

# **BHI HOLDINGS, INC.**

## **DEFINITIVE INFORMATION STATEMENT For the Year 2016 Annual Stockholders' Meeting**

22<sup>nd</sup> Floor, The Pearlbank Centre  
146 Valero Street, Salcedo Village  
Makati City

**WE ARE NOT ASKING YOU FOR A PROXY AND  
YOU ARE REQUESTED NOT TO SEND US A PROXY**

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS  
INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

- Preliminary Information Statement  
 Definitive Information Statement

2. Name of Registrant as specified in its charter BHI HOLDINGS, INC.  
(Formerly Consolidated Insurance Co., Inc.)

3. PHILIPPINES  
Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number 22264

5. BIR Tax Identification Code 000-446-527

6. 22<sup>nd</sup> Floor, The Pearlbank Centre  
146 Valero Street, Salcedo Village, Makati City 1227  
Address of principal office Postal Code

7. Registrant's telephone number, including area code 840-29-61

8. December 19, 2016; 8:00 a.m.; 22nd Floor, The Pearlbank Centre  
146 Valero Street, Salcedo Village, Makati City  
Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **November 25, 2016**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

| Title of Each Class | Number of Shares of Common Stock<br>Outstanding or Amount of Debt Outstanding |
|---------------------|---|
|---------------------|---|

|                |                |
|----------------|----------------|
| <b>Common</b>  | <b>349,987</b> |
| <b>Class A</b> |                |
| <b>Class B</b> | <b>150,000</b> |

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes  No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

|               |                |                |
|---------------|----------------|----------------|
| <b>Common</b> | <b>Class A</b> | <b>349,987</b> |
|               | <b>Class B</b> | <b>150,000</b> |

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## A. GENERAL INFORMATION

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### Item 1. Date, Time and Place of Meeting of Security Holders

- a.     Date                                 :     December 19, 2016  
       Time                                 :     8:00 a.m.  
       Place                                :     22nd Floor, The Pearlbank Centre  
  :     146 Valero St., Salcedo Village, Makati City
  
- b.     Corporate mailing address        :     22<sup>nd</sup> Floor, The Pearlbank Centre  
       of the principal office of the     :     146 Valero St., Salcedo Village  
       registrant                            :     Makati City

The approximate date on which the Definitive Information Statement shall first be sent or given to security holders would be on November 25, 2016.

### Item 2. Dissenters' Right of Appraisal

Under the Corporation Code of the Philippines, any stockholders shall have the right to dissent and demand payment of the fair value of his share in the following instances.

- a.     Any amendment to the articles of incorporation which has the effect of changing or restricting the rights of any stockholders or class of shares or authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the terms of corporate existence;
  
- b.     Sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets.
  
- c.     Merger or consolidation; and
  
- d.     Investment of corporate funds in another corporation or business or for purposes other than that of the primary purpose for which the corporation was organized.

No corporate action is being proposed or submitted in the meeting that may call for the exercise of a stockholder's right of appraisal.

## SOLICITATION INFORMATION

As clearly stated above, the Corporation is not soliciting or asking for a proxy and shareholders are requested not to send the Corporation a proxy.

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

Other than the election of directors and the approval of the annual report of management on operations for 2015, there is no substantial interest, by security holdings, or otherwise, of the Corporation, any director or officer thereof, nominee for election as director, participant in the solicitation, or associate of any of the foregoing person, in any matter to be acted upon at the Annual Stockholder's Meeting. No director has informed the Corporation in writing that he intends to oppose any action to be taken by the Corporation at the meeting.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. Voting Securities and Principal Holders Thereof**

(a) **Number of Shares Outstanding as of October 31, 2016:**

|         |                       |
|---------|-----------------------|
| Class A | 349,987               |
| Class B | <u>150,000</u>        |
| TOTAL   | <u><u>499,987</u></u> |

Each security holder shall be entitled to as many number of votes as the number of votes as the number of shares held. Foreigners do not have equity ownership in the Company.

- (b) Record Date: Only stockholders of record at the close of business hours on November 18, 2016 (“Record Date”) shall be entitled to notice and to vote at the Annual Stockholders’ Meeting.

**Cumulative Voting Rights**

Article VII, Section 5 of the By-Laws of the registrant provides that:

“Section 5. Vote - Voting upon all questions at all meetings of stockholders shall be by shares of stock and not per capita, and when electing the members of the Board of Directors, the system of cumulative voting must be adopted, as the term is used in corporate parlance.”

Further, Section 24 of the Corporation Code of the Philippines allows cumulative voting in the election of directors and thus provides:

“Sec 24. Election of Directors or Trustees - xxx In stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many person as there are directors to be elected or he may cumulate said shares equal, or he may distribute them on the same principle among as many candidates as shall fit: Provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected. xxx”

**Security Ownership of Certain Beneficial Owners and Management**

There is only one person/stockholder who is known to the corporation to be the beneficial owner of more than 5% of any class of its common equity as of November 4, 2016, namely:

| Title of Class | Name & address of record owner & relationship with issuer                              | Name of Beneficial owner & relationship with record owner | Citizenship | No. of Shares | Percentage |
|----------------|--|---|-------------|---------------|------------|
| Common         | BULK HANDLERS, INC.<br>Suite 1004 Tytana Plaza, Plaza Lorenzo Ruiz St., Binondo Manila | BULK HANDLERS, INC.                                       | Filipino    | 449,424       | 89.89%     |

Bulk Handlers Inc. owns the majority of the shares of BHI HOLDINGS, INC. BULK HANDLERS INC, is controlled by the Tan Family. It is represented in the Board by Manuel N. Tankiansee, Juanita U. Tan, Jemie U. Tan and Jalane Christie U. Tan. Jemie U. Tan exercises voting power over the shares owned by Bulk Handlers, Inc. Manuel N. Tankiansee and Juanita U. Tan are husband and wife. Jemie U. Tan and Jalane Christie U. Tan are their children. Ms. Jemie U. Tan exercises the voting power over the share owned by Bulk Handlers, Inc.

Security Ownership of Management as of November 4, 2016

| Title of Class | Name of Beneficial Owner                            | Amount & Nature of Beneficial Ownership * | Percent of Class | Citizenship |
|----------------|---|---|------------------|-------------|
| COMMON A       | MANUEL N. TANKIANSEE<br>Chairman                    | P 100                                     | 0.0003%          | Filipino    |
| COMMON A       | JUANITA U. TAN<br>President/Director                | 5,800                                     | 0.0166%          | Filipino    |
| COMMON A       | ERWIN R. DIAZ<br>Vice-President                     | 6,000                                     | 0.0174%          | Filipino    |
| COMMON A       | MIGUEL OCAMPO TAN<br>Director                       | 100                                       | 0.0003%          | Filipino    |
| COMMON A       | EMMA KENG OCAMPO-TAN<br>Director                    | 100                                       | 0.0003%          | Filipino    |
| COMMON A       | JEMIE U. TAN<br>Director                            | 100                                       | 0.0003%          | Filipino    |
| COMMON A       | MARILOU U. PUA<br>Director                          | 6,100                                     | 0.0174%          | Filipino    |
| COMMON A       | EDISON S. JAVIER<br>Director                        | 100                                       | 0.0003%          | Filipino    |
| COMMON A       | JALANE CHRISTIE U. TAN<br>Director                  | 18,000                                    | 0.0514%          | Filipino    |
| COMMON A       | JULIE C. DELA CRUZ<br>Director                      | 6,000                                     | 0.0171%          | Filipino    |
| COMMON A       | FELISA ESCUDERO<br>Director                         | 6,000                                     | 0.0171%          | Filipino    |
|                | HELEN C. DE LEON-<br>MANZANO<br>Corporate Secretary | -0-                                       | -0-              | Filipino    |
| <b>TOTAL</b>   |   | <b>48,400</b>                             | <b>0.1383%</b>   |             |

All security ownership of management are direct / record ownership. Other officers of the issuer do not own shares of the company.

**Change in Control**

There are no arrangement that may result in change in control of the registrant, nor has there been any change in control since the beginning of its fiscal year.

**Voting Trust Holders of Five Percent (5%) or More**

There are no persons who hold more than five percent (5%) of a class under a voting trust or similar agreement.

**Item 5. Directors and Executive Officers of the Registrant as of Nov. 4, 2016:**

| <u>Position</u>                     | <u>Name</u>            | <u>Age</u> | <u>Citizenship</u> |
|-------------------------------------|------------------------|------------|--------------------|
| <b><u>Members of the Board:</u></b> |                        |            |                    |
| Director                            | Manuel N. Tankiansee   | 69         | Filipino           |
| Director                            | Juanita U. Tan         | 65         | Filipino           |
| Director                            | Jemie U. Tan           | 39         | Filipino           |
| Director                            | Miguel Ocampo-Tan      | 61         | Filipino           |
| Director                            | Emma Keng Ocampo-Tan   | 60         | Filipino           |
| Director                            | Marilou U. Pua         | 46         | Filipino           |
| Independent Director                | Edison S. Javier       | 48         | Filipino           |
| Independent Director                | Felisa P. Escudero     | 52         | Filipino           |
| Director                            | Jalane Christie U. Tan | 36         | Filipino           |
| Director                            | Julie C. Dela Cruz     | 51         | Filipino           |
| Director                            | Erwin R. Diaz          | 38         | Filipino           |

- Mr. Edison S. Javier and Ms. Felisa P. Escudero are the duly elected independent directors.

**Executive Officers:**

|   |                          |    |          |
|---|--------------------------|----|----------|
| Chairman of the Board                       | Manuel N. Tankiansee     | 69 | Filipino |
| President                                   | Juanita U. Tan           | 65 | Filipino |
| Vice President &<br>Chief Financial Officer | Erwin R. Diaz            | 38 | Filipino |
| Corporate Secretary                         | Helen C. De Leon Manzano | 59 | Filipino |

**Brief Bio-data of Directors and Officers:**

|  |   |  |
|--|---|--|
| <b>MANUEL N. TANKIANSEE</b>                    | - | Chairman of the Board/Director   |
| Term of Office                                 | : | One (1) year   |
| Years in Office                                | : | December 2000 to present   |
| Address  | : | 22 <sup>nd</sup> Floor, The Pearlbank Centre, 146 Valero Street<br>Salcedo Village, Makati City  |
| Age  | : | 69   |
| Citizenship                                    | : | Filipino   |
| Business Experience for<br>the last five years | : | Chairman of the Board: BHI Holdings, Inc.; Farmix Fertilizers<br>Corporation; Aquarich, Inc.; Pearlbank Securities, Inc., Calveston<br>Int'l. Inc., Grain Traders Consumers Inc.   |
| <b>JUANITA U. TAN</b>                          | - | President/Director   |
| Term of Office                                 | : | One (1) year   |
| Years in Office                                | : | December 2000 to present   |
| Address  | : | 22 <sup>nd</sup> Floor, The Pearlbank Centre, 146 Valero Street<br>Salcedo Village, Makati City  |
| Age  | : | 65   |
| Citizenship                                    | : | Filipino   |
| Business Experience for<br>the last five years | : | President and Director of BHI Holdings, Inc., Farmix Fertilizers<br>Corporation; Director: Pearlbank Securities Inc., Chairman of<br>Potenciana Development Corp., Claymore Holdings, Inc.,<br>Philippine Quality Grains Corporation |
| <b>ERWIN R. DIAZ</b>                           | - | Vice President/Director  |
| Term of Office                                 | : | One (1) year   |

Years in Office : October 2015 to present  
Address : 22<sup>nd</sup> Floor, The Pearlbank Centre, 146 Valero Street  
Salcedo Village, Makati City  
Age : 39  
Citizenship : Filipino  
Business Experience for the last five years : President: Poro Integrated Port Services, Inc.  
Accountant of Premiere Success Dev't. Corp.

**JEMIE U. TAN** - Director  
Term of Office : One (1) year  
Years in Office : December 2000 to present  
Address : 22<sup>nd</sup> Floor, The Pearlbank Centre, 146 Valero Street  
Salcedo Village, Makati City  
Age : 39  
Citizenship : Filipino  
Business Experience for the last five years : Director: BHI Holdings, Inc., Bulk Handlers, Inc., TKS Holdings, Inc., President of Apex Stevedoring and Arrastre Services, Inc., and Chairman of Premiere Success Dev't. Corp.

**MIGUEL OCAMPO-TAN** - Director  
Term of Office : One (1) year  
Years in Office : December 2000 to present  
Age : 61  
Citizenship : Filipino  
Business Experience for the last five years : Director: BHI Holdings, Inc.; Antel Platinum Realty, Inc.; Director and President of Micaland Development Corporation. Vice-President: Filway Development Corporation; Principal Architect of Herbert Go-Miguel Ocampo-Tan and Associates and MOS Architects.

**EMMA KENG OCAMPO-TAN** - Director  
Term of Office : One (1) year  
Years in Office : December 2000 to present  
Address : 22<sup>nd</sup> Floor, The Pearlbank Centre, 146 Valero Street  
Salcedo Village, Makati City  
Age : 60  
Citizenship : Filipino  
Business Experience for the last five years : Director: BHI Holdings, Inc.; Filway Development Corporation; H.B. Realty and Development Corporation. Treasurer of Micaland Development Corporation.

**MARILOU U. PUA** - Director  
Term of Office : One (1) year  
Years in Office : December 2000 to present  
Address : 22<sup>nd</sup> Floor, The Pearlbank Centre, 146 Valero Street  
Salcedo Village, Makati City  
Age : 46  
Citizenship : Filipino  
Business Experience for the last five years : Director: BHI Holdings, Inc., Treasurer: Farmix Fertilizers Corporation, Grain Traders Consumers, Inc., Chairman of Clark Quay Holdings, Inc., CFO Pearl City Development Corp.

|  |   |  |
|--|---|--|
| <b>EDISON S. JAVIER</b>                        | - | Independent Director   |
| Term of Office                                 | : | One (1) year   |
| Years in Office                                | : | December 2015 to present   |
| Address  | : | U20 Bayabas St., Westman Village, San Isidro, Parañaque City   |
| Age  | : | 48   |
| Citizenship                                    | : | Filipino   |
| Business Experience<br>for the last five years | : | Managing Director: Wordcomm International; Chairman and Chief Executive: Teredja Media Philippines, Inc.; Chairman: Calchem Inc.; Chairman and President: Eiggno Philippines Inc.; Trustee: Yujo Firipin Foundation; Anchor: DZRH (666 khz); Columnist: Market Monitor |
| <br><b>JALANE CHRISTIE U. TAN</b>              | - | <br>Director   |
| Term of Office                                 | : | One (1) year   |
| Years in Office                                | : | March 2004 to present  |
| Address  | : | 22 <sup>nd</sup> Floor, The Pearlbank Centre, 146 Valero Street, Salcedo Village, Makati City  |
| Age  | : | 36   |
| Citizenship                                    | : | Filipino   |
| Business Experience<br>for the last five years | : | Director: BHI Holdings, Inc., Claymore Holdings, Inc., Premiere Success Dev't. Corp., Chairman of Fullerton Realty Corp.   |
| <br><b>JULIE C. DELA CRUZ</b>                  | - | <br>Director   |
| Term of Office                                 | : | One (1) year   |
| Years in Office                                | : | January 18, 2008 to present  |
| Address  | : | 22 <sup>nd</sup> Floor, The Pearlbank Centre, 146 Valero Street, Salcedo Village, Makati City  |
| Age  | : | 51   |
| Citizenship                                    | : | Filipino   |
| Business Experience<br>for the last five years | : | Director: Claymore Holdings, Inc., Philippine Feeds and Grains Corp., Hi-Yield Seed Corp., First World Grains Corp.  |
| <br><b>FELISA P. ESCUDERO</b>                  | - | <br>Independent Director   |
| Term of Office                                 | : | One (1) year   |
| Years in Office                                | : | December 18, 2008 to present   |
| Address  | : | 22 <sup>nd</sup> Floor, The Pearlbank Centre, 146 Valero Street, Salcedo Village, Makati City  |
| Age  | : | 52   |
| Citizenship                                    | : | Filipino   |
| Business Experience<br>for the last five years | : | Director: Quality Grains and Feeds Corp., Danat Fertilizer Corp., Farmix Fertilizers Corp.   |
| <br><b>HELEN C. DE LEON-MANZANO</b>            | - | <br>Corporate Secretary  |
| Term of Office                                 | : | One (1) year   |
| Years in Office                                | : | December 2000 to present   |
| Address  | : | Unit 1704 & 1705 88 Corporate Center, 141 Valero Street, Salcedo Village, Makati City  |
| Age  | : | 59   |
| Citizenship                                    | : | Filipino   |
| Business Experience<br>for the last five years | : | Corporate Secretary : BHI Holdings, Inc.; JC Food Corporation, Triune Triune Food Manufacturing Corp.; Poro Point Industrial Corporation, JUT Holdings Inc., Topigs Norsvin Philippines Inc., Superior Baggers Stevedoring Services Inc., Magnum International         |



Securities, Inc., The Ritz Towers Condominium Association, Inc.,  
Philippine Hotel Owners Association, Inc. and Senior Partner:  
Saulog and De Leon Law Offices.

The following will be nominated as directors during the stockholders' meeting:

1. Manuel Tankiansee
2. Juanita U. Tan
3. Erwin R. Diaz
4. Jemie U. Tan
5. Marilou U. Pua
6. Jalane Christie U. Tan
7. Julie C. Dela Cruz
8. Miguel Ocampo Tan
9. Emma Keng Ocampo Tan
10. Edison S. Javier (**Independent Director**) \*
11. Felisa P. Escudero (**Independent Director**)\*\*

\* Mr. Edison S. Javier was elected independent director only last December 18, 2015.

\*\* This will be the last term of Ms. Felisa P. Escudero as independent director.

The following rules relative to the nomination and election of independent directors were observed, namely:

1. In the election of independent directors, the Nomination Committee shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination.
2. The nomination of independent director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders, together with the acceptance and conformity by the would-be nominees.
3. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under SRC Rule 38.
4. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual Annual Stockholders' Meeting.

In compliance with SRC Rule 38, these nomination rules and procedure were unanimously approved as part of the Corporation's Amended By-Laws by the Board during its regular meeting held on December 22, 2005 and by the stockholders during the Annual Stockholders' Meeting also on December 22, 2005. The Securities and Exchange Commission approved the amendment of the Corporation's By-Laws on February 8, 2006.

The Nomination Committee was composed of Ms. Felisa P. Escudero (Independent Director) as Chairman, and Mr. Manuel Palaje, Ms. Mary Jean Beira as Members. The Nomination Committee endorsed to the Board their Final List of candidates for independent directors. The nominees were the following stockholders: Mr. Edison S. Javier and Ms. Felisa P. Escudero. Mr. Javier was nominated by Ms. Mary Jean Beira. Ms. Felisa P. Escudero was nominated by Mr. Manuel Palaje. These stockholders who made the nominations are not related to any of the nominees.

Registrant is not aware of any events that occurred during the past five (5) years that are material to an evaluation of the ability and integrity of any director, person nominated to become a director, executive officers, promoters or control person of the registrant.

### **Other Significant Officers/Employees of the Registrant**

At present, the Company has no other significant officers or employees.

### **Certain Relationships and Related Transactions**

There has been no material transactions during the past two (2) years, nor are there any material transactions presently proposed, to which the Corporation was or is to be a party in which any director, executive officer of the Corporation or security holder of more than five (5%) percent of the voting securities, any relative or spouse of any such director or executive officer or owner of more than five (5%) percent of the voting securities, had or is to have a direct or indirect material interest.

In addition to the above information, Director Juanita U. Tan is the wife of Chairman of the Board, Manuel N. Tankiansee. Directors Jemie U. Tan and Jalane Christie U. Tan are daughters of Directors Manuel Tankiansee and Juanita U. Tan. Director Marilou U. Pua is the niece of Juanita U. Tan. Directors Miguel Ocampo Tan and Emma Keng Ocampo Tan are husband and wife.

There are no other family relationships up to the 4<sup>th</sup> civil degree, either by consanguinity or affinity, among the Directors, executive officers or persons nominated other than those already disclosed in this report.

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, controlled by, or under common control with the Company; (b) associates; and (c) individuals owning directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form. (See note 2.12 of the Audited Financial Statement of BHI Holdings, Inc. as of December 31, 2015)

There is no director who has declined to stand for re-election to the Board of Directors since the date of the last annual meeting of stockholders because of disagreement with the Company on matters relating to operations, policies and practices.

### **Involvement in Certain Legal Proceedings**

During the past five (5) years up to November 4, 2016 there are no legal proceedings against the directors and executive officers of BHI Holdings, Inc. within the categories described in SRC Rule 12, Part IV, paragraph (A) (4)

- The Corporation is not aware of any bankruptcy proceedings filed by or against any business of which a director, executive officer, or control person of the Corporation is a party or of which any of their property is subject.
- The Corporation is not aware of any pending criminal proceedings, domestic or foreign, or of any conviction by final judgment in a criminal proceedings, domestic or foreign, involving any of its directors, executive officers, or control person.

- The Corporation is not aware of any other judgment or decree not subsequently reversed, superseded or vacated, by any court of competent jurisdiction, domestic or foreign, foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of a director, executive officer, or control person in any type of business, securities, commodities or banking activities.
- The Corporation is not aware of any findings by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or domestic or foreign exchange or electronic marketplace or self regulatory organization, that any of its directors, executive officers, or control persons have violated a securities or commodities law.

