's collection efforts and update their payments accordingly.

Cash in banks and cash equivalents are short-term placements and working cash fund placed, invested or deposited in reputable foreign and local banks in the Philippines. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

Receivables and receivables from related parties are Grade A because they are from related parties, employees and accredited customers who are highly reputable, progressive and consistently pay their accounts.

Security and other deposits and construction bond are Grade A since these were paid to creditworthy third parties.

The Group's financial assets considered as neither past due nor impaired are all graded "A" based on the Group's assessment.

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, 2018 and 2017.

As at December 31, 2018 and 2017, the Group is not subject to externally imposed capital requirements. 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, 3:1 and 2:1, respectively.

	2018	2017
Current liabilities	**₱18,043,467,838**	₱17,581,695,003
Noncurrent liabilities	**2,727,341,438**	2,800,065,714
Total liabilities (a)	**20,770,809,276**	20,770,809,276
Equity (b)	**18,755,365,291**	17,053,497,363
Debt to Equity Ratio (a/b)	**0:90:1**	0:84:1

<u>Fair Value Information</u>
The carrying amounts of the investments approximate the fair value due to their short-term maturities and demand features except for the following:

Receivable from EEI-RFI
The fair values of the receivable amounting to ₱120.7 million and ₱176.3 million as of December 31, 2017 and 2016, respectively, were estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 - significant observable inputs). Discount rates used in 2018 and 2017 were 7.02% and 5.71%, respectively.

Long-term debt
The fair values of the interest-bearing long-term loans amounting to ₱2,635.5 million and ₱2,358.0 million as of December 31, 2018 and 2017, respectively, were estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 - significant observable inputs). Discount rates used in 2018 and 2017 were 5.11% to 7.02% and 5.71%, respectively.

Quoted AFS financial assets
Fair value of investments in equity shares listed with Philippine Stock Exchange amounting to ₱39.8 million and ₱54.4 million as of December 31, 2018 and 2017, respectively, were determined by reference to the quoted price in the stock exchange at the end of the reporting period (Level 1 - quoted prices in active market).

Fair values of investments in club/golf shares amounting to ₱23.3 million and ₱15.6 million as of December 31, 2018 and 2017, respectively, were determined by reference to the price of the most recent transaction at the end of the reporting period (Level 2 - significant observable inputs).

PetroGreen Energy Corporation (PGEC)
The fair value of the Group's investment in PGEC is determined by an independent third party professional services firm using the discounted cash flow model. PGEC is a holding company and has investments in the following subsidiaries, namely, Maibarara Geothermal, Inc. and PetroSolar Corporation and PetroWind Energy, a joint venture, Inc. as of December 31, 2018. All investees are engaged in the business of generating power through renewable sources of energy.

The significant unobservable inputs (Level 3) used in the fair value measurement of PGEC are as follows:

- Discount rate: 10.1% - 16.9% (1% decrease in the discount rates could increase the fair value of the Group's investment in PGEC by ₱75.6 million.)

- Long-term growth rates: 0.4% to 4.6%
- Electricity prices used in calculating revenue:
  - Maibarara Geothermal, Inc.: Electricity price based on electricity supply agreement with a customer
  - PetroSolar Corporation: Feed-in tariff rate of ₱8.69 per kWH
  - PetroWind Energy, Inc: Feed-in tariff rates of ₱6.75 to ₱7.40 per kWH

Hermosa Ecozone Development Corporation (HEDC)
The fair value of the Group's investment in HEDC is determined using the adjusted net asset approach wherein the assets of HEDC consisting mainly of parcels of land are adjusted from cost to their fair value. The valuation was performed by an independent SEC-accredited appraiser as of December 31, 2017.

The significant unobservable inputs (Level 3) used in the fair value measurement of PGEC are as follows:

The fair values of the land were determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size (5% to 15%), location (-10% to 5%) and facilities and utilities (5%). Significant favorable (unfavorable) adjustments to the aforementioned factors based on the professional judgment of the independent appraisers would increase (decrease) the fair value of land. Depending on the status of the development, the value of the land per sqm ranges from ₱400 to ₱4,000.

An 5% increase (decrease) in the appraised value of the land per sqm could increase (decrease) the Group's investment by ₱10.9 million.

Financial assets at FVPL
Fair values of financial assets at FVPL amounting to ₱8.7 million and ₱8.5 million as of December 31, 2018 and 2017, were determined based on quoted prices of equity and debt instruments listed with exchanges.

