

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

H	O	U	S	E		O	F		I	N	V	E	S	T	M	E	N	T	S	,		I	N	C	.		A	N	D
S	U	B	S	I	D	I	A	R	I	E	S																		

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

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Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

N/A

Company's Telephone Number/s

815-9636 to 38

Mobile Number

N/A

No. of Stockholders

403

Annual Meeting
Month/Day

3rd Friday of July

Fiscal Year
Month/Day

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Maria Teresa T. Bautista

Email Address

mtbautista@hoi.com.ph

Telephone Number/s

815-9636

Mobile Number

N/A

Contact Person's Address

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

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

SECURITIES AND EXCHANGE COMMISSION

AMENDED SEC FORM 17 – Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION
CODE
AND SRC RULE 17(2)-(B) THEREUNDER

1. For the quarterly period ended September 30, 2015
2. SEC Identification Number 15393
3. BIR Tax Identification No. 000-463-069
4. Exact name of registrant as specified in its charter: HOUSE OF INVESTMENTS, INC.
5. Makati City, Philippines
Province, Country or other jurisdiction
of incorporation or organization
6. / / (SEC Use Only)
Industry Classification Code:
7. 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City 1200
Address of principal office Postal Code
- +63 (2) 8940320; +63 (2) 8134537
Issuer's telephone number, including area code
9. Not Applicable
Former name, or former address, if changed.
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Stock, P1.50 par value	615,896,757 shares of common stock
Preferred Stock, P0.40 par value	817,554,712 shares of preferred stock

Amount of debt as of September 30, 2015 P19.25 Billion

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

Yes (X) No ()
Only the common stock is listed in the Philippine Stock Exchange
12. Check whether the registrant:
 - (a) has filled all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes (X) No ()
 - (b) has been subject to such filing requirements for the past 90 days.
Yes (X) No ()

TABLE OF CONTENTS

	Page No.
PART 1 – FINANCIAL STATEMENTS	
Item 1. Financial Statements <ul style="list-style-type: none"> • Consolidated Statements of Financial Position as of September 30, 2015 (unaudited) and December 31, 2014 (audited) • Unaudited Consolidated Statements of Income for the Quarters Ended September 30, 2015, 2014 and 2013 • Unaudited Consolidated Statements of Comprehensive Income for the Quarters Ended September 30, 2015, 2014 and 2013 • Unaudited Consolidated Statements of Changes in Stockholders' Equity for Quarters Ended September 30, 2015, 2014 and 2013 • Unaudited Consolidated Statements of Cash Flows for the Quarters Ended September 30, 2015, 2014 and 2013 • Notes to Consolidated Financial Statements 	Exhibit 1 (Pages 10-73)
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	1-8
PART II – OTHER INFORMATION	
Item 3. Q3 2015 Developments	9-10
Item 4. Supplementary Information and Disclosures Required on SRC Rule 68 and 68.1	75-90
Aging of Accounts Receivable	81
Signature	91

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The interim consolidated financial statements of House of Investments, Inc. and Subsidiaries as of September 30, 2015 with comparative figures for the periods ended December 31, 2014 and September 30, 2014 and Schedule of Aging of Accounts Receivable are incorporated by reference as **Exhibit 1**.

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

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

Are there any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.	None
Does the registrant currently has, or anticipates having within the next twelve (12) months, any cash flow or liquidity problems?	No
Is the registrant in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments?	No
Has there been a significant amount of the registrant's trade payables have not been paid within the stated trade terms?	None
Describe internal and external sources of liquidity, and briefly discuss any sources of liquid assets used.	Sources of liquidity depend on the dividend declaration of IPO and EEI.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;

None

(iii) All 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.

None

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described;

•EEI Corp., a major subsidiary under the HI Group, continues to have a strong construction pipeline domestically. Major additions to its project pipeline will require additional investments in new capital equipment in order for EEI to be able to deliver its projects to its customers.

EEI expects to be able to pay for its capital equipment acquisitions through a combination of internally generated funds, and new borrowings.

•One of the Group's major subsidiaries under iPeople, Malayan Colleges Inc. (operating under the Mapua Institute of Technology) or MCI recently completed a two-phase redevelopment project of its Intramuros campus. The purpose of this redevelopment project is to update the facilities for the benefit of the current and entering students.

This redevelopment project has two major phases. First, was the renovation and update of the existing gym. This was completed and turned over in May 2014. Second, was the construction of the new Research and Administration building that will house additional offices and laboratories, including the Admissions Office, the Placement Office, and the Corporate Communications Office. Construction commenced in May 2014 and was completed this year.

iPeople, inc. and the Malayan Colleges, Inc. used internally generated funds for this redevelopment project.

Construction of the Engineering Building of Malayan Colleges Laguna, Inc. was completed in middle of Q3 2015.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described. If the registrant knows of events that will cause material change in the relationship between costs and revenues (such as known future increases in cost of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.

•For the EEI Corp., the Management Committee received reports from its joint venture company in Saudi Arabia, the Al-Rushaid Construction Company (ARCC) concerning the status of two of its projects, the Naphtha and Aromatics (SAIPEM) and the Petro-Rabign II Mitsubishi Hitachi Power Systems, Ltd. (MHPS).

For MHPS, the project has incurred losses due to manpower and productivity issues. A claim for SAR 67 million has been filed with MHPS and ARCC is hopeful that a significant amount will be approved.

For SAIPEM, ARCC has submitted a claim amounting to SAR 150 million for costs incurred due to causes attributable to the client, like delayed delivery of owner supplied materials and equipment and delayed access due to delayed completion of civil works being done by the client. Unfortunately, SAIPEM has rejected the claim and ARCC is undertaking remedial measures to contain costs and the same time initiating arbitration and proceedings per contract wherein it has strong case to recover a substantial portion of the claim.

In view of the above problems encountered in these two projects, ARCC provided provisions, starting this quarter, for probable losses on two on-going projects if cost claims against the clients are not awarded through negotiation or legal arbitration. The provisions cover the entire projected loss until the completion of the two projects, with full recognition being done this year and with majority recognized this quarter resulting to significant drop in the Parent's equity in net earnings.

In light of the unfavorable developments in its joint venture in the Kingdom of Saudi Arabia, coupled with the prevailing low oil price regime which could result in a slowdown of construction activity in the petrochemical industry, the Company is intensifying pursuit of projects outside the Kingdom and more in the heavy industrial and infrastructure spaces.

•While it is not anticipated to have an immediate impact on our schools this year, Malayan Colleges Inc., Malayan Colleges Laguna, and Malayan High School of Science are preparing for the implementation of the Department of Education’s K Plus 12 program.

Under the DepEd K Plus 12 program, the government will add two more years of secondary education. Filipino students will now have to complete 12 years of basic education before they enter studies at the university level.

The current implementation plan of the DepEd calls for the two extra years of basic education to be phased in starting in 2016. Therefore starting 2016, there will be two years where there will not be any students moving on to tertiary studies. This will severely impact the profit and cashflow of both for-profit and non-profit tertiary education institutions.

Malayan Colleges, Inc., and Malayan Colleges Laguna, Inc. have already received approval of their respective applications with the DepEd to offer Grades 11 and 12 in 2016 and 2017, respectively, to mitigate the expected slowdown in enrollment at the collegiate level due to the K+12 implementation.

iPeople Inc. stresses that the impact of K Plus12 will be felt in the 2016-2017 school year. In the near term, it will not have an effect on the enrolment in our schools.

As a strategic response to the K Plus 12 developments, iPeople is actively seeking acquisition targets that would fit in with its current education portfolio. These targets can include for profit secondary schools, for profit colleges, or for profit universities.

•The Car Divisions benefited from new product introductions by Honda and Isuzu in 2014 and in 2015. Due to the launch of updated variants, plus the introduction of new models this year, Honda and Isuzu unit sales at our car dealerships increased significantly.

(vi) Any significant elements of income or loss that did not arise from the registrant's continuing operations;

None

(vii) The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item; The term “material” in this section shall refer to changes or items amounting to five percent (5%) of the relevant accounts or such lower amount, which the registrant deems material on the basis of other factors.

Income Statement Variances

As of the period ended 30 September 2015, the Group posted a consolidated net income after tax of P1,003.52 million compared to P1,211.39 million of the same period last year. Net income attributable to Parent company is P757.57 million.

Total consolidated revenues increased by 30%, from P16.77 billion to P21.83 billion of the comparable quarter last year. This was driven by the significant increase in construction segment.

Revenues from construction segment improved by 27% compared to last year, resulting from several

new domestic projects awarded to EEI. Sales of car dealerships grew by 51%, from P3.46 billion of same quarter last year to P5.22 billion this quarter. Likewise, income from school operations increased as the number of enrollees and units taken by students improved.

Interest and discounts, which are attributable to ZIFC, decreased from P9.04 million to P8.81 million this quarter.

Dividends represent dividend income from various available-for-sale securities, from P31.56 million to P44.90 million as of the period.

Accordingly, total consolidated cost of sales and services also increased. This is primarily attributable to increase in cost of construction contracts of EEI and cost of vehicles sold by the car dealership as of the quarter.

Increase in cost of construction contracts came from several on-going and newly awarded domestic projects. Increase in cost of goods sold was volume driven. On the other hand, increase in cost of school and related operations is attributable to higher student-related expenses, personnel expenses, utilities and supplies, brought about by increase in the number of students.

Consolidated general and administrative expenses dropped as the Group continues to keep its cost under control.

Other income went up by 16%, from P222.20 million to P258.01 million, primarily because of higher numbers of cases of financing and dealers' income from the car dealership segment.

Equity in net earnings has significantly dropped due to net loss reported for the period of EEI's foreign affiliate, Al Rushaid Construction Company (ARCC), in which EEI has 49% holdings.

Interest and finance charges increased from P185.76 million to P208.55 million due to higher loan level of the Group to finance new projects and investments.

Balance Sheet Variances

Total consolidated assets of the Group stood at P32.52 billion as of the quarter ended September 2015 against P28.81 billion as of the year ending December 2014.

Total current assets grew from P15.16 billion to P18.28 billion this year, primarily due to increase in collections and receivables of EEI, relative to new and on-going domestic projects for the quarter.

Account receivables are higher by 31%, mainly because of receivables of EEI attributable to the increase in progress billings due to heavy construction activity for the period.

The decrease of current portion of loans receivable from P11.97 million to P10.31 million is attributed to lower client borrowings during the period.

Increase in costs and estimated earnings in excess of billings on uncompleted contracts is due to cost incurrence of major on-going domestic projects.

Inventories increased in relation to higher volume of vehicle units sold as of the quarter by the car dealership.

Receivable from related parties pertains mainly to advances extended to an affiliate and receivables of EEI for manpower services.

Prepaid expenses and other current assets increased primarily due to prepaid taxes from EEI attributable to the increase in progress billings for the period.

Financial assets at FVPL pertains to investment of iPeople (IPO) in UITF.

Total noncurrent assets increased from P13.66 billion to P14.24 billion. This is attributable to increase in property and equipment as EEI purchased additional machinery, tools and construction equipment.

Investments in associates and joint ventures increased due to additional investments of Parent Company in EEI and Petroenergy (PERC) and investments of EEI Power on Petro Wind Energy Inc. and Petro Green Energy Corp.

Decrease in available for sale securities is mainly attributable to the decrease of the authorized capital stock of of Brightnote Assets Corporation amounting P14.0 million by EEI and the redemption of the Parent's investment in preferred shares from RCBC Realty Corporation.

Investment properties went down due to the sale of EEI's fifty two (52) cemetery lots at Golden Haven Las Piñas, five (5) condominium units and four (4) parking lot spaces with total book value of P19.1 million.

Property and equipment went up due to EEI's acquisition of various machinery, tools and construction equipment, transportation and service equipment, furniture and fixtures million, and leasehold improvements as well as the gym renovation and the research and admissions building by iPeople group.

Other noncurrent asset is lower against last year because of reclassification of EEI from this account to Investment in associates and joint venture account.

Total consolidated liabilities was at P19.25 billion against P16.07 billion as of December 2014.

Increase in total current liabilities pertains mainly to higher billings in excess of costs and estimated earnings on uncompleted contracts in relation to on-going and newly awarded domestic projects of EEI.

Accounts payable and accrued expenses increased by 8% primarily because of higher project costs and heightened construction activity in EEI.

Billings in excess of costs and estimated earnings on uncompleted contracts increased by P2.2 billion, which is attributable mainly to contract deposits from newly awarded projects.

Increase in unearned tuition fees is a timing factor as enrolment for the next academic quarter started in September 2015.

Payable to related parties pertains mainly to obligations of the Group to its affiliates.

Customers' deposits dropped by 28% due to applications of advance payments to progress billings of EEI.

Total noncurrent liabilities increased to P3.33 billion from P3.07 billion of year ending December 2014.

Long-term debt relatively increased as EEI took out an additional loan to finance its new projects.

Lease liability which pertains to EEI's obligation to RCBC Leasing and Finance Corporation relative to purchase of various machinery and construction equipment under financial lease, was fully paid at the end of the quarter.

Total consolidated equity rose from P12.75 billion to P13.27 billion, of which P8.85 billion is attributable to Parent Company.

Decrease in preferred stock reflects regular redemption of the Parent Company's preferred shares.

Equity reserve on acquisition of noncontrolling interest represents difference in par value and acquisition cost of additional EEI shares purchased by the Parent Company.

Net unrealized gains on available-for-sale securities decrease due to the decline in fair market value of quoted available-for-sale securities.

Decrease in remeasurement losses on net retirement liability is the effect of the Parent's purchase of additional shares from EEI.

Change in cumulative translation adjustment represents exchange differences arising from the translation of financial statements of the foreign subsidiary, EEI BVI, whose functional currency is the United States dollar and foreign associate, ARCC with functional currency of Saudi Arabia Riyal.

Total consolidated retained earnings increased from P6.23 billion to P6.93 billion.

(viii) Any seasonal aspects that had a material effect on the financial condition or results of operations.

School operations always undergo a material change during the summer quarter. For the purposes of this discussion, the summer quarter occurs in the three months from late March to late May of every year.

During the summer quarter, student enrolment drops over 75 percent because the majority of matriculating students go on break. Therefore there is a seasonal shift in revenues as enrolment drops in the summer quarter. Despite the drop in enrolment during the summer, the schools continue to carry the same periodic fixed costs over a lower revenue base. Therefore the schools realize much lower net profits during the summer months. This is something that happens every year.