**Item 6. Compensation of Director and Officers**

Information as to the aggregate compensation paid or accrued during the last two (2) years and to be paid in the ensuing year to the Company's Executive Officers and Directors are presented below:

**Estimated Annual Compensation  
For the Fiscal year 2016**

**Executive Officers:**

| Name of Principal Officers     | Position                               | Salary (P)                           | Bonus (P)     | Other Annual Compensation |
|--------------------------------|--|--------------------------------------|---------------|---------------------------|
| Manuel N. Tankiansee           | Chairman of the Board                  | Not receiving                        | Not receiving | Not receiving             |
| Juanita U. Tan                 | Chief Executive Officer/President      | P 67,000/mos. Beginning Jan. 1, 2016 | Not receiving | Not receiving             |
| Erwin R. Diaz                  | Chief Financial Officer/Vice-President | Not receiving                        | Not receiving | Not receiving             |
| Atty. Helen C. De Leon-Manzano | Corporate Secretary                    | Not receiving                        | Not receiving | Not receiving             |
|                                | <b>TOTAL</b>                           | <b>P 804,000.00</b>                  |               |                           |

**Note: Per current corporate structure, there is only one (1) most highly compensated officer, the CEO.**

**Directors:**

| Name                           | Salary(P)                            | Bonus (P)     | Other Annual Compensation |
|--------------------------------|--------------------------------------|---------------|---------------------------|
| Manuel N. Tankiansee           | Not receiving                        | Not receiving | Not receiving             |
| Juanita U. Tan                 | P 67,000/mos. Beginning Jan. 1, 2016 | Not receiving | Not receiving             |
| Erwin R. Diaz                  | Not receiving                        | Not receiving | Not receiving             |
| Atty. Helen C. De Leon-Manzano | Not receiving                        | Not receiving | Not receiving             |
| Jemie U. Tan                   | Not receiving                        | Not receiving | Not receiving             |
| Miguel Ocampo Tan              | Not receiving                        | Not receiving | Not receiving             |
| Emma Keng Ocampo Tan           | Not receiving                        | Not receiving | Not receiving             |
| Edison S. Javier               | Not receiving                        | Not receiving | Not receiving             |
| Marilou U. Pua                 | Not receiving                        | Not receiving | Not receiving             |
| Julie C. Dela Cruz             | Not receiving                        | Not receiving | Not receiving             |
| Felisa P. Escudero             | Not receiving                        | Not receiving | Not receiving             |
| Jalane Christie U. Tan         | P 52,000/mos. Beginning Jan. 1, 2016 | Not receiving | Not receiving             |

**Annual Compensation for the Fiscal Year 2015**

| Name of Principal Officers     | Position                               | Salary (P)                             | Bonus (P)     | Other Annual Compensation |
|--------------------------------|--|--|---------------|---------------------------|
| Manuel N. Tankiansee           | Chairman of the Board                  | Not receiving                          | Not receiving | Not receiving             |
| Juanita U. Tan                 | Chief Executive Officer/President      | P 67,000/mos<br>Beginning Jan. 1, 2015 | Not receiving | Not receiving             |
| Rosalie A. Esteibar            | Chief Financial Officer/Vice-President | Not receiving                          | Not receiving | Not receiving             |
| Atty. Helen C. De Leon-Manzano | Corporate Secretary                    | Not receiving                          | Not receiving | Not receiving             |
|                                | <b>TOTAL</b>                           | <b>P 804,000.00</b>                    |               |                           |

**Note: Per current corporate structure, there is only one (1) most highly compensated officers, the CEO**

**Directors:**

| Name                           | Salary(P)                               | Bonus (P)     | Other Annual Compensation |
|--------------------------------|---|---------------|---------------------------|
| Manuel N. Tankiansee           | Not receiving                           | Not receiving | Not receiving             |
| Juanita U. Tan                 | P 67,000/mos. Beginning<br>Jan. 1, 2015 | Not receiving | Not receiving             |
| Rosalie A. Esteibar            | Not receiving                           | Not receiving | Not receiving             |
| Atty. Helen C. De Leon-Manzano | Not receiving                           | Not receiving | Not receiving             |
| Jemie U. Tan                   | Not receiving                           | Not receiving | Not receiving             |
| Miguel Ocampo Tan              | Not receiving                           | Not receiving | Not receiving             |
| Emma Keng Ocampo Tan           | Not receiving                           | Not receiving | Not receiving             |
| Rudin A. Gonzales, Jr.         | Not receiving                           | Not receiving | Not receiving             |
| Marilou U. Pua                 | Not receiving                           | Not receiving | Not receiving             |
| Julie C. Dela Cruz             | Not receiving                           | Not receiving | Not receiving             |
| Felisa P. Escudero             | Not receiving                           | Not receiving | Not receiving             |
| Jalane Christie U. Tan         | P 52,000/mos. Beginning<br>Jan. 1, 2015 | Not receiving | Not receiving             |

**Annual Compensation for the Fiscal Year 2014**

**Executive Officers:**

| Name                           | Position                               | Salary (P)                            | Bonus (P)     | Other Annual Compensation |
|--------------------------------|--|---------------------------------------|---------------|---------------------------|
| Manuel N. Tankiansee           | Chairman of the Board                  | Not receiving                         | Not receiving | Not receiving             |
| Juanita U. Tan                 | Chief Executive Officer/President      | P67,000/mos<br>Beginning Jan. 1, 2014 | Not receiving | Not receiving             |
| Rosalie Esteibar               | Chief Financial Officer/Vice-President | Not receiving                         | Not receiving | Not receiving             |
| Atty. Helen C. De Leon-Manzano | Corporate Secretary+                   | Not receiving                         | Not receiving | Not receiving             |
|                                | <b>TOTAL</b>                           | <b>P 804,000.00</b>                   |               |                           |

**Note: Per current corporate structure, there is only one (1) most highly compensated officers, the CEO**

**Directors:**

| Name                           | Salary(P)                            | Bonus (P)     | Other Annual Compensation |
|--------------------------------|--------------------------------------|---------------|---------------------------|
| Manuel N. Tankiansee           | Not receiving                        | Not receiving | Not receiving             |
| Juanita U. Tan                 | P 67,000/mos. Beginning Jan. 1, 2014 | Not receiving | Not receiving             |
| Rosalie A/ Esteibar            | Not receiving                        | Not receiving | Not receiving             |
| Atty. Helen D. De Leon-Manzano | Not receiving                        | Not receiving | Not receiving             |
| Jemie U. Tan                   | Not receiving                        | Not receiving | Not receiving             |
| Miguel Ocampo Tan              | Not receiving                        | Not receiving | Not receiving             |
| Emma Keng Ocampo Tan           | Not receiving                        | Not receiving | Not receiving             |
| Rudin A. Gonzales, Jr.         | Not receiving                        | Not receiving | Not receiving             |
| Marilou U. Pua                 | Not receiving                        | Not receiving | Not receiving             |
| Julie C. Dela Cruz             | Not receiving                        | Not receiving | Not receiving             |
| Felisa P Escudero              | Not receiving                        | Not receiving | Not receiving             |
| Jalane Christie U. Tan         | P 52,000/mos. Beginning Jan. 1, 2014 | Not receiving | Not receiving             |

The Corporation has no standard arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein disclosed and stated. There is no bonus, profit sharing and pension/retirement plan or grant of any option, warrant or right to purchase any securities of the registrant or any other similar arrangements in favor of the directors and executive officers. There are also no outstanding warrants or options held by any of the directors and officers.

**Item 7. Independent Public Accountant**

The independent auditors or in the case of an audit firm, the signing partners of the aforementioned regulated entities shall be rotated after every five (5) years of engagement. A two-year cooling off period shall be observed in the re-engagement of the signing partner or individual auditor.

The Stockholders appointed Punongbayan & Araullo (P & A) as the Independent Public Accountant for the year 2015. Ms. Mailene S. Bisnar is the new engagement partner of Punongbayan & Araullo assigned to lead the audit of the Corporation's financial statement .

The audit services of P&A for the fiscal year ended December 31, 2015 included the examination of the consolidated financial statements of the Company, assistance in the preparation of the final annual income tax return and other services related to filing of reports with the Securities and Exchange Commission and the Philippine Stock Exchange.

P & A is expected to be represented in the forthcoming Annual Stockholders' Meeting with an opportunity to make statements, if they so desires, and will be available to respond to appropriate questions. The re-appointment of P & A complies with the requirement of the SEC under SRC Rules 68(3)(b)(iv) regarding the rotation of external auditors or engagement partners.

The re-appointment of Punongbayan & Araullo as Independent Public Accountant for the year 2016 will be submitted to the stockholders for their confirmation and approval. Duly authorized representatives of the firm will be present at the Annual Meeting of Stockholders to respond to appropriate questions.

The corporation's Audit Committee is composed of the following directors:

- |                     |   |                                 |
|---------------------|---|---------------------------------|
| 1. Edison S. Javier | - | Chairman (Independent Director) |
| 2. Juanita U. Tan   | - | Member                          |
| 3. Edwin R. Diaz    | - | Member                          |

#### **Item 8. Compensation Plan**

No action shall be taken with respect to any plan pursuant to which cash or non-cash compensation maybe paid or distributed. Likewise, no action shall be taken with regard to any bonus, profit sharing, pension/retirement plan granting of extension of any option, warrant or right to purchase any securities.

### **C. OTHER MATTERS**

#### **Amendments of Charter, By-Laws & Other Documents**

No action relating to amendment of Charter, By-Laws and other documents will be undertaken during the meeting.

#### **Action with Respect to Reports**

The following reports shall be submitted for approval at the Annual Stockholders' Meeting of the Registrant on December 19, 2016.

1. Minutes of the last Annual Stockholders' Meeting held on December 18, 2015 (copy of which is hereto attached);
2. Annual report to stockholders and audited financial statements as of and for the year ended December 31, 2015;
3. Confirmation/ratification of all acts and proceedings of the Board of Directors of the Corporation done and taken during the preceding year. The only significant items taken up by the Board were as follows:
  - Authorization for the issuance of the 2015 audited financial statements;
  - Fixing of the date of 2016 Annual Stockholders' Meeting; and
  - Appointment of the external auditors for the ensuing year.
4. Election of the Members of the Board

#### **Voting Procedures**

Article VII, Section 5 of the By-Laws of the registrant provides that:

"Section 5. Vote - Voting upon all questions of all meeting of the stockholders shall be by shares of stock and not per Capita, and when electing the members of the Board of Directors, the system of cumulative voting must be adopted, as the item is used in corporate parlance."

In respect to matters to be acted upon by the stockholders, stockholders representing at least a majority of the outstanding capital stock must have voted in favor of the proposed action. Abstentions are not counted as votes cast on any matter which they relate. In the election of directors, the holders of Common Stock are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholders is entitled to as many votes as shall equal the number of shares held by such person at the close of business hour on the record date, multiplied by the number of directors to be elected. A stockholder may cast all of such votes for a single nominee or may apportion such votes among any two or more nominees. A stockholder may withhold votes from any or all nominees by notation to that effect on the accompanying form of proxy. Except to the extent that a stockholder withholds votes from any or all nominees, the persons named in the accompanying form of proxy, in their sole discretion, will vote such proxy for, and, if necessary, exercise cumulative voting rights to secure the election of them nominees listed below as directors of the Company.

Except in cases where voting by ballot is requested, voting and counting shall be by viva voce. If by ballot, each ballot shall be signed by the stockholder voting or in his name by his proxy if there be such proxy, and shall state the number or shares voted for him. The counting shall be supervised by the Corporate Secretary, external auditors and the transfer agent. The Chairman of the Board and the Audit Committee shall be responsible for the validation of the votes.

**Statement That Proxies Are Not solicited**

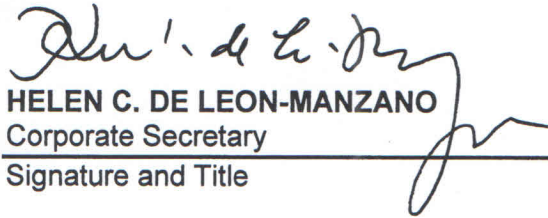
**WE ARE NOT ASKING YOU FOR A PROXY AND WE ARE  
NOT ASKING YOU TO SEND US A PROXY**

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on November 18, 2016.

**BHI HOLDINGS, INC.**  
(Formerly Consolidated Insurance Co., Inc.)

By:

  
**HELEN C. DE LEON-MANZANO**  
Corporate Secretary

---

Signature and Title



SEC Number 22264  
File Number \_\_\_\_\_

-----  
**BHI HOLDINGS, INC.**  
**(Formerly: Consolidated Insurance**  
**Company, Incorporated)**  
-----

**22<sup>nd</sup> Floor, The Pearlbank Centre**  
**146 Valero Street, Salcedo Village, Makati City**

-----  
**(Company's Address)**

**817-2083**

-----  
**(Telephone Number)**

**January 1 to December 31 of each year**

-----  
**(Fiscal Year Ending)**  
**(Month and Day)**

**Notice of Regular Annual Stockholders Meeting**

-----  
**(Form Type)**

-----  
**Amendment Designation (If Applicable)**

**November 4, 2016**

-----  
**(Period Ended Date)**

-----  
**(Secondary License Type and File Number)**

## NOTICE OF REGULAR ANNUAL STOCKHOLDERS' MEETING

**NOTICE IS HEREBY GIVEN** that the regular annual meeting of the stockholders of BHI Holdings, Inc. will be held at the 22<sup>nd</sup> Floor, The Pearlbank Centre, No. 146 Valero Street, Salcedo Village, Makati City on December 19, 2016 Monday, at 8:00 a.m.

Only the stockholders of record as of end of business day of November 18, 2016 shall be entitled to notice and to vote at the said meeting .

The agenda for the 2016 Annual Stockholders' Meeting shall be as Follows:

1. Call to Order;
2. Proof of Notice;
3. Certification by the Corporate Secretary on the sending of notices and existence of Quorum;
4. Reading and Approval of the Minutes of the Annual Stockholders' Meeting held last December 18, 2015;
5. Report of the Chairman;
6. Consideration and approval of Financial Statements for the preceding year;
7. Appointment of Punongbayan and Araullo as external auditors;
8. Election of Directors;
9. Other Matters;
10. Adjournment.

  
**HELEN C. DE LEON-MANZANO**  
Corporate Secretary

**MINUTES OF THE REGULAR ANNUAL  
STOCKHOLDERS MEETING OF  
BHI HOLDINGS, INC.**

Held on Friday December 18, 2015, 8:00 a.m. at 22<sup>nd</sup> Floor  
The Pearlbank Centre, 146 Valero Street  
Salcedo Village, Makati City

CALL TO ORDER

The Chairman, MR. MANUEL TANKIANSEE called the Annual Stockholders' Meeting to order and presided over the same. The Corporate Secretary, ATTY. HELEN C. DE LEON-MANZANO, recorded the minutes thereof.

CERTIFICATION BY THE  
CORPORATE SECRETARY ON THE  
SENDING OF THE NOTICES  
AND THE EXISTENCE OF  
THE QUORUM  
-----

The Corporate Secretary certified that notices have been given to all stockholders pursuant to the requirements of the by-laws and that there were present during the meeting, in person or in proxy, stockholders representing more than two thirds (2/3) of the issued and outstanding shares, and that the meeting was therefore competent to transact the business for which it was called.

READING AND APPROVAL OF  
THE MINUTES OF  
THE ANNUAL REGULAR  
STOCKHOLDERS' MEETING  
HELD ON December 19, 2014  
-----

Upon the motion duly made and seconded, the reading of the minutes of the Annual Regular Stockholders' Meeting held on December 19, 2014 was dispensed with and the same was unanimously approved.

PRESIDENT'S REPORT ON  
OPERATION AND APPROVAL OF  
ANNUAL REPORT

---

Upon motion duly made seconded, the Chairman rendered her report on the financial statements for the year ended December 31, 2014, and the Chairman submitted the Annual Report of the Corporation for the year 2014 for stockholders' approval and the same was unanimously approved as reflected in the following resolution:

“RESOLVED, That the Annual Report of the Board of Directors of the Corporation for the calendar year ended December 31, 2014, together with financial statements of the Corporation, inclusive of the Balance Sheet, the Statement of Income and Retained Earnings and the Statement of Changes in Financial Position, as of December 31, 2014, as audited by the Corporation's independent auditors, Messrs. Punongbayan and Araullo, and their certification and the supplementary notes be as they are hereby, noted and approved.”

RATIFICATION OF ACTIONS TAKEN  
BY THE BOARD OF DIRECTORS AND  
OFFICERS SINCE THE LAST ANNUAL  
STOCKHOLDERS' MEETING

---

Upon motion duly made and seconded, the stockholders unanimously approved the following resolution:

“RESOLVED, That all resolutions, contracts and other corporate acts made or taken by the Board of Directors and /or the officers of the Corporation as set forth in the minutes of the meetings of the Board of Directors from December 19, 2014 to December 18, 2015, and all proceedings performed or taken pursuant thereto, be as they are hereby approved, ratified and confirmed.”

ELECTION OF NEW DIRECTORS

---

Upon motion duly made and seconded, the nominations for new directors was opened. Since there were eleven (11) directors to be elected and only eleven (11) candidates have been nominated, the Secretary of the Meeting was hereby ordered to cast all votes in favor of all those nominated.

Thus the following are elected as members of the Board of Directors:

1. MR. MANUEL TANKIANSEE
2. MS. JUANITA U. TAN
3. MR. ERWIN R. DIAZ
4. MS. JEMIE U. TAN
5. MS. JALANE CHRISTIE U. TAN
6. MR. MIGUEL OCAMPO-TAN
7. MS. EMMA KENG OCAMPO-TAN
8. MS. MARILOU U. PUA
9. MR. EDISON S. JAVIER
10. MS. JULIE C. DELA CRUZ
11. MS. FELISA P. ESCUDERO

The Chairman congratulated the newly elected directors, and informed them that an organizational meeting of the newly elected directors shall be held immediately after the meeting.

APPOINTMENT OF  
PUNONGBAYAN AND  
ARAULLO AS EXTERNAL  
AUDITORS

-----

“RESOLVED, as it is hereby resolved, that the Corporation appoints the auditing firm PUNONGBAYAN AND ARAULLO, as external auditor of the Corporation.”

ADJOURNMENT

-----

Thereafter, it was moved and seconded that the meeting be adjourned. As there were no other matters to be taken and, in the absence of any objections, the Chairman declared the meeting adjourned.

**HELEN C. DE LEON-MANZANO**

Secretary of the Meeting

ATTEST:

**MANUEL TANKIANSEE**

Chairman of the Meeting

## CERTIFICATION OF INDEPENDENT DIRECTORS

I, **EDISON S. JAVIER**, Filipino, of legal age and a resident of 22<sup>nd</sup> Floor, The Pearlbank Centre, 146 Valero Street, Salcedo Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of BHI Holdings Inc.
2. I am affiliated with the following companies or organizations:

| Company/Organization          | Position/Relationship | Period of Services |
|-------------------------------|-----------------------|--------------------|
| BHI HOLDINGS, INC             | Director              | 2015 - present     |
| TEREDJA MEDIA PHILIPPINES INC | Chairman/CEO          | 2009 - present     |
| CALCHEM INC                   | Chairman              | 2011 - present     |
| EIGGNO PHILIPPINES INC.       | Chairman              | 2005 - present     |
| YUJO FIRIPIN FOUNDATION       | Member                | 2015 - present     |

3. I possess all the qualifications and none of the disqualifications to serve as an independent Director of BHI Holdings Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent directors under the Securities Regulation Code.
5. I shall inform the corporate secretary of BHI Holdings Inc. of any changes in the abovementioned information within five days from site occurrence.

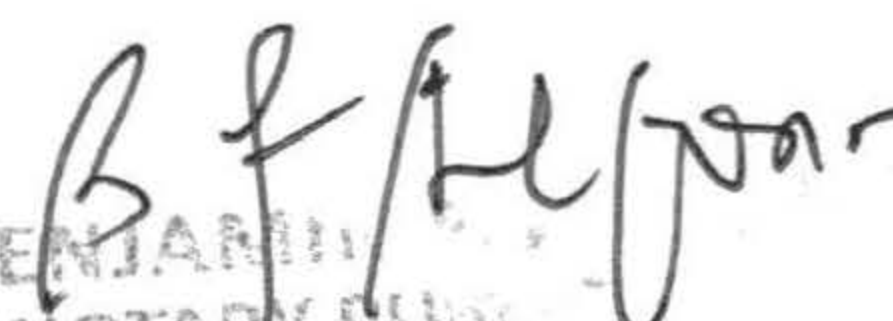
Done, this NOV 04 2015 day of \_\_\_\_\_ at QUEZON CITY.

  
**EDISON S. JAVIER**  
 Affiant

NOV 04 2015

**SUBSCRIBED AND SWORN** to before me this \_\_\_ day of \_\_\_\_\_ at QUEZON CITY, affiant personally appeared before me and exhibited to me his/her Passport No. EB 7139893 issued at DFA Manila on January 12, 2013.

Doc. No. 86 ;  
 Page No. 18 ;  
 Book No. 289 ;  
 Doc. No. 716 ;  
 Series of \_\_\_\_\_ ;

  
 BENJAMIN  
 NOTARY PUBLIC  
 UNTIL DECEMBER 31, 2017  
 BAR NO. 2147797 1/4/2016 - QUEZON CITY  
 IBP NO. 1015954 1/4/2016 - QUEZON CITY  
 ROLL NO. 49779  
 COMMISSION NO. NP-144 (2015-2017) QUEZON CITY  
 TIN NO. 177-567-613  
 MCLE EXEMPTED

**CERTIFICATION OF INDEPENDENT DIRECTORS**

I, **FELISA P. ESCUDERO**, Filipino, of legal age and a resident of 22<sup>nd</sup> Floor, The Pearlbank Centre, 146 Valero Street, Salcedo Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of BHI Holdings Inc.
2. I am affiliated with the following companies or organizations:

| Company/Organization           | Position/Relationship | Period of Services          |
|--------------------------------|-----------------------|-----------------------------|
| Quality Grains and Feeds Corp. | Director              | October 16, 2002 to present |
| -                              | -                     | -                           |
| -                              | -                     | -                           |
| -                              | -                     | -                           |
| -                              | -                     | -                           |

3. I possess all the qualifications and none of the disqualifications to serve as an independent Director of BHI Holdings Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent directors under the Securities Regulation Code.
5. I shall inform the corporate secretary of BHI Holdings Inc. of any changes in the abovementioned information within five days from site occurrence.

Done, this \_\_\_\_\_ day of \_\_\_\_\_ at **QUEZON CITY**.

NOV 04 2016

*F. Escudero*  
**FELISA P. ESCUDERO**  
 Affiant

**SUBSCRIBED AND SWORN** to before me this \_\_\_ day of \_\_\_\_\_ at **QUEZON CITY**, affiant personally appeared before me and exhibited to me his/her Community Tax Certificate No. 15181501 issued at Manila City on January 06, 2016.