There were no transfers between levels of fair value measurements in 2018 and 2017. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

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, 2018, 2017 and 2016 follows:

	2018		2017		2016	
	Amount	**Shares**	Amount	Shares	Amount	Shares
Beginning of the year	**₱253,758,109**	**634,395,272**	₱280,802,820	702,007,052	₱310,729,869	776,824,673
Redemption of preferred stock	**(6,343,953)**	**(15,859,885)**	(27,044,711)	(67,611,780)	(29,927,049)	(74,817,621)
Conversion of preferred stock to common stock	**–**	**–**	–	–	–	–
	₱247,414,156	**618,535,387**	₱253,758,109	634,395,272	₱280,802,820	702,007,052

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, 2018, 2017 and 2016 follows:

	2018		2017		2016	
	Amount	**Shares**	Amount	Shares	Amount	Shares
Beginning of the year	**₱924,444,172**	**616,296,114**	₱924,444,172	616,296,114	₱924,444,172	616,296,114
Conversion of preferred stock to common stock	**–**	**–**	–	–	–	–
	924,444,172	**616,296,114**	924,444,172	616,296,114	924,444,172	616,296,114
Treasury stock	**(2,607,600)**	**(300,000)**	(2,607,600)	(300,000)	(2,607,600)	(300,000)
	₱921,836,572	**615,996,114**	₱921,836,572	615,996,114	₱921,836,572	615,996,114

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 the capital redemption and conversion follow:

Date of Redemption	**Amount**		**Record Date**	**Payment Date**
April 6, 2018	₱6,343,953	₱0.40	May 3, 2018	May 30, 2018
March 31, 2017	₱7,020,070	₱0.40	April 28, 2017	May 21, 2017
July 21, 2017	6,844,569	0.40	August 18, 2017	September 12, 2017
September 29, 2017	6,673,454	0.40	October 27, 2017	November 24, 2017
December 8, 2017	6,506,618	0.40	January 4, 2018	January 30, 2018
	₱27,044,711			
March 31, 2016	₱7,768,247	₱0.40	April 28, 2016	May 24, 2016
July 15, 2016	7,574,040	0.40	August 12, 2016	September 8, 2016
September 30, 2016	7,384,690	0.40	October 28, 2016	November 24, 2016
December 2, 2016	7,200,072	0.40	December 29, 2016	January 23, 2017
	₱29,927,049			

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

a) Entitled to dividends at the rate of average 91-day T-Bill plus two percent;
b) Fully participating as to distribution of dividends;
    a. 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;
c) 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
d) 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, 2018:

Year	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities
Preferred shares:				
January 1, 2016	776,824,673			48
Movement:	(19,420,617)	0.40	March 31, 2016	
	(18,935,100)	0.40	July 15, 2016	
	(18,461,723)	0.40	September 30, 2016	
	(18,000,181)	0.40	December 2, 2016	
December 31, 2016	702,007,052			48
Conversion	–			
December 31, 2016	702,007,052			
Movement:	(17,550,176)	0.40	March 31, 2017	
	(17,111,422)	0.40	July 21, 2017	
	(16,683,636)	0.40	September 29, 2017	
	(16,266,546)	0.40	December 8, 2017	
December 31, 2017	634,395,272			48
Movement	(15,859,885)	0.40	April 6, 2018	
December 31, 2018	**618,535,387**			**48**
Common Shares:				
January 1, 2017	615,996,114			402
Conversion	–	–		
December 31, 2017	615,996,114			394
No Movement	–	–		
December 31, 2018	**615,996,114**			**386**

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 48 and 386, respectively, as of December 31, 2018 and 48 and 394, respectively, as of December 31, 2017.

39. Retained Earnings

Cash Dividends

The BOD declared cash dividends in 2018, 2017 and 2016 as follows:

		Amount per share			
Date of BOD Approval	**Amount**	**Preferred Shares**	**Common Shares**	**Record Date**	**Payment Date**
April 6, 2018	₱2,949,050	₱0.005	₱–	May 3, 2018	May 29, 2018
July 20, 2018	3,342,256	0.005	–	August 16, 2018	September 11, 2018
July 20, 2018	50,758,966	0.017	0.065	August 16, 2018	September 11, 2018
September 28, 2018	3,273,289	0.005	–	October 25, 2018	November 21, 2018
December 18, 2018	4,449,125	0.007	–	January 11, 2019	February 6, 2019
	₱64,772,686				
March 31, 2017	₱2,915,295	₱0.004	₱–	April 28, 2017	May 21, 2017
July 21, 2017	51,901,385	0.017	0.065	August 18, 2017	September 12, 2017
July 21, 2017	2,878,826	0.004	–	August 18, 2017	September 12, 2017
September 29, 2017	2,756,804	0.004	–	October 27, 2017	November 24, 2017
December 12, 2017	2,616,311	0.004	–	January 4, 2018	January 29, 2018
	₱63,068,621				