When the students return in the 3rd calendar quarter (July to September), revenues and profits return to their normal run rates. In fact given the summer quarter, the financial results of the schools tend to be back end loaded with respect to the calendar year. This means that the second half of the calendar year is always more profitable compared to the first half of the calendar year.

Financial Soundness Indicators

The company's top 11 key performance indicators as of the end of September 30, 2015 compared to December 31, 2014 are as follows:

Financial ratios		2015	2014
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.15:1	1.17:1
<i>Indicates the Group's ability to pay short-term obligation</i>			
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	0.08:1	0.16:1
<i>Shows how likely a company will be to continue meeting its debt obligations</i>			
Debt-to-equity ratio	$\frac{\text{Total Debt}}{\text{Equity}}$	1.45:1	1.26:1
<i>Measures the Group's leverage</i>			
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Equity}}$	2.45:1	2.26:1
<i>Shows how the company's leverage (debt) was used to finance the firm</i>			
Interest Rate Coverage	$\frac{\text{EBIT}}{\text{Interest Expense}}$	6.85:1	10.29:1
<i>Shows how easily a company can pay interest on outstanding debt</i>			
Return on Average Stockholders' Equity	$\frac{\text{Net Income}}{\text{Average Equity}}$	7.72%	16.62%
<i>Reflects how much the Group's has earned on the funds invested by the stockholders</i>			
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	3.72%	7.58%
<i>Measure the ability to utilize the Group's assets to create profits</i>			
Net Profit Margin	$\frac{\text{Net Income}}{\text{Total Revenues}}$	5%	8%
<i>Shows how much profit is made for every peso of revenue</i>			
Asset Turnover	$\frac{\text{Total Revenues}}{\text{Total Assets}}$	0.67	0.86
<i>Shows efficiency of asset used in operations</i>			

Forward

Return on Equity	$\frac{\text{Net Income/Total Revenues}}{\text{xTotal Revenues}} \times \frac{\text{Total Assets}}{\text{x Total Assets}} \div \frac{\text{Total Assets}}{\text{/Total Equity}}$	8.0%	15.0%
<i>Shows how much the business returns to the stockholders for every peso of equity capital invested</i>			

- Current ratio is at 1.15 as of quarter ended September 2015 compared to 1.17 as of the period ended December 2014. This is slightly lower because of higher billings in excess of costs and estimated earnings on uncompleted contracts brought about by new projects of EEI.
- Solvency ratio is at 0.08. This is expected to improve by year end.
- Debt-to-equity ratio rose from 1.26 to 1.45 this quarter as the Group availed new loans to finance its new projects.
- Asset to equity ratio rose from 2.26 as of December 2014 to 2.45 this quarter due to additional acquisitions of construction equipments.
- Interest rate coverage ratio slightly lower at 6.85 times compared to last year because of higher interest cost for the quarter due to increase in loan availment.
- Return on equity is at 7.72% against 16.62% of the full year of 2014. The Group is optimistic that the return on equity will improve by year end.
- Return on assets at 3.72% is expected to improve by year end.
- Net profit margin is at 5%. It is lower at this period compared to year ended December 2014 because of lower margin from construction segment compared to prior year.
- Asset turnover is 0.67 times compared to 0.86 times as of December 2014. On an average quarter basis, this period is better than last year.
- Return on average stockholders' equity is at 8% this quarter. The Group is confident that this will improve by year end.

The above-mentioned ratios are applicable to the Group (Parent Company and its majority owned subsidiaries) as a whole.

PART II – OTHER INFORMATION

Item 3: 3Q 2015 DEVELOPMENTS

Significant developments during the third quarter of 2015 were briefly discussed in Item II: *Management Discussion and Analysis of Financial Condition and Results of Operations*.

Item 4: OTHER NOTES TO FINANCIAL STATEMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main purpose of the Group's financial instruments is to raise finances for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, market risk, and credit risk. The BOD reviews and agrees on the policies for managing these risks, as well as approving and authorizing risk limits set by management, summarized below. There were no changes in the policies for managing these risks.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. As an inherent part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long-term credit facilities. As at September 30, 2015, the Group has available credit facilities with banks aggregating to P13,000.0 million.

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in equity prices, foreign currency exchange rates, and interest rates.

Equity Price Risk

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as AFS securities.

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

Foreign Currency Risk

Currency risk is the potential decline in the value of the financial instruments due to exchange rate fluctuations. Exposure to currency risk arises mainly when receivables and payables are denominated in a currency other than the Group's functional currency or will be denominated in such currency in the planned course of business.

Foreign currency risk is monitored and analyzed systematically and is managed centrally by the central finance department. The Group's policy is to maintain foreign currency exposure within existing internal regulations, and within acceptable risk limits as approved by the BOD

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term and long-term obligations.

Credit Risk

The Group's exposure to credit risk on its receivables relates primarily to the inability of the debtors to pay and fully settle the unpaid balance of receivables owed to the Group. The Group manages its credit risk in accordance with its credit risk policies which requires the evaluation of the creditworthiness of the debtors. The Group's exposure to credit risk on its other receivables from debtors and related parties is managed through close account monitoring and setting limits.

There can be some credit exposures on project commitments and contingencies as of September 30, 2015 represented by work accomplishments on backlog of projects which are not yet invoiced. These exposures are however limited to a few months work accomplishment as work are frozen as soon as the Group is able to determine that the risk of non-collection materializes. This risk is, however, mitigated by the Group's contractor's lien on the project. A contractor's lien is the legal right of a contractor (the Group) to takeover the project in-progress and has priority in the settlement of contractor's receivables and claims on the project in the event of insolvency of the project owner. The Group assesses that the value of projects in-progress is usually higher than receivables from and future commitments with the project owners.

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

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

EXHIBIT 1

**HOUSE OF INVESTMENTS, INC. and
SUBSIDIARIES**

**Interim Condensed
Unaudited Consolidated Financial Statements**

**September 30, 2015 and 2014 (Unaudited)
and
December 31, 2014 (Audited)**

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

	Unaudited 30-Sep-15	Audited 31-Dec-14
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱2,106,969,435	₱2,161,107,813
Accounts receivable (Note 7)	8,966,422,192	6,830,291,831
Current portion of loans receivable (Note 6)	10,310,649	11,973,267
Costs and estimated earnings in excess of billings on uncompleted contracts	4,820,848,000	4,119,775,819
Inventories (Note 8)	1,212,702,369	1,049,522,172
Receivables from related parties	85,567,658	33,261,248
Prepaid expenses and other current assets (Note 9)	1,070,255,379	943,531,851
Financial asset at FVPL (Note 4)	8,021,630	8,021,630
Total Current Assets	18,281,097,312	15,157,485,631
Noncurrent Assets		
Investments in associates and joint venture (Note 11)	3,928,982,999	3,898,284,355
Available-for-sale (AFS) financial assets (Note 10)	445,237,340	484,239,518
Investment properties (Note 14)	238,827,663	260,296,107
Property and equipment (Note 12)		
At cost	5,816,210,656	5,128,036,611
At revalued amount	2,836,565,819	2,836,565,819
Loans receivable - net of current portion	4,808,205	4,626,258
Deferred tax assets - net	135,856,600	135,804,217
Goodwill (Note 13)	471,357,459	471,357,459
Other noncurrent assets - net (Note 15)	361,156,698	436,187,340
Total Noncurrent Assets	14,239,003,439	13,655,397,684
Total Assets	₱32,520,100,751	₱28,812,883,315

LIABILITIES AND EQUITY

Current Liabilities

Loans payable (Note 17)	₱3,525,000,000	₱3,520,400,000
Accounts payable and accrued expenses (Note 16)	6,312,814,773	5,847,364,658
Current portion of long-term debt (Note 18)	385,734,466	379,233,744
Billings in excess of costs and estimated earnings on uncompleted contracts	5,239,644,000	3,040,698,597
Unearned tuition fees	132,820,843	10,157,488
Income tax payable	280,010,604	133,470,587
Due to related parties	15,232,321	16,463,980
Customers' deposits	32,813,000	45,597,223
Total Current Liabilities	15,924,070,007	12,993,386,277

(Forward)

	Unaudited	Audited
	30-Sep-15	31-Dec-14
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 18)	₱3,052,835,775	₱2,795,336,097
Lease liability - net of current portion	–	281,259
Retirement liability	155,541,428	154,257,671
Deferred tax liabilities - net	121,663,088	121,922,794
Total Noncurrent Liabilities	3,330,040,291	3,071,797,821
Total Liabilities	19,254,110,298	16,065,184,098
Equity		
Capital stock (Note 20)		
Preferred stock	327,021,885	344,007,243
Common stock	921,687,536	921,687,536
Additional paid-in capital	154,578,328	154,578,328
Equity reserve on acquisition of noncontrolling interest	(122,582,081)	(9,700,617)
Revaluation increment on land - net	420,309,754	420,309,754
Unrealized gain on available-for-sale financial assets	95,861,651	105,648,267
Remeasurement gain on net retirement liability	27,834,917	31,298,374
Cumulative translation adjustment	94,357,250	11,902,110
Retained earnings (Note 19)	6,931,393,343	6,234,678,662
	8,850,462,583	8,214,409,657
Noncontrolling interest	4,415,527,870	4,533,289,560
Total Equity	13,265,990,453	12,747,699,217
	₱32,520,100,751	₱28,812,883,315

See accompanying Notes to Consolidated Financial Statements.

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

	July 1 to September 30		
	2015	2014	2013
REVENUES			
Sales of services - net	₱5,521,235,811	₱4,617,447,122	₱2,539,541,885
Sales of goods - net	2,090,094,164	1,272,547,004	1,076,651,871
School and related operations	665,572,496	634,448,562	590,101,143
Interest and discounts	2,625,055	3,462,086	2,484,348
Dividends	26,666,715	19,199,425	308,374,256
	8,306,194,241	6,547,104,199	4,517,153,503
COSTS OF SALES AND SERVICES (Note 24)			
Cost of services	4,688,390,348	4,364,263,358	2,182,346,342
Cost of goods sold	1,961,751,215	989,730,349	1,018,014,198
Cost of school and related operations (Note 25)	290,696,742	272,486,449	253,294,509
	6,940,838,305	5,626,480,156	3,453,655,049
GROSS PROFIT	1,365,355,936	920,624,043	1,063,498,454
OTHER INCOME - Net (Note 23)	102,861,990	75,143,890	151,395,267
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURE	(768,967,655)	155,254,271	200,106,622
GENERAL AND ADMINISTRATIVE EXPENSES (Note 26)	(476,852,868)	(468,888,873)	(432,480,521)
INTEREST AND FINANCE CHARGES	(70,713,285)	(61,317,482)	(30,504,643)
INCOME BEFORE INCOME TAX	151,684,118	620,815,849	952,015,179
PROVISION FOR INCOME TAX	21,436,482	127,807,464	119,679,529
NET INCOME	₱130,247,636	₱493,008,385	₱832,335,650
Net income attributable to:			
Equity holders of the Parent Company	₱ 191,266,829	₱331,619,294	₱612,653,619
Noncontrolling interest in consolidated subsidiaries	(61,019,193)	161,389,091	219,682,031
	₱130,247,636	₱493,008,385	₱832,335,650
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (Note 22)			
BASIC	₱0.28	₱0.51	₱0.96
DILUTED	₱0.23	₱0.39	₱0.69

See accompanying Notes to Consolidated Financial Statements.

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

	July 1 to September 30		
	2015	2014	2013
NET INCOME	₱130,247,636	₱493,008,385	₱262,470,966
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments	112,451,565	67,209,000	366,000
Net unrealized gain (loss) on available-for-sale securities	(5,301,705)	(1,815,841)	(4,146,626)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i>			
Remeasurement gains (losses) on net retirement liability	(2,174,566)	1,837,746	–
Total other comprehensive income (loss)	104,975,294	67,230,905	(3,780,626)
TOTAL COMPREHENSIVE INCOME	₱235,222,930	₱560,239,290	₱258,690,340
Total comprehensive income attributable to:			
Equity holders of the Parent Company	₱248,470,882	₱365,258,346	₱625,142,443
Noncontrolling interest in consolidated subsidiaries	(13,247,952)	194,980,944	203,412,581
	₱235,222,930	₱560,239,290	₱828,555,024

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

	January 1 to September 30		
	2015	2014	2013
REVENUES			
Sales of services - net	₱14,898,631,594	₱11,736,096,621	₱8,423,347,189
Sales of goods - net	5,221,148,280	3,459,552,541	3,447,653,640
School and related operations	1,658,141,765	1,536,011,309	1,396,519,020
Interest and discounts	8,805,373	9,043,926	9,052,118
Dividends	44,897,403	31,556,761	308,427,661
	21,831,624,415	16,772,261,158	13,584,999,628
COSTS OF SALES AND SERVICES (Note 24)			
Cost of services	12,965,595,177	10,426,868,989	7,077,673,413
Cost of goods sold	4,887,635,585	3,225,318,523	3,231,160,700
Cost of school and related operations (Note 25)	853,929,723	746,529,554	701,902,725
	18,707,160,485	14,398,717,066	11,010,736,838
GROSS PROFIT	3,124,463,930	2,373,544,092	2,574,262,790
OTHER INCOME - Net (Note 23)	258,011,582	222,202,750	336,601,763
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURE	(569,104,192)	469,085,910	334,640,175
GENERAL AND ADMINISTRATIVE EXPENSES (Note 26)	(1,354,968,042)	(1,362,085,721)	(1,313,929,478)
INTEREST AND FINANCE CHARGES	(208,549,773)	(185,763,983)	(91,903,182)
INCOME BEFORE INCOME TAX	1,249,853,505	1,516,983,048	1,839,672,068
PROVISION FOR INCOME TAX	246,329,240	305,589,194	328,803,402
NET INCOME	₱1,003,524,265	₱1,211,393,854	₱1,510,868,666
Net income attributable to:			
Equity holders of the Parent Company (Notes 33 and 35)	₱757,574,190	₱798,872,803	₱1,007,382,273
Noncontrolling interest in consolidated subsidiaries	245,950,075	412,521,051	503,486,393
	₱1,003,524,265	₱1,211,393,854	₱1,510,868,666
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (Note 22)			
BASIC	₱1.20	₱1.29	₱1.63
DILUTED	₱0.91	₱0.93	₱1.14

See accompanying Notes to Consolidated Financial Statements.