NOV 04 2016

**QUEZON CITY**

Doc. No. 85 ;  
 Page No. 17 ;  
 Book No. 28A ;  
 Doc. No. 216 ;  
 Series of \_\_\_\_\_ ;

*B. F. Alfonso*  
 ATTY. BENJAMIN F. ALFONSO  
 NOTARY PUBLIC  
 UNTIL DECEMBER 31, 2016  
 PTR NO. 2147797 1/4/2016 - QUEZON CITY  
 IBP NO. 1015954 1/4/2016 - QUEZON CITY  
 ROLL NO. 13296  
 COMMISSION NO. NP-144 (2015-2016) QUEZON CITY  
 TIN NO. 177-967-619  
 NICLE EXEMPTED

# **BHI HOLDINGS, INC.**

22/F, The Pearlbank Centre

146 Valero Street, Salcedo Village, Makati City


Tel. Nos.: 840-2961, 817-2080, 840-1858 \* Fax No.: 817-2109, 752-1098

## **STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

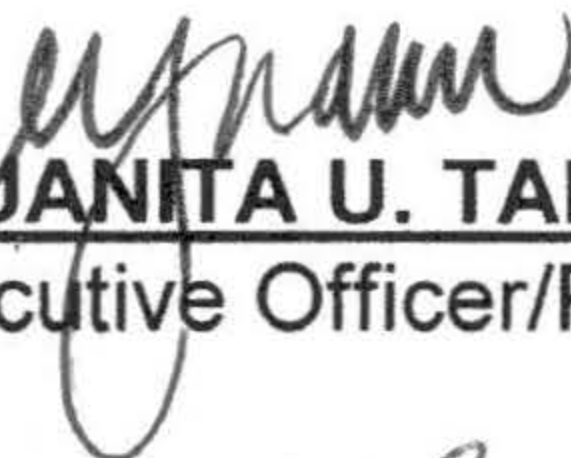
The management of BHI Holdings, Inc. is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2015, 2014, and 2013, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in circumstances.

The Board of Directors or Trustees reviews and approves the financial statements and submit the same to the stockholders or members.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined 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 examination.



**MANUEL N. TANKIANSEE**  
Chairman of the Board



**JUANITA U. TAN**  
Chief Executive Officer/President



**ERWIN R. DIAZ**  
Chief Financial Officer/Vice-President



NOV 04 2016

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2016  
affiant(s) exhibiting to me his/her Residence Certificate as follows:

| <u>Name</u>          | <u>/ Comm. Tax Certificate No. /</u> | <u>Date /</u> | <u>Place of Issue</u> |
|----------------------|--------------------------------------|---------------|-----------------------|
| MANUEL N. TANKIANSEE | 15181512                             | 01/06/16      | Manila                |
| JUANITA U. TAN       | 05091577                             | 01/06/16      | Makati                |
| ERWIN R. DIAZ        | 15181522                             | 01/06/16      | Manila                |

\_\_\_\_\_  
Notary Public

Doc. No. 83  
Page No. 17  
Book No. 28p  
Series of 2016

*B. F. Alfonso*  
ATTY. BENJAMIN F. ALFONSO  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2016  
PTR NO. 2147797 1/4/2016 - QUEZON CITY  
IBP NO. 1015954 1/4/2016 - QUEZON CITY  
ROLL NO. 13296  
COMMISSION NO. NP-144 (2015-2016) QUEZON CITY  
TIN NO. 177-967-619  
MCLE EXEMPTED

## MANAGEMENT REPORT

### **BUSINESS AND GENERAL INFORMATION**

#### **1) Business Development**

**a) Form and date of organization**

The Company was incorporated on January 23, 1963. In 1992, majority shares owned by the Group Management Corporation were sold to Metropolitan Management Corporation. In July 1995, Metropolitan Management Corporation sold its majority shareholdings to Westmont Investment Corporation. In May 1997, Westmont Investment Corporation and Metropolitan Management Corporation sold their shareholdings to Bulk Handlers, Inc. which acquired approximately 91% of the Company. Pursuant to the resolution of the Board of Directors of the Corporation approved and adopted on October 19, 1999, the Corporation on October 26, 1999, executed a Deed of Assignment in favor of CICI GENERAL INSURANCE CORPORATION (a newly registered and licensed non-life insurance company) whereby the Corporation's insurance business and related business had been transferred, and assigned and conveyed to the latter. On November 4, 1999, the Securities and Exchange Commission approved the Corporation's application to change its corporate name from Consolidated Insurance Corporation, Inc. to that of **BHI HOLDINGS, INC.** and its primary purpose from that of a non-life insurance company to that of an **investment holding company.**

**b) Any bankruptcy, receivership or similar proceedings**

The Corporation has not been under bankruptcy, receivership or similar proceeding. It has not entered into any merger or consolidations.

**c) Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.**

No material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the course of business took place.

#### **2) Business of Issuer**

In view of the change of its primary purpose, the Company is now ready to carry on the business of an investment holding company.

The company is an investment holding company whose target is to acquire equity plus interest in profitable corporations. However, due to the present economic condition, the company has not been very active in investing and is only receiving interest income. The Company is a subsidiary of Bulk Handlers, Inc., a domestic corporation, owns 89.88% of the Company's capital stock.

At present, the company has no principal products or services because it has not decided as to what products or services it will introduce to the market.

Percentage of sales or revenues and net income contributed by foreign sales for each of the last three years

Not Applicable

Distribution methods of products or services

Not Applicable

Competition

Not Applicable

Sources and availability of raw materials and names of principal suppliers

Not Applicable

Dependence of the business upon a single customer or a few customer, the loss of any or more of which would have a material adverse effect on the registrant and its subsidiaries taken as a whole/ Customer that accounts for, or based on existing orders will account for, twenty percent (20%) or more of the registrant's sales/ Existing major sales contracts.

Not Applicable

Transactions with and/or dependence on related parties.

Not Applicable

Principal terms and expiration dates of all patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held/ The extent to which the registrant's operations depend. Or are expected to depend, on the foregoing and what steps are undertaken to secure these rights.

Not Applicable

Need for government approval of principal products or services

Not Applicable

Effect of existing or probable governmental regulations on the business  
Not Applicable

Costs and effects of compliance with environmental laws  
Not Applicable

Number of Registrant's employees and number of employees it anticipates to have within the ensuing twelve months.

Not Applicable

### **Properties**

The company has no principal plants, mines and other property of the same nature.

### **Legal Proceedings**

There are no pending major court proceedings that could affect the financial stability of the Company or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

### **Submission of Matters to a Vote of Security Holders**

Not Applicable.

### **CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

There are no changes and/or disagreements with Accountants on matter relating to accounting principles or practices, financial disclosures, auditing scope and procedures during the last two fiscal years.

Disagreement with Accountants on Accounting and Financial Disclosure  
None.

### **MANAGEMENT'S DISCUSSIONS AND ANALYSIS (MD&A) OR PLAN OF OPERATION**

#### **1) Plan of Operation**

The company is still in the process of finalizing its business plans and has not made any active investment. It intends to actively pursue its business as an investment holding company by acquiring equity plus interest in profitable Corporations.

Uncertainties remain as to whether the country will continue to be affected by regional trends in the coming months. The subsequent effect of such regional trends in the economic environment of the Philippines will continue to affect the business activity of the company in the foreseeable future.

The accompanying financial statement have been prepared assuming that the Company will continue as a going concern. As an investment holdings company, the Company's target is to acquire ownerships in shares of stock of profitable corporations. However, due to the present economic conditions, the Company has not been very active in any investing activity and is only receiving interest income from loans granted to a related party and a third party. These factors, among others, raised substantial doubt about the Company's ability to continue as a going concern. The Company's management, however, continues to assess possible investment opportunities that it may undertake in the future. The financial statements do not include any adjustments on the recoverability and classifications of the assets or the amounts and classification of the liabilities arising from these uncertainties.

- a) The registrant can satisfy its cash requirements through interest income earned of its due from a related party and third party. There is no need to raise additional funds in the next twelve (12) months
- b) The company has no product research and development because it has not finalized its operation plan.
- c) The company has no expected purchase or sale of plant and equipment.
- d) The company has no expected significant changes in the number of employees.

## **2) Management's Discussion and Analysis**

### **Full Fiscal Years**

#### **2015**

The company has not started its operation. Due related parties accounts which is consist of deposits made in 1999 by the company for the acquisition of interest were converted to loans with an annual interest of 3% which will become due within six (6) months from the expiration date of December 9, 2000. The Company's loan agreement with Bulk Handlers was terminated on June 30, 2003. However, as of July 01, 2003 the Company entered into a new loan agreement to a third party , Takeda Holdings, Inc. with an annual interest rate of 3%.

On January 1, 2005, the Company adopted the new accounting standards particularly PAS 32 and 39, Financial Instruments: Disclosure and Presentation and Recognition and Measurement, which became effective on that date. Prior to 2005, the Company measured these receivables at the amounts provided to the debtors.

The Company's adoption of the new accounting standard result in the measurement of loans and receivables at amortized cost using the effective interest rate method. The discount rates used for due from related party and loan receivables of 5.72% and 5.50%, respectively, were determined by reference to the market interest rates at the time of the recognition of receivables.

On September 1, 2013, upon maturity of the loan, the contracting parties both agreed to renew the loan for another two years with maturity date of August 31, 2015 with the same terms and conditions. The renewal of the loan was accounted for as extinguishment of debt, hence, upon renewal, the loan was again remeasured resulting in a day-one loss of P2,303,788 which is presented as Finance Costs in the 2013 statement of comprehensive income.

Subsequently, on August 31, 2015, upon maturity of the loan, the contracting parties once again agreed to renew the loan for another two years with maturity date of August 31, 2017 with the same terms and conditions. The renewal of the loan was accounted for as modification of debt; hence upon renewal, no gain or loss was recognized.

Actual annual interest income earned in 2015, 2014 and 2013 related to this loan amounted to P1,380,000, and is presented as part of Actual Interest Income under the Revenues section of the Statements of comprehensive income. The Company also recognized additional interest income amounting to P789,285, P1,141,216 and P2,837,572, respectively, representing the amortization of discount, which is presented as part of Effect of Remeasurement of Loan under the Revenues section in the statement of comprehensive income.

The interest receivable amounting to P117,205 as of December 31, 2015 and 2014 is presented as part of Due from a Related Party account in the statements of financial position.

#### Assumed Loan

On January 2, 2013, Takeda Holdings, Inc., a third party, assigned to Aqua Rich, Inc. its unsecured, interest-bearing loan payable to the Company with a maturity date of June 30, 2014 and subject to an interest rate of 3% per annum. Accordingly, the carrying amount of the assumed loan as of that date was reclassified to the Due from a Related Party account under the Current Assets section of the 2013 statement of financial position.

On July 1, 2014, upon maturity of the assumed loan, the Company and Aqua Rich, Inc. both agreed to renew the loan for two years with maturity date of June 30, 2016 with the same terms and conditions. The renewal of the loan was accounted for as modification of debt, hence, upon renewal, no gain or loss was recognized.

The carrying amount of assumed loan, excluding interest receivable, amounted to P54,000,000 as of December 31, 2015 and 2014 and is presented as part of Current Assets and Non-Current Assets, respectively, in the statement of financial position.

Actual annual interest income earned in 2015, 2014 and 2013 related to the assumed loan amounted to P1,620,000, and is presented as part of Actual Interest Income under the Revenues section in the statements of comprehensive income. The Company also recognized additional interest income amounting to P639,809 and P1,246,266 representing amortization of the discount in 2014 and 2013, respectively (nil in 2015), and is presented as part of Effect of Remeasurement of Loan under the Revenue section of the statements of comprehensive income.

The interest receivable amounting to P137,590 in 2015 and 2014 is presented as part of Due From a Related Party account in the statements of financial position.

Management believes that the loans and the related interest receivable are fully collectible; hence, no allowance for impairment is required as of December 31, 2015 and 2014

## **REVENUES**

### INTEREST INCOME/OTHER INCOME

The Company's effective interest income in excess of actual rates recognized on loan receivable and due to related party, as a result of transitioning to PFRS amounting to P789,285 P1,781,025 and P4,083,838 in 2015, 2014, and 2013, respectively, were considered nontaxable income. The actual interest income based on the terms of the loan agreements amounted to P3,000,000 for 2015, 2014 and 2013.

Other income from Banco de Oro & Land Bank of the Philippines savings account amounted to P545

**OPERATING EXPENSES****2015**

Operating expenses for 2015 amounted to P3,099,222 which is P2,541 under compared to 2014. Expenses for 2015 were as follows:

|                    |   |                         |
|--------------------|---|-------------------------|
| Rent Expense       | P | 300,000                 |
| Salaries & Wages   |   | 1,968,000               |
| Membership fees    |   | 253,000                 |
| Professional fees  |   | 395,800                 |
| Utilities          |   | 81,600                  |
| Taxes and Licenses |   | 28,212                  |
| Directors' fee     |   | 22,000                  |
| Office supplies    |   | 48,341                  |
| Miscellaneous      |   | 2,269                   |
| Total              | P | <u><u>3,099,222</u></u> |

**2014**

Operating expenses for 2014 amounted to P 3,101,763 which is P2,128,232 under compared to 2013. Expenses for 2014 were as follows:

|                    |   |                         |
|--------------------|---|-------------------------|
| Rent Expense       | P | 300,000                 |
| Salaries & Wages   |   | 1,968,000               |
| Membership fees    |   | 258,000                 |
| Professional fees  |   | 383,317                 |
| Utilities          |   | 81,600                  |
| Taxes and Licenses |   | 27,702                  |
| Directors' fee     |   | 22,000                  |
| Office supplies    |   | 47,194                  |
| Miscellaneous      |   | 13,950                  |
| Total              | P | <u><u>3,101,763</u></u> |

**2013**

Operating expenses for 2013 amounted to P 5,229,995 which is P150,548 under compared to 2012. Expenses for 2013 were as follows:

|                    |   |                         |
|--------------------|---|-------------------------|
| Rent Expense       | P | 300,000                 |
| Salaries & Wages   |   | 1,953,000               |
| Membership fees    |   | 250,000                 |
| Professional fees  |   | 242,133                 |
| Utilities          |   | 81,600                  |
| Taxes and Licenses |   | 24,490                  |
| Directors' fee     |   | 22,000                  |
| Office supplies    |   | 35,266                  |
| Finance Cost       |   | 2,303,788               |
| Miscellaneous      |   | 17,718                  |
| Total              | P | <u><u>5,229,995</u></u> |



**2012**

Operating expenses for 2012 amounted to P 5,380,543 which is P4,516,537 under compared to 2011. Expenses for 2012 were as follows:

|                    |   |                  |
|--------------------|---|------------------|
| Rent Expense       | P | 300,000          |
| Salaries & Wages   |   | 1,938,000        |
| Membership fees    |   | 250,000          |
| Professional fees  |   | 223,500          |
| Utilities          |   | 81,600           |
| Taxes and Licenses |   | 24,490           |
| Directors' fee     |   | 22,000           |
| Office supplies    |   | 34,547           |
| Finance Cost       |   | 2,492,532        |
| Miscellaneous      |   | 13,874           |
| Total              | P | <u>5,380,543</u> |

**Key Performance Indicators ( KPI's )**

The Company's and its majority owned subsidiaries' top five (5) key performance indicators are shown below.

|                    | <u>December 31, 2015</u> | <u>December 31, 2014</u> | <u>Difference %</u> |
|--------------------|--------------------------|--------------------------|---------------------|
| Revenues           | P3,790,438               | P4,782,021               | (P991,583)          |
| Earnings per share | P1.26                    | P3.24                    | (P1.98)             |
| Return on Equity   | .0064                    | .0166                    | (.0102)             |
| Debt ratio         | .03458                   | .03291                   | .00167              |
| Market Valuation   | 3.55                     | 2.29                     | 1.26                |

Revenues decrease in 2015 by P 991,583 due to the effect of remeasurement of loan and interest income from bank.

Earnings per share are calculated by dividing the net income over the shares outstanding.

Return on equity is computed by dividing net income over average stockholders equity.

Debt ratio measures the share of company's liabilities to total assets.

Market valuation is computed by dividing market value per share over book value per share.

## Key Performance Indicators ( KPI's )

The Company's and its majority owned subsidiaries' top five (5) key performance indicators are shown below.

|                    | <u>September 30, 2016</u> | <u>September 30, 2015</u> | <u>Difference %</u> |
|--------------------|---------------------------|---------------------------|---------------------|
| Revenues           | P4,034,719                | P3,668,710                | P346,009            |
| Earnings per share | P3.62                     | P2.98                     | P.64                |
| Return on Equity   | .01814                    | .01522                    | .00292              |
| Debt ratio         | .03574                    | .03311                    | .00263              |
| Market Valuation   | 5.032                     | 2.31                      | 2.72                |

Revenues increase in 2016 by P346,009 due to the effect of remeasurement of loan and interest income from bank.

Earnings per share is calculated by dividing the net income over the shares outstanding.

Return on equity is computed by dividing net income over average stockholders equity.

Debt ratio measures the share of company's liabilities to total assets.

Market valuation is computed by dividing market value per share over book value per share.

## Material Events and uncertainties that would Impact Future Operations

The following statements relative to the material event/s and uncertainties known to management that would address the past and would have an impact on future operations are presented for information of all stockholders of the Corporation:

- There were no majority-owned subsidiaries top five key performance indicators during the reporting period.
- There were no events that would trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation during the reporting period.
- There were 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.
- There were no causes of material changes.
- We are not aware of any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity. Should we become aware of such events, we will include a disclosure discussing such events in subsequent quarterly reports.

## Interim Periods

### Cash

Increased of 78.64% from P191,153 for the year ended December 31, 2015 to P341,485 for the period ended September 30, 2016. This was due mainly to high level of net cash provided in operating activities.

### Loans Receivable

Increase by 1.74% from P54,254,795 to P55,197,833 due to loans receivable pertains to the loan granted to Takeda Holdings, Inc., a third party.

### Accrued expenses and other payables

Amounted to P3,735,382 for the period ended September 30, 2016 compared to P3,545,289 for the year ended December 31, 2015 increased by 5.36%.

### Revenues

The Company's effective interest income amounted to P4,034,174 and P3,688,009 and P1,284,782 in 3rd quarter of 2016, 2015 and 2014. Of this amount P1,788,272, P1,444,173 and (P959,054) respectively, pertains to interest income in excess of actual rates recognized on loan receivable and due from related party, as a result of transitioning to PFRS. The actual interest income based on the terms of the loan agreements totaled to P2,245,902, P2,243,836 and P2,243,836 for 3rd quarter of 2016, 2015 and 2014. On September 30, 2016 the Company achieved revenue of P4,034,174 increase compare to P3,688,009 in 3<sup>rd</sup> quarter 2015. This was primarily due to the interest income in excess of actual rates recognized on loan receivable and due from related party, as a result of PFRS application, was considered non taxable income.

Other Income from Banco de Oro and Land Bank of the Philippines savings account amounted to P545

### Cost and Expenses

The Company's operating expenses as of the 3<sup>rd</sup> quarter of 2016 amounted to P2,222,794 or a increase of 1.06% compared to the 3<sup>rd</sup> quarter of the year 2015 and a decrease of 0.17% compared to 3<sup>rd</sup> quarter of 2014 due to decreased in office supplies and other operating expenses.

## Financial Statements

The audited financial statements of BHI consisting of Statements of Financial Position as of December 31, 2015, 2014 and 2013 and Statements of Comprehensive Income, Changes in Equity and Cash Flows for the three years then ended, together with Notes to Financial Statements, are attached to this report. Likewise, the Interim Financial Statements, are attached to this report.

## MATERIAL CHANGES ON THE LINE-BY-LINE ITEMS OF THE COMPANY'S CONSOLIDATED BALANCE SHEET

The following table shows the Company's cash flows on a consolidated basis of and for the years ended December 31, 2015 and 2014.

|   | 2015        | 2014        |
|---|-------------|-------------|
| <b>Cash Flows From Operating Activities</b>     |             |             |
| Profit before tax                               | P 691,216   | P 1,680,258 |
| Adjustment for:                                 |             |             |
| Interest income from loans                      | (3,789,285) | (4,781,025) |
| Interest income from cash in bank               | (1,153)     | ( 996)      |
| Operating loss before working capital changes   | (3,099,222) | (3,101,763) |
| Increase in input value added tax               | 8 7,168     | (87,583)    |
| Increase in accrued expenses and other payables | 198,400     | 401,100     |
| Decrease in due to a stockholder                |             | (520,057)   |
| Cash used in operations                         | (2,987,990) | (3,308,303) |
| Interest received                               | 3,001,153   | 3,000,996   |
| Cash paid for income taxes                      | (60,231)    | (60,199)    |
| Net Increase (Decrease) In Cash                 | (47,068)    | ( 367,506)  |
| Cash At Beginning of Year                       | 238,221     | 605,727     |
| Cash At End of Year                             | P 191,153   | P 238,221   |

As of December 31, 2015, cash decreased by 19.76%, from P238,221 in 2014 to P191,153 for the period ended December 31, 2015. For the period under review, interest received increased to P1,153 from P996 for the year 2014. The cash paid for income taxes increased, from P60,199 last year to P60,231 this year. Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the statement of comprehensive income.

**Loan Receivable.** In 2003, the Company granted loan to Takeda Holdings, Inc. a third party, amounting to P54,000,000 collectible in lump-sum cash in June 2008 and bears interest of 3% per annum. The Company, measured this loan at amortized cost using the effective interest method at the prevailing interest rate applicable to similar transaction on the date of grant.

**Assumed Loan.** On January 2, 2013, Takeda Holdings, Inc., a third party, assigned to Aqua Rich, Inc. its unsecured, interest-bearing loan payable to the Company with a maturity date of June 30, 2014 and subject to an interest rate of 3% per annum. Accordingly, the carrying amount of the assumed loan as of that date was reclassified to the Due from a Related Party account under the Current Assets section of the 2013 statement of financial position.

On July 1, 2014, upon maturity of the assumed loan, the Company and Aqua Rich, Inc. both agreed to renew the loan for two years with maturity date of June 30, 2016 with the same terms and conditions. The renewal of the loan was accounted for as modification of debt; hence, upon renewal, no gain or loss was recognized.

The carrying amount of the assumed loan, excluding interest receivable, amounted to P54,000,000 as of December 31, 2015 and 2014 and is presented as part of Current Assets and Non-current Assets, respectively, in the statements of financial position.

Actual annual interest income earned in 2015, 2014 and 2013 related to the assumed loan amounted to P1,620,000, and is presented as part of Actual Interest Income under the Revenue section in the statements of comprehensive income. The Company also recognized additional interest income amounting to P639,809 and P1,246,266 representing amortization of the discount in 2014 and 2013, respectively (nil in 2015), and is presented as part of Effect of Remeasurement of Loan under the Revenues section of the statement of comprehensive income.