Date of BOD Approval	Amount	Amount per share: Preferred Shares	Amount per share: Common Shares	Record Date	Payment Date
March 31, 2016	₱2,761,612	₱0.004	₱–	April 28, 2016	May 20, 2016
July 15, 2016	53,165,560	0.017	0.065	August 12, 2016	September 6, 2016
July 15, 2016	2,729,936	0.004	–	August 12, 2016	September 2, 2016
September 30, 2016	2,525,564	0.003	–	October 28, 2016	November 22, 2016
December 8, 2016	2,476,824	0.003	–	December 29, 2016	January 23, 2017
	₱63,659,496				

On December 7, 2018, the Board approved the appropriation of ₱2.1 billion from the Company's retained earnings for property development projects up to 2021.

Retained earnings include ₱2,632.1 million and ₱2,576.3 million as of December 31, 2018 and 2017, respectively, representing treasury shares, appropriated retained earnings and deferred tax assets that are not available for dividend declaration. After reconciling items, the retained earnings of the Parent Company that are available for dividend declaration amounted to ₱812.4 million and ₱2,576.3 million as of December 31, 2018 and 2017, 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, associate and joint venture amounting to ₱6,286.1 million and ₱5,831.6 million as of December 31, 2018 and 2017, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

As of December 31, 2018, Group's retained earnings is restricted to payment of dividends to the extent of the cost of shares held in treasury and deferred tax asset amounting to ₱2.6 million and ₱73.1 million, respectively.

40. Cumulative Translation Adjustments

Cumulative translation adjustments represents exchange differences arising from the translation of financial statements of foreign subsidiary, EEI BVI, whose functional currency is the United States Dollar. It also includes share in cumulative translation adjustments of the Group's investment in an associate, PERC, whose functional currency is the United States Dollar on December 31, 2017.

41. Other Matters

a. The non-controlling stockholders of JPSAI infused capital of ₱20.0 million in 2017.

b. Since 2017, ARCC has submitted various claims to Snamprogetti, the main contractor of the RP2 Naphtha and Aromatics Package Project, to recover losses due to the delays, disruptions and work variations relating to the said project. In January 2019, Snamprogetti paid ARCC SAR180.0 million to settle the aforementioned claims.

c. In 2019, EPC extended a one-year term loan to PSOC amounting to ₱123.20 million and purchased additional shares amounting to ₱25.13 million.

d. In 2019, EPC made an additional investment in PGEC amounting to ₱3.2 million.

e. On March 1, 2019, the Parent Company increased its holdings in La Funeraria Paz-Sucat, Inc., bringing its total effective controlling interest to 63%.

f. On April 5, 2019, the BOD approved the declaration of cash dividends of ₱0.00758 per share with a total amount of ₱4.7 million to the stockholders of the Parent Company's preferred shares on record as of May 2, 2019, payable on May 28, 2019.

42. Approval of Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 5, 2019.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
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 (PSAs) the consolidated financial statements of House of Investments, Inc. and its subsidiaries (the Group) as at December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018 included in this Form 17-A, and have issued our report thereon dated April 5, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules I, II, III, and V 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 financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola
Partner
CPA Certificate No. 109952
SEC Accreditation No. 1540-AR-1 (Group A),
January 10, 2019, valid until January 9, 2022
Tax Identification No. 242-019-387
BIR Accreditation No. 08-001998-117-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 7332565, January 3, 2019, Makati City

April 5, 2019

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AS AMENDED

DECEMBER 31, 2018

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 ₱974.71 million do not constitute 5% or more of the total current assets of the Group as at December 31, 2018.