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

	January 1 to September 30		
	2015	2014	2013
NET INCOME	₱1,003,524,265	₱1,211,393,854	₱ 1,510,868,666
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments	139,617,357	31,915,291	18,309,883
Net unrealized gain (loss) on available-for-sale securities	(13,514,208)	21,406,914	(46,840,023)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i>			
Remeasurement gains (losses) on net retirement liability	(3,463,457)	122,989,400	-
Total other comprehensive income (loss)	122,639,692	176,311,605	(28,530,140)
TOTAL COMPREHENSIVE INCOME	₱1,126,163,957	₱1,387,705,459	₱1,482,338,526
Total comprehensive income attributable to:			
Equity holders of the Parent Company	₱827,507,548	₱895,329,180	₱969,877,460
Noncontrolling interest in consolidated subsidiaries	298,656,409	492,376,279	512,461,066
	₱1,126,163,957	₱1,387,705,459	₱1,482,338,526

See accompanying Notes to Consolidated Financial Statements.

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

	Attributable to the Group											Total	Attributable to Noncontrolling Interest	Total	
	Preferred Stock (Note 20)	Common Stock (Note 20)	Additional Paid-in Capital	Premium on Acquisition of Noncontrolling Interest	Revaluation Increment on Land - Net	Cumulative Translation Adjustment	Net Accumulated Unrealized Gain on Available-for-Sale Securities	Remeasurement losses on Net Retirement Liability	Retained Earnings	Total	Attributable to Noncontrolling Interest				
For the Period Ended September 30, 2015															
Balances as at January 1, 2015	₱344,007,243	₱921,687,536	₱154,578,328	(₱9,700,617)	₱420,309,754	₱11,902,110	₱105,648,267	₱31,298,374	₱6,234,678,662	₱8,214,409,657	₱4,533,289,560	₱12,747,699,217			
Redemption of preferred shares	(16,985,358)	-	-	-	-	-	-	-	-	(16,985,358)	-	(16,985,358)			
Acquisition of noncontrolling interest	-	-	-	(112,881,464)	-	692,356	346,937	(1,767,585)	-	(113,609,756)	(270,703,422)	(384,313,178)			
	327,021,885	921,687,536	154,578,328	(122,582,081)	420,309,754	12,594,466	105,995,204	29,530,789	6,234,678,662	8,083,814,543	4,262,586,138	12,346,400,681			
Net income	-	-	-	-	-	-	-	-	757,574,190	757,574,190	245,950,075	1,003,524,265			
Other comprehensive income	-	-	-	-	-	81,762,784	(10,133,553)	(1,695,872)	-	69,933,359	52,706,334	122,639,693			
Total comprehensive income	-	-	-	-	-	81,762,784	(10,133,553)	(1,695,872)	757,574,190	827,507,549	298,656,409	1,126,163,958			
Dividends declared by Parent Company	-	-	-	-	-	-	-	-	(60,859,509)	(60,859,509)	-	(60,859,509)			
Dividends declared by subsidiaries	-	-	-	-	-	-	-	-	-	-	(145,714,677)	(145,714,677)			
Total dividends declared	-	-	-	-	-	-	-	-	(60,859,509)	(60,859,509)	(145,714,677)	(206,574,186)			
Balances as at September 30, 2015	₱327,021,885	₱921,687,536	₱154,578,328	(122,582,081)	₱420,309,754	₱94,357,250	₱95,861,651	₱27,834,917	₱6,931,393,343	₱8,850,462,583	₱4,415,527,870	₱13,265,990,453			
For the Period Ended September 30, 2014															
Balances as at January 1, 2014	₱380,670,413	₱921,687,536	₱154,578,328	₱-	₱352,767,062	₱5,584,596	₱93,233,426	(₱61,731,769)	₱5,034,498,263	₱6,881,287,855	₱3,929,252,063	₱10,810,539,918			
Redemption of preferred shares	(18,795,602)	-	-	-	-	-	-	-	-	(18,795,602)	-	(18,795,602)			
	361,874,811	921,687,536	154,578,328	-	352,767,062	5,584,596	93,233,426	(61,731,769)	5,034,498,263	6,862,492,253	3,929,252,063	10,791,744,316			
Net income	-	-	-	-	-	-	-	-	798,872,803	798,872,803	412,521,051	1,211,393,854			
Other comprehensive income	-	-	-	-	-	16,071,287	19,048,588	61,336,502	-	96,456,377	79,855,228	176,311,605			
Total comprehensive income	-	-	-	-	-	16,071,287	19,048,588	61,336,502	798,872,803	895,329,180	492,376,279	1,387,705,459			
Dividends declared by Parent Company	-	-	-	-	-	-	-	-	(62,073,526)	(62,073,526)	-	(62,073,526)			
Dividends declared by subsidiaries	-	-	-	-	-	-	-	-	-	-	(148,226,541)	(148,226,541)			
Total dividends declared	-	-	-	-	-	-	-	-	(62,073,526)	(62,073,526)	(148,226,541)	(210,300,067)			
Balances as at September 30, 2014	₱361,874,811	₱921,687,536	₱154,578,328	-	₱352,767,062	₱21,655,883	₱112,282,014	(₱395,267)	₱5,771,297,540	₱7,695,747,907	₱4,273,401,801	₱11,969,149,708			

Attributable to the Group

	Preferred Stock (Note 20)	Common Stock (Note 20)	Additional Paid-in Capital	Premium on Acquisition of Noncontrolling Interest	Revaluation Increment on Land - Net	Cumulative Translation Adjustment	Net Accumulated Unrealized Gain on Available-for- Sale Securities	Remeasurement losses on Net Retirement Liability	Retained Earnings	Total	Attributable to Noncontrolling Interest	Total
For the Period Ended September 30, 2013												
Balances as at January 1, 2013	₱421,284,050	₱924,252,111	₱154,578,328	₱-	₱291,703,332	(₱72,974,883)	₱94,703,117	₱-	₱3,905,379,248	₱5,718,925,303	₱3,453,293,822	₱9,172,219,125
Redemption of preferred shares	(20,798,776)	-	-	-	-	-	-	-	-	(20,798,776)	-	(20,798,776)
Conversion to common stock	(43,025)	43,025	-	-	-	-	-	-	-	-	-	-
Cost of shares held in treasury	-	(2,607,600)	-	-	-	-	-	-	-	(2,607,600)	-	(2,607,600)
	400,442,224	921,687,536	154,578,328	-	291,703,332	(72,974,883)	94,703,117	-	3,905,379,248	5,695,518,927	3,453,293,822	9,148,812,749
Net income	-	-	-	-	-	-	-	-	1,007,381,273	1,007,381,273	503,487,393	1,510,868,666
Other comprehensive income (loss)	-	-	-	-	-	18,309,883	(46,840,023)	-	-	(28,530,140)	-	(28,530,140)
Total comprehensive income	-	-	-	-	-	18,309,883	(46,840,023)	-	1,007,381,273	978,851,133	503,487,393	1,482,338,526
Dividends declared by Parent Company	-	-	-	-	-	-	-	-	(58,019,174)	(58,019,174)	-	(58,019,174)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	-	-	-	(147,980,734)	(147,980,734)
Total dividends declared	-	-	-	-	-	-	-	-	(58,019,174)	(58,019,174)	(147,980,734)	(205,999,908)
Balances as at September 30, 2013	₱400,442,249	₱921,687,536	₱154,578,328	₱-	₱291,703,332	(₱54,665,000)	₱47,863,094	₱-	₱4,854,741,347	₱6,616,350,886	₱3,808,800,481	₱10,425,151,367

See accompanying Notes to Consolidated Financial Statements

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Periods Ended September 30		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,249,853,505	₱1,516,983,048	₱1,839,672,069
Adjustments for:			
Depreciation and amortization	423,040,296	309,109,410	139,853,426
Interest and finance charges	208,549,773	185,763,983	91,903,182
Movement in accrued retirement liability	(2,179,700)	(177,607,005)	(18,464,041)
Dividend income	(44,897,403)	(31,556,760)	(308,426,661)
Interest income	(30,836,375)	(40,632,597)	(69,590,097)
Probable impairment of goodwill	–	–	41,438,562
Equity earnings in associates	569,104,192	(469,085,910)	(334,640,175)
Remeasurement gains on net pension liability	–	61,336,502	–
Operating income working capital changes	2,372,634,288	1,354,310,671	1,381,746,265
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	(2,136,130,361)	(1,238,179,944)	157,893,868
Loans receivable	1,480,671	(1,695,352)	(4,562,809)
Costs and estimated earnings in excess of billings on uncompleted contracts	(701,072,181)	(2,028,156,467)	(1,309,255,191)
Inventories	(163,180,197)	(120,734,618)	24,951,061
Prepaid expenses and other current assets	(126,723,528)	(451,153,096)	(158,234,012)
Financial asset at FVPL	–	271,714,530	–
Increase (decrease) in:			
Accounts payable and accrued expenses	465,450,115	1,250,099,959	373,103,289
Customers' deposits	(12,784,223)	(10,742,552)	5,529,311
Billings in excess of costs and estimated earnings on uncompleted contracts	2,198,945,403	2,168,339,296	8,243,520
Unearned tuition fees	122,663,355	109,671,166	35,608,701
Net cash generated from operations	2,021,283,342	1,303,473,593	515,024,003
Interest received	30,836,375	40,632,597	69,590,097
Interest and finance charges paid	(208,549,773)	(185,763,983)	(91,903,181)
Income tax paid	(100,101,312)	(186,147,155)	(306,418,961)
Net cash flows provided by operating activities	1,743,468,632	972,195,052	186,291,958
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments received from (advances to) related parties	(53,538,069)	50,803,203	(57,886,836)
Investments in associates and joint ventures	(517,347,696)	(33,918,730)	(1,196,855,575)
Increase (decrease) in other noncurrent assets	96,499,086	(2,350,920)	(1,654,513)
Proceeds from disposals (acquisitions) of available-for-sale securities	29,215,562	48,275,939	(54,764,864)
Property, plant and equipment, net	(1,111,214,341)	(678,000,806)	(407,052,061)
Dividends received	44,897,403	31,556,760	308,427,661
Net Addition (deduction) to minority interest	(476,593,229)	(68,371,313)	–
Net cash flows used in investing activities	(1,988,081,284)	(652,005,867)	(1,409,786,188)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loans payable	4,600,000	(589,010,000)	1,382,800,000
Long-term debt	264,000,400	393,732,684	1,238,668,087
Lease liability	(281,259)	(3,291,739)	(5,033,975)
Advances from related parties	–	–	–
Redemption of preferred shares	(16,985,358)	(18,795,601)	(20,798,776)

Forward

	Periods Ended September 30		
	2015	2014	2013
Purchase of treasury shares	–	–	(2,607,600)
Cash dividends paid	(60,859,509)	(62,073,526)	(206,000,908)
Net cash flows provided by (used in) financing activities	190,474,274	(279,438,182)	2,387,026,828
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(54,138,378)	40,751,003	1,163,532,598
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,161,107,813	2,111,510,291	2,126,214,931
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱2,106,969,435	₱2,152,261,294	₱3,289,747,529

See accompanying Notes to Consolidated Financial Statements

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

House of Investments, Inc. (the Parent Company) is a stock corporation incorporated under the laws of the Republic of the Philippines on May 21, 1959. The principal activities of the Parent Company and its subsidiaries (collectively known as the Group) are described in Note 35.

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

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

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

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

2. Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared under the historical cost basis, except for land, which is carried at revalued amount and available-for-sale (AFS) financial assets which are measured at fair value. The accompanying consolidated financial statements are presented in Philippine Peso (Php, ₱), which is also the Parent Company's functional currency. Except as indicated, all amounts are rounded off to the nearest peso.

Statement of Compliance

The consolidated financial statements provide comparative information in respect of the previous period and are presented in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of September 30, 2014 and December 31, 2014, and for each of the three quarters in the period ended September 30, 2015, 2014 and 2013.

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

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

Subsidiaries	Percentage of ownership		
	Sept. 2015	2014	2013
Landev Corporation and subsidiaries (Landev)	100.00%	100.00%	100.00%
Xamdu Motors, Inc. (Xamdu)	100.00	100.00	100.00
Investment Managers, Inc. (IMI)	100.00	100.00	100.00
Zambo Wood Realty and Development Corporation (ZRDC)	100.00	100.00	100.00
Zamboanga Carriers, Inc. (ZCI)	100.00	100.00	100.00
iPeople, inc. (iPeople) and subsidiaries	67.34	67.34	67.34
Honda Cars Kalookan, Inc. (HCKI)	55.00	55.00	55.00
EEI Corporation (EEI) and subsidiaries	54.36	50.32	50.09
Zamboanga Industrial Finance Corporation (ZIFC)	50.00	50.00	50.00

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

In 2015 and 2014, the Parent Company purchased additional 41.9 million and 2.4 million shares of EEI for an average price of ₱9.83 and ₱9.97 per share resulting to an increase in ownership interest from 50.32% to 54.36% and 50.09% to 50.32%, respectively.