The interest receivable amounting to P137,590 in 2015 and 2014 is presented as part of Due from a Related Party account in the statements of financial position.

**Due from a related party.** This loan initially consisted of deposit made by the Company for the acquisition of equity interest in Aqua Rich, Inc. an entity that has the same stockholders as that of the Company. On December 9, 2000 upon the expiration of the conversion period of the deposits into equity, the deposits were automatically converted into an unsecured, interest-bearing loan. Interest is set at 3% per annum.

On September 1, 2013 upon maturity of the loan, the contracting parties both agreed to renew the loan for another two years with maturity date of August 31, 2015 with the same terms and conditions. The Renewal of the loan was accounted for as extinguishment of debt, hence, upon renewal, the loan, was again remeasured resulting in a day one loss of P2,303,788 which is presented as Finance Costs in the 2013 statement of comprehensive income.

Subsequently, on August 31, 2015, upon maturity of the loan, the contracting parties once again agreed to renew the loan for another two years with maturity date of August 31, 2017 with the same terms and conditions. The renewal of the loan was accounted for as modification of debt; hence, upon renewal no gain or loss was recognized.

Actual annual interest income earned in 2015, 2014 and 2013 related to this loan amounted to P1,380,000, and is presented as part of Actual Interest Income under the Revenues section of statements of comprehensive income. The Company also recognized additional interest income amounting to P789,285, P1,141,216 and P2,837,572, respectively, representing the amortization of discount, which is presented as part of Effect of Remeasurement of Loan under the Revenues section in the statements of comprehensive income.

The interest receivable amounting to P117,205 as of December 31, 2015 and 2014 is presented as part of Due from a Related Party account in the statements of financial position.

**Deferred tax assets.** The Company is subject to MCIT, which is computed at 2% of gross income net of allowable deductions, as defined under the tax regulations or RCIT, whichever is higher. In 2014, 2013 and 2012, the Company's MCIT amounted to P60,000 which is higher than RCIT none in 2015, and 2014, P22,138 in 2013. The Company did not recognize any deferred tax asset arising from MCIT and NOLCO as at December 31, 2015, 2014, 2013 since management believes that the company will not have sufficient taxable income against which MCIT can be applied. The MCIT can be claimed as deduction against regular corporate income tax within three years. The MCIT amounting to P26,403 for 2012 can no longer be used as deduction from the Company's future RCIT since it has expired in 2015. The excess MCIT of P60,000 in 2015 can be applied against the regular income tax due up to 2018. The computed MCIT of P60,000 for 2014 and P37,862 for 2013 can be applied against the RCIT due up to 2017 and 2016, respectively.

**Accrued expenses and other payables.** Increased to P2,578,174 from P2,379,774 in 2014 by 8.34%, the lease contract is for one year renewable upon mutual agreement of both parties.

## Result of Operations

### Year Ended December 31, 2015 compared to Year Ended December 31, 2014

**Revenue.** For the year ended December 31, 2015, the Company achieved revenue of P3,790,438 decreased by 20.74% over the P4,782,021 in 2014. This was primarily due to a lesser interest income in excess of actual rates recognized on loan receivable and due from a related party as a result of PFRS application, was considered non-taxable income.

**Operating Expenses.** Total expenses decreased by 08% from P3,101,763 in 2014 to P3,099,222 this year due to decrease in other operating expenses.

**Financial Costs.** There are no financial cost recognized for the year 2014 and 2015.

**Tax Expenses.** Increase by .05% from P60,199 for the twelve months ended December 31, 2014, to P60,231 for the period ended December 31, 2015.

**Net Income.** Net income of the Company were P1,620,059 for 2014 and P630,985 for 2015.

**Earning Per Share.** Is computed by dividing net income by the weighted average number of outstanding shares after giving retroactive effect to any stock split and stock dividend declared during the year. Diluted earnings (loss) per share were not determined since the Company does not have dilutive potential common shares as of December 31, 2015 and 2014.

## MATERIAL CHANGES ON THE LINE-BY-LINE ITEMS OF THE COMPANY'S CONSOLIDATED BALANCE SHEET

The following table shows the Company's cash flows on a consolidated basis of and for the years ended December 31, 2014 and 2013.

|  | 2014         | 2013        |
|--|--------------|-------------|
| <b>Cash Flows From Operating Activities</b>    |              |             |
| Profit before tax                              | P 1,680,258  | P 1,855,514 |
| Adjustment for:                                |              |             |
| Interest income from loan                      | (4,781,025)  | (4,780,050) |
| Interest income from cash in bank              | (996)        | (1,671)     |
| Operating loss before working capital changes  | (3,101,763)  | (2,926,207) |
| Increase in input value-added tax              | (87,583)     | (85,620)    |
| Increase in accrued expenses and other payable | 401,100      | 403,353     |
| Decrease in due to a stockholder               | ( 520,057)   |             |
| Cash used in operations                        | ( 3,308,303) | (2,608,474) |
| Interest received                              | 3,000,996    | 2,746,875   |
| Cash paid for income taxes                     | (60,199)     | (60,170)    |
| Net Increase (Decrease) In Cash                | (367,506)    | 78,231      |
| Cash At Beginning of Year                      | 605,727      | 527,496     |
| Cash At End of Year                            | P 238,221    | P 605,727   |

As of December 31, 2014, cash decreased by 60.67%, from P605,727 in 2013 to P238,221 for the period ended December 31, 2014. This was due mainly to lower level of net cash used in operating activities amounting to P3,308,303 compared to the last year's net cash used in operating activities amounting P2,608,474. For the period under review, interest received increased to P3,000,996 from P2,746,875 for the year 2013. The cash paid for income taxes increased, from P60,170 last year to P60,199 this year. Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the statement of comprehensive income.

**Loan Receivable.** Increased to P54,000,000 from P53,614,985 in 2013 due to the loan receivable pertains to the loan granted to Takeda Holdings, Inc., a third party. The term of the loan agreement is for two years up to 2014 with 3% interest rate due and payable annually. Under PFRS, the loan was remeasured by reference to the market interest rate at the time of the inception of the loan.

On January 2, 2013, Takeda Holdings, Inc. a third party, assigned to Aqua Rich, Inc. its unsecured, interest-bearing loan payable to the Company with a maturity date of June 30, 2014 and subject to an interest rate of 3% per annum. Accordingly, the carrying amount of the assumed loan as of that date was reclassified to the Due from a Related Party account under the Current Assets section of the 2013 statement of financial position

**Due from a related party.** Increased from P44,069,500 to P45,465,510 in 2014. This account initially consisted of deposit made by the Company for the acquisition of equity interest in an entity that has the same stockholders as that of the Company. Upon the expiration of the conversion period of the deposits into equity, the deposits were automatically converted to loans.

**Accrued expenses and other payables.** Amounted to P2,379,774 in 2014 compared to P1,978,673 in 2013 increased by 20.27%, the lease contract stipulated an annual escalation rate of 10%.

## Result of Operations

### Year Ended December 31, 2014 compared to Year Ended December 31, 2013

**Revenue.** For the year ended December 31, 2014, the Company achieved revenue of P4,782,021, decreased by 32.51% over the P7,085,509 in 2013. This was primarily due to the interest income in excess of actual rates recognized on loan receivable and due from a related party, as a result of PFRS application, was considered non-taxable income.

**Operating Expenses.** Total expenses increased by 6% from P2,926,207 in 2013 to P3,101,763 this year due to increased in salaries and employee benefits and other operating expenses.

**Financial Costs.** Decrease by 100% from P2,303,788 in 2013 to none in 2014.

**Tax Expenses.** Increase by .22% from P60,334 for the twelve months ended December 31, 2013, to P60,199 for the period ended December 31, 2014.

**Net Income.** The net income of the Company were P1,620,059 and P1,795,180 for 2014 and 2013 respectively.

**Earning Per Share.** Is computed by dividing net income by the weighted average number of outstanding shares after giving retroactive effect to any stock split and stock dividend declared during the year. The EPS decreased by 9.75% from P3.59 in 2013 to P3.24 in 2014, the Company has no dilutive potential common shares, hence no disclosure of diluted earnings per share is made in the financial statements.



## MATERIAL CHANGES ON THE LINE-BY-LINE ITEMS OF THE COMPANY'S CONSOLIDATED BALANCE SHEET

The following table shows the Company's cash flows on a consolidated basis of and for the years ended December 31, 2013 and 2012.

|   | 2013             | 2012             |
|---|------------------|------------------|
| <b>Cash Flows From Operating Activities</b>                   |                  |                  |
| Income before tax   | P 1,855,514      | P 2,840,415      |
| Adjustment for:   |                  |                  |
| Interest expense (income)                                     | (4,780,050)      | (5,726,992)      |
| Interest income from cash in bank                             | <u>(1,671)</u>   | <u>(1,434)</u>   |
| Operating loss before working capital changes                 | (2,926,207)      | (2,888,011)      |
| Increase in other asset                                       | (85,620)         | (87,150)         |
| Increase (decrease) in accrued expenses<br>and other payables | <u>403,353</u>   | <u>421,910</u>   |
| Cash used in operations                                       | ( 2,608,474)     | (2,553,251)      |
| Interest received   | 2,746,875        | 3,001,434        |
| Cash paid for income taxes                                    | <u>(60,170)</u>  | <u>(60,541)</u>  |
| Net Increase (Decrease) In Cash                               | 78,231           | 387,642          |
| Cash At Beginning of Year                                     | <u>527,496</u>   | <u>139,854</u>   |
| Cash At End of Year   | <u>P 605,727</u> | <u>P 527,496</u> |

As of December 31, 2013, cash increased by 14.83%, from P527,496 in 2012 to P605,727 for the period ended December 31, 2013. This was due mainly to lower level of net cash used in operating activities amounting to P2,608,474 compared to the last year's net cash used in operating activities amounting P2,553,251. For the period under review, interest received decreased to P2,746,875 from P3,001,434 for the year 2012. The cash paid for income taxes decreased, from P60,541 last year to P60,170 this year. Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the statement of comprehensive income.

## **MATERIAL ITEMS UNDER OPERATING EXPENSES**

### **OPERATING EXPENSES**

#### **2015**

Operating expenses for 2015 amounted to P3,099,222 which is P2,541 under compared to 2014. Expenses for 2015 were as follows:

|                    |   |                  |
|--------------------|---|------------------|
| Rent Expense       | P | 300,000          |
| Salaries & Wages   |   | 1,968,000        |
| Membership fees    |   | 253,000          |
| Professional fees  |   | 395,800          |
| Utilities          |   | 81,600           |
| Taxes and Licenses |   | 28,212           |
| Directors' fee     |   | 22,000           |
| Office supplies    |   | 48,341           |
| Miscellaneous      |   | 2,269            |
| Total              | P | <u>3,099,222</u> |

### **Significant Employees**

Not Applicable

### **Family Relationship**

- a. Juanita U. Tan - Wife of Director Manuel N. Tankiansee
- b. Jemie U. Tan - Daughter of Director Manuel N. Tankiansee and Juanita U. Tan
- c. Jalane Christie U Tan - Daughter of Director Manuel N. Tankiansee and Juanita U. Tan
- d. Marilou U. Pua - Niece of Director Juanita U. Tan
- e. Emma Keng Ocampo-Tan - Wife of Director Miguel Ocampo-Tan

### **Involvement in Certain Legal Proceedings**

The company is not aware of any event that occurred during the past five (5) years that are material to an evaluation of the ability or integrity of any director or person nominated to become a director, executive officer, promoter or control of the company.

**OPERATIONAL AND FINANCIAL INFORMATION**

Market for Issuer's Common Equity and Related Stockholder Matters

**MARKET INFORMATION**

The principal market for the Company's Common Equity is the Philippine Stock Exchange as of September 30, 2016.

**HOLDERS**

| Class<br>----- | No. of Stockholders<br>----- |
|----------------|------------------------------|
| Common A       | 336                          |
| Common B       | 1                            |

**MARKET INFORMATION FOR SECURITIES OTHER THAN COMMON EQUITY**

The principal market of the common equity of the issuer is the Philippine Stock Exchange. From the table below, the trading price indicate the high & low sales prices of the common equity of the registrant from 2014 to 3<sup>rd</sup> Quarter of 2016.

| <b><u>2016</u></b> | <b><u>1st Quarter<br/>Date Price</u></b> | <b><u>2nd Quarter<br/>Date Price</u></b> | <b><u>3rd Quarter<br/>Date Price</u></b> |  |
|--------------------|--|--|--|--|
| <b>HIGH</b>        | 669.50                                   | 669.50                                   | 1800                                     |  |
| <b>LOW</b>         | 669.50                                   | 669.50                                   | 640                                      |  |
| <b><u>2015</u></b> | <b><u>1st Quarter<br/>Date Price</u></b> | <b><u>2nd Quarter<br/>Date Price</u></b> | <b><u>3rd Quarter<br/>Date Price</u></b> | <b><u>4th Quarter<br/>Date Price</u></b> |
| <b>HIGH</b>        | 601                                      | 303                                      | 450                                      | 669.50                                   |
| <b>LOW</b>         | 600                                      | 303                                      | 401                                      | 669.50                                   |
| <b><u>2014</u></b> | <b><u>1st Quarter<br/>Date Price</u></b> | <b><u>2nd Quarter<br/>Date Price</u></b> | <b><u>3rd Quarter<br/>Date Price</u></b> | <b><u>4th Quarter<br/>Date Price</u></b> |
| <b>HIGH</b>        | No Trading                               | 825                                      | 1390                                     | 700                                      |
| <b>LOW</b>         | No Trading                               | 720                                      | 700                                      | 700                                      |

Last transaction date was September 30, 2016 and the closing price was at P1,014 per share.

**OTHER SECURITIES**

None

**TOP TWENTY STOCKHOLDERS**  
**As of October 31, 2016**

CLASS A

| <u>RANK</u> | <u>STOCKHOLDER</u>             | <u>NO. OF<br/>SHARE</u> | <u>PERCENTAGE</u> |
|-------------|--------------------------------|-------------------------|-------------------|
| 1           | BULK HANDLERS, INC.            | 299,424                 | 85.55%            |
| 2           | PCD NOMINEE CORPORATION        | 10,777                  | 3.08%             |
| 3           | TAN, MIKO PAOLO                | 8,631                   | 2.47%             |
| 4           | TRINIDAD, MARILOU I.           | 5,000                   | 1.43%             |
| 5           | CALIGAGAN, JACKELYN P.         | 2,883                   | 0.82%             |
| 6           | RITA LEGARDA, INC.             | 588                     | 0.17%             |
| 7           | MALANOG, ALMA TERESA R.        | 400                     | 0.11%             |
| 8           | REYNO III, ALFONSO VICTORIO G. | 350                     | 0.10%             |
| 9           | REYNO JR., ALFONSO R.          | 350                     | 0.10%             |
| 10          | REYNO, CHRISTOPHER G.          | 350                     | 0.10%             |
| 11          | REYNO, PATRICK G.              | 350                     | 0.10%             |
| 12          | REYNO, YOLANDA G.              | 350                     | 0.10%             |
| 13          | ROBLES, EXEQUIEL D.            | 314                     | 0.09%             |
| 14          | SANTOS, VICENTE R.             | 314                     | 0.09%             |
| 15          | TAN, MARIZA SANTOS             | 314                     | 0.09%             |
| 16          | ASIS, LUIS R.                  | 313                     | 0.09%             |
| 17          | SANTOS, DANA                   | 309                     | 0.09%             |
| 18          | SANTOS, FELIZARDO              | 309                     | 0.09%             |
| 19          | ROBLES, IGMIDIO                | 309                     | 0.09%             |
| 20          | ROBLES, ROBERTO                | 309                     | 0.09%             |

CLASS B

| <u>RANK</u> | <u>STOCKHOLDER</u>  | <u>NO. OF<br/>SHARE</u> | <u>PERCENTAGE</u> |
|-------------|---------------------|-------------------------|-------------------|
| 1           | BULK HANDLERS, INC. | 150,000                 | 100.00%           |

**DIVIDENDS**

- a. No cash dividends were declared for the most two recent fiscal years.
- b. The company has no active operation, thus no payment of dividends was made
- c. Dividends may be declared from the surplus net profit of the company at such time or times, and in such percentage as the Board of Directors may deem proper. No dividend shall be declared that will impair the capital of the company. Stock dividends shall be declared in accordance with law.

**RECENT SALE OF UNREGISTERED SECURITIES.**

None.

**DESCRIPTION OF REGISTRANT'S SECURITY.**Common Stock

The company has two classes of authorized capital stock of 1,000,000 shares at P100 par.

|   |                 |
|---|-----------------|
| Class A                                 |                 |
| Authorized - 700,000 Shares             |                 |
| Issued and Outstanding - 350,000 Shares | P 35,000,000.00 |
| Class B                                 |                 |
| Authorized - 300,000 Shares             |                 |
| Issued and Outstanding - 150,000 Shares | P 15,000,000.00 |
|   | -----           |
|   | P 50,000,000.00 |
|   | =====           |

Class A and Class B shares enjoy the same rights and privileges except that Class A shares shall be issued solely to Philippine nationals while Class B shares may be issued to either Philippine or foreign nationals.

The second paragraph of the SEVENTH Article of the Articles of Incorporation of the issuer provides that:

“That no transfer of stock or interest which shall reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as may be required by law shall be allowed or permitted to be recorded in the proper books of the corporation and this restriction shall be indicated in all stock certificates of the Corporation.”

**DEBT SECURITIES/STOCK OPTIONS/SECURITIES SUBJECT TO REDEMPTION OR CALL**

None

## **CORPORATE GOVERNANCE**

### **Corporate Governance**

#### Discussion on Compliance with Leading Practices on Corporate Governance

- a. The evaluation system to monitor compliance with the Board of Directors is still evolving consistent with the nature of the Manual as a work in progress. However, at this time, the Corporation has adopted the Institute of Corporate Directors' on-line submission format for self evaluation in determining and measuring compliance with the Manual by the Corporation, its Board, the individual directors and high-ranking officers. This self evaluation has been disclosed and submitted by the Corporation to the ICD.
- b. The Corporation has adopted a Manual on Corporate Governance (the Manual). It is to be noted in this regard, that the Corporation is highly regulated by several government agencies. The Corporation has not materially deviated from the Manual, and no persons have been found to have breached or violated the Manual. It has not, likewise, been found or charged to have violated any rule, regulation or law of the land.
- c. The Corporation has adopted measures to ensure compliance with international best practices on good corporate governance such as its compliance with international accounting standards and continuous review of the Manual for possible improvements.
- d. Pursuant to its Corporate Governance Manual, the Board established the Audit Committee to look into the laws and company policies and procedures and review of financial statements. In line with its Corporate Governance Manual, all financial reports are checked by the Audit Committee against compliance with internal financial management and pertinent accounting standards.

### **EXTERNAL AUDIT FEES**

- (a) The aggregate fees billed for each of last two (2) fiscal years for professional services rendered by the external auditor for the Year 2015 & 2014 were P95,000.00 & P95,000.00 respectively. The Board approves the services rendered.
- (b) There is no other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements.
- (c) There are no tax fees.
- (d) There are no all other fees.
- (e) The Audit committee pre-approves and recommends to the Board of Directors all audit services rendered by external auditors as well as the engagement fees to be paid. The Audit Committee actively engages in dialogue with external auditor to ensure that audit services rendered shall not impair the independence of the external auditor. The Audit Committee is composed of three directors and chaired by one of the directors. They are Mr. Edison Javier, chairman, Ms. Juanita U. Tan and Mr. Erwin R. Diaz, as members.

## EXHIBITS AND SCHEDULES

### Exhibits and Reports on SEC Form 17-C

During the last six (6) months period by this report, the Company filed reports on SEC Form 17-C on the following items:

| <u>Date of Report</u> | <u>Item Reported</u>             | <u>Matters Reported</u>  |
|-----------------------|----------------------------------|--|
| December 18, 2015     | Election of Directors & Officers | The following were elected as directors: <ol style="list-style-type: none"> <li>1) Manuel N. Tankiansee</li> <li>2) Juanita U. Tan</li> <li>3) Erwin R. Diaz</li> <li>4) Jemie U. Tan</li> <li>5) Marilou U. Pua</li> <li>6) Jalane Christie U. Tan</li> <li>7) Julie C. Dela Cruz</li> <li>8) Miguel Ocampo Tan</li> <li>9) Emma Keng Ocampo-Tan</li> <li>10) Edison S. Javier *</li> <li>11) Felisa P. Escudero *</li> </ol> |

\*Independent Directors

Elected Officers are the following:

|                            |                                  |
|----------------------------|----------------------------------|
| Chairman of the Board      | - Mr. Manuel N. Tankiansee       |
| President                  | - Ms. Juanita U. Tan             |
| Vice-President & Treasurer | - Mr. Erwin R. Diaz              |
| Corporate Secretary        | - Atty. Helen C. De Leon Manzano |

**UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC 17-A FREE OF CHARGE. SUCH REQUEST SHOULD BE DIRECTED TO THE BHI HOLDINGS, INC'S. MANAGEMENT, 22/F THE PEARLBANK CENTRE, 146 VALERO STREET, SALCEDO VILLAGE, MAKATI CITY.**

ALL REQUESTS MAY BE SENT TO THE FOLLOWING ADDRESS:

**MR. ERWIN R. DIAZ**

Vice President  
 BHI Holdings, Inc.  
 22<sup>nd</sup> Floor, The Pearlbank Centre  
 146 Valero Street, Salcedo Village,  
 Makati City

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on \_\_\_<sup>th</sup> day of April, 2016.