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, 2018:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
		(In Thousands)		
EEI				
Macapagal, Norman K.	₱1,533	₱144	(₱145)	₱1,532
Sta. Maria, Edwin R.	–	1,000	–	1,000
Narzoles, Laila L.	–	753	(57)	696
Marco, Dindo H. Realin	668	–	–	668
Rodelas, Nilo R.	–	350	–	350
Nacpil, Almario R.	348	–	–	348
Serrano, Efren A.	–	401	(70)	331
Torres, Joel R.	–	368	(42)	326
Puyat, Gil S.	280	–	–	280
Tutor, Ritchel R	–	302	(30)	272
Sumastre, Elizabeth M.	–	250	(12)	238
De Guzman, Alvin R.	–	212	–	212
Jao, Mario A.	–	202	–	202
Aguilar, Mary June O.	–	200	–	200
Ander Jr., Herminio R.	–	200	–	200
Mijares, Bonnalyn D.	–	200	–	200
Herrera, Gaudencio M.	–	191	–	191
Madarang, Lito O.	–	174	–	174
Domingo, Remy R.	–	168	–	168
Francia, Melito M.	–	164	–	164
Destacamanto, Noel M	–	162	–	162
Villanueva, Cirilo D.	–	159	–	159
Tampos Jr. Eduardo C.	242	–	(84)	158
Mapalad, Virgilio S.	–	157	–	157
Villania, Junard I.	–	151	–	151
Gapasin, Jorge Timothy T.	–	180	(29)	151
Penas, Abrilleno F.	168	–	(42)	126
Sevilla, Exequiel E.	–	122	–	122
Sison, Edgardo G.	–	122	–	122

(Forward)

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
		(In Thousands)		
Bayeta, Eddie S.	₱118	₱30	(₱30)	₱118
Alcaraz, Jimmy S.	143	2	(35)	110
Burgos, Manuel B.	108	–	–	108
Montecalvo, Dennis S.	108	–	–	108
Espiritu, Jaime S.	108	–	–	108
Satur, Salustiano O.	112	258	(263)	107
Chan, Eric J.	–	107	–	107
Villanueva, Jose P.	104	–	–	104
Bundalian, Rolando S	102	1	(1)	102
Agtoto, Jerry O.	100	1	(1)	100
Padrique, Danilo N.	100	–	–	100
	₱4,342	₱6,731	(₱841)	₱10,232
iPeople				
Arenillo, Denise Jordan	₱53	₱399	(₱63)	₱389
Macayan, Jonathan	35	394	(49)	380
Uy, Francis Aldrine	46	397	(76)	367
Teodoro, Gloria	–	390	(59)	331
Tiongco, Danilo R.	417	–	(93)	324
Caparanga, Alvin	–	377	(59)	318
Camacho, Margarita	383	–	(72)	311
Robielos, Rex Aurelius	621	–	(322)	299
Hofilena, Joy	374	–	(76)	298
Kikuchi, Khristian	374	–	(76)	298
Medrano, Anthony H.	371	–	(76)	295
Salayo, John Vincent	371	–	(75)	296
Austria, Maria Rhodora	367	–	(80)	287
Costales, Aloysius Nathaniel	390	–	(130)	260
Lanuza, Dionisia	302	–	(64)	238
Sabino, Lilibeth	309	–	(74)	235
Agbulos, Erlin C.	313	–	(89)	224
Gochioco, Geraldine	298	–	(77)	221
Salvacion, Jonathan	286	–	(74)	212
Songsong, Maribel	273	–	(74)	199
Francisco, Ruth C.	232	–	(83)	149
Adanza, Carina Victoria T.	222	–	(74)	148
Sauquillo, Dante	212	–	(76)	136
Tablante, Dennis H.	176	–	(38)	138
Doma, Bonifacio T. Jr.	176	–	(38)	138
	₱6,601	₱1,957	(₱2,067)	₱6,491
HI-Parent				
Monserate, Lalaine Pena	₱473	₱98	(₱148)	₱423
Medina, Maricar M.	-	922	(526)	396
Estrella, Joselito D.	-	518	(187)	331
Fabi, Sharon O.	-	375	(78)	297
Rafael, Victor. V	-	622	(341)	281
Panelo, Danilo P	342	28	(105)	265
Bautista, Maria Teresa	321	32	(96)	257
Cacho, Chona B.	293	30	(89)	234
Nuguid, Marissa P.	298	15	(83)	230
De Lara, Ma. Elisa	321	20	(118)	223
Galang, Alexander G.	226	8	(112)	122
Apsay, Christopher	174	51	(111)	114
Joven, Ma. Esperenza F	190	44	(125)	109
Villegas, Sonia P	205	29	(130)	104
	₱2,843	₱2,792	(₱2,249)	₱3,386
Total	₱13,786	₱11,480	(₱5,157)	₱20,109

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, 2018:

Name and designation of debtor	**Balance at beginning of period**	**Additions**	**Amounts collected**	**Amounts written off**	**Balance at end of period**
Landev Corporation					
Due from affiliates	₱879,425	₱3,007,644	(₱3,669,673)	₱–	₱217,396
Dividends receivable	28,000,000	68,000,000	(72,999,903)	–	23,000,097
	28,879,425	71,007,644	(43,004,385)	–	23,217,493
Greyhounds Security and Investigation Agency Corporation					
Due from affiliates	790,057	624,829	(1,366,427)	–	48,459
Investment Managers, Inc.					
Due from affiliates	398,649	6,083,503	(5,650,178)	–	831,974
Dividends receivable	750,000	–	(750,000)	–	–
	1,148,649	6,083,503	(6,400,178)	–	831,974
iPeople, inc. and subsidiaries					
Due from affiliates	8,863,995	1,233,923,467	(1,233,714,691)	–	9,072,771
Dividends receivable	58,864,678	132,924,220	(149,422,453)	–	42,366,445
	67,728,673	1,366,847,687	(1,383,137,144)	–	51,439,216
EEI Corporation and subsidiaries					
Due from affiliates	611,820	4,677,044	(2,727,852)	–	2,561,012
Zamboanga Industrial Finance Corporation					
Dividends receivable	–	1,300,000	(1,300,000)	–	–
Zambowood Realty and Development Corp					
Due from affiliates	2,200	2,417	(4,085)	–	532
Zamboanga Carrier Inc					
Due from affiliates	1,300	503	–	–	1,803
Xamdu Motors, Inc.					
Due from affiliates	250	150	(300)	–	100
	₱99,162,373	₱1,449,243,778	(₱1,470,305,561)	–	₱78,100,590

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, 2018, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of EEI, iPeople, and Honda Cars Group. Details of the Group's intangible assets are as follows:

Description	**Beginning balance**	**Additions at cost**	**Charged to cost and expenses**	**Charged to other accounts**	**Other changes additions (deductions)**	**Ending balance**
Goodwill	₱471,357,459	₱–	₱–	₱–	₱–	₱471,357,459
Computer Software	13,476,188	7,660,615	(6,838,576)	–	–	14,298,228
	₱484,833,647	₱7,660,616	(₱6,838,576)	₱–	₱–	₱485,655,687

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 five (5) year term loan, payable quarterly starting March 2016 with interest of 5.11% per annum	₱200,000,000	₱100,000,000	₱100,000,000
EEI			
Fixed-rate corporate promissory notes with effective interest of 5.1667% and 5.1875% per annum for seven (7) years	2,327,380,952	603,174,603	1,724,206,349
EEI Power			
Peso-denominated seven (7) year term loan, payable quarterly starting June 2014 with interest of 6.0% per annum inclusive of two-year grace period on principal amortization	267,857,144	71,428,572	196,428,572
	₱2,795,238,096	₱774,603,175	₱2,020,634,921

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)

As at December 31, 2018, the Group has no long-term loans from its related parties.

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, 2018.

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	294,759,570	2,695,400	318,541,144
Preferred shares	2,500,000,000	618,535,387	232,024,666	–	386,510,721

HOUSE OF INVESTMENTS, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated retained earnings, beginning	₱2,578,272,932
Less: Deferred tax asset	681,368
Treasury shares	2,607,600
Add: Impact of PFRS 9 adoption	57,129,230
Unappropriated retained earnings, as adjusted to amount available for dividend declaration, beginning	2,632,113,194
Appropriation	(2,100,000,000)
Net income during the year closed to retained earnings	347,455,237
Less movement in deferred tax asset that increased net income	2,426,495
Net income actually earned during the period	345,028,742
Dividend declared	(64,772,686)
UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, ENDING	₱812,369,250

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions	✓		
PFRS 3	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance 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	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
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 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			✓
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		**Adopted**	**Not Adopted**	**Not Applicable**
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance-No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases-Incentives	✓		
Philippine Interpretation SIC-25	Income Taxes-Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets-Web Site Costs			✓

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF DECEMBER 31, 2018 AND 2017