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

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

Subsidiaries	Percentage of ownership		
	Sept. 2015	2014	2013
Malayan Colleges, Inc. (MCI) (Operating Under the Name of Mapua Institute of Technology) and subsidiaries:	93.00%	93.00%	93.00%
Direct ownership of MCI on its subsidiaries:			
Mapua Information Technology Center, Inc. (MITC)	100.00	100.00	100.00
Mapua Techserv, Inc. (MTI)	100.00	100.00	100.00
Mapua Techpower, Inc.	75.00	75.00	75.00
San Lorenzo Ruiz Institute of Health Sciences, Inc. (SLRHSI)	100.00	100.00	100.00
Malayan High School of Science, Inc. (MHSSI)	100.00	100.00	100.00
Malayan Colleges Laguna, Inc. (MCLI) led by a Mapua School of Engineering	100.00	100.00	100.00
People eServe Corporation (People eServe)	100.00	100.00	100.00
Pan Pacific Computer Center, Inc. (PPCCI)	100.00	100.00	100.00

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

Subsidiaries	Place of Incorporation	Percentage of Ownership		
		Sept. 2015	2014	2013
EEI (BVI) Limited (EEI BVI) and Subsidiaries:	British Virgin Islands	100.00%	100.00%	100.00%
Clear Jewel Investments, Ltd. (CJIL)	Hongkong	100.00	100.00	100.00
EEI Corporation (Singapore) Pte. Ltd. (EEI Singapore)	Singapore	100.00	100.00	100.00
EEI Nouvelle-Caledonie SARL	New Caledonia	100.00	100.00	100.00
Nimaridge Investments, Limited and Subsidiary	British Virgin Islands	100.00	100.00	100.00
EEI (PNG) Ltd.	Papua New Guinea	100.00	100.00	100.00
EEI Corporation (Guam) Inc.	United States of America	100.00	100.00	100.00
EEI Construction and Marine Inc. (EEI Marine)	Philippines	100.00	100.00	100.00
EEI Power Corporation (EEI Power)	Philippines	100.00	100.00	100.00
EEI Realty Corporation (EEI Realty)	Philippines	100.00	100.00	100.00
EEI Subic Corporation	Philippines	100.00	100.00	100.00
Equipment Engineers, Inc. (EE)	Philippines	100.00	100.00	100.00
Gulf Asia International Corporation (GAIC)	Philippines	100.00	100.00	100.00
GAIC Professional Services, Inc. (GAPSI)	Philippines	100.00	100.00	100.00
GAIC Manpower Services, Inc. (GAMSI)	Philippines	100.00	100.00	100.00
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	100.00	100.00	100.00
Philmark, Inc.	Philippines	100.00	100.00	100.00
Philrock Construction and Services, Inc.	Philippines	100.00	100.00	100.00

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

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

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

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

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All intragroup balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the noncontrolling interest until the balance is reduced to nil. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Where ownership on certain subsidiaries is 50% or below but the Group has demonstrated that it has the power to govern the financial and operating policies (i.e., through representation by the majority members of the BOD) and the other stockholders have not organized their interest in such a way that they exercise more votes than the Group, these subsidiaries are also consolidated.

Noncontrolling interest represents the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within the equity in the consolidated statement of financial position, separately from the equity holders of the Parent Company.

3. Changes in Accounting Policies

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the following new and amended PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations which became effective beginning January 1, 2014. Except as otherwise indicated, the adoption of these new and amended standards and Philippine Interpretations will not have any impact on the consolidated financial statements:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments had no financial impact on the Group's consolidated financial statements.
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments had no impact on the Group as it has no offsetting arrangements.
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted,

provided PFRS 13 is also applied. The amendments affect disclosures only and had no impact on the Group's financial position or performance.

- *PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments had no financial impact in the Group's consolidated financial statement.
- *Amendments to PFRS 10, PFRS 12 and PAS 27, Investment Entities*
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments affect disclosures only and had no impact on the Group's financial position or performance.
- *Philippine Interpretation IFRIC 21, Levies*
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. This interpretation has no impact on the Group as it has applied the recognition principles under *PAS 37, Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements to PFRSs (2010-2012 cycle)

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

Annual Improvements to PFRSs (2011-2013 cycle)

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

Standards Issued but not yet Effective

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

- *PFRS 9, Financial Instruments - Classification and Measurement (2010 version)*
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and

its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

- *Philippine Interpretation IFRIC 15, Agreement for Construction of Real Estate*
 This Philippine Interpretation, which may be early applied, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The adoption of the interpretation will have no impact on the Group's financial position or performance as the Group is not engaged in real estate business.

Effective in January 1, 2015

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

Annual Improvements to PFRSs (2010-2012 cycle)

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

- *PFRS 2, Share-based Payment - Definition of Vesting Condition*
 This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

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

- *PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.
- *PFRS 8, Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:
 - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
 - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

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

Annual Improvements to PFRSs (2011-2013 cycle)

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

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

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

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

Effective January 1, 2016

- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will have no significant impact on the Group given that the Group has not used a revenue-based methods to depreciate its non-current assets.
- *PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants (Amendments)*
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will have no significant impact on the Group's financial position or performance.
- *PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already

applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. These amendments are not expected to have any impact to the Group.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016. The amendment will have no significant impact on the Group's financial position or performance.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

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

- PFRS 14, *Regulatory Deferral Accounts*

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

Annual Improvements to PFRSs (2012-2014 cycle)

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

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a

new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment will have no significant impact on the Group's financial position or performance.

- *PFRS 7, Financial Instruments: Disclosures - Servicing Contracts*
 PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendment will have no significant impact on the Group's financial position or performance.
- *PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
 This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendment will have no significant impact on the Group's financial position or performance.
- *PAS 19, Employee Benefits - regional market issue regarding discount rate*
 This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment will have no significant impact on the Group's financial position or performance.
- *PAS 34, Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
 The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The amendment will have no significant impact on the Group's financial position or performance.

Effective January 1, 2018

- *PFRS 9, Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*
 PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and

accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

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

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

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

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

IFRS 15, Revenue from Contracts with Customers

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

4. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from date of placement and that are subject to an insignificant risk of changes in value.

Financial Assets

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

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

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

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

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

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

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

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

The Group’s financial assets at FVPL amounted to ₱8.0 million as of September 30, 2015 and December 31, 2014, respectively. This consists of peso-denominated investments in unit investment trust funds (UITFs) in Rizal Commercial Banking Corporation (RCBC). The mark to market loss and gain on these assets amounted to ₱0.09 million and ₱1.99 million in 2015 and 2014, respectively. In 2014, the Group disposed a significant portion of its financial assets at FVPL realizing a loss amounting ₱7.1 million.

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

This category includes the Group’s cash and cash equivalents, accounts receivable - trade and other receivables, loans receivable, receivables from related parties, miscellaneous deposits (included in the prepaid expenses and other current assets) and receivables from EEI Retirement

Fund, Inc. and long-term receivables (included in the noncurrent assets) in the consolidated statement of financial position.

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

The Group has no HTM investments as at September 30, 2015 and December 31, 2014.

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

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

If the fair market value of the unquoted equity instruments under AFS cannot be reliably measured, the financial asset is carried at cost less allowance for impairment loss, if any.

AFS financial assets are classified as current assets when it is expected to be sold or realized within twelve (12) months after the reporting date or within the normal operating cycle, whichever is longer.

The Group's AFS financial assets include investments in quoted and unquoted golf club and equity shares.

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

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

The Group has no derivative financial instruments as at September 30, 2015 and 2014.

Financial Liabilities

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

- a. *Financial liabilities at FVPL* - Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL. Derivatives, including separated embedded derivatives, are also classified as FVPL, unless they are designated as effective hedging instruments.

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

The Group has no financial liabilities at FVPL as at September 30, 2015 and 2014.

- b. *Other financial liabilities* - Other financial liabilities are nonderivative financial liabilities with fixed or determinable payments that are not quoted in an active market. These liabilities are carried at amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest method. Gains and losses are recognized in the consolidated statement of comprehensive income, when the liabilities are derecognized as well as through the amortization process.

Other financial liabilities are classified as current liabilities when it is expected to be settled within twelve (12) months from the financial reporting date or the Group does not have an unconditional right to defer settlement for at least 12 months from financial reporting date. Otherwise, these are classified as noncurrent liabilities. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized.

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

Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVPL).

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

The Group follows the settlement date accounting where an asset to be received and liability to be paid are recognized on the settlement date and derecognition of an asset that is sold and the recognition of a receivable from the buyer are recognized on the settlement date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets are further classified as either financial asset at FVPL, loans and receivables, held-to-maturity (HTM) investments and, AFS financial securities as appropriate. Financial liabilities are classified at FVPL and other financial liabilities. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

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

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies contractual cash flows.

Fair value measurement

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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-

assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

'Day 1' profit or loss

Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 profit or loss) in the consolidated statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit or loss amount.

AFS financial assets

AFS financial assets are those nonderivative financial assets that are designated as AFS or are not classified in any of the other categories. After initial recognition, AFS financial assets are measured at fair value with gains and losses being recognized as other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in the consolidated statement of comprehensive income. If the fair market value of the unquoted equity instruments under AFS cannot be reliably measured, the financial asset is carried at cost less allowance for impairment loss, if any.

AFS financial assets are classified as current assets when it is expected to be sold or realized within twelve (12) months after the reporting date or within the normal operating cycle, whichever is longer.

The Group's AFS financial assets include investments in quoted and unquoted golf club and equity shares .

Derecognition of Financial Assets and Financial Liabilities

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

This accounting policy relates to the net payable to PTC amounting ₱14.02 million and ₱10.25 million as of September 30, 2015 and December 31, 2014, respectively, and included under “Current portion of long-term debt” in the consolidated statements of financial position.

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

Impairment of Financial Assets

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

Financial assets carried at amortized cost

The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets’ carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred).

The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of income. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all

collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as year-level of students for information technology and education segment, customer profile and mode of payment for car dealership segment.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

AFS financial assets carried at cost

If there is an objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS financial assets carried at fair value

In case of equity instruments classified as AFS, impairment would include a significant or prolonged decline in the fair value of investments below its cost. If an AFS security is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of income, is transferred from other comprehensive income to the consolidated statement of income. Reversals in respect of equity instruments classified as AFS are not recognized in the consolidated statement of income but as other comprehensive income. Reversals of impairment losses on debt instruments classified as AFS are reversed to operations if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). NRV is the selling price in the ordinary course of business, less the estimated costs of completion of inventories and the estimated costs necessary to sell.

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

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

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

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

Non refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Value-Added Tax (VAT)

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

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

Prepaid Expenses

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

Other Current Assets

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

Investments in Associates and Joint Venture

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

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

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

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

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

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

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income. Investments in associates and joint venture accounted for under the equity method are as follows:

	Percentage of ownership	
	Sept. 2015	2014
Associates:		
Hi-Eisai Pharmaceutical, Inc.	50.00%	50.00%
Al Rushaid Construction Company (ARCC) (operations in Saudi Arabia)	49.00	49.00
La Funeraria Paz Sucat, Inc. (LFPSI)	30.00	30.00
T'boli Agro-Industrial Development, Inc.	28.47	28.47
Manila Memorial Park Cemetery, Inc. (MMPC)	25.98	25.98
Lo-oc Limestone Development Corporation (LLDC)	25.00	25.00
Petroenergy Resources Corporation (PERC) ¹	22.41	20.00
RCBC Realty Corporation (RRC) ²	10.00	10.00
Joint venture:		
ECW Joint Venture Inc.	50.00	50.00

¹ In 2014, the Parent Company purchased additional 6.6 million shares of PERC which increased its ownership interest from 20.00% to 22.41%. In 2015, the Parent Company availed the stock rights offered by PERC totalling 30.7 million shares.

² On September 17, 2013, the Parent Company acquired 10.00% ownership in RRC as investment in associate. The Parent Company was able to exercise significant influence since it has the capacity to participate in the financial and operating decisions of RRC through block voting consultation with Parent Company on Board Matters and representation to the Board of Directors.

The reporting dates of the associates and joint venture and the Group are identical except for Hi-Eisai Pharmaceutical, Inc., the financial reporting date of which is March 31 of each year. Hi-Eisai Pharmaceutical, Inc. is controlled by a Japanese company and therefore follows its fiscal year. This associate prepares its financial statements following the financial reporting date of the Group for the application of equity method. Except for ARCC and Hi-Eisai, all associates are operating in the Philippines.

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

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation, amortization and impairment loss, if any, except for land which is carried at revalued amount based on the latest appraisal conducted by an independent firm of appraisers. The appraisal increment resulting from the revaluation is treated as a separate component in the Group's equity.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as part of current operations.

Depreciation is computed using the straight-line method over the following average estimated useful lives (EUL):

	Years
Buildings and improvements	10-20
Machinery, tools and construction equipment	5-10
Transportation and service equipment	4-5
Furniture, fixtures and office equipment	2-10

Amortization of leasehold improvements is computed over the EUL of the improvement or term of the lease, whichever is shorter.

The useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Minor repairs and maintenance costs are charged to consolidated statement of income as incurred; significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost or revalued amount, appraisal increase and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are reflected in the consolidated statement of income.

Construction in progress represents property and equipment under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation and amortization are reviewed, and adjusted if appropriate, at each financial year-end.

Investment Properties

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

Investment properties are derecognized when they either have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected

from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

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

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

Depreciation is computed using the straight-line method over the EUL of 15 to 20 years.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets maybe impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in consolidated statement of income in the expense category consistent with the function of the intangible assets.

Impairment of Property and Equipment, Computer Software, Investments in Associates and Joint Venture and Investment Properties

For property and equipment, computer software, investments in associates and joint venture and investment properties, the Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset, except for property previously

revalued where the revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the amount of any previous revaluation.

Borrowing Costs

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

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

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

Business Combination and Goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or

loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. Before recognizing a gain on a bargain purchase, the Group assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and recognize any additional assets or liabilities that are identified in that review.

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

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

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

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. When the Group is acting as a principal in an arrangement, revenue is recorded at gross. When the Group is acting as an agent, the revenue recorded is only the commission. Except for Greyhounds and certain arrangements of Equipment Engineers, Inc. (EE), the Group has concluded that it is acting as principal in all of its arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of services:

Construction contracts

Revenue from construction contracts are recognized using the percentage of completion method of accounting. Under this method, revenues are generally measured on the basis of estimated completion of the physical proportion of the contract work. Revenue from labor supply contracts with project management and supervision are recognized on the basis of man-hours spent.

Contract costs include direct materials, labor costs and indirect costs related to contract performance. Provisions for estimated losses on uncompleted contracts are recognized immediately when it is probable that the total contract costs will exceed the total contract revenues. The amount of such loss is determined irrespective of: (a) whether or not work has commenced on the contract; (b) the stage of completion of contract work; or (c) the amount of profits expected to arise on other contracts. Changes in contract performance, contract conditions and estimated profitability, including those arising from penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins, are recognized in the year in which the changes are determined.

The asset “Costs and estimated earnings in excess of billings on uncompleted contracts” represents total contract costs incurred and estimated earnings recognized in excess of amounts billed. The liability “Billings in excess of costs and estimated earnings on uncompleted contracts” represents billings in excess of total contract costs incurred and estimated earnings recognized. Retention receivables are included in the trade receivable account, which is shown as part of the receivables account in the consolidated statement of financial position.

Service and commission income are recognized as the related services are rendered.

Management, service and consultancy fees are recognized as services are rendered.

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

Sale of goods:

Merchandise sales

Revenue from merchandise sales is normally recognized when the buyer accepts delivery and when installation and inspection are complete. However, revenue is recognized immediately upon the buyer’s acceptance of delivery when the installation process is simple in nature.