By:




**JUANITA U. TAN**

Chief Executive Officer/President



**ERWIN R. DIAZ**

Chief Financial Officer/Vice-President



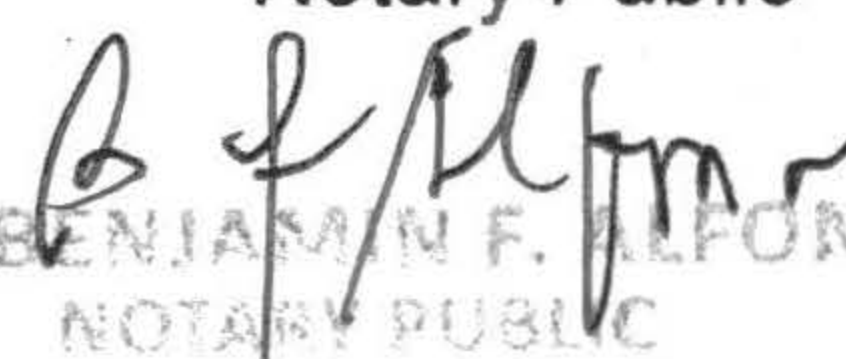
**HELEN DE LEON-MANZANO**

Corporate Secretary

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2016 affiant(s) exhibiting to me his/their Residence Certificate as follows:

| Name                  | Comm. Tax Certificate No. | Date     | Place of Issue |
|-----------------------|---------------------------|----------|----------------|
| JUANITA U. TAN        | 05091577                  | 01/06/16 | Makati         |
| ERWIN R. DIAZ         | 15181522                  | 01/06/16 | Manila         |
| HELEN DE LEON-MANZANO | EC5668666                 | 10/12/15 | Manila         |

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Page No. 18  
Book No. NKA  
Series of 2016

Notary Public  
  
ATTY. BENJAMIN F. ALFONSO  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2016  
PTR NO. 2147797 1/4/2016 - QUEZON CITY  
IBP NO. 1015954 1/4/2016 - QUEZON CITY  
ROLL NO. 13296  
COMMISSION NO. NP-144 (2015-2016) QUEZON CITY  
TIN NO. 177-967-619  
MCLE EXEMPTED



# **BHI HOLDINGS, INC.**

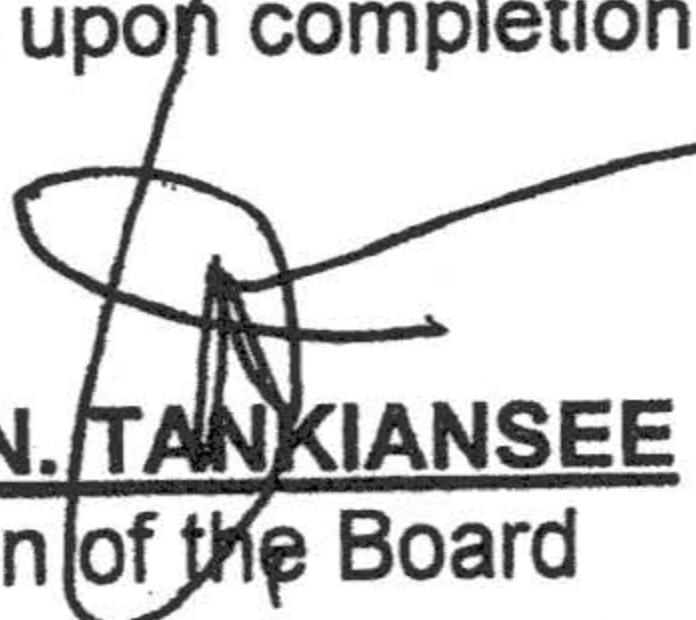
22/F, The Pearlbank Centre  
146 Valero Street, Salcedo Village, Makati City  
Tel. Nos.: 840-2961, 817-2080, 840-1858 \* Fax No.: 817-2109, 752-1098

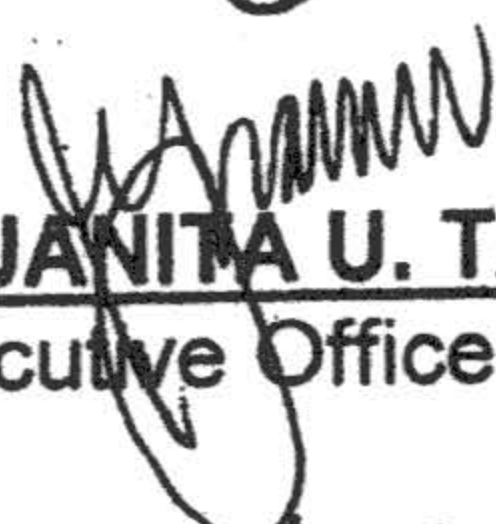
## **STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

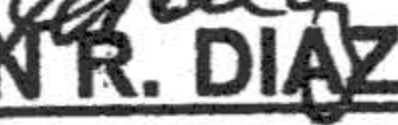
The management of BHI Holdings, Inc. is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2015, 2014, and 2013, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in circumstances.

The Board of Directors or Trustees reviews and approves the financial statements and submit the same to the stockholders or members.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined 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 examination.

  
**MANUEL N. TANKIANSEE**  
Chairman of the Board

  
**JUANITA U. TAN**  
Chief Executive Officer/President

  
**ERWIN R. DIAZ**  
Chief Financial Officer/Vice-President

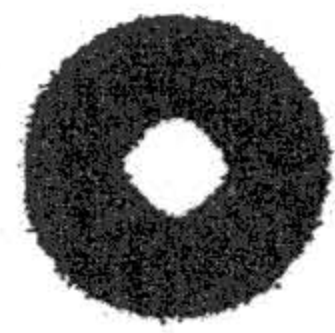
**MAR 13 2016**

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2016  
affiant(s) exhibiting to me his/her Residence Certificate as follows:

| Name                 | Comm. Tax Certificate No. | Date     | Place of Issue |
|----------------------|---------------------------|----------|----------------|
| MANUEL N. TANKIANSEE | 15181512                  | 01/06/16 | Manila         |
| JUANITA U. TAN       | 05091577                  | 01/06/16 | Makati         |
| ERWIN R. DIAZ        | 15181522                  | 01/06/16 | Manila         |

*B. F. Alfonso*  
**ATTY. BENJAMIN F. ALFONSO**  
**NOTARY PUBLIC**  
Notary Public  
UNTIL DECEMBER 31, 2016  
PTR NO. 2147797 1/4/2016 - QUEZON CITY  
IBP NO. 1015954 1/4/2016 - QUEZON CITY  
ROLL NO. 13296  
COMMISSION NO. NP-144 (2015-2016) QUEZON CITY  
TIN NO. 177-967-619  
MCLE EXEMPTED

Doc. No. 472  
Page No. 81  
Book No. 442  
Series of 2016



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Financial Statements and  
Independent Auditors' Report

**BHI Holdings, Inc.**

December 31, 2015, 2014 and 2013



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**Grant Thornton**

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**Punongbayan & Araullo**  
20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

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F +63 2 886 5506  
grantthornton.com.ph

## Report of Independent Auditors

**The Board of Directors and Stockholders**  
**BHI Holdings, Inc.**  
*(A Subsidiary of Bulk Handlers, Inc.)*  
22<sup>nd</sup> Floor, The Pearl Bank Centre  
146 Valero Street, Salcedo Village  
Makati City

### Report on the Financial Statements

We have audited the accompanying financial statements of BHI Holdings, Inc., which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.



04142016

**Certified Public Accountants**  
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

Offices in Cebu, Davao, Cavite

BOA/PRC Cert. of Reg. No. 0002  
SEC Accreditation No. 0002-FR-4

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

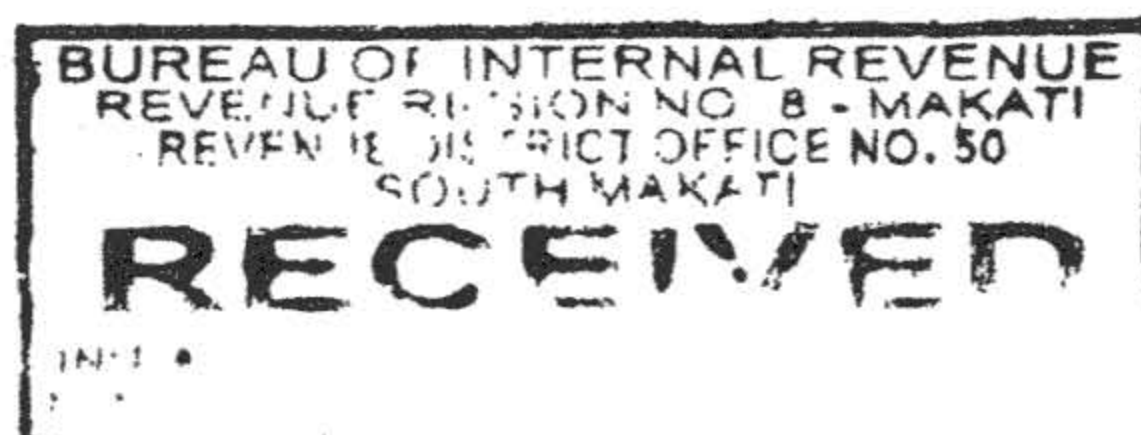
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of BHI Holdings, Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2015, in accordance with Philippine Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which provides relevant information on the status of operations of the Company. As discussed therein, the Company has remained inactive in pursuing investment activities because of certain economic factors. Its present source of revenue is limited to the interest income generated from its loans granted to a certain entity. The Company's management, however, continues to assess possible investment opportunities that it can embark on.



04142016

### Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2015 required by the Bureau of Internal Revenue as disclosed in Note 14 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### PUNONGBAYAN & ARAULLO



By: **Mailene Sigue-Bisnar**  
Partner

CPA Reg. No. 0090230

TIN 120-319-128

PTR No. 5321724, January 4, 2016, Makati City

SEC Group A Accreditation

Partner - No. 0396-AR-3 (until Oct. 15, 2018)

Firm - No. 0002-FR-4 (until Apr. 30, 2018)

BIR AN 08-002511-20-2015 (until Mar. 18, 2018)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 11, 2016

**BHI HOLDINGS, INC.**  
*(A Subsidiary of Bulk Handlers, Inc.)*  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**  
*(Amounts in Philippine Pesos)*

|                                      | Notes | 2015                 | 2014          |
|--------------------------------------|-------|----------------------|---------------|
| <b><u>ASSETS</u></b>                 |       |                      |               |
| <b>CURRENT ASSETS</b>                |       |                      |               |
| Cash                                 | 2     | <b>P 191,153</b>     | P 238,221     |
| Due from a related party             | 4     | <b>54,254,795</b>    | 45,465,510    |
| Input value-added tax                | 14    | <b>2,071,781</b>     | 1,984,613     |
|                                      |       | <b>56,517,729</b>    | 47,688,344    |
| <b>NON-CURRENT ASSET</b>             |       |                      |               |
| Due from a related party             | 4     | <b>46,000,000</b>    | 54,000,000    |
|                                      |       | <b>102,517,729</b>   | 101,688,344   |
| <b>TOTAL ASSETS</b>                  |       | <b>P 102,517,729</b> | P 101,688,344 |
| <b><u>LIABILITIES AND EQUITY</u></b> |       |                      |               |
| <b>CURRENT LIABILITIES</b>           |       |                      |               |
| Accrued expenses and other payables  | 5     | <b>P 2,563,051</b>   | P 2,364,651   |
| Due to a stockholder                 | 4     | <b>967,116</b>       | 967,116       |
| Income tax payable                   |       | <b>15,123</b>        | 15,123        |
|                                      |       | <b>3,545,290</b>     | 3,346,890     |
| <b>EQUITY</b>                        |       |                      |               |
| Capital stock                        | 8     | <b>50,000,000</b>    | 50,000,000    |
| Additional paid-in capital           |       | <b>7,520,755</b>     | 7,520,755     |
| Retained earnings                    |       | <b>41,451,684</b>    | 40,820,699    |
|                                      |       | <b>98,972,439</b>    | 98,341,454    |
| <b>TOTAL LIABILITIES AND EQUITY</b>  |       | <b>P 102,517,729</b> | P 101,688,344 |

*See Notes to Financial Statements.*

**BHI HOLDINGS, INC.**  
*(A Subsidiary of Bulk Handlers, Inc.)*  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**  
*(Amounts in Philippine Pesos)*

|   | Notes | 2015                    | 2014               | 2013               |
|---|-------|-------------------------|--------------------|--------------------|
| <b>REVENUES</b>                             |       |                         |                    |                    |
| Interest income from loans:                 | 4     |                         |                    |                    |
| Actual interest income                      |       | <b>P 3,000,000</b>      | P 3,000,000        | P 3,000,000        |
| Effect of remeasurement of loan             |       | <b>789,285</b>          | 1,781,025          | 4,083,838          |
| Interest income from cash in bank           |       | <u>1,153</u>            | <u>996</u>         | <u>1,671</u>       |
|   |       | <u><b>3,790,438</b></u> | <u>4,782,021</u>   | <u>7,085,509</u>   |
| <b>OPERATING EXPENSES</b>                   |       |                         |                    |                    |
| Salaries and employee benefits              | 4     | <b>1,968,000</b>        | 1,968,000          | 1,953,000          |
| Rent  | 4, 10 | <b>300,000</b>          | 300,000            | 300,000            |
| Other operating expenses                    | 6     | <u>831,222</u>          | <u>833,763</u>     | <u>673,207</u>     |
|   |       | <u><b>3,099,222</b></u> | <u>3,101,763</u>   | <u>2,926,207</u>   |
| <b>OPERATING PROFIT</b>                     |       | <b>691,216</b>          | 1,680,258          | 4,159,302          |
| <b>FINANCE COSTS</b>                        | 4     | <u>-</u>                | <u>-</u>           | <u>2,303,788</u>   |
| <b>PROFIT BEFORE TAX</b>                    |       | <b>691,216</b>          | 1,680,258          | 1,855,514          |
| <b>TAX EXPENSE</b>                          | 7     | <u>60,231</u>           | <u>60,199</u>      | <u>60,334</u>      |
| <b>NET PROFIT</b>                           |       | <b>630,985</b>          | 1,620,059          | 1,795,180          |
| <b>OTHER COMPREHENSIVE INCOME</b>           |       | <u>-</u>                | <u>-</u>           | <u>-</u>           |
| <b>TOTAL COMPREHENSIVE INCOME</b>           |       | <u><b>P 630,985</b></u> | <u>P 1,620,059</u> | <u>P 1,795,180</u> |
| <b>Basic and Diluted Earnings Per Share</b> | 9     | <u><b>P 1.26</b></u>    | <u>P 3.24</u>      | <u>P 3.59</u>      |

*See Notes to Financial Statements.*



**BHI HOLDINGS, INC.**  
*(A Subsidiary of Bulk Handlers, Inc.)*  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**  
*(Amounts in Philippine Pesos)*

|                                   | <u>Note</u> | <u>2015</u>                | <u>2014</u>                | <u>2013</u>                |
|-----------------------------------|-------------|----------------------------|----------------------------|----------------------------|
| <b>CAPITAL STOCK</b>              | 8           | <b>P 50,000,000</b>        | P 50,000,000               | P 50,000,000               |
| <b>ADDITIONAL PAID-IN CAPITAL</b> |             | <u>7,520,755</u>           | <u>7,520,755</u>           | <u>7,520,755</u>           |
| <b>RETAINED EARNINGS</b>          |             |                            |                            |                            |
| Balance at beginning of year      |             | 40,820,699                 | 39,200,640                 | 37,405,460                 |
| Net profit during the year        |             | <u>630,985</u>             | <u>1,620,059</u>           | <u>1,795,180</u>           |
| Balance at end of year            |             | <u>41,451,684</u>          | <u>40,820,699</u>          | <u>39,200,640</u>          |
| <b>TOTAL EQUITY</b>               |             | <b><u>P 98,972,439</u></b> | <b><u>P 98,341,454</u></b> | <b><u>P 96,721,395</u></b> |

*See Notes to Financial Statements.*

**BHI HOLDINGS, INC.**  
*(A Subsidiary of Bulk Handlers, Inc.)*  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**  
*(Amounts in Philippine Pesos)*

|   | <u>Note</u> | <u>2015</u>       | <u>2014</u>        | <u>2013</u>      |
|---|-------------|-------------------|--------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>     |             |                   |                    |                  |
| Profit before tax                               |             | <b>P 691,216</b>  | P 1,680,258        | P 1,855,514      |
| Adjustments for:                                |             |                   |                    |                  |
| Interest income from loans                      | 4           | ( 3,789,285 )     | ( 4,781,025 )      | ( 4,780,050 )    |
| Interest income from cash in bank               |             | ( 1,153 )         | ( 996 )            | ( 1,671 )        |
| Operating loss before working capital changes   |             | ( 3,099,222 )     | ( 3,101,763 )      | ( 2,926,207 )    |
| Increase in input value-added tax               |             | ( 87,168 )        | ( 87,583 )         | ( 85,620 )       |
| Increase in accrued expenses and other payables |             | 198,400           | 401,100            | 403,353          |
| Decrease in due to a stockholder                |             | -                 | ( 520,057 )        | -                |
| Cash used in operations                         |             | ( 2,987,990 )     | ( 3,308,303 )      | ( 2,608,474 )    |
| Interest received                               |             | 3,001,153         | 3,000,996          | 2,746,875        |
| Cash paid for income taxes                      |             | ( 60,231 )        | ( 60,199 )         | ( 60,170 )       |
| <b>NET INCREASE (DECREASE) IN CASH</b>          |             | <b>( 47,068 )</b> | <b>( 367,506 )</b> | <b>78,231</b>    |
| <b>CASH AT BEGINNING OF YEAR</b>                |             | <b>238,221</b>    | <b>605,727</b>     | <b>527,496</b>   |
| <b>CASH AT END OF YEAR</b>                      |             | <b>P 191,153</b>  | <b>P 238,221</b>   | <b>P 605,727</b> |

*See Notes to Financial Statements.*

**BHI HOLDINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
*(A Subsidiary of Bulk Handlers, Inc.)*  
**DECEMBER 31, 2015, 2014 AND 2013**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE INFORMATION AND STATUS OF OPERATIONS**

***1.1 Corporate Information***

BHI Holdings, Inc. (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on January 24, 1963 to engage primarily in the insurance business. On November 4, 1999, the SEC approved the change in the Company's corporate name from Consolidated Insurance Company, Inc. to BHI Holdings, Inc. and, concurrently, the change in its primary purpose from that of a non-life insurance company to an investment holding company. In January 2013, the SEC approved the extension of the Company's corporate life for another 50 years.

The Company's shares of stock are listed for trading at the Philippine Stock Exchange (PSE). Bulk Handlers, Inc. (the Parent Company), a domestic corporation, owns 89.88% of the Company's capital stock.

To date, the Company's operations are limited to maintaining and generating interest income on loans granted to a certain entity (see Note 1.2). Accordingly, no business segment information is presented in its financial statements. The Parent Company is currently engaged in the business of warehouse leasing and terminal operations.

The registered office of the Company and the Parent Company, which is also their principal place of business, is located at 22<sup>nd</sup> Floor, The Pearl Bank Centre, 146 Valero Street, Salcedo Village, Makati City.

The financial statements of the Company as of and for the year ended December 31, 2015 (including the comparative financial statements as of December 31, 2014 and for the years ended December 31, 2014 and 2013) were authorized for issue by the Company's Board of Directors (BOD) on March 11, 2016.

***1.2 Status of Operations***

As an investment holding company, the Company's main thrust is to acquire ownerships in profitable corporations. However, due to certain economic factors, the Company has been inactive in pursuing investment activities for a number of years now. Its present source of revenue is limited to interest income generated from its loans granted to a related party (see Note 4). As such, the Company has only three employees handling mainly administrative functions due to limited transactions of the Company as of December 31, 2015 (see Note 2.9). The Company's management, however, continues to assess possible investment opportunities that it can embark on.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

### *2.1 Basis of Preparation of Financial Statements*

#### *(a) Statement of Compliance with Philippine Financial Reporting Standards*

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

#### *(b) Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income and expense and other comprehensive income in a single statement of comprehensive income.

The Company presents a third statement of financial position as of the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

#### *(c) Functional and Presentation Currency*

The financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts, except when otherwise indicated.

Items included in the financial statements are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

## 2.2 Adoption of New and Amended PFRS

### (a) Effective in 2015 that are Relevant to the Company

The Company adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after July 1, 2014, for its annual reporting period beginning January 1, 2015:

|                     |   |  |
|---------------------|---|--|
| PAS 19 (Amendment)  | : | Employee Benefits – Defined Benefit Plans – Employee Contributions       |
| Annual Improvements | : | Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) |

Discussed below are the relevant information about these amendment and improvements.

- (i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions*. The amendment clarifies that if the amount of the contributions to defined benefit plans from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. The amendment did not have a significant impact on the Company's financial statements since the Company has not yet established a formal retirement plan.
- (ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Company but had no material impact on the Company's financial statements as these amendments merely clarify the existing requirements:

#### *Annual Improvement to PFRS (2010-2012 Cycle)*

PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

*Annual Improvement to PFRS (2011-2013 Cycle)*

PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32, *Financial Instruments: Presentation*.

*(b) Effective in 2015 that are not Relevant to the Company*

The following annual improvements to PFRS are mandatory for accounting periods beginning on or after July 1, 2014 but are not relevant to the Company's financial statements:

|                                   |   |  |
|-----------------------------------|---|--|
| PFRS (2010-2012 Cycle)            |   |  |
| PAS 16 and PAS 38<br>(Amendments) | : | Property, Plant and Equipment and Intangible Assets – Revaluation of Assets – Proportionate Restatement of Accumulated Depreciation and Amortization |
| PFRS 2 (Amendment)                | : | Share-based Payment – Definition of Vesting Condition  |
| PFRS 3 (Amendment)                | : | Business Combinations – Accounting for Contingent Consideration in a Business Combination  |
| PFRS 8 (Amendments)               | : | Operating Segments – Aggregation of Operating Segments, and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets    |
| PFRS (2011-2013 Cycle)            |   |  |
| PAS 40 (Amendment)                | : | Investment Property – Clarification of the Interrelationship Between PFRS 3 and PAS 40   |
| PFRS 3 (Amendment)                | : | Business Combinations – Scope Exceptions for Joint Ventures  |

(c) *Effective Subsequent to 2015 but are not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements:

- (i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that, in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.
- (ii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
  - three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
  - an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
  - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Company and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

- (iii) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Company but management does not expect these to have material impact on the Company's financial statements:
- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to “service” financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.
  - PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

### **2.3 Financial Assets**

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32. All other non-derivative financial instruments are treated as debt instruments.

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.



Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss.

Currently, all of the Company's financial assets are categorized as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period which are classified as non-current assets.