Financial Soundness Indicator

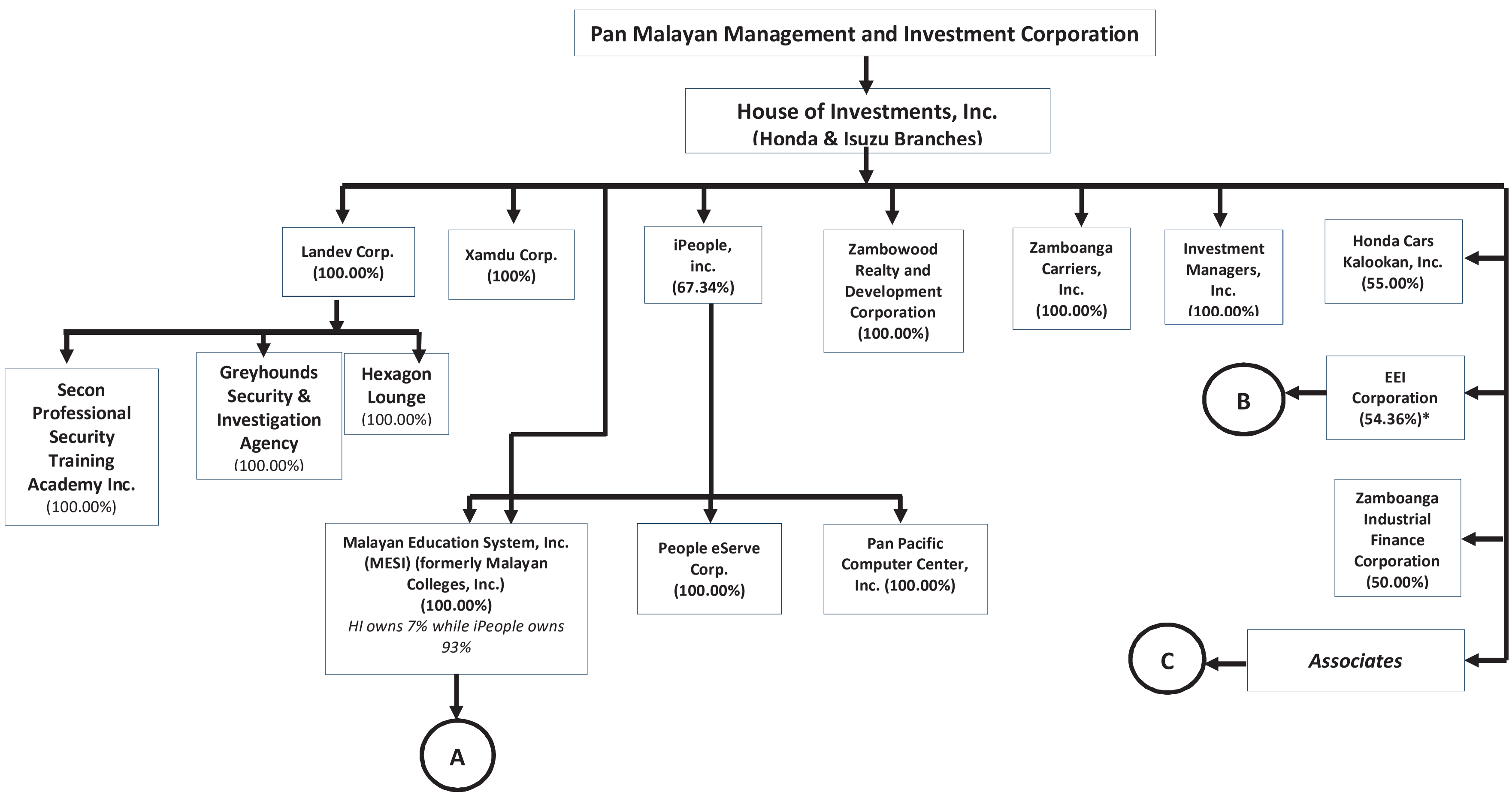
Below are the financial ratios that are relevant to the Group for the years ended December 31, 2018 and 2017:

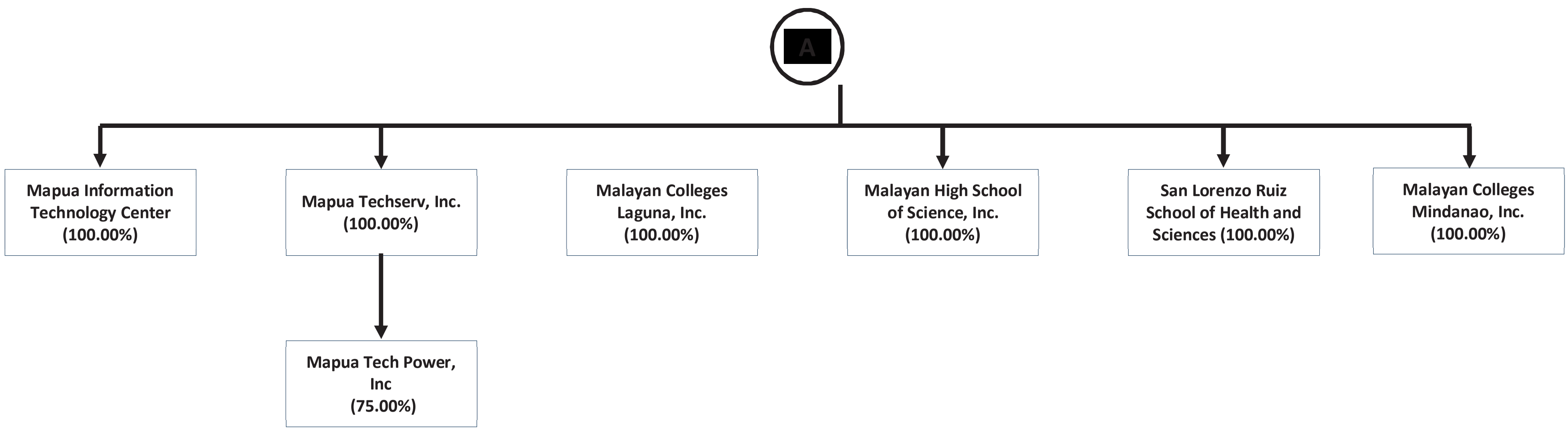
Financial ratios		2018	2017
Current ratio	Current assets / Current liabilities	**0.87:1**	0.98:1
Solvency ratio	Net income plus depreciation / Total liabilities	**0.10:1**	0.11:1
Debt to equity ratio	Total liabilities / Total equity	**1.18:1**	1.28:1
Asset-to-equity ratio	Total assets / Total equity	**2.18:1**	2.28:1
Interest rate coverage	EBIT* / Interest expense	**4.65:1**	7.73:1
Return on assets	Net income / Average total assets	**3.03%**	4.12%
Return on equity	Net income / Average total equity	**6.74%**	9.45%

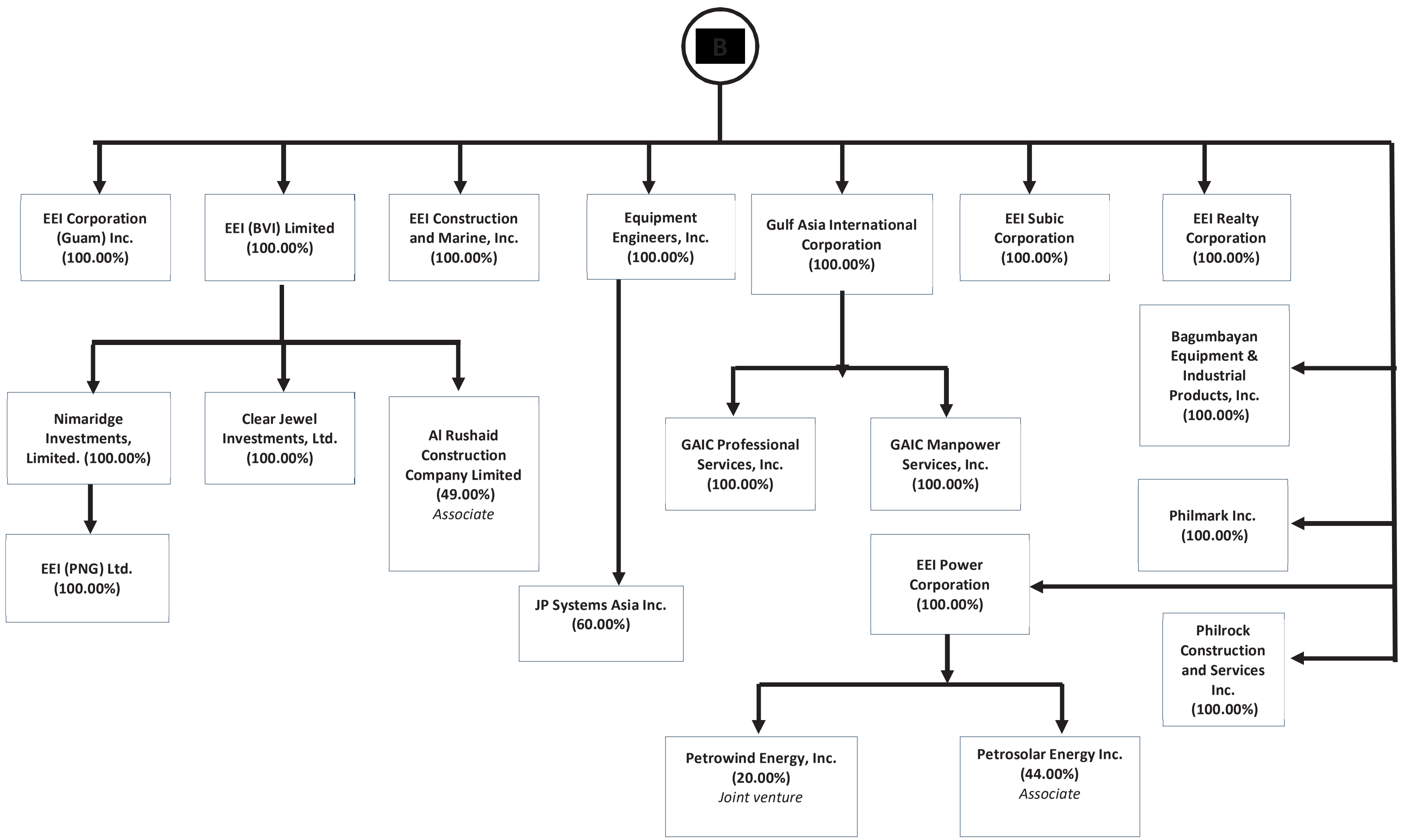
**Earnings before interest and taxes (EBIT)*