Real estate sales

Revenue on sale of raw parcels of land with no future obligation to develop the property is recognized using the full accrual method.

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

If any of the criteria under the full accrual method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is recognized as deposit from customers presented under the “Customers’ deposits” account in the liabilities section of the consolidated statement of financial position.

Cancellation of real estate sales

Income from cancellation of real estate sales is recognized once the sale has been cancelled and the related refundable portions of paid amortizations have been paid to the buyer. This is included in the “Other income” account under the statement of comprehensive income. Such is also

recognized, subject to the provisions of Republic Act 6552, Realty Installment Buyer Act, upon prescription of the period for the payment of required amortizations from defaulting buyers.

School and related operations:

Revenues from school operations are recognized as income over the corresponding school term. Unearned revenues are shown as unearned tuition fees in the consolidated statement of financial position and will be recognized as revenues when the educational service has been fulfilled in the applicable school term.

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

Others:

Interest income and discounts is recognized as revenue as interest accrues (using EIR method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Rent income is accounted on a straight-line basis over the lease term.

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

Cost of Sales and Services

For construction contracts, contract costs include all direct materials, labor costs and indirect costs related to contract performance. Provisions for estimated losses on uncompleted contracts are recognized immediately when it is probable that the total contract costs will exceed the total contract revenues. The amount of such loss is determined irrespective of: (a) whether or not work has commenced on the contract, (b) the stage-of-completion of contract work; or (c) the amount of profits expected to arise on other contracts. Changes in contract performance, contract conditions and estimated profitability, including those arising from penalty provisions and final contract settlements, which may result in revisions to estimated costs and gross margins, are recognized in the year in which the changes are determined.

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

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

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

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

For cost of services, cost includes all expenses associated with sale of services. Cost of services

include all materials and supplies used, direct labor, depreciation of production equipment, power and water and other expenses related to services rendered. Such costs are recognized when the related services have been rendered.

Other cost of sales and services arise in the ordinary activities of the Group and are recognized as incurred.

General and Administrative Expenses

The Group's general and administrative expenses constitute costs of administering the business. General and administrative expenses are recognized as incurred.

Foreign Currency-denominated Transaction and Translation

The consolidated financial statements are presented in Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate at the reporting date. All differences are taken to consolidated statement of income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the Group's subsidiary, EEI-BVI and subsidiaries, and its associate, ARCC, are United States Dollar and Saudi Arabia Riyal, respectively. As at reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation are taken directly to a separate component of equity under "Cumulative translation adjustment" account.

Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

Retirement Cost

Defined benefit plan

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate and the aggregate of unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

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

Defined benefit costs comprise the following:

- (a) service cost;
- (b) net interest on the net defined benefit liability or asset; and
- (c) remeasurements of net defined benefit liability or asset.

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information.

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

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

Termination benefit

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

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

Employee leave entitlement

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

Income Tax

Current tax

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused MCIT and NOLCO can be utilized.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates, and interests in joint ventures. With respect to investments in foreign subsidiaries, associates and interest in joint ventures, deferred tax liabilities are recognized except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed by the end of each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be used. Unrecognized deferred tax assets are reassessed at the end of each financial reporting date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the financial reporting date.

Deferred tax relating to items directly recorded in the equity or other comprehensive income is recognized in other comprehensive income and not in the consolidated statement of income.

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

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

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset;
or
- (d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease of the Group represents those under which substantially all the risks and benefits of ownership of the assets remain with the lessor.

Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor

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

Basic and Diluted Earnings Per Share (EPS)

Basic EPS attributable to equity holders of the Group is computed based on weighted average number of issued and outstanding common shares after giving retroactive effect for any stock dividends. Diluted EPS, if applicable, is computed by dividing net income applicable to common shares by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed exercise of stock options and retroactive effect of stock dividends declared (Note 22).

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Provisions

Provisions are recognized when (a) the Group has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Stock Option Plan

No benefit expense is recognized relative to the shares issued under the stock options plan. When the shares related to the stock option plans are subscribed, these are treated as capital stock issuances. The stock option plan is exempt from PFRS 2, *Share-based Payment*.

Events After the Financial Reporting Date

Post year-end events that provide additional information about the Group's position at the end of the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Segment Reporting

The Group's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 28.

Equity

The Group records common stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity shares. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. When the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity (Note 20).

Retained earnings represent accumulated earnings of the Group and any adjustment arising from application of new accounting standards, policies or corrections of errors applied retroactively less dividends declared. The individual accumulated retained earnings of the subsidiaries are available for dividends when they are declared by the subsidiaries as approved by their respective BOD. Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares (Note 19).

Cost of Common Stock Held in Treasury

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

Other Comprehensive Income

OCI are items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRS. The Group's OCI in 2015 and 2014 pertains to remeasurement gains and loss on net retirement liability and revaluation increment on land which cannot be reclassified to profit or loss and unrealized gain and loss on AFS financial assets and cumulative translation adjustments which can be reclassified to profit or loss in subsequent periods.

5. Cash and Cash Equivalents

This account consists of:

	Unaudited September 2015	Audited December 2014
Cash on hand and in banks	₱1,019,385,308	₱1,019,458,316
Short-term investments	1,087,584,127	1,141,649,497
	₱2,106,969,435	₱2,161,107,813

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn annual interest at the respective short-term investment rates.

Interest income from cash in banks and short-term investments amounted to ₱30.8 million, ₱31.6 million and ₱60.5 million for the periods ended September 30, 2015, 2014 and 2013, respectively (Note 23).

6. Loans Receivable

Loans receivable consists of:

	Unaudited September 2015	Audited December 2014
Gross receivables	₱18,980,843	₱20,286,903
Less allowance for impairment	3,861,989	3,687,378
	15,118,854	16,599,525
Less noncurrent portion	4,808,205	4,626,258
Current portion	₱10,310,649	₱11,973,267

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

	Unaudited September 2015	Audited December 2014
Time loan principals	₱27,303,606	₱30,264,723
Unearned discount and interest	(8,322,763)	(9,977,820)
	18,980,843	20,286,903
Less allowance for impairment	3,861,989	3,687,378
	₱15,118,854	₱16,599,525

Time loan principals are collectible in full at maturity date while interest is due monthly or at maturity. Annual interest rates range from 12% to 31% in 2015, 2014 and 2013. The term of the loan ranges from one (1) to twelve (12) months.

Details of receivables follow:

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

	Unaudited September 2015	Audited December 2014
Secured loans		
Chattel mortgage	₱4,713,365	₱4,804,448
Real estate mortgage	22,590,241	24,857,485
	27,303,606	29,661,933
Unsecured loans	–	602,790
	₱27,303,606	₱30,264,723

b) As to maturity

	Unaudited September 2015	Audited December 2014
Maturing within one year	₱21,971,020	₱21,314,001
Maturing one year to five years	5,332,586	8,950,722
	₱27,303,606	₱30,264,723

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

	Unaudited September 2015	Audited December 2014
Balance at beginning of year	₱ 3,797,858	₱3,763,369
Provision for impairment losses	64,131	500,000
Accounts written off	–	(575,991)
Balance at end of year	₱3,861,989	₱3,687,378

7. Accounts Receivables

This account consists of:

	Unaudited September 2015	Audited December 2014
Trade		
Construction and infrastructure (including retention receivable of ₱2.4 billion and ₱2.3 billion in 2015 and 2014, respectively)	₱6,340,871,000	₱4,943,645,519
Car dealership	683,079,902	540,444,959
Education and information technology	235,832,278	209,159,431
Other services	19,389,896	21,713,190
Other receivables		
Advances to suppliers and contractors	1,048,652,514	753,911,577
Consultancy fee	436,128,000	313,156,649
Advances to officers and employees	40,361,459	37,554,310
Receivables from plant	35,058,338	3,745,828
Rent receivable	–	184,708
Others	380,651,004	265,837,372
	9,220,024,391	7,089,353,543
Less allowance for impairment	253,602,199	259,061,712
	₱8,966,422,192	₱6,830,291,831

Trade receivables

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

This consists of the following:

Receivable from construction and infrastructure

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

Receivables from car dealership

Receivables from car dealership represent amounts arising from the sale of car, parts and accessories and services collectible within 30 days.

Receivables from education and information technology

Receivables from education and information technology represent amounts arising from tuition and other fees generally collectible within 90 days and from computer and service sales collectible within 30 days.

Receivables from other services

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

No trade receivables are used as collaterals to secure obligations in 2015 and 2014.

Other receivables

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

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

Advances to officers and employees mainly pertain to interest-bearing advances and loans made by officers and employees. Annual interest of 6.0% shall be liquidated on a monthly basis through salary deduction and therefore collectible within a year.

Receivables from plant pertain to non-interest bearing receivables from Honda Cars Philippines, Inc. and Isuzu Philippines Corporation, for promotional subsidy and fleet discounts. Receivables from plant are collectible within a year in the normal course of Group's business.

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

8. Inventories

This account consists of:

	Unaudited September 2015	Audited December 2014
At cost		
Land and land development	₱219,740,761	₱219,256,480
Subdivision lots and contracted units for sale	84,400,136	84,400,136
Raw lands	44,916,103	44,916,103
	349,057,000	348,572,719
At NRV		
Merchandise	836,318,369	662,363,764
Construction materials	18,204,000	15,425,375
Spare parts and supplies	9,123,000	23,160,314
	863,645,369	700,949,453
	₱1,212,702,369	₱1,049,522,172

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

The Group has no purchase commitments pertaining to its inventories as at September 30, 2015 and December 31, 2014.

No inventories are pledged as security to obligations as of September 30, 2015 and December 31, 2014.

9. Prepaid Expenses and Other Current Assets

This account consists of:

	Unaudited September 2015	Audited December 2014
Input value added tax (VAT)	₱403,807,335	₱471,459,534
Prepaid taxes	448,860,829	187,178,398
Prepaid expenses	102,515,967	84,534,933
Miscellaneous deposits - net	44,094,768	46,492,353
Fund for Engineering Development and Institutional Linkages (FEDIL)	33,370,477	14,294,289
Restricted cash investment	13,906,012	7,549,817
Unused office supplies	7,710,790	5,557,635
Receivable from EEI Retirement Fund, Inc. - net	265,625	117,000,000
Others	15,723,576	9,464,892
	₱1,070,255,379	₱943,531,851

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

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

Receivable from EEI Retirement Fund, Inc. (EEI-RFI) resulted from the sale of land by EEI to EEI-RFI. In 2013, the receivable from EEI-RFI amounting ₱390.0 million was restructured and reclassified to other noncurrent assets with fixed 5% interest rate per annum.

Prepaid expenses include prepayments for freight and insurance.

Miscellaneous deposits mainly represent the Group's refundable rental, utilities and guarantee deposits on various machineries and equipment, net of allowance for impairment.

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

10. Available-for-Sale Financial Assets

This account consists of:

	Unaudited September 2015	Audited December 2014
Quoted shares - at fair value	₱104,938,193	₱83,894,869
Unquoted shares - at cost	340,299,147	400,344,649
	₱445,237,340	₱484,239,518

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

	Unaudited September 2015	Audited December 2014
RCBC Realty Corporation (RRC)	₱215,052,081	₱260,387,781
Hermosa Ecozone Development Corporation	100,000,000	100,000,000
Brightnote Assets Corporation	11,000,000	25,000,000
Sta. Elena Properties	7,680,033	7,680,033
Heritage Park	3,834,231	5,088,785
Subic Power Corporation	37,500	37,500
Others	2,695,302	2,150,550
	₱340,299,147	₱400,344,649

Fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost, because fair value cannot be measured reliably. These equity instruments represent ordinary shares in private companies that are not quoted on any market and do not have any comparable industry peer that is listed. The Group does not intend to dispose of these investments in the foreseeable future.

11. Investments in Associates and Joint Venture

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

	Unaudited September 2015	Audited December 2014
Acquisition cost		
Balances at beginning	₱1,992,371,494	₱1,833,886,394
Additions	550,848,166	158,485,100
Disposals	-	-
Balance at end of year	2,543,219,660	1,992,371,494
Accumulated impairment loss		
Balance at beginning of year	74,536,609	74,536,609
Disposals	-	-
Recovery of impairment loss	-	-
Balance at end of year	74,536,609	74,536,609
Accumulated equity in net earnings		
Balance at beginning of year	2,025,354,729	1,622,025,355
Equity in net earnings	(569,104,192)	659,772,494
Dividends received	(23,529,952)	(256,443,120)
Balance at end of year	1,432,720,585	2,025,354,729
Equity in cumulative translation adjustment	27,579,363	(44,905,259)
	₱3,928,982,999	₱3,898,284,355

In 2015, the Parent Company availed the stock rights offered by PERC totalling 30.68 million at ₱4.38 per share at ₱134.36 million.

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

On September 17, 2013, the Parent Company purchased 0.7 million common shares of RRC for ₱985.9 million.

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

12. Property and Equipment

The rollforward analysis of this account follows:

	Unaudited September 2015	Audited December 2014
At Cost		
Land, Buildings and Improvements	₱3,448,326,631	₱2,740,777,418
Machinery, Tools and Construction Equipment	3,951,683,818	3,372,866,686
Transportation and Service Equipment	828,590,442	714,330,236
Furniture, Fixtures and Office Equipment	1,936,164,217	1,790,615,854
	10,164,765,108	8,618,590,194

Forward

	Unaudited September 2015	Audited December 2014
Less: Accumulated Depreciation	(4,383,984,848)	(3,938,744,215)
	5,780,780,260	4,679,845,979
Construction in Progress	35,430,396	448,190,632
Net book value at Cost	5,816,210,656	5,128,036,611
Land at revalued amount	2,836,565,819	2,836,565,819
	₱8,652,776,475	₱7,964,602,430

13. Goodwill

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

In 2013, the Group recognized impairment losses on goodwill pertaining to Honda Cars Group amounting ₱41.4 million. There are no additional impairment loss on goodwill in 2015 and 2014.