The Company's financial assets categorized as loans and receivables are presented as Cash and Due from a Related Party in the statement of financial position. Cash includes cash on hand and in bank that are unrestricted and readily available for use in the operations of the Company. Cash in bank generally earns interest based on daily bank deposit rates.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Revenues or Finance Costs in the statement of comprehensive income.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

#### ***2.4 Other Asset***

Other asset pertains to other resources controlled by the Company as a result of past events. This is recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets

#### ***2.5 Financial Liabilities***

Financial liabilities, which include accrued expenses and other payables and due to a stockholder, are recognized when the Company becomes a party to the contractual terms of the instrument. These are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for those with maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

#### ***2.6 Offsetting Financial Instruments***

Financial assets and financial liabilities are offset and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

## ***2.7 Provisions and Contingencies***

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

## ***2.8 Revenue and Expense Recognition***

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Company; and the costs incurred or to be incurred can be measured reliably. Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

Expenses are recognized in profit or loss upon utilization of goods and services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis.

## ***2.9 Employee Benefits***

The Company has not established a formal retirement plan yet. It is also not covered by the provisions of Republic Act (R.A.) No. 7641, *The Retirement Pay Law*, since it employs not more than ten employees (see also Note 1.2).

## ***2.10 Leases – Company as Lessee***

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

### ***2.11 Income Taxes***

Tax expense recognized in the profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

### ***2.12 Related Party Relationships and Transactions***

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

### ***2.13 Equity***

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital pertains to premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income.

### ***2.14 Earnings Per Share***

Basic earnings per common share is determined by dividing net profit by the weighted average number of common shares subscribed and issued during the period, after retroactive adjustment for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted earnings per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Company does not have potentially dilutive shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

### ***2.15 Events After the End of the Reporting Period***

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

## **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. 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 may ultimately vary from these estimates.

### ***3.1 Critical Management Judgments in Applying Accounting Policies***

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

*(a) Accounting for Renewal of Due from a Related Party*

When the Company renews its existing loan agreements with a related party, the management considers how substantial the difference is between the present value of the cash flows under the new terms and the present value of the cash flows under the existing liability. A modification is considered substantial if the present value of cash flows under the new terms, using the original effective interest rate, differs by 10% or more from the present value of the remaining cash flows of the existing liability. Modifications, if assessed as substantial, is accounted for as extinguishment accounting, otherwise modification accounting is used.

Based on management's assessment, the Company accounts for the renewal of the loan to a related party in 2015 and 2014 based on modification accounting (see Note 4).

*(b) Distinction Between Operating and Finance Leases*

The Company has entered into a lease agreement as a lessee. Critical judgment was exercised by management to distinguish the lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the property covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. As of December 31, 2015 and 2014, management has determined that the lease agreement is an operating lease.

*(c) Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in in Note 2.7 and relevant disclosures of commitments and contingencies are presented in Note 10.

### ***3.2 Key Sources of Estimation Uncertainty***

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

*(a) Impairment of Due from a Related Party*

The Company performs impairment review of its amount due from a related party, where certain impairment indicators exist. The Company's policy on estimating the impairment on financial assets is discussed in Note 2.3. The Company evaluates these accounts based on available facts and circumstances including, but not limited to, the length of the Company's relationships with the counterparty, average age of accounts, collection experience and historical loss experience.

Based on management assessment, no impairment loss on these financial assets is required to be recognized in the financial statements in 2015, 2014 and 2013 (see Note 4).

(b) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets, which arises from minimum corporate income tax (MCIT) and net operating loss carry over (NOLCO), at the end of each reporting period and reduces the carrying amount 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 utilized.

No deferred tax assets were recognized since the Company's management believes that it may not be able to generate sufficient taxable income within the periods in which the related benefits can be applied (see Note 7).

#### 4. RELATED PARTY TRANSACTIONS

The Company's related parties include its Parent Company, stockholders, other related parties through common ownership and key management personnel. A summary of the Company's related party transactions is presented below.

|   | Note   | Amounts of Transactions |              |            | Outstanding Balance |            |
|---|--------|-------------------------|--------------|------------|---------------------|------------|
|   |        | 2015                    | 2014         | 2013       | 2015                | 2014       |
| <b>Stockholder –</b>  |        |                         |              |            |                     |            |
| Payable for accommodation of expenses   | 4.3    | P -                     | (P 520,057 ) | P -        | P 967,116           | P 967,116  |
| <b>Related party under common ownership and with interlocking directors and officers:</b> |        |                         |              |            |                     |            |
| Original loan receivable, net of unamortized discount                                     | 4.1(a) | 789,285                 | 1,141,216    | 2,837,572  | 46,000,000          | 45,210,715 |
| Day-one loss on extinguishment  | 4.1(a) | -                       | -            | 2,303,788  | -                   | -          |
| Interest on original loan – actual  | 4.1(a) | 1,380,000               | 1,380,000    | 1,380,000  | 117,205             | 117,205    |
| Assumed portion of loan receivable, net of unamortized discount                           | 4.1(b) | -                       | 639,809      | 53,360,191 | 54,000,000          | 54,000,000 |
| Interest on assumed loan –actual  | 4.1(b) | 1,620,000               | 1,620,000    | 1,620,000  | 137,590             | 137,590    |
| Rental and utilities  | 4.2    | 381,600                 | 381,600      | 381,600    | 2,309,835           | 1,907,235  |
| <b>Key management personnel –</b>   |        |                         |              |            |                     |            |
| Salaries and employee benefits  | 4.4    | 1,968,000               | 1,968,000    | 1,953,000  | -                   | -          |

##### 4.1 Due from a Related Party

The components of the Due from a Related Party account are as follows:

|  | 2015                | 2014                |
|--|---------------------|---------------------|
| Principal balance, net of<br>of unamortized discounts: |                     |                     |
| Original loan  | P 46,000,000        | P 45,210,715        |
| Assumed loan   | 54,000,000          | 54,000,000          |
|  | <u>100,000,000</u>  | <u>99,210,715</u>   |
| Interest receivable on:                                |                     |                     |
| Original loan  | 117,205             | 117,205             |
| Assumed loan   | 137,590             | 137,590             |
|  | <u>254,795</u>      | <u>254,795</u>      |
|  | <u>P100,254,795</u> | <u>P 99,465,510</u> |

The balance of the Due from a related party is presented in the statements of financial position as follows:

|             | <u>2015</u>                | <u>2014</u>         |
|-------------|----------------------------|---------------------|
| Current     | <b>P 54,254,795</b>        | P 45,465,510        |
| Non-current | <u><b>46,000,000</b></u>   | <u>54,000,000</u>   |
|             | <u><b>P100,254,795</b></u> | <u>P 99,465,510</u> |

The movements in the principal balance of Due from a related party are shown below.

|                              | <u>2015</u>                | <u>2014</u>         |
|------------------------------|----------------------------|---------------------|
| Balance at beginning of year | <b>P 99,210,715</b>        | P 97,429,690        |
| Amortization of discount     | <u><b>789,285</b></u>      | <u>1,781,025</u>    |
| Balance at end of year       | <u><b>P100,000,000</b></u> | <u>P 99,210,715</u> |

The movements in interest receivable which are presented as part of Due from a Related Party account are as follows:

|                              | <u>2015</u>               | <u>2014</u>        |
|------------------------------|---------------------------|--------------------|
| Balance at beginning of year | <b>P 254,795</b>          | P 254,795          |
| Accruals during the year     | <b>3,000,000</b>          | 3,000,000          |
| Collections                  | <u><b>(3,000,000)</b></u> | <u>(3,000,000)</u> |
| Balance at end of year       | <u><b>P 254,795</b></u>   | <u>P 254,795</u>   |

(a) *Original Loan*

The components of the outstanding balance of the original loan, excluding interest receivable, as of December 31, 2015 and 2014 are shown below.

|                      | <u>2015</u>                | <u>2014</u>         |
|----------------------|----------------------------|---------------------|
| Face value           | <b>P 46,000,000</b>        | P 46,000,000        |
| Unamortized discount | <u><b>-</b></u>            | <u>(789,285)</u>    |
|                      | <u><b>P 46,000,000</b></u> | <u>P 45,210,715</u> |

As of December 31, 2015 and 2014, the carrying amount of the original loan, excluding interest receivable, is presented as part of Non-current Assets and Current Assets, respectively, in the statements of financial position.



The original loan initially consisted of deposits made by the Company for the acquisition of equity interest in Aqua Rich, Inc. (Aqua Rich), an entity that has the same stockholders as that of the Company. On December 9, 2000, upon the expiration of the conversion period of the deposits into equity, the deposits were automatically converted into an unsecured, interest-bearing loan. Interest is set at 3% per annum.

On September 1, 2013, upon maturity of the loan, the contracting parties both agreed to renew the loan for another two years with maturity date of August 31, 2015 with the same terms and conditions. The renewal of the loan was accounted for as extinguishment of debt, hence, upon renewal, the loan was again remeasured resulting in a day-one loss of P2,303,788 which is presented as Finance Costs in the 2013 statement of comprehensive income.

Subsequently, on August 31, 2015, upon maturity of the loan, the contracting parties once again agreed to renew the loan for another two years with maturity date of August 31, 2017 with the same terms and conditions. The renewal of the loan was accounted for as modification of debt; hence, upon renewal, no gain or loss was recognized.

Actual annual interest income earned in 2015, 2014 and 2013 related to this loan amounted to P1,380,000, and is presented as part of Actual Interest Income under the Revenues section of the statements of comprehensive income. The Company also recognized additional interest income amounting to P789,285, P1,141,216 and P2,837,572, respectively, representing the amortization of the discount, which is presented as part of Effect of Remeasurement of Loan under the Revenues section in the statements of comprehensive income.

The interest receivable amounting to P117,205 as of December 31, 2015 and 2014 is presented as part of Due from a Related Party account in the statements of financial position.

*(b) Assumed Loan*

On January 2, 2013, Takeda Holdings, Inc., a third party, assigned to Aqua Rich its unsecured, interest-bearing loan payable to the Company with a maturity date of June 30, 2014 and subject to an interest rate of 3% per annum. Accordingly, the carrying amount of the assumed loan as of that date was reclassified to the Due from a Related Party account under the Current Assets section of the 2013 statement of financial position.

On July 1, 2014, upon maturity of the assumed loan, the Company and Aqua Rich both agreed to renew the loan for two years with maturity date of June 30, 2016 with the same terms and conditions. The renewal of the loan was accounted for as modification of debt; hence, upon renewal, no gain or loss was recognized.

The carrying amount of the assumed loan, excluding interest receivable, amounted to P54,000,000 as of December 31, 2015 and 2014 and is presented as part of Current Assets and Non-current Assets, respectively, in the statements of financial position.

Actual annual interest income earned in 2015, 2014 and 2013 related to the assumed loan amounted to P1,620,000, and is presented as part of Actual Interest Income under the Revenues section in the statements of comprehensive income. The Company also recognized additional interest income amounting to P639,809 and P1,246,266 representing amortization of the discount in 2014 and 2013, respectively (nil in 2015), and is presented as part of Effect of Remeasurement of Loan under the Revenues section of the statements of comprehensive income.

The interest receivable amounting to P137,590 in 2015 and 2014 is presented as part of Due from a Related Party account in the statements of financial position.

Management believes that the loans and the related interest receivable are fully collectible; hence, no allowance for impairment is required as of December 31, 2015 and 2014.

#### ***4.2 Rental and Utilities Expenses***

The Company currently leases its office premises from a related party under common ownership (see Note 10.1). Annual rental of P300,000 and utilities expenses of P81,600 incurred from this transaction in each of the three years presented are shown under the Operating Expenses section in the statements of comprehensive income. Outstanding balance payable to the related party is shown as part of the Accrued Expenses and Other Payables account in the statements of financial position (see Note 5).

#### ***4.3 Due to a Stockholder***

Certain expenses were paid by a stockholder on behalf of the Company in prior years; there were no similar transactions during the years presented. The outstanding liability to the stockholder, which is payable in cash upon demand, amounted to P967,116 as of December 31, 2015 and 2014, and is presented as Due to a Stockholder in the statements of financial position.

#### ***4.4 Key Management Personnel Compensation***

The compensation and benefits provided to key management personnel, which generally consist of short-term employee benefits, amounted to P1,968,000 in 2015 and 2014, and P1,953,000 in 2013. These are presented as Salaries and Employee Benefits under the Operating Expenses in the statements of comprehensive income. The Company does not provide any other form of benefits to its key management personnel (see Note 1.2)

### **5. ACCRUED EXPENSES AND OTHER PAYABLES**

This account includes the following:

|                              | <u>Note</u> | <u>2015</u>               | <u>2014</u>        |
|------------------------------|-------------|---------------------------|--------------------|
| Accrued rental and utilities | 4.2         | <b>P 2,309,835</b>        | P 1,907,235        |
| Accrued audit fees           |             | <b>111,720</b>            | 115,920            |
| Accrued taxes and licenses   |             | <b>16,150</b>             | 16,150             |
| Other payables               |             | <b><u>125,346</u></b>     | <u>325,346</u>     |
|                              |             | <b><u>P 2,563,051</u></b> | <u>P 2,364,651</u> |

## 6. OTHER OPERATING EXPENSES

The details of this account are as follows:

|                     | <u>Notes</u> | <u>2015</u>             | <u>2014</u>             | <u>2013</u>             |
|---------------------|--------------|-------------------------|-------------------------|-------------------------|
| Professional fees   |              | <b>P 395,800</b>        | P 383,317               | P 242,133               |
| PSE Membership fees |              | <b>253,000</b>          | 258,000                 | 250,000                 |
| Utilities           | 4            | <b>81,600</b>           | 81,600                  | 81,600                  |
| Office supplies     |              | <b>48,341</b>           | 47,194                  | 35,266                  |
| Taxes and licenses  | 14.1(f)      | <b>28,212</b>           | 27,702                  | 24,490                  |
| Directors' fee      |              | <b>22,000</b>           | 22,000                  | 22,000                  |
| Miscellaneous       |              | <b>2,269</b>            | 13,950                  | 17,718                  |
|                     |              | <b><u>P 831,222</u></b> | <b><u>P 833,763</u></b> | <b><u>P 673,207</u></b> |

## 7. TAXES

The components of tax expense reported in profit or loss are as follows:

|  | <u>2015</u>            | <u>2014</u>            | <u>2013</u>            |
|--|------------------------|------------------------|------------------------|
| MCIT at 2%                                 | <b>P 60,000</b>        | P 60,000               | P 37,862               |
| Final tax at 20%                           | <b>231</b>             | 199                    | 334                    |
| Regular corporate income tax (RCIT) at 30% | -                      | -                      | 22,138                 |
|  | <b><u>P 60,231</u></b> | <b><u>P 60,199</u></b> | <b><u>P 60,334</u></b> |

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in profit or loss is presented below.

|   | <u>2015</u>            | <u>2014</u>            | <u>2013</u>            |
|---|------------------------|------------------------|------------------------|
| Tax on pretax profit at 30%                       | <b>P 207,365</b>       | P 504,077              | P 556,654              |
| Adjustment for income subjected to lower tax rate | <b>( 115)</b>          | ( 100)                 | ( 167)                 |
| Tax effects of:                                   |                        |                        |                        |
| Non-taxable interest income                       | <b>( 236,786)</b>      | ( 534,307)             | ( 1,225,151)           |
| Unrecognized deferred tax assets arising from:    |                        |                        |                        |
| - MCIT  | <b>60,000</b>          | 60,000                 | 37,862                 |
| - NOLCO   | <b>29,767</b>          | 30,529                 | -                      |
| Non-deductible finance costs                      | -                      | -                      | 691,136                |
| Tax expense                                       | <b><u>P 60,231</u></b> | <b><u>P 60,199</u></b> | <b><u>P 60,334</u></b> |

The Company is subject to MCIT, which is computed at 2% of gross income, net of allowable deductions, as defined under the tax regulations, or RCIT, whichever is higher. The Company's MCIT amounted to P60,000 both in 2015 and 2014, and P37,862 in 2013.

As discussed in Note 3.2(b), the Company did not recognize deferred tax assets arising from MCIT and NOLCO as of December 31, 2015, 2014 and 2013 since management believes that the Company will not have sufficient taxable income against which the NOLCO and MCIT can be applied.

The details of the NOLCO which can be claimed as deduction from future taxable income up to three years from the year the NOLCO was incurred are shown below.

| <u>Year Incurred</u> | <u>Amount</u>           | <u>Valid Until</u> |
|----------------------|-------------------------|--------------------|
| 2015                 | P 99,222                | 2018               |
| 2014                 | <u>101,763</u>          | 2017               |
|                      | <b><u>P 200,985</u></b> |                    |

The details of the Company's MCIT with their corresponding availment periods are as follows:

| <u>Year</u> | <u>Original Amount</u>  | <u>Expired Balance</u> | <u>Remaining Balance</u> | <u>Valid Until</u> |
|-------------|-------------------------|------------------------|--------------------------|--------------------|
| 2015        | P 60,000                | P -                    | P 60,000                 | 2018               |
| 2014        | 60,000                  | -                      | 60,000                   | 2017               |
| 2013        | 37,862                  | -                      | 37,862                   | 2016               |
| 2012        | <u>26,403</u>           | <u>26,403</u>          | <u>-</u>                 |                    |
|             | <b><u>P 184,265</u></b> | <b><u>P 26,403</u></b> | <b><u>P 157,862</u></b>  |                    |

In 2015, 2014, and 2013 the Company opted to claim itemized deductions in computing for its income tax due.

## 8. CAPITAL STOCK

### 8.1 Capital Stock

Capital stock as of December 31, 2015, 2014 and 2013 consists of:

|   |                            |
|---|----------------------------|
| Common Class A – P100 par value         |                            |
| Authorized – 700,000 shares             |                            |
| Issued and outstanding – 350,000 shares | P 35,000,000               |
| Common Class B – P100 par value         |                            |
| Authorized – 300,000 shares             |                            |
| Issued and outstanding – 150,000 shares | <u>15,000,000</u>          |
|   | <b><u>P 50,000,000</u></b> |

Class A and Class B shares enjoy the same rights and privileges, except that Class A shares shall be issued solely to Philippine nationals while Class B shares may be issued to either Philippine or foreign nationals.

## 8.2 Track Record of Registration of Securities

The Company's shares of stock were initially listed for trading with the PSE on April 2, 1973. As of December 31, 2015 and 2014, there are 20,000 listed shares and 336 holders of the listed shares equivalent to 99.99% of the Company's total outstanding shares. Such listed shares closed at P403 per share as of December 31, 2015 and P1,390 per share as of December 31, 2014.

The Company has no other securities being offered for trading in any stock exchange. It has not listed any other securities since its first listing of its securities.

## 9. EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended December 31, 2015, 2014 and 2013 are computed as follows:

|   | <u>2015</u>          | <u>2014</u>    | <u>2013</u>    |
|---|----------------------|----------------|----------------|
| Net profit  | <b>P 630,985</b>     | P 1,620,059    | P 1,795,180    |
| Weighted average number of<br>outstanding common shares | <u>500,000</u>       | <u>500,000</u> | <u>500,000</u> |
| Basic and diluted earnings per share                    | <b><u>P 1.26</u></b> | <u>P 3.24</u>  | <u>P 3.59</u>  |

The Company has no potentially dilutive common shares as of December 31, 2015, 2014 and 2013; accordingly, its basic and diluted earnings per share are equal.

## 10. COMMITMENTS AND CONTINGENCIES

### 10.1 Operating Lease Commitments – Company as Lessee

On December 31, 2009, the Company entered into lease agreement with a related party under common ownership covering certain office space for a period of one year starting January 1, 2010. Upon expiration of the lease period, the Company and the lessor shall amicably decide and agree to extend the lease under such terms and conditions as may be mutually agreed upon by the parties (see Note 4.2). The most recent lease renewal covered the period January 1, 2015 to December 31, 2015; hence, as of December 31, 2015, the Company has no future minimum lease payments. Rent expense charged to profit or loss amounted to P300,000 and presented as Rent under Operating Expenses in the statements of comprehensive income.

### 10.2 Others

There are other commitments and contingent liabilities that may arise in the normal course of the Company's operations that are not reflected in the accompanying financial statements. Management is of the opinion that losses, if any, from these items will not have a material effect on the Company's financial statements.

## 11. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to certain financial risks which result from its operating activities. The Company's risk management is coordinated with the Parent Company, in close cooperation with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Company is exposed to are described below and in the succeeding page.

### *11.1 Credit Risk*

Credit risk is the risk that counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example, by granting loans and receivables to a related party and a third party.

The maximum credit risk exposure of the financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to the financial statements, as summarized below.

|                          | <u>Note</u> | <u>2015</u>                 | <u>2014</u>         |
|--------------------------|-------------|-----------------------------|---------------------|
| Cash                     |             | <b>P 191,153</b>            | P 238,221           |
| Due from a related party | 4           | <b><u>100,254,795</u></b>   | <u>99,465,510</u>   |
|                          |             | <b><u>P 100,445,948</u></b> | <u>P 99,703,731</u> |

None of the Company's financial assets are secured by collateral or other credit enhancements except for cash as described below.

#### *(a) Cash*

The credit risk for cash is considered negligible since the counterparty is a reputable bank with high quality external credit ratings. Cash in bank which are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of P500,000 for every depositor per banking institution, as provided for under R.A. No. 9576, *Amendment to Charter of PDIC*, are still subjected to credit risk.

#### *(b) Due from a Related Party*

With respect to loans granted to a related party, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets.

The Company considers that all of the financial assets, the counterparty of which is a related party, are not impaired as of the end of the reporting periods under review and are of good credit quality. Also, there are no unimpaired financial assets that are past due as of December 31, 2015 and 2014.

### ***11.2 Liquidity Risk***

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments.

The Company's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and, (c) to be able to access funding when needed at the least possible cost. Operations of the Company are financed internally; however, in cases where there is substantial expenditures that is beyond the Company's capacity to finance, the Parent Company can provide the necessary funding requirement.

As of December 31, 2015 and 2014, the Company's financial liabilities which pertain to accrued expenses and other payables and amounts due to stockholders, totaling P3,514,016 and P3,315,616, respectively, have contractual maturities of within 12 months. The fair value of financial liabilities is not individually determined as the carrying amount is a reasonable approximation of fair value.