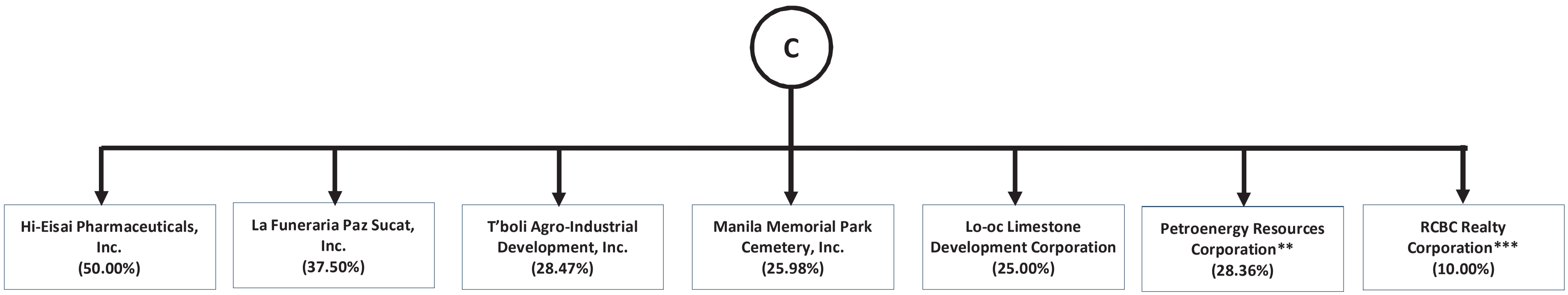
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

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, 2018:




[redacted]
Mapua Information Technology Center (100.00%)
Mapua Techserv, Inc. (100.00%)
Mapua Tech Power, Inc (75.00%)
Malayan Colleges Laguna, Inc. (100.00%)
Malayan High School of Science, Inc. (100.00%)
San Lorenzo Ruiz School of Health and Sciences (100.00%)
Malayan Colleges Mindanao, Inc. (100.00%)


EEI Corporation (Guam) Inc. (100.00%)
EEI (BVI) Limited (100.00%)
EEI Construction and Marine, Inc. (100.00%)
Equipment Engineers, Inc. (100.00%)
Gulf Asia International Corporation (100.00%)
EEI Subic Corporation (100.00%)
EEI Realty Corporation (100.00%)
Bagumbayan Equipment & Industrial Products, Inc. (100.00%)
Nimaridge Investments, Limited. (100.00%)
Clear Jewel Investments, Ltd. (100.00%)
Al Rushaid Construction Company Limited (49.00%) *Associate*
GAIC Professional Services, Inc. (100.00%)
GAIC Manpower Services, Inc. (100.00%)
Philmark Inc. (100.00%)
EEI (PNG) Ltd. (100.00%)
EEI Power Corporation (100.00%)
JP Systems Asia Inc. (60.00%)
Philrock Construction and Services Inc. (100.00%)
Petrowind Energy, Inc. (20.00%) *Joint venture*
Petrosolar Energy Inc. (44.00%) *Associate*



** 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%. In February 2, 2018, the company purchased additional 69,285,418 shares amounting to P332.6M from stock rights offering, which increased ownership to 28.36%.*

**** 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*