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

14. Investment Properties

The rollforward analysis of this account follows:

	Unaudited September 30, 2015		
	Land Held for Capital Appreciation	Condominium Units and Parking Slots	Total
Cost			
Balances at beginning of year	₱210,429,459	₱68,445,854	₱278,875,313
Additions	–	–	–
Disposals	(4,971,000)	(19,969,937)	(24,940,937)
Balances at end of year	205,458,459	48,475,917	253,934,376
Accumulated Depreciation and Amortization			
Balances at beginning of year	–	18,579,206	18,579,206
Additions	–	2,383,000	2,383,000
Disposals	–	(5,855,493)	(5,855,493)
Balances at end of year	–	15,106,713	15,106,713
Net Book Value	₱205,458,459	₱33,369,204	₱238,827,663

	Audited December 2014		
	Land Held for Capital Appreciation	Condominium Units and Parking Slots	Total
Cost			
Balances at beginning of year	₱210,629,459	₱55,491,974	₱266,121,433
Transfers to inventories (Note 10)	–	12,953,880	12,953,880
Disposals	(200,000)	–	(200,000)
Adjustments	–	–	–
Balances at end of year	₱210,429,459	₱68,445,854	₱278,875,313
Accumulated Depreciation and Amortization			
Balances at beginning of year			
Depreciation and amortization	–	15,804,488	15,804,488
Disposals	–	2,774,718	2,774,718
Balances at end of year	–	18,579,206	18,579,206
Net Book Value	₱210,429,459	₱49,866,648	₱260,296,107

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

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

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

None of the investment properties were pledged as a security to obligations as of September 30, 2015 and December 31, 2014.

15. Other Noncurrent Assets

This account consists of:

	Unaudited September 2015	Audited December 2014
Receivable from EEI Retirement Fund, Inc. (EEI-RFI)	₱273,000,000	₱270,531,792
Retirement asset	47,110,578	47,110,578
Computer software	19,058,585	28,505,569
Others	21,987,535	90,039,401
	₱361,156,698	₱436,187,340

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

In 2013, the receivable from EEI-RFI amounting to ₱390.0 million was restructured with payment terms longer than previously agreed. Receivable from EEI-RFI presented in this account pertains to

principal payments due for more than one year in accordance with the restructured payment terms.

Computer software is amortized over a period of three years. The capitalized software is carried net of accumulated amortization. There were no impairment recognized for computer software during the year and in prior periods.

Rollforward of computer software is as follows:

	Unaudited September 2015	Audited December 2014
Cost		
Balance at the beginning of the year	₱88,895,987	₱79,467,780
Additions	5,457,130	9,428,207
Balance at the end of the year	94,353,117	88,895,987
Accumulated Amortization		
Balance at the beginning of the year	60,390,418	39,623,496
Amortization (Note 29)	14,904,114	20,766,922
Balance at the end of the year	75,294,532	60,390,418
Net Book Value	₱19,058,585	₱28,505,569

Other noncurrent assets include noncurrent deferred charges, deposit on contracts, long-term receivable and others.

16. Accounts Payable and Accrued Expenses

This account consists of:

	Unaudited September 2015	Audited December 2014
Accounts payable	₱4,839,973,462	₱4,545,031,586
Accrued expenses	626,414,081	536,493,121
Deferred output taxes	625,707,272	516,120,678
Output tax payable	150,619,561	131,577,440
Subscriptions payable	35,738,505	58,007,218
Dividends payable	18,144,129	43,169,759
Accrued interest payable	11,846,526	12,253,244
Others	4,371,237	4,711,612
	₱6,312,814,773	₱5,847,364,658

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

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

Subscriptions payable represents unpaid subscriptions on equity securities.

Accrued expenses consist of:

	Unaudited September 2015	Audited December 2014
Accrued salaries and wages	₱219,861,478	₱165,901,989
Withholding taxes and others	120,920,270	63,276,789
Accrued insurance	52,331,062	32,198,546
SSS and other contributions	27,629,730	20,079,421
Accrued rent	23,708,335	119,110,569
Payable to security guards	17,111,795	10,438,737
Accrued professional fee	12,451,356	14,210,530
Chattel mortgage payable	9,440,391	2,952,116
Deferred income	4,065,937	6,128,396
Payable to Land Transportation Office	2,928,554	1,917,301
Rust proofing payable	255,706	19,763
Others	135,709,467	100,258,964
	₱626,414,081	₱536,493,121

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

The Group is a defendant in a claim seeking remuneration. The amount of the provision recorded under "Others" represents the estimated ability of the Group to cover the claim. The information required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed until final settlement, on the ground that it might prejudice the Group's position.

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

17. Loans Payable

This account consists of:

	Unaudited September 2015	Audited December 2014
Loans payable		
Secured bank loans	₱850,000,000	₱295,000,000
Unsecured bank loans	2,675,000,000	3,225,000,000
Bills payable		
Unsecured bills	–	400,000
	₱3,525,000,000	₱3,520,400,000

Unsecured

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

Secured

Certain loans from local banks are secured by the Group's investment in a subsidiary.

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

Bills Payable

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

The Group has no externally imposed capital requirements on its bank loans as at September 30, 2015 and December 31, 2014.

18. Long-term Debt

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

	Unaudited September 2015	Audited December 2014
Parent Company		
Peso-denominated syndicated bank loan payable within ten (10) years which shall commence after three (3) years from the date of issue with a floating rate per annum based on the higher of (i) the 3 - month Philippine Dealing System Treasury Reference Rates - Fixing (PDST-F) plus a spread of two percent (2.0%) per annum or (ii) the BSP overnight rate plus a spread of 1.5%	₱643,703,388	₱642,783,251
Peso-denominated syndicated bank loan payable within 10 years which shall commence after 3 years from the date of issue with a fixed rate per annum based on the highest of (i) five (5)-year PDST-F, plus a spread of 2.0% per annum or (ii) floating rate per annum based on the higher of (i) the 3 - month Philippine Dealing System Treasury Reference Rates - Fixing (PDST-F) plus a spread of 2.0% per annum or (ii) the BSP overnight rate plus a spread of 1.5% or (iii) 5.5% per annum	643,703,387	642,783,250
Peso-denominated 5 year term loan, payable quarterly starting March 2014 with interest of 5.00% per annum	—	398,411,854
MCI		
Peso-denominated syndicated bank loan payable after 10 years since November 2010 without grace period on principal payment, subject to floating rate equal to the 3-month Philippine Dealing System Treasury Reference Rates-Fixing (PDST-F) plus a per annum spread of 1.75% payable in accelerating amounts up to November 22, 2020.	280,000,000	₱516,000,000
EEI Power		
Peso-denominated seven (7) year term loan, payable quarterly starting June 2014 with interest of 6.50% per annum inclusive of two (2) year grace period on principal amortization	500,000,000	517,912,200
EEI		
Fixed-rate corporate promissory notes with effective interest of 5.1875% on first draw down, 5.1667% on second draw down and 4.8% on subsequent draw downs as of May 2015 per annum for seven (7) years.	1,357,143,000	446,428,571

	Unaudited September 2015	Audited December 2014
MCLI		
Payable to PTC	14,020,466	10,250,715
	3,438,570,241	3,174,569,841
Less current portion of long-term debt	385,734,466	379,233,744
	₱3,052,835,775	₱2,795,336,097

Parent Company

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

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

Loans financed by Eastwest Bank are secured by the Parent Company's investment in an associate. The carrying value of the investment held as collateral amounted to ₱585.7 million as of September 30, 2015.

Loans financed by Robinsons Bank are secured by the Parent Company's investment in an associate and investment in subsidiary with carrying values amounting ₱694.6 million as of September 30, 2015.

Loans financed by Philippine Bank of Communications are secured by the Parent Company's investment in subsidiary. The carrying value of the investment held as collateral amounted to ₱742.5 million as of September 30, 2015.

On December 16, 2013, the Parent Company acquired from RCBC loan amounting ₱500.0 million, payable within five (5) years. The proceeds of the loan were used for general financing requirements. This loan is pledged by the all the shares of the Parent Company to a subsidiary. On July 23, 2015, the Parent Company paid in full the outstanding loan payable.

MCI

MCI acquired a loan from RCBC amounting ₱860.0 million, payable within ten (10) years. This loan is backed up by land properties in Manila and Makati owned by the Group. The unpaid principal amount is subject to floating rate equivalent to 3-month PDST-F plus a per annum spread of 1.75%. The carrying value of the collateral amounted to ₱1,400.0 million in 2014.

EI

In June 15, 2015, EEI executed a seven (7) year term loan amounting ₱1,000.0 million with Land Bank of the Philippines subject to fixed interest rate of 4.8%. On February 7, 2014 and February 18, 2014, EEI entered into fixed-rate corporate promissory notes amounting ₱50.0 million and ₱450.0 million with Land Bank of the Philippines with effective interest of 5.1667% and 5.1875% per annum, respectively. The loans mature within seven (7) years from the date of issue. The proceeds of the loan were used for general corporate and project financing requirements.

EEI Power

On June 13, 2012, EEI Power entered into a 6.5% fixed-rate term loan in the aggregate principal

amount of ₱385.0 million with Rizal Commercial Banking Corporation (RCBC) to finance the acquisition, design, construction, operation of the 15MW diesel generator set to be installed in Tagum, Davao del Norte.

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

The loan shall be available in staggered drawdowns within the following conditions:

- i. Initial loan release shall be lesser than or equivalent to the loan value of existing collateral and/or additional collateral;
- ii. Subsequent loan releases shall depend on the value of submitted collateral.

As at September 30, 2015 the carrying value of collateral held on the loan amounted to ₱1.11 billion consisting of certain machinery and construction equipment items of EEI amounting ₱1.0 billion and certain merchandise stocks and fixed assets of EE (Equipment Engineers, Inc.) amounting ₱0.11 billion.

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

MCLI

As at September 30, 2015 and December 31, 2014, payable to PTC amounted to ₱14.0 million and ₱10.3 million, respectively, for its share in the income of tuition and other matriculation fees of students of the Malayan-PTC Center for Maritime Education and Training (CMET). The outstanding balance of ₱14.0 million is payable in 2015 and is recorded under current liabilities.

In 2014, the parties to the joint operation executed an addendum to its memorandum of agreement to include a provision to settle its liabilities on a net basis. The aforementioned amendment shall be applied retrospectively from the date of the agreements.

The Group has complied with all loan covenants for the periods ended September 30, 2015 and December 31, 2014.

19. Retained Earnings

In accordance with SRC Rule No. 68, As Amended (2011), Annex 68-C, after reconciling items, the Parent Company's retained earnings available for dividend declaration as of September 30, 2015 amounted to ₱1,784.1 million.

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

The Group's retained earnings include accumulated earnings of subsidiaries amounting ₱5,147.2 million and ₱4,725.4 million in September 30, 2015 and December 31, 2014, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

The Group's retained earnings is restricted to the extent of the cost of treasury stock amounting ₱2,607,600.

20. Capital Stock

The authorized preferred stock is 2,500,000,000 shares at ₱0.40 par value. A reconciliation of the number of preferred shares outstanding as at September 30, 2015, 2014 and 2013 follows:

	2015		2014		2013	
	Amount	Shares	Amount	Shares	Amount	Shares
Beginning of the year	₱344,007,243	860,018,106	₱380,670,413	951,676,035	₱421,284,050	1,053,210,126
Redemption of preferred stock	(16,985,358)	(42,463,394)	(18,795,602)	(46,989,004)	(20,798,776)	(51,996,941)
Conversion of preferred stock to common stock (Note 39)	-	-	-	-	(43,025)	(107,562)
	₱327,021,885	817,554,712	₱361,874,811	904,687,031	₱400,442,249	1,001,105,623

The authorized common stock is 1,250,000,000 shares at ₱1.50 par value. A reconciliation of the number of common shares outstanding as at September 30, 2015, 2014 and 2013 follows:

	2015		2014		2013	
	Amount	Shares	Amount	Shares	Amount	Shares
Beginning of the year	₱924,295,136	616,196,757	₱924,295,136	616,196,757	₱924,252,111	616,168,074
Conversion of preferred stock to common stock	-	-	-	-	43,025	28,683
	924,295,136	616,196,757	924,295,136	616,196,757	924,295,136	616,196,757
Treasury stock	(2,607,600)	(300,000)	(2,607,600)	(300,000)	(2,607,600)	(300,000)
	₱921,687,536	615,896,757	₱921,687,536	615,896,757	₱921,687,536	615,896,757

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

Details of capital stock conversion and redemption follow:

<i>Conversion:</i>	2015	2014	2013
March 22, 2013, converted 107,562 shares of preferred stock into 28,683 of common stock	₱-	₱-	₱43,025
	₱-	₱-	₱43,025

<i>Redemption:</i>	2015	2014	2013
September 24, 2015, redeemed 20,438,868 preferred shares at 0.40 per share	₱8,175,547		
July 17, 2015, redeemed 20,962,941 preferred shares at ₱0.40 per share	8,385,177	-	-
March 20, 2015, redeemed 21,500,453 preferred shares at ₱0.40 per share	8,600,181	-	-
December 4, 2014, redeemed 22,051,746 preferred shares at 0.40 per share	-	₱8,820,699	-
October 2, 2014, redeemed 22,617,176 preferred shares at 0.40 per share	-	9,046,870	-
July 17, 2014, redeemed 23,197,103 preferred shares at 0.40 per share	-	9,278,841	-
March 31, 2014, redeemed 23,791,901 preferred shares at 0.40 per share	-	9,516,760	-
December 5, 2013, redeemed 24,401,950 preferred shares at ₱0.40 per share	-	-	₱9,760,780
September 26, 2013, redeemed 25,027,640 preferred shares at ₱0.40 per share	-	-	10,011,056
July 19, 2013, redeemed 25,669,375 preferred shares at ₱0.40 per share	-	-	10,267,750

Forward

<i>Redemption:</i>	2015	2014	2013
March 22, 2013, redeemed 26,327,566 preferred shares at ₱0.40 per share	–	–	10,531,026
	₱25,160,905	₱36,663,170	₱40,570,612

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

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

Below is the summary of the outstanding number of shares and holders of security as at September 30, 2015:

Year	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities as of year end
Preferred shares:				
January 1, 2013	1,053,210,126	₱0.40		50
Movement:	(26,327,564)	0.40	March 22, 2013	
	(107,562)	0.40	March 22, 2013	
	(25,669,375)	0.40	July 19, 2013	
	(25,027,640)	0.40	September 26, 2013	
	(24,401,950)	0.40	December 5, 2013	
December 31, 2013	951,676,035			49
Movement:	(23,791,901)	0.40	March 31, 2014	
	(23,197,104)	0.40	July 17, 2014	
	(22,617,177)	0.40	October 2, 2014	
	(22,051,747)	0.40	December 4, 2014	
December 31, 2014	860,018,106			49
Movement	(21,500,453)	0.40	March 20, 2015	
	(20,962,941)	0.40	July 17, 2015	
September 30, 2015	817,554,712			49
Common Shares:				
January 1, 2013	616,168,074			424
Movement:	28,683	₱1.50	March 22, 2013	
December 31, 2013	616,196,757			406
No movement	–	–		
December 31, 2014	616,196,757			406
No movement	–	–		
September 30, 2015	616,196,757			403

SEC approved the registration of the Group's authorized capital stock before its listing date with the Philippine Stock Exchange, which was on July 2, 1962. The actual numbers of shares initially listed were 584,085 at an offer price of ₱10.0 per share. Total number of preferred and common shareholders was 49 and 403 respectively, as of September 30, 2015 and 49 and 406 respectively, as of December 31, 2014.