## **12. FAIR VALUE MEASUREMENT AND DISCLOSURES**

### ***12.1 Fair Value Hierarchy***

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

**12.2 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed**

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

|                                     |                         | 2015              |                             |                             |  |
|-------------------------------------|-------------------------|-------------------|-----------------------------|-----------------------------|--|
| Notes                               | Level 1                 | Level 2           | Level 3                     | Total                       |  |
| Financial assets:                   |                         |                   |                             |                             |  |
|                                     | P                       | P                 | P                           | P                           |  |
| Cash                                | 191,153                 | -                 | -                           | 191,153                     |  |
| Due from a related party            | 4                       | -                 | 100,254,795                 | 100,254,795                 |  |
|                                     | <b><u>P 191,153</u></b> | <b><u>P -</u></b> | <b><u>P 100,254,795</u></b> | <b><u>P 100,445,948</u></b> |  |
| Financial liabilities:              |                         |                   |                             |                             |  |
|                                     | P                       | P                 | P                           | P                           |  |
| Accrued expenses and other payables | 5                       | -                 | 2,546,900                   | 2,546,900                   |  |
| Due to a stockholder                | 4                       | -                 | 967,116                     | 967,116                     |  |
|                                     | <b><u>P -</u></b>       | <b><u>P -</u></b> | <b><u>P 3,514,016</u></b>   | <b><u>P 3,514,016</u></b>   |  |
|                                     |                         | 2014              |                             |                             |  |
| Notes                               | Level 1                 | Level 2           | Level 3                     | Total                       |  |
| Financial assets:                   |                         |                   |                             |                             |  |
|                                     | P                       | P                 | P                           | P                           |  |
| Cash                                | 238,221                 | -                 | -                           | 238,221                     |  |
| Due from a related party            | 4                       | -                 | 99,465,510                  | 99,465,510                  |  |
|                                     | <b><u>P 238,221</u></b> | <b><u>P -</u></b> | <b><u>P 99,465,510</u></b>  | <b><u>P 99,703,731</u></b>  |  |
| Financial liabilities:              |                         |                   |                             |                             |  |
|                                     | P                       | P                 | P                           | P                           |  |
| Accrued expenses and other payables | 5                       | -                 | 2,348,500                   | 2,348,500                   |  |
| Due to a stockholder                | 4                       | -                 | 967,116                     | 967,116                     |  |
|                                     | <b><u>P -</u></b>       | <b><u>P -</u></b> | <b><u>P 3,315,616</u></b>   | <b><u>P 3,315,616</u></b>   |  |

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

**13. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

The Company's capital management objective is to ensure the Company's ability to continue as a going concern and provide an adequate return to its stockholders by entering only into profitable business undertakings. As indicated in Note 1, the Company's management, in the midst of certain unfavorable economic factors, continues to assess possible investment opportunities that it may undertake in the near future.



The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the statements of financial position. Capital for the reporting periods under review is summarized below.

|                      | <u>2015</u>               | <u>2014</u>        |
|----------------------|---------------------------|--------------------|
| Total liabilities    | <b>P 3,545,290</b>        | P 3,346,890        |
| Total equity         | <u><b>98,972,439</b></u>  | <u>98,341,454</u>  |
| Debt-to-equity ratio | <u><b>0.04 : 1.00</b></u> | <u>0.03 : 1.00</u> |

#### 14. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

##### ***14.1 Requirements Under Revenue Regulations (RR) No. 15-2010***

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are as follows:

(a) *Output Value-added Tax (VAT)*

The Company does not have output VAT in 2015 since it does not have any transactions which are subject to output VAT during the year.

(b) *Input VAT*

The movements in input VAT in 2015 are summarized below.

|                                      |                           |
|--------------------------------------|---------------------------|
| Balance at beginning of year         | P 1,984,613               |
| Services lodged under other accounts | <u>87,168</u>             |
| Balance at end of year               | <u><b>P 2,071,781</b></u> |

(c) *Taxes on Importation*

The Company did not have any importations in 2015.

(d) *Excise Tax*

The Company does not have excise tax in 2015 since it did not have any transactions which are subject to excise tax during the year.

(e) *Documentary Stamp Tax*

Documentary stamp taxes (DST) on loan agreements are paid by the counterparties. Also, as per agreement, the lessor shoulders the DST in the case of the lease contract.

(f) *Taxes and Licenses*

The details of taxes and licenses are shown below (see Note 6).

|                               |          |                      |
|-------------------------------|----------|----------------------|
| Municipal license and permits | P        | 22,662               |
| SEC filing fees               |          | 5,050                |
| Annual VAT registration       |          | <u>500</u>           |
|                               | <b>P</b> | <b><u>28,212</u></b> |

(g) *Withholding Taxes*

The details of total withholding taxes paid and accrued for the year ended December 31, 2015 are shown below.

|                           |          |                       |
|---------------------------|----------|-----------------------|
| Compensation and benefits | P        | 196,800               |
| Expanded                  |          | <u>18,109</u>         |
|                           | <b>P</b> | <b><u>214,909</u></b> |

The Company has no income payments subject to final withholding tax in 2015.

(h) *Deficiency Tax Assessment and Tax Cases*

As of December 31, 2015, the Company does not have any final deficiency tax assessments from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

**14.2 Requirements Under RR No. 19-2011**

RR No. 19-2011 requires schedules of taxable revenues and other non-operating income, deductible cost of services, itemized deductions and other significant tax information to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amounts reflected in the 2015 statement of comprehensive income.

(a) *Taxable Revenues*

The Company's taxable revenues subject to regular tax rate for the year ended December 31, 2015 pertains to actual interest income from loans amounting to P3,000,000.

(b) *Deductible Cost of Services*

The Company does not have any deductible cost of services for the year ended December 31, 2015.

(c) *Taxable Non-operating and Other Income*

The Company does not have any taxable non-operating and other income for the year ended December 31, 2015.

(d) *Itemized Deductions*

The amounts of itemized deductions for the year ended December 31, 2015 are as follows:

|                                |          |                         |
|--------------------------------|----------|-------------------------|
| Salaries and allowances        | P        | 1,968,000               |
| Professional fees              |          | 395,800                 |
| Rental                         |          | 300,000                 |
| Membership fees                |          | 253,000                 |
| Communication, light and water |          | 81,600                  |
| Office supplies                |          | 48,341                  |
| Taxes and licenses             |          | 28,212                  |
| Directors' fees                |          | 22,000                  |
| Miscellaneous                  |          | <u>2,269</u>            |
|                                | <b>P</b> | <b><u>3,099,222</u></b> |



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**Report of Independent Auditors  
to Accompany Supplementary Information  
Required by the Securities and Exchange  
Commission Filed Separately from the  
Basic Financial Statements**

**Punongbayan & Araullo**  
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**The Board of Directors and Stockholders  
BHI Holdings, Inc.  
(A Subsidiary of Bulk Handlers, Inc.)  
22<sup>nd</sup> Floor, The Pearl Bank Centre  
146 Valero Street, Salcedo Village  
Makati City**

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of BHI Holdings, Inc. for the year ended December 31, 2015, on which we have rendered our report dated March 11, 2016. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

**By: Mailene Sigue-Bisnar**  
Partner

CPA Reg. No. 0090230  
TIN 120-319-128  
PTR No. 5321724 January 4, 2016, Makati City  
SEC Group A Accreditation  
Partner - No. 0396-AR-3 (until Oct. 15, 2018)  
Firm - No. 0002-FR-4 (until Apr. 30, 2018)  
BIR AN 08-002511-20-2015 (until Mar. 18, 2018)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

**Certified Public Accountants**  
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

Offices in Cebu, Davao, Cavite

**March 11, 2016**

BOA/PRC Cert. of Reg. No. 0002  
SEC Accreditation No. 0002-FR-4

**BHI HOLDINGS, INC.**  
**List of Supplementary Information**  
**December 31, 2015**

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|--|--|-----------------|
| <b>Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68</b> |  |                 |
| A  | Financial Assets<br>Financial Assets at Fair Value Through Profit or Loss<br>Held-to-maturity Investments<br>Available-for-sale Financial Assets   | 1               |
| B  | Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)   | 2               |
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| E  | Long-term Debt   | 5               |
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| H  | Capital Stock  | 8               |
| <b>Other Required Information</b>  |  |                 |
|  | Reconciliation of Retained Earnings Available for Dividend Declaration   | 9               |
|  | Schedule of Philippine Financial Reporting Standards and Interpretations<br>Adopted by the Securities and Exchange Commission and the<br>Financial Reporting Standards Council as of December 31, 2015 | 10              |
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**BHI HOLDINGS, INC.**  
**Key Performance Indicators**  
**December 31, 2015**

|     |  | <u>2015</u>               | <u>2014</u>               | <u>2015</u> | <u>2014</u> |
|-----|--|---------------------------|---------------------------|-------------|-------------|
| a.) | Current Ratio  |                           |                           |             |             |
|     | $\frac{\text{Current Assets}}{\text{Current Liabilities}}$ | P 56,517,729<br>3,545,290 | D 6,871,495<br>786,218    | 15.94       | 8.74        |
| b.) | Quick Ratio  |                           |                           |             |             |
|     | $\frac{\text{Cash}}{\text{Current Liabilities}}$           | 191,153<br>3,545,290      | 383,754<br>786,218        | 0.05        | 0.49        |
| c.) | Debt-to-equity Ratio                                       |                           |                           |             |             |
|     | $\frac{\text{Debt}}{\text{Equity}}$                        | 3,545,290<br>98,972,439   | 786,218<br>43,088,947     | 0.04        | 0.02        |
| d.) | Book value per share                                       |                           |                           |             |             |
|     | $\frac{\text{Equity}}{\text{No. of Shares Outstanding}}$   | 98,972,439<br>1,000,000   | 43,088,947<br>740,000,000 | 98.97       | 0.06        |
| e.) | Asset to Equity Ratio                                      |                           |                           |             |             |
|     | $\frac{\text{Assets}}{\text{Equity}}$                      | 102,517,729<br>98,972,439 | 43,875,165<br>43,088,947  | 1.04        | 1.02        |

**BHI HOLDINGS, INC.**  
**Schedule A**  
**Financial Assets**

| Name of issuing entity and association of each issue | Number of shares<br>or principal amount<br>of bonds and notes | Amount shown in the<br>balance sheet | Income received<br>and accrued |
|--|---|--------------------------------------|--------------------------------|
|--|---|--------------------------------------|--------------------------------|

**NOTHING TO REPORT**

**BHI HOLDINGS, INC.**  
**Schedule B**  
**Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)**

| Name and Designation of debtor | Balance at beginning of period | Additions  | Deductions        |                     | Ending Balance      |                     | Balance at end of period |
|--------------------------------|--------------------------------|------------|-------------------|---------------------|---------------------|---------------------|--------------------------|
|                                |                                |            | Amounts collected | Amounts written off | Current             | Non-current         |                          |
| Aqua Rich, Inc.                | P 100,000,000                  | P -        | P -               | P -                 | P 54,000,000        | P 46,000,000        | P 100,000,000            |
| Juanita U. Tan                 | <u>967,116</u>                 | <u>-</u>   | <u>-</u>          | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>967,116</u>           |
| <b>Total</b>                   | <u>P 100,967,116</u>           | <u>P -</u> | <u>P -</u>        | <u>P -</u>          | <u>P 54,000,000</u> | <u>P 46,000,000</u> | <u>P 100,967,116</u>     |



**BHI HOLDINGS, INC.**  
**Schedule C**  
**Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements**

| Deductions                     |                                |           |                   |                     |         |             |
|--------------------------------|--------------------------------|-----------|-------------------|---------------------|---------|-------------|
| Name and Designation of debtor | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Current | Not Current |
| Balance at end of period       |                                |           |                   |                     |         |             |

**NOTHING TO REPORT**

**BHI HOLDINGS, INC.**  
**Schedule D**  
**Intangible Assets**

| Description | Beginning Balance | Additions at cost | Deductions                   |                           | Other changes additions (deductions) | Ending Balance |
|-------------|-------------------|-------------------|------------------------------|---------------------------|--------------------------------------|----------------|
|             |                   |                   | Charged to cost and expenses | Charged to other accounts |                                      |                |

**NOTHING TO REPORT**

**BHI HOLDINGS, INC.**  
**Schedule E**  
**Long-term Debt**

| Title of Issue and type of obligation | Amount authorized by indenture | Amount shown under caption "Current portion of long-term debt" in related balance sheet | Amount shown under caption "Long-Term Debt" in related balance sheet |
|---------------------------------------|--------------------------------|---|--|
|---------------------------------------|--------------------------------|---|--|

**NOTHING TO REPORT**

**BHI HOLDINGS, INC.**  
**Schedule F**  
**Indebtedness to Related Parties (Long-Term Loans from Related Companies)**

| Name of related party | Balance at beginning of period | Balance at end of period |
|-----------------------|--------------------------------|--------------------------|
|-----------------------|--------------------------------|--------------------------|

**NOTHING TO REPORT**

**BHI HOLDINGS, INC.**  
**Schedule G**  
**Guarantees of Securities of Other Issuers**

| Name of issuing entity of securities guaranteed by the company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owned by person for which statement is filed | Nature of guarantee |
|--|---|---|---|---------------------|
|--|---|---|---|---------------------|

**NOTHING TO REPORT**

**BHI HOLDINGS, INC.**  
**Schedule H**  
**Capital Stock**

| Title of Issue       | Number of shares authorized | Number of shares issued and outstanding as shown under related balance sheet caption | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by related parties | Directors, officers and employees | Others                 |
|----------------------|-----------------------------|--|--|--|-----------------------------------|------------------------|
| Common Shares        |                             |  |  |  |                                   |                        |
| Class A Shares       | 700,000                     | 350,000  | -  | 299,424                                  | 484                               | 50,092                 |
| Class B Shares       | <u>300,000</u>              | <u>150,000</u>   | <u>-</u>   | <u>150,000</u>                           | <u>-</u>                          | <u>-</u>               |
| <b>Common Shares</b> | <b><u>P 1,000,000</u></b>   | <b><u>P 500,000</u></b>  | <b><u>-</u></b>  | <b><u>P 449,424</u></b>                  | <b><u>P 484</u></b>               | <b><u>P 50,092</u></b> |

# BHI HOLDINGS, INC

MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY  
AND ITS RELATED PARTIES



# COVER SHEET

2 2 2 6 4

S.E.C. Registration Number

**BHI HOLDINGS INC**  
( f o R m e r l y C o n s O l i d a t e d  
I n s U r a n c e C o m p A n y I n c )

(Company's Full Name)

2 2 n D F l o o r T h e P e a R l b a n k C t r  
1 4 6 V a l e r o S t S a l c E d o V i l l M k t

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

Erwin R. Diaz

Contact Person

840-2961

Company Telephone Number

1 2 3 1

Month Day  
Calendar Year

1 7 - Q

FORM TYPE

0 5 4 F

Month Day  
Annual Meeting

N/A

Secondary License Type, If Applicable

M R D

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

3 3 6

Total No. of Stockholders

Total Amount of Borrowings

N/A

Domestic

N/A

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

LCU

Document I.D.

Document I.D.

Cashier

Cashier

STAMPS



**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE  
SECURITIES REGULATION CODE SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended **SEPTEMBER 30, 2016**
2. Commission Identification Number **22264** 3. BIR Tax Identification No. **000-446-527**
4. Exact name of registrant as specified in its charter

**BHI HOLDINGS, INC.**

5. **PHILIPPINES**

---

Province, Country or other jurisdiction of incorporation or organization

6. Industry Classification Code:  (SEC Use Only)

7. **22<sup>nd</sup> Floor, The Pearlbank Centre, 146 Valero Street  
Salcedo Village, Makati City**

**1227**

---

Address of Principal Office

Postal Code

8. **(2) 840-29-61**

Registrant's telephone number, including area code

9. N/A

---

Former Name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8 of the RSA.

| Title of Each Class | Number of Shares of Common Stock<br>Outstanding and Amount of Debt Outstanding |
|---------------------|--|
| Common Class A      | 350,000 Shares   |
| Common Class B      | 150,000 Shares   |

---

11. Are any or all of these securities listed on the Philippine Stock Exchange.

Yes [ / ] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**Philippine Stock Exchange**

**Common Stock Class A and Class B**

12. Indicate by check mark whether the registrant.

(a) Has filed reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [ x ] No [ ]

(b) Has been subject to such, filing requirements for the past ninety (90) days.

Yes [ x ] No [ ]

## **PART 1 - FINANCIAL INFORMATION**

Item 1. Financial Statements

Please see attachments consisting the following:

**Annex A - Statements of Financial Position**

**Annex B - Statements of Comprehensive Income and Retained Earnings**

**Annex C - Statements of Cash Flows as of September 30, 2016**

**Annex D - Statements of Changes in Equity**

The interim financial statements have been prepared in accordance with the accounting principles generally accepted in the Philippines.

- a) The same accounting policies and methods of computation are followed in the interim financial statements as compared with 2015 financial statements.
- b) There is no actual operation. The source of other income is only from the interest income earned from a related company and a third party.
- c) We are not aware of any unusual items that affect assets, liabilities, equity, net income and cash flows because of their nature, size or incident. Should we be aware of such items, we will include a disclosure in next quarter's report discussing such items.
- d) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.  
NOT APPLICABLE
- e) There were no issuance, repurchases, repayments of debt and equity securities  
NOT APPLICABLE
- f) There were no dividends paid separately for ordinary shares and other shares.  
NOT APPLICABLE
- g) Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting.  
NOT APPLICABLE
- h) There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.  
NOT APPLICABLE
- i) There were no changes in the composition of the issuer during the interim period, including the business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations.  
NOT APPLICABLE
- j) There were no changes in contingent liabilities or contingent assets since the last annual balance sheet date.  
NOT APPLICABLE
- k) There were no material contingencies and any other events or transactions that are material to an understanding of the current interim period.  
NOT APPLICABLE

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

- a. We are not aware of any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity. Should we become aware of such events, we will include a disclosure discussing such events in subsequent quarterly reports.
- b. There are no material commitments for capital expenditures. Should we become aware of such commitments, we will include a disclosure discussing such commitments in subsequent quarterly reports.
- c. The Company is still in the process of finalizing its business plans and has not made an active investment. Hence, there are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/ income from continuing operations.
- d. The Company's effective interest income in excess of actual rates recognized on loan receivable and due to related party, as result of transitioning to Philippine Financial Reporting Standards (PFRS).
- e. The causes for material changes of loans and receivable due to adoption of new accounting standards particularly PAS 32 and 39, Financial Instruments: Disclosure and Presentation and Recognition and Measurement, which became effective on January 1, 2005.
- f. We are not aware of any seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Should we become aware of such aspects, we will include a disclosure discussing such aspects in Item 2 of subsequent quarterly reports.
- g. There are no material changes in General & Administrative expenses. Should we become aware of such transaction, we will include a disclosure discussing such transaction in subsequent quarterly reports.

The Income Statement of BHI Holdings, Inc. as of September 30, 2016 showed a net income of P1,811,925 using the effective interest rate on loans granted as required by PFRS. However, based on the terms of loan agreements, it would show a net income of P23,653.

## **REVENUES**

- The Company effective interest income amounted to P4,034,719 as of 3rd quarter of 2016. Of this amount P1,788,272 pertains to interest income in excess of actual rates recognized on loan receivable and due from related party, as a result of transitioning to PFRS. The actual interest income based on the terms of the loan agreements totaled to P2,245,902 and P2,243,836 both for 3rd quarter of 2016 and 2015.
- Other Income from Banco de Oro & Land Bank of the Philippines savings account amounted to P545

## **COST AND EXPENSES**

- The Company's operating expenses as of the 3rd quarter of 2016 amounted to P2,222,794 or an increase of 1.06% compared to the 3rd quarter of the year 2015. Material expenses came from office supplies, rental, salaries and wages, light and water, legal & audit fees and from membership fee.

## **OPERATIONAL ASPECT**

- The Company is still in the process of finalizing its business plans and has not made any active investment. It intends to actively pursue its business as an investment holding company by acquiring equity plus interest in profitable Corporations.

Uncertainties remain as to whether the country will continue to be affected by regional trends in the succeeding periods. The subsequent effect of such regional trends in the economic environment of the Philippines will continue to affect the business activity of the Company in the foreseeable future. Related effects will be reported in the financial statements as they became known and estimated.

## **PART II - OTHER INFORMATION**

Effective February 16, 2002, our stock transfer agent shall be the Rizal Commercial Banking Corporation Stock Transfer Agency.

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant : **BHI HOLDINGS, INC.**

  
**JUANITA U. TAN**

Principal Operating Officer/President

Date : 11-03-16

  
**ERWIN R. DIAZ**

Principal Financial Officer

Date: 11-03-16

### **PART III - FINANCIAL INFORMATION**

- 1) The Company is still in the process of finalizing its business plan of operation.
  - a) The registrant can satisfy its cash requirements through interest income earned of its due from a related party and third party. There is no need to raise additional funds in the next nine (9) months.
  - b) The company has no product research and development because it has not finalized its operation plan.
  - c) The company has no expected purchase or sale of plant and equipment.
  - d) The company has no expected significant changes in the number of employees.
- 2) b) For the year 2015 - The registrant satisfy its cash requirement through interest income earned of its due from related parties. There is no need to raised additional funds in the next twelve (12) months.

For the year 2016 - The registrant satisfy its cash requirement through interest income earned of its due from related party and other party. There is no need to raised additional funds in the next three (3) months.

For the year 2015 - The company has no product research and development because it has not finalized its operation plan.

For the year 2016 - The company has no product research and development because it has not finalized its operation plan.

For the year 2015 - The company has no expected purchase or sale of plant and equipment.

For the year 2016 - The company has no expected purchase or sale of plant and equipment.

For the year 2015 - The company has no expected significant changes in the number of employees.

For the year 2016 - The company has no expected significant changes in the number of employees.

#### **Key Performance Indicators ( KPI's )**

The Company's and its majority owned subsidiaries' top five (5) key performance indicators are shown below.

|                    | <u>December 31, 2015</u> | <u>December 31, 2014</u> | <u>Difference %</u> |
|--------------------|--------------------------|--------------------------|---------------------|
| Revenues           | P3,790,438               | P4,782,021               | (P991,583)          |
| Earnings per share | 1.26                     | P3.24                    | (P1.98)             |
| Return on Equity   | .0064                    | .0166                    | (.0102)             |
| Debt ratio         | .03458                   | .03291                   | .0017               |
| Market Valuation   | 3.38                     | 3.56                     | (.18)               |

Revenues decrease in 2015 by P 991,583 due to the effect of remeasurement of loan and interest income from bank.

Earnings per share is calculated by dividing the net income over the shares outstanding.

Return on equity is computed by dividing net income over average stockholders equity.