21. Cash Dividends

The BOD declared cash dividends as follows:

	2015	2014	2013
September 24, 2015, ₱ 0.004 per share cash dividend to stockholders of preferred shares as of October 23, 2015 payable on or before November 13, 2015. The cash dividend covered the third quarter of 2015	₱3,156,579		
July 17, 2015, ₱0.017 per share cash dividend to stockholders of preferred shares and ₱0.065 per share cash dividend to stockholders of common shares as of August 14, 2015 payable on or before September 9, 2015	54,564,800	–	–
July 17, 2015, ₱0.003 per share cash dividend to stockholders of preferred shares as of August 14, 2015 and payable on or before September 7, 2015. The cash dividend covered the second quarter of 2015.	2,983,403	–	–
March 20, 2015, ₱0.003 per share cash dividend to stockholders of preferred shares as of April 17, 2015 payable on or before May 12, 2015.	3,311,306	–	–
December 4, 2014, ₱0.003 per share cash dividend to stockholders of preferred shares as of December 29, 2014 payable on or before January 23, 2015. The cash dividend covered the fourth quarter of 2014.	–	₱2,898,482	–
October 2, 2014, ₱ 0.003 per share cash dividend to stockholders of preferred shares as of October 30, 2014 payable on or before November 20, 2014. The cash dividend covered the third quarter of 2014.	–	2,947,470	–
July 17, 2014, ₱0.017 per share cash dividend to stockholders of preferred shares and 0.065 per share cash dividend to stockholders of common shares as of August 14, 2014 payable on or before September 5, 2014.	–	56,133,021	–
July 17, 2014, ₱0.003 per share cash dividend to stockholders of preferred shares as of August 14, 2013 and payable on or before September 3, 2013. The cash dividend covered the second quarter of 2014.	–	3,037,893	–
March 31, 2014, ₱0.003 per share cash dividend to stockholders of preferred shares as of April 25, 2014 payable on or before May 20, 2014. The cash dividend covered the first quarter of 2014.	–	2,902,612	–

Forward

	2015	2014	2013
December 5, 2013, ₱0.002 per share cash dividend to stockholders of preferred shares as of January 2, 2014 payable on or before January 23, 2014. The cash dividend covered the fourth quarter of 2013.	–	–	₱1,952,911
September 26, 2013, ₱0.003 per share cash dividend to stockholders of preferred shares as of October 24, 2013 payable on or before November 15, 2013. The cash dividend covered the third quarter of 2013.	–	–	2,709,993
July 19, 2013, ₱0.016 per share cash dividend to stockholders of preferred shares and ₱0.06 per share cash dividend to stockholders of common shares as of August 16, 2013 payable on or before September 5, 2013.	–	–	53,400,205
July 19, 2013, ₱0.002 per share cash dividend to stockholders of preferred shares as of August 16, 2013 and payable on or before September 4, 2013. The cash dividend covered the second quarter of 2012.	–	–	2,449,577
March 22, 2013, ₱0.002 per share cash dividend to stockholders of preferred shares as of April 19, 2013 payable on or before May 15, 2013.	–	–	2,169,612
	₱64,016,088	₱67,919,478	₱62,682,298

22. Earnings Per Share

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

Unaudited Basic earnings per share

	January to September 30		
	2015	2014	2013
Net income attributable to equity holders of parent company	₱757,574,190	₱798,872,803	₱1,007,382,273
Less dividends attributable to preferred shares (Note 21)	20,826,220	22,020,737	21,047,590
Net income applicable to common shares	736,747,970	776,852,066	986,334,683
Divided by the weighted average number of common shares	615,896,757	615,896,757	615,896,757
Basic earnings per share	₱1.1962	₱1.2613	₱1.6015

Unaudited Diluted earnings per share

	January to September 30		
	2015	2014	2013
Net income applicable to common shares	₱ 736,747,970	₱ 776,852,066	₱ 986,334,683
Add dividends attributable to preferred shares	20,826,220	22,020,737	21,047,590
Net income applicable to common shares for diluted earnings per share	757,574,190	798,872,803	1,007,382,273
Weighted average number of common shares	615,896,757	615,896,757	615,896,757
Dilutive shares arising from convertible preference shares	218,014,590	241,249,874	266,961,499
Weighted average number of common shares for diluted earnings per share	833,911,347	857,146,631	882,858,256
Diluted earnings per share	₱0.9085	₱0.9320	₱1.1410

23. Other Income

This account consists of:

	January to September 30		
	2015	2014	2013
Dealers Income	₱69,855,323	₱49,053,629	₱35,611,531
Commission income	56,338,699	48,066,993	58,258,905
Gain on redemption of preferred stock	39,625,886	15,134,400	34,996,414
Interest income	30,836,375	31,588,671	60,537,979
Insurance income	16,700,809	10,638,596	12,433,950
Space and car rental	15,310,036	14,519,509	–
Finance income	10,283,746	4,236,638	–
Income from reversal of payables	7,983,000	–	28,276,000
Gain on sale from AFS securities	4,723,125	11,924,911	864,464
Gain on sale from investment property	4,938,000	–	4,478,897
Gain on sale from property and equipment	3,910,630	–	415,020
Rental income	3,134,000	10,633,326	9,935,773
Refund and discount	1,875,000	–	–
Foreign exchange loss	(33,590,759)	147,612	1,022,000
Gain on sale of shares in stock	–	–	15,106,220
Miscellaneous	26,087,712	26,258,465	74,664,610
	₱258,011,582	₱222,202,750	₱336,601,763

Miscellaneous include income from sale of sludge and used oil, rebate from purchase of fuel and rustproofing transactions.

24. Costs of Sales and Services

This account consists of:

	January to September 30		
	2015	2014	2013
Cost of services			
Cost of construction contracts	₱11,966,227,000	₱9,360,653,000	₱6,332,930,000
Cost of manpower and other services	999,368,177	1,066,215,989	744,743,413
	12,965,595,177	10,426,868,989	7,077,673,413
Cost of goods sold			
Cost of merchandise sold	₱ 4,881,981,585	₱3,214,112,523	₱3,192,153,700
Cost of real estate sold	5,654,000	11,206,000	39,007,000
	4,887,635,585	3,225,318,523	3,231,160,700
Cost of school and related operations (Note 25)	853,929,723	746,529,554	701,902,725
	₱18,707,160,485	₱14,398,717,066	₱11,010,736,838

25. Cost of School and Related Operations

This amount consists of:

	January to September 30		
	2015	2014	2013
Personnel expenses	₱ 422,642,468	₱379,038,099	₱381,130,539
Depreciation and amortization	108,846,025	87,635,307	66,006,762
Student-related expenses	103,595,583	86,187,807	83,738,667
Utilities	67,980,370	67,192,660	53,945,086
Management and other professional fees	50,650,596	51,597,540	66,593,763
Tools and library books	20,468,035	21,649,140	13,559,312
Advertising	19,063,804	6,549,459	6,149,013
Periodicals	10,297,432	375,302	277,152
Seminar	10,002,234	9,127,277	1,165,544
Accreditation cost	7,971,684	4,156,004	2,299,117
Repairs and maintenance	7,116,587	6,975,000	7,968,455
Laboratory supplies	5,518,526	4,671,082	3,897,807
Office supplies	5,323,134	3,021,445	4,402,468
Research and development	4,046,089	5,511,683	3,130,981
Insurance	3,185,200	2,167,402	3,207,008
Transportation and travel	1,408,660	675,376	1,539,135
Taxes and licenses	1,339,092	1,346,712	992,119
Rent	1,128,641	1,354,753	894,182
Entertainment, amusement and recreation	258,908	620,756	776,884
Miscellaneous	3,086,655	6,676,750	228,731
	₱853,929,723	₱746,529,554	₱701,902,725

Personnel expenses and professional fees went up due to increase in rates and teaching loads to support substantial increase in number of students. Depreciation and amortization increased because of additional equipments purchased and completed renovation of gymnasium. Student-related expenses went up as the number of students increased.

Utilities went up in relation to the construction of new building in MCLI and renovation in MCI. Management and other professional fees are lower this year because of completed renovations in MCI

Advertising also increased as the schools extensively campaign for student enrolment. Increase in office supplies and accreditation cost is attributable to accreditation requirements of PACUCOA, ABET, PTC and ISO. Increase in periodicals is due to increase in subscriptions to magazines, journals and newspapers.

26. General and Administrative Expenses

This account consists of:

	2015	2014	2013
Personnel expenses	₱537,088,605	₱541,020,524	₱484,922,894
Rent, light and water	157,661,271	153,673,697	141,977,097
Depreciation and amortization	137,704,263	111,092,832	139,853,426
Taxes and licenses	76,738,605	69,858,897	61,525,114
Advertising and promotions	57,185,836	53,300,326	71,367,526
Entertainment, amusement and recreation	55,393,959	36,859,254	36,880,975
Transportation and travel	44,529,552	48,559,345	47,340,050
Professional fees	34,203,062	27,838,595	27,495,389
Management and other fees	29,219,900	33,503,934	14,418,358
Securities and utilities	23,531,117	23,158,417	31,514,148
Repairs and maintenance	22,264,235	27,240,971	24,211,551
Commissions	18,770,711	12,370,162	16,247,151
Office expenses	18,625,491	25,981,579	18,388,677
Donations and contributions	8,462,119	6,939,338	6,274,231
Insurance	7,304,966	7,393,406	6,609,217
Provision for impairment	5,627,847	–	134,300,691
Direct expenses	5,287,453	5,183,825	3,945,918
Seminars	1,959,965	3,083,013	525,672
Accreditation cost	653,671	122,921	–
Provision (recovery) for inventory obsolescence	515,513	–	311,758
Provision for (recovery of) probable losses	226,811	(432,178)	(103,654,441)
Miscellaneous	112,013,090	175,336,863	149,474,077
	₱1,354,968,042	₱1,362,085,721	₱1,313,929,479

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

27. Noncontrolling Interest

This represents shareholdings in subsidiaries not held by the Group.

28. Operating Segment Information

For management purposes, the Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment financial information is reported on the basis that it is used internally for evaluating segment performance and allocating resources to segments.

The Group derives its revenues from the following reportable segments:

Construction and Infrastructure - mainly consists of revenues from EEI Corporation and subsidiaries as a general contractor and trader of construction equipment and parts. The subsidiaries of EEI are mainly involved in the provision for manpower services, construction, trading of equipment, power generation, steel fabrication, real estate and others.

Consumer Finance - represents the general financing and investment business of ZIFC.

Education and Information Technology - primarily consists of revenues from iPeople and subsidiaries (including MCI) in education, consulting, development, installation and maintenance of information technology systems.

Car Dealership - represents automotive dealerships of the Group.

Other Services - represent support services which cannot be directly identified with any of the reportable segments mentioned above. These include sale of pharmaceutical products, trading of consumer goods and rendering various services to the consumers.

Segment assets and liabilities exclude deferred income tax assets and liabilities. Inter-segment income arise from transactions that were made on terms equivalent to those that prevail in an arms-length transactions.

Management monitors construction revenue and segment net income for the purpose of making decisions about resource allocation. Segment performance is evaluated based on net income and construction revenue.

Segment reporting is consistent in all periods presented as there are no changes in the structure of the Group's internal organization that will cause the composition of its reportable segment to change.

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

House of Investments Inc and Subsidiaries
Unaudited Operating Segment Attributable to Equity Holders of the Parent Company
For the periods ended September 30, 2015 and 2014

	Construction and Infrastructure		Consumer Finance		Education and Information Technology		Other Services		Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenues	12,777,731,000	11,242,189,000	8,786,603	9,043,926	1,774,799,906	1,683,810,252	5,862,858,647	4,121,859,247	(289,905,741)	(284,641,267)	21,831,624,415	16,772,261,158
Net Income (Loss)	120,860,000	495,575,000	2,125,459	2,283,169	581,985,570	541,773,045	384,083,682	280,087,144	(331,480,521)	(520,845,556)	757,574,190	798,872,803
Other Information												
Segment Assets	21,045,106,007	17,164,560,445	29,240,211	26,627,109	5,657,626,368	5,283,946,214	7,453,653,445	6,321,270,989	(1,665,525,280)	(1,451,918,890)	32,520,100,751	27,344,485,866
Segment Liabilities	14,323,860,377	10,936,322,670	3,660,446	4,950,712	1,304,558,015	1,536,806,502	3,822,633,416	3,085,828,306	(200,601,955)	(162,022,079)	19,254,110,298	15,401,886,111
Investments in Associates	1,722,642,792	1,953,537,000	–	–	–	–	4,045,253,600	3,525,772,764	(1,838,913,394)	(1,637,336,927)	3,928,982,999	3,841,972,837

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

Supplementary Information and Disclosures Required On SRC Rule 68 and 68.1, As Amended September 30, 2015

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68, as Amended (2011), that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