Debt ratio measures the share of company's liabilities to total assets.

Market valuation is computed by dividing market value per share over book value per share.

### **Key Performance Indicators ( KPI's )**

The Company's and its majority owned subsidiaries' top five (5) key performance indicators are shown below.

|                    | <u>September 30, 2016</u> | <u>September 30, 2015</u> | <u>Difference %</u> |
|--------------------|---------------------------|---------------------------|---------------------|
| Revenues           | P4,034,719                | P3,688,710                | P346,009            |
| Earnings per share | P3.62                     | P2.98                     | P.64                |
| Return on Equity   | .01814                    | .01522                    | .00292              |
| Debt ratio         | .03574                    | .03311                    | .00263              |
| Market Valuation   | 5.032                     | 2.31                      | 2.72                |

Revenues increase in 2016 by P346,009 due to the effect of remeasurement of loan and interest income from bank.

Earnings per share is calculated by dividing the net income over the shares outstanding.

Return on equity is computed by dividing net income over average stockholders equity.



Debt ratio measures the share of company's liabilities to total assets.

Market valuation is computed by dividing market value per share over book value per share.

## **OPERATIONAL AND FINANCIAL INFORMATION**

Market for Issuer's Common Equity and Related Stockholder Matters

### **MARKET INFORMATION**

The principal market for the Company's Common Equity is the Philippine Stock Exchange as of September 30, 2016.

### **HOLDERS**

| <u>Class</u> | <u>No. of Stockholders</u> |
|--------------|----------------------------|
| Common A     | 336                        |
| Common B     | 1                          |

### **MARKET INFORMATION FOR SECURITIES OTHER THAN COMMON EQUITY**

The principal market of the common equity of the issuer is the Philippine Stock Exchange. From the table below, the trading price indicate the high & low sales prices of the common equity of the registrant from 2014 to 3<sup>rd</sup> Quarter of 2016.

| <b><u>2016</u></b> | <b><u>1st Quarter</u></b> | <b><u>2nd Quarter</u></b> | <b><u>3rd Quarter</u></b> |                           |
|--------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                    | <b><u>Date Price</u></b>  | <b><u>Date Price</u></b>  | <b><u>Date Price</u></b>  |                           |
| <b>HIGH</b>        | 669.50                    | 669.50                    | 1800                      |                           |
| <b>LOW</b>         | 669.50                    | 669.50                    | 640                       |                           |
| <b><u>2015</u></b> | <b><u>1st Quarter</u></b> | <b><u>2nd Quarter</u></b> | <b><u>3rd Quarter</u></b> | <b><u>4th Quarter</u></b> |
|                    | <b><u>Date Price</u></b>  | <b><u>Date Price</u></b>  | <b><u>Date Price</u></b>  | <b><u>Date Price</u></b>  |
| <b>HIGH</b>        | 601                       | 303                       | 450                       | 669.50                    |
| <b>LOW</b>         | 600                       | 303                       | 401                       | 669.50                    |
| <b><u>2014</u></b> | <b><u>1st Quarter</u></b> | <b><u>2nd Quarter</u></b> | <b><u>3rd Quarter</u></b> | <b><u>4th Quarter</u></b> |
|                    | <b><u>Date Price</u></b>  | <b><u>Date Price</u></b>  | <b><u>Date Price</u></b>  | <b><u>Date Price</u></b>  |
| <b>HIGH</b>        | No Trading                | 825                       | 1390                      | 700                       |
| <b>LOW</b>         | No Trading                | 720                       | 700                       | 700                       |

Last transaction date was September 30, 2016 and the closing price was at P1014 per share.

### **OTHER SECURITIES**

None

**BHI HOLDINGS, INC.**  
(formerly Consolidated Insurance Company, Inc.)  
EXPLANATORY PAGE IN LIEU OF THE  
SCHEDULE OF AGING OF ACCOUNTS RECEIVABLE  
QUARTERLY REPORT ENDING SEPTEMBER 30, 2016

The Company opted to attach this explanatory page in the absence of accounts classified under Trade Receivable and the inapplicability of its Non-Trade Receivable.

The Company's adoption of the new accounting standard result in the measurement of loans and receivables at amortized cost using the effective interest rate method. The discount rates used for due from related party and loan receivables of 5.72% and 5.50%, respectively, were determined by reference to the market interest rates at the time of the recognition of receivables.

As of September 30, 2016, the amortized cost of loan receivable and due from related parties are as follows:

**DUE FROM RELATED PARTY**

This consists of deposits made in 1999 by the Company for the acquisition of interest in the following company:

|                                    |   |                    |
|------------------------------------|---|--------------------|
| Aqua Rich, Inc                     | P | 46,000,000         |
| Discount on Due From Related Party |   | <u>845,234</u>     |
|                                    | P | <u>46,845,234</u>  |
|                                    |   |                    |
| Aqua Rich, Inc.                    | P | 54,000,000         |
| Discount on Due From Related Party |   | <u>1,197,833</u>   |
|                                    | P | <u>55,197,833</u>  |
|                                    |   |                    |
| Total                              | P | <u>102,043,067</u> |

The Company converted these deposits to loans with an annual interest rate of 3%, as provided in the respective memoranda of agreement.

A) **MANAGEMENT ASSESSMENT OF THE FINANCIAL RISK EXPOSURES OF THE COMPANY:**

**RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is coordinated with the parent company, in close cooperation with the BDO, and focuses on actively securing the Company's short-to-medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The financial risks to which the Company is exposed to are describe below:

**1. Interest Rate Risk**

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. At September 30, 2016, exposures to changes in market interest rates refer to Company's cash in bank, which are subject to variable interest rates. The balance of cash in bank, however is not material.

**2. Credit Risk**

Generally, the maximum credit risk exposure of the financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in detailed analysis provided in the notes to the financial statements), as summarized below:

|                          |   |                    |
|--------------------------|---|--------------------|
| Cash                     | P | 341,485            |
| Due from a related party |   | 55,197,833         |
| Due from a related party |   | 46,845,234         |
|                          | P | <u>102,384,522</u> |

To mitigate the risk, the Company's policy is to deal only with creditworthy counterparties. The Company has granted an unsecured loan to a related party amounting to P54,000,000 which has a net carrying value of P55,197,833 as of September 30, 2016. On January 2, 2013 THI assigned this loan payable to Aqua Rich Inc., a related party of the Company under common ownership and interlocking directors and officers. The company has also granted an unsecured loan to related party amounting to P46,000,000 which has a net carrying value of P 46,845,234 as of September 30, 2016. As such, the carrying value represents the Company's maximum credit risk exposure. Accordingly, credit risk, as assessed by management, is low. As to cash, the Company's bank accounts are maintained in highly reputable bank.

### **3. Liquidity Risk**

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments.

The Company's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost. Operations of the Company are financed internally, however, in cases where there is substantial expenditures that is beyond the Company's capacity to finance, the Parent Company can provide the the necessary funding requirement.

As of September 30, 2016 and 2015, the Company's current financial liabilities amounting to P3,735,382 and P3,332,919 respectively.

## **B) MANAGEMENT DISCUSSIONS REGARDING ITS FINANCIAL INSTRUMENTS:**

### ***Financial Assets***

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held to maturity investments and available for sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investment were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and related transaction costs are recognized in profit or loss.

Currently, all of the Company's financial assets are recognized as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in the current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non current assets.

The Company's financial asses categorized as loans and receivables are presented as Cash and Due from a Related Party in the statement of financial position. Cash includes cash on hand and in bank that are unrestricted and readily available for use in the operations of the Company. Cash in bank generally earns interest based on daily bank deposit rates.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivable. The amount of impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Revenue or Finance Costs in the statement of comprehensive income.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The Financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party.

### ***Financial Liabilities***

Financial liabilities, which include accrued expenses and other payables and due to a stockholder, are recognized when the Company becomes a party to the contractual terms of the instrument. These are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for those with maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

## MANAGEMENT'S DISCUSSION AND STATUS OF OPERATIONS

The company presently derives revenue mainly from interest on loan and advances to a related party, which is considered its main business segment. Accordingly, no business segment information is presented in its financial statements.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets. The measurement bases are more fully described in the accounting policies.

The company as an investment holding company, the Company's target is to acquire ownerships in shares of profitable corporations. However, due to the present economic condition, the Company has not been very active in any investing activity and is only receiving interest income from loans granted to a related party and a third party. These factors, among others, raised substantial doubt about the Company's ability to continue as a going concern. The Company's management, however, continues to assess possible investment opportunities that it may undertake in the future. The financial statements do not include any adjustments on the recoverability and classifications of the assets or the amounts and classification of the liabilities arising from these uncertainties.

At present, the company has no principal products or services because it has not decided as to what products or services it will introduce to the market.

Accounts that changed compared to quarter ending September 30, 2015 financial statement are as follows:

As of September 30, 2016, cash increased from P207,371 in 2015 to P341,485 for the period ended September 30, 2016. This was due mainly to high level of net cash provided in operating activities amounting to P150,332 in 2016. For the period under review, interest received are P2,245,902 and P2,243,836 for the 3rd quarter 2016 and 2015.

**Loan Receivable.** Increased by 5.30%, from P52,417,151 to P55,197,833 due to loan receivable pertains to the loan granted to Takeda Holdings, Inc., a third party. The term of the loan agreement is for two years up to June 2016, with 3% interest rate due and payable annually. Under PFRS, the loan is remeasured by reference to the market interest rate at the time of the inception of the loan. . However on January 2, 2013, THI assigned its loan payable to Aqua Rich, Inc., a related party of the Company under common ownership and interlocking directors and officers. As such, the loan was reclassified to Due from a Related Party.

**Due from a related party.** Increased by 1.84%, from P46,000,000 to P46,845,234 This account initially consisted of deposit made by the Company for the acquisition of equity

interest in an entity that has common stockholders as the Company. Upon the expiration of the conversion period of the deposit into equity, the deposits were automatically converted into an unsecured loan. The loan will mature in August 2017, hence, presented under current assets.

**Accrued expenses and other payables.** Amounted to P3,735,382 period ended September 30, 2016 compared to P3,332,919 in 2015 decreased by 12.07%, the lease contract is from January 1, 2016 to December 31, 2016.

## **Result of Operations**

**Revenue.** On September 30, 2016, the Company achieved revenue of P4,034,719 increased compare to P3,688,710 in 3rd quarter 2015. This was primarily due to the interest income in excess of actual rates recognized on loan receivable and due from a related party, as a result of PFRS application, was considered non-taxable income.

**Operating Expenses.** Total expenses decreased from P2,199,370 in 3rd quarter 2015 to P2,222,794 this quarter due to decreased in salaries and wages and other operating expenses.

# BHI HOLDINGS, INC.

(formerly Consolidated Insurance Corporation, Incorporated)

## COMPARATIVE STATEMENTS OF FINANCIAL POSITION

ANNEX 'A'

|   | 30-Sep<br>2016     | Audited<br>31-Dec<br>2015 | INCREASE / (DECREASE) |              |
|---|--------------------|---------------------------|-----------------------|--------------|
|   |                    |                           | PESOS                 | PERCENT      |
| <b>ASSETS</b>                                     |                    |                           |                       |              |
| <b>CURRENT ASSETS:</b>                            |                    |                           |                       |              |
| CASH  | 341,485            | 191,153                   | 150,332               | 78.64%       |
| INPUT VAT -ADDED TAXES                            | 2,135,194          | 2,071,781                 | 63,413                | 3.06%        |
| DUE FROM A RELATED PARTY                          | 46,845,234         | 46,000,000                | 845,234               | 1.84%        |
| LOANS RECEIVABLE                                  | 55,197,833         | 54,254,795                | 943,038               | 1.74%        |
| <b>TOTAL ASSETS</b>                               | <b>104,519,746</b> | <b>102,517,729</b>        | <b>2,002,017</b>      | <b>1.95%</b> |
| <b>LIABILITIES &amp; STOCKHOLDER'S EQUITY</b>     |                    |                           |                       |              |
| <b>LIABILITIES:</b>                               |                    |                           |                       |              |
| ACCOUNTS PAYABLE AND ACCRUED EXPENSES             | 2,753,184          | 2,563,050                 | 190,134               | 7.42%        |
| DUE TO A RELATED PARTY                            | 967,116            | 967,116                   | -                     | 0.00%        |
| INCOME TAX PAYABLE                                | 15,082             | 15,123                    | (41)                  | -0.27%       |
| <b>TOTAL LIABILITIES</b>                          | <b>3,735,382</b>   | <b>3,545,289</b>          | <b>190,093</b>        | <b>5.36%</b> |
| <b>STOCKHOLDER'S EQUITY :</b>                     |                    |                           |                       |              |
| AUTHORIZED CAPITAL STOCK                          |                    |                           |                       |              |
| CLASS A OF 700,000 SHARES @ P100.00 PAR           |                    |                           |                       |              |
| ISSUED & OUTSTANDING - 350,000 SHARES             | 35,000,000         | 35,000,000                | -                     | 0.00%        |
| CLASS A OF 300,000 SHARES @ P100.00 PAR           |                    |                           |                       |              |
| ISSUED & OUTSTANDING - 150,000 SHARES             | 15,000,000         | 15,000,000                | -                     | 0.00%        |
| CONTRIBUTED SURPLUS                               | 7,520,755          | 7,520,755                 | -                     | 0.00%        |
| RETAINED EARNINGS                                 | 43,263,609         | 41,451,684                | 1,811,925             | 4.37%        |
| <b>TOTAL STOCKHOLDER'S EQUITY</b>                 | <b>100,784,364</b> | <b>98,972,439</b>         | <b>1,811,925</b>      | <b>1.83%</b> |
| <b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b> | <b>104,519,746</b> | <b>102,517,729</b>        | <b>2,002,018</b>      | <b>1.95%</b> |



# BHI HOLDINGS, INC.

(formerly Consolidated Insurance Corporation, Incorporated)

## STATEMENTS OF COMPREHENSIVE INCOME AND RETAINED EARNINGS FOR NINE MONTHS ENDING SEPTEMBER 30, 2016

**ANNEX 'B'**

|  | Nine-Months Period Ending |            | Three-Months Period Ending |            |
|--|---------------------------|------------|----------------------------|------------|
|  | 30-Sep-16                 | 30-Sep-15  | 30-Sep-16                  | 30-Sep-15  |
| OTHER INCOME                                       |                           |            |                            |            |
| EFFECTIVE INTEREST INCOME IN EXCESS OF ACTUAL RATE | 1,788,272                 | 1,444,173  | 588,532                    | 436,850    |
| INTEREST-FUNDS HELD BY LOANS                       | 2,245,902                 | 2,243,836  | 754,098                    | 756,164    |
| BANK DEPOSITS                                      | 545                       | 701        | 253                        | 209        |
| TIME DEPOSITS/SSD/COMMERCIAL PAPERS                | -                         | -          | -                          | -          |
| GOVERNMENT SECURITIES                              | -                         | -          | -                          | -          |
| OTHER SOURCES/TAX CREDITS/EARNED DISCOUNTS         | -                         | -          | -                          | -          |
| DIVIDEND INCOME                                    | -                         | -          | -                          | -          |
| GAIN/(LOSS) ON FOREIGN EXCHANGE                    | -                         | -          | -                          | -          |
| MISCELLANEOUS                                      | -                         | -          | -                          | -          |
|  | 4,034,719                 | 3,688,710  | 1,342,883                  | 1,193,223  |
| INTEREST INCOME                                    | 4,034,719                 | 3,688,710  | 1,342,883                  | 1,193,223  |
| GENERAL AND ADMINISTRATIVE EXPENSES                | 2,222,794                 | 2,199,370  | 647,507                    | 633,357    |
| INCOME/(LOSS) BEFORE INCOME TAX                    | 1,811,925                 | 1,489,340  | 695,376                    | 559,866    |
| PROVISION FOR INCOME TAX                           | -                         | -          | -                          | -          |
| NET INCOME/(LOSS)                                  | 1,811,925                 | 1,489,340  | 695,376                    | 559,866    |
| RETAINED EARNINGS AT BEGINNING OF YEAR             | 41,451,684                | 40,820,699 | 41,451,684                 | 40,820,699 |
| AS PREVIOUS REPORTED EFFECT OF TRANSITION TO PFRS  |                           |            |                            |            |
| AS RESTATED  | 41,451,684                | 40,820,699 | 41,451,684                 | 40,820,699 |
| RETAINED EARNINGS AT END OF THE YEAR               | 43,263,609                | 42,310,039 | 42,147,060                 | 41,380,565 |
| TOTAL NUMBER OF SHARES OUTSTANDING                 | 500,000                   | 500,000    | 500,000                    | 500,000    |
| EARNINGS PER SHARE                                 | 3.62                      | 2.98       | 1.39                       | 1.12       |

Note: 1) No dividends was declared applicable to common stock.

2) Earnings Per Share was computed by dividing net income/(loss) by the weighted average number of common shares subscribed and issued during the year outstanding.

# BHI HOLDINGS, INC.

(formerly Consolidated Insurance Corporation, Incorporated)

## STATEMENTS OF CASH FLOWS FOR NINE MONTHS ENDING SEPTEMBER 30, 2016

**ANNEX 'C'**

|  | Nine-Months Period Ending |                  | Three-Months Period Ending |                  |
|--|---------------------------|------------------|----------------------------|------------------|
|  | 30-Sep-16                 | 30-Sep-15        | 30-Sep-16                  | 30-Sep-15        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                  |                           |                  |                            |                  |
| NET INCOME / (LOSS)  | P 1,811,925               | P 1,489,340      | P 695,376                  | P 559,867        |
| Adjustment to reconcile net income / (loss) to net           | (1,788,272)               | (1,444,173)      | (588,532)                  | (436,850)        |
| Cash Provided by (used in) Operating Activities:             |                           |                  |                            |                  |
| Adjustment for Interest Income                               |                           |                  |                            |                  |
| Depreciation and Amortization                                |                           |                  |                            |                  |
| Reserve for Fluctuation of Investment in Shares of Stock     |                           |                  |                            |                  |
| Provision for Deferred Income Tax                            |                           |                  |                            |                  |
| Loss on Disposal of Insurance Business                       |                           |                  |                            |                  |
| (Increase)/Decrease in:                                      |                           |                  |                            |                  |
| Accrued Interest Receivable                                  |                           |                  |                            |                  |
| Other Assets   | (63,413)                  | (62,046)         | (10,800)                   | (10,800)         |
| Increase/(Decrease) in:                                      |                           |                  |                            |                  |
| Accounts Payable and Accrued Expenses                        | 190,134                   | (13,970)         | 100,650                    | (99,350)         |
| Income Tax Payable   | (41)                      |                  |                            |                  |
| <b>Net Cash Provided by / (Used In) Operating Activities</b> | <b>P 150,332</b>          | <b>(30,850)</b>  | <b>P 196,693</b>           | <b>P 12,866</b>  |
| <b>Cash Flow from Investing Activities</b>                   |                           |                  |                            |                  |
| Acquisition of Investments in:                               |                           |                  |                            |                  |
| Government Securities  |                           |                  |                            |                  |
| Shares of Stocks   |                           |                  |                            |                  |
| Property and Equipment                                       |                           |                  |                            |                  |
| Proceeds from:   |                           |                  |                            |                  |
| Retirement of Investment in Government Papers                |                           |                  |                            |                  |
| Retirement of Investment in Commercial Papers                |                           |                  |                            |                  |
| Decrease/(Increase) In Other Assets                          |                           |                  |                            |                  |
| <b>Net Cash Provided by / (Used In) Investing Activities</b> | <b>-</b>                  | <b>-</b>         | <b>-</b>                   | <b>-</b>         |
| <b>Additional Paid-In Capital During the Year</b>            | <b>-</b>                  | <b>-</b>         | <b>-</b>                   | <b>-</b>         |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>  | <b>P 150,332</b>          | <b>(30,850)</b>  | <b>P 196,693</b>           | <b>P 12,866</b>  |
| <b>Cash and Cash Equivalents at Beginning of the Year</b>    | <b>191,153</b>            | <b>238,221</b>   | <b>191,153</b>             | <b>238,221</b>   |
| <b>Cash and Cash Equivalents at End of the Year</b>          | <b>P 341,485</b>          | <b>P 207,371</b> | <b>P 387,846</b>           | <b>P 251,087</b> |

# BHI HOLDINGS, INC.

(formerly Consolidated Insurance Corporation, Incorporated)

## STATEMENTS OF CHANGES IN EQUITY

FOR NINE MONTHS ENDING SEPTEMBER 30, 2016

**ANNEX 'D'**

|   | Nine-Months Period Ending |                   | Three-Months Period Ending |                   |
|---|---------------------------|-------------------|----------------------------|-------------------|
|   | 30-Sep-16                 | 30-Sep-15         | 30-Sep-16                  | 30-Sep-15         |
| <b>CAPITAL STOCK - P100 par value</b>             |                           |                   |                            |                   |
| Class A   |                           |                   |                            |                   |
| Authorized - 700,000 shares                       |                           |                   |                            |                   |
| Issued - 350,000 shares                           | 35,000,000                | 35,000,000        | 35,000,000                 | 35,000,000        |
| Class B   |                           |                   |                            |                   |
| Authorized - 300,000 shares                       |                           |                   |                            |                   |
| Issued - 150,000 shares                           | 15,000,000                | 15,000,000        | 15,000,000                 | 15,000,000        |
| Balance   | 50,000,000                | 50,000,000        | 50,000,000                 | 50,000,000        |
| <b>ADDITIONAL PAID-IN CAPITAL</b>                 | <b>7,520,755</b>          | <b>7,520,755</b>  | <b>7,520,755</b>           | <b>7,520,755</b>  |
| <b>RETAINED EARNINGS</b>                          |                           |                   |                            |                   |
| Balance at beginning of the year                  | 41,451,684                | 40,820,699        | 41,451,684                 | 40,820,699        |
| As previous reported Effect of Transition to PFRS |                           |                   |                            |                   |
| As restated                                       | 41,451,684                | 40,820,699        | 41,451,684                 | 40,820,699        |
| Net income (loss)                                 | 1,811,925                 | (1,003,192)       | 695,376                    | 559,867           |
| Balance at end of the year                        | 43,263,609                | 39,817,507        | 42,147,060                 | 41,380,566        |
| <b>TOTAL EQUITY</b>                               | <b>100,784,364</b>        | <b>97,338,262</b> | <b>99,667,815</b>          | <b>98,901,321</b> |