The Group is not required to disclose the financial assets in equity securities as the total available-for-sale securities amounting ₱445.2 million do not constitute 5% or more of the total current assets of the Group as at September 30, 2015.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Below is the schedule of advances to employees of the Group with balances above ₱100,000 as of September 30, 2015:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
<i>EI</i>				
Macapagal, Norman K.	₱1,533,095	₱10,379	(₱1,042)	₱1,542,432
Mercado, Oscar D.	1,441,523	61,342	(61,342)	1,441,523
San Miguel, Simon Elmer D.	489,035	300	(300)	489,035
Albarda, John Christian L.	250,259	–	(28,100)	222,159
Velasquez, Renato R.	–	221,008	–	221,008
Largosta, Christopher M.	245,393	–	(40,547)	204,846
Matibag, Jun E.	224,786	–	(33,250)	191,536
Cabrera, Lovette O.	174,561	–	(16,821)	157,740
Villarin , Pantaleon T. Jr.	150,000	6,852	(6,852)	150,000
Edorot, Rico C.	131,477	–	–	131,477
Cadiz, Cirilo Victoriano L..	–	165,633	(35,300)	130,333
Undag, Oriel T.	127,601	–	–	127,601
Bernal, Edgardo A.	–	125,549	–	125,549
Castro, Romeo E.	121,512	–	–	121,512
Alonzo, Antonina J.	121,292	–	–	121,292
Canero, Raul C.	117,460	–	–	117,460
Burgos, Manuel B.	108,150	300	(300)	108,150
Sunga, Renato Z.	122,321	–	(15,000)	107,321
	₱5,358,465	₱591,363	(₱238,854)	₱5,710,974
<i>iPeople</i>				
Apsay, Christopher	₱379,504	₱–	(₱43,385)	₱336,119
Arenillo, Denise Jordan	270,933	–	(50,866)	220,067
Balan, Ariel Kelly	363,942	–	(55,050)	308,892
Ballado, Alejandro Jr.	–	327,242	(12,233)	315,009
Bitor, Rolando	170,270	–	(61,575)	108,695
Cabanilla, Angela Celine	347,226	–	(51,779)	295,447
Camus, Rosette Eira	341,133	–	(51,779)	289,354
Cinco, Arnold	347,226	–	(51,779)	295,447
Francisco, Ruth C.	–	401,561	–	401,561
Forward				
Geguiento, Edgardo	₱395,323	₱–	(₱64,695)	₱330,628
Hofilena, Joy	288,830	–	(62,700)	226,130

Name	Balance at beginning of year	Additions	Collections/Liquidations	Balance at end of year
Kikuchi, Khristian	261,959	–	(58,251)	203,708
Macayan, Jonathan	264,365	–	(54,807)	209,558
Papas, Aileen Kate	360,787	61,268	(66,640)	355,415
Sabio, Maurice	297,558	–	(62,700)	234,858
Teodoro, Gloria	199,000	–	(56,383)	142,617
Uy, Francis Aldrine	280,146	–	(56,029)	224,117
	₱4,568,202	₱790,071	(₱860,651)	₱4,497,622
<i>HI-Parent</i>				
Villegas, Sonia P	₱527,506	₱22,487	(₱130,824)	₱419,169
Joven, Ma. Esperanza F	458,545	39,198	(95,341)	402,402
Galang, Anthony G.	–	373,173	(32,496)	340,677
Bautista, Ma. Teresa	216,802	16,948	(78,386)	155,364
Gan, Ma. Eloisa	207,396	46,134	(90,047)	163,483
	₱1,410,249	₱497,940	(₱427,094)	₱1,481,095
Total	₱11,336,916	₱1,879,374	(₱1,526,599)	₱11,689,691

iPeople and HI-Parent's advances mainly pertain to the officers and employees car plan agreements. Such advances are interest-bearing and shall be liquidated on a monthly basis.

There were no amounts written off during the year. All receivables are expected to be collected within the next twelve months.

Schedule C. Amounts Receivable from/Payable to Related Parties which are eliminated during the Consolidation of Financial Statements

Below is the schedule of receivables (payables) with subsidiaries, which are eliminated in the consolidated financial statements as at September 30, 2015:

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Balance at end of period
<i>Landev Corporation</i>					
Due from affiliates	₱1,078,803	₱3,442,655	(₱4,042,555)	₱–	₱478,903
Dividends receivable	22,500,000	4,500,000	(17,000,000)	–	10,000,000
	23,578,803	7,942,655	(21,042,555)	–	10,478,903
<i>Greyhounds Security and Investigation Agency Corporation</i>					
Due from affiliates	347,667	469,035	(789,479)	–	27,223
<i>Investment Managers, Inc.</i>					
Due from affiliates	136,986	7,753,987	(7,175,147)	–	715,826
Dividends receivable	1,000,170	–	(1,000,170)	–	–
	1,137,156	7,753,987	(8,175,317)	–	715,826
<i>iPeople, inc. and subsidiaries</i>					
Due from affiliates	4,968,478	17,177,251	(16,462,709)	–	5,683,020
Dividends receivable	89,654,798	30,185,925	(110,477,220)	–	9,363,503
	94,623,276	47,363,176	(126,939,929)	–	15,046,523

Forward

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Balance at end of period
<i>EEI Corporation and subsidiaries</i>					
Due from affiliates	₱759,544	₱2,499,700	(₱476,594)	₱-	₱2,782,650
Dividends Receivable	-	107,762,957	(107,762,957)	-	-
	759,544	110,262,657	(108,239,551)	-	2,782,650
<i>Zamboanga Industrial Finance Corporation</i>					
Due from affiliates	380,192	-	-	-	380,192
Dividends receivable	-	1,250,000	(937,500)	-	312,500
	380,192	1,250,000	(937,500)	-	692,692
<i>Zambowood Realty and Development Corp</i>					
Due from affiliates	-	1,699	-	-	1,699
Dividends receivable	2,999,886	-	(2,999,886)	-	-
	2,999,886	1,699	(2,999,886)	-	1,699
<i>Hexagon Lounge, Inc.</i>					
Due from affiliates	129	2,128	(129)	-	2,128
<i>Xamdu Motors, Inc.</i>					
Due from affiliates	(107)	1,285	-	-	1,178
<i>Honda Cars Kalookan</i>					
Due from affiliates	1,986,895	1,621,060	(222,159)	-	3,385,796
	₱125,813,441	₱176,667,682	(₱269,346,505)	₱-	₱33,134,618

These receivables are non-interest bearing and are expected to be settled within the next twelve months.

Schedule D. Intangible Asset - Other Noncurrent Assets

As at September 30, 2015, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of EEI, iPeople, and Honda Cars Group. Details of the Group's intangible assets are as follows:

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	₱471,357,459	₱-	₱-	₱-	₱-	₱471,357,459
Computer Software	28,505,569	5,457,130	(14,904,114)	-	-	19,058,585
	₱499,863,028	₱5,457,130	(₱14,904,114)	₱-	₱-	₱490,416,044

Schedule E. Long-term Debt

Below is the schedule of long-term debt of the Group:

Type of Obligation	Amount	Current	Noncurrent
Parent Company			
Peso-denominated syndicated bank loan payable within 10 years which shall commence after 3 years from the date of issue with a floating rate per annum based on the higher of (i) the three (3) - month Philippine Dealing System Treasury Reference Rates - Fixing (PDST-F) plus a spread of two (2.0%) per annum or (ii) the BSP overnight rate plus a spread of 1.5%.	₱643,703,388	₱-	₱643,703,388

Forward

Peso-denominated syndicated bank loan payable within 10 years which shall commence after 3 years from the date of issue with a fixed rate per annum based on the highest of (i) 5-year PDST-F, plus a spread of two (2.0%) per annum or (ii) floating rate per annum based on the higher of (i) the three (3) - month Philippine Dealing System Treasury Reference Rates - Fixing (PDST-F) plus a spread of two (2.0%) per annum or (ii) the BSP overnight rate plus a spread of 1.5% or (iii) 5.5% per annum.	643,703,387	–	643,703,387	<u>Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)</u> The Group is not required to disclose the long term indebtedness to related parties amounting P280 million as this do not
MCI				
Peso-denominated syndicated bank loan payable after 10 years since November 2010 without grace period on principal payment, subject to floating rate equal to the 3-month Philippine Dealing System Treasury Reference Rates-Fixing (PDST-F) plus a per annum spread of 1.75% payable in accelerating amounts up to November 22, 2020.	280,000,000	86,000,000	194,000,000	
EEI				
Fixed-rate corporate promissory notes with effective interest of 5.1875% on first draw down, 5.1667% on second draw down and 4.8% on subsequent draw downs as of May 2015 per annum for seven (7) years.	1,357,143,000	214,286,000	1,142,857,000	
EEI Power				
Peso-denominated seven (7) year term loan, payable quarterly starting June 2014 with interest of 6.50% per annum inclusive of two (2) year grace period on principal amortization	500,000,000	71,428,000	428,572,000	
MCLI				
Payable to PTC	14,020,466	14,020,466	–	
	<u>P3,438,570,241</u>	<u>P385,734,466</u>	<u>P3,052,835,775</u>	

ute 5% or more of the total assets of the Group as at September 30, 2015.

Schedule G. Guarantees of Securities of Other Issuers

There are no guarantees of securities of other issuing entities by the Group as at September 30, 2015.

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares held by related parties	Directors, Officers and Employees	Others
Common shares	1,250,000,000	615,896,757	344,701,851	3,394,275	267,800,631
Preferred shares	2,500,000,000	817,554,712	347,034,586	446,494,682	24,025,444

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

Items	Amount
Unappropriated retained earnings, beginning	₱1,509,299,003
Adjustments:	—
Less: Movement in unrecognized deferred tax assets	—
Unappropriated retained earnings, as adjusted, beginning	1,509,299,003
Net income based on the face of AFS	338,313,025
Less: Non-actual/unrealized income - net of tax	—
Equity in net income of associate/joint venture	—
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	—
Unrealized actuarial gain	—
Fair value adjustment (M2M gains)	—
Effect of change in accounting policy - PAS 19R	—
Fair value adjustment of investment property resulting to gain adjustment due to deviation from PFRS/GAAP - gain	—
Movement in deferred tax liability	—
Other unrealized gains or adjustments to the retained earnings as result of certain transactions accounted for under PFRS	—
Add: Non-actual losses	—
Depreciation on revaluation increment (after tax)	—
Adjustments due to deviation from PFRS/GAAP - loss	—
Net income actual/realized	338,313,025
Dividends declaration during the year	(60,859,509)
Treasury stock	(2,607,600)
Unappropriated retained earnings, as adjusted, ending	₱1,784,144,919

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES**AGING OF ACCOUNTS RECEIVABLE****FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

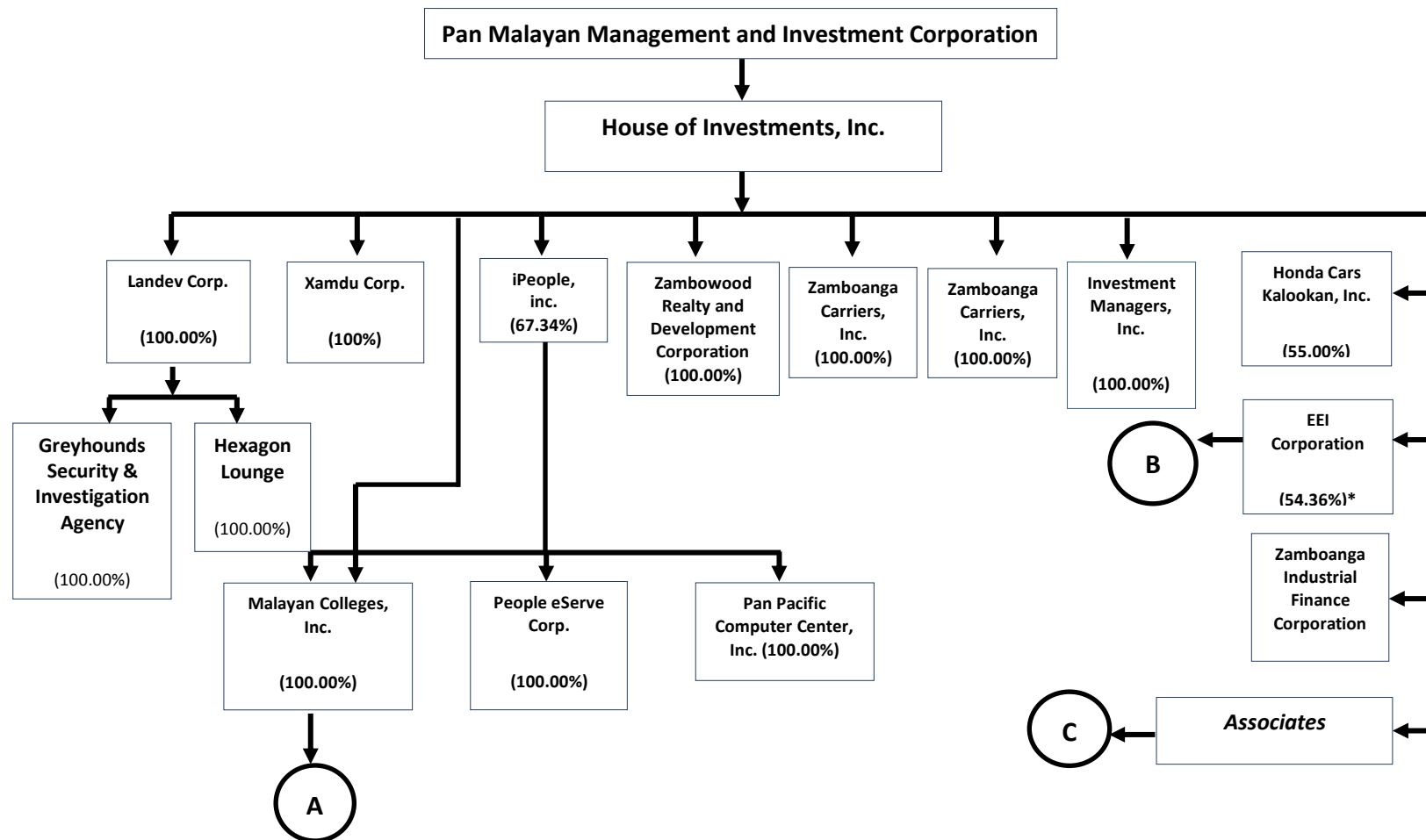
	TOTAL	No. of days due		
		0-30	31-60	Over 61 days
Construction	₱6,340,871,000	₱5,353,420,000	₱342,980,000	₱644,471,000
Car Dealership	683,079,902	455,630,023	108,974,188	118,475,691
Education and Information				
Technology	235,832,278	167,451,579	32,427,146	35,953,553
Parent and Others	1,960,241,211	1,153,696,533	397,341,926	409,202,752
Total	9,220,024,391	7,130,198,135	881,723,260	1,208,102,996
Less: Allowance for doubtful accounts	(253,602,199)	–	–	(253,602,199)
	₱8,966,422,192	₱7,130,198,135	₱881,723,260	₱954,500,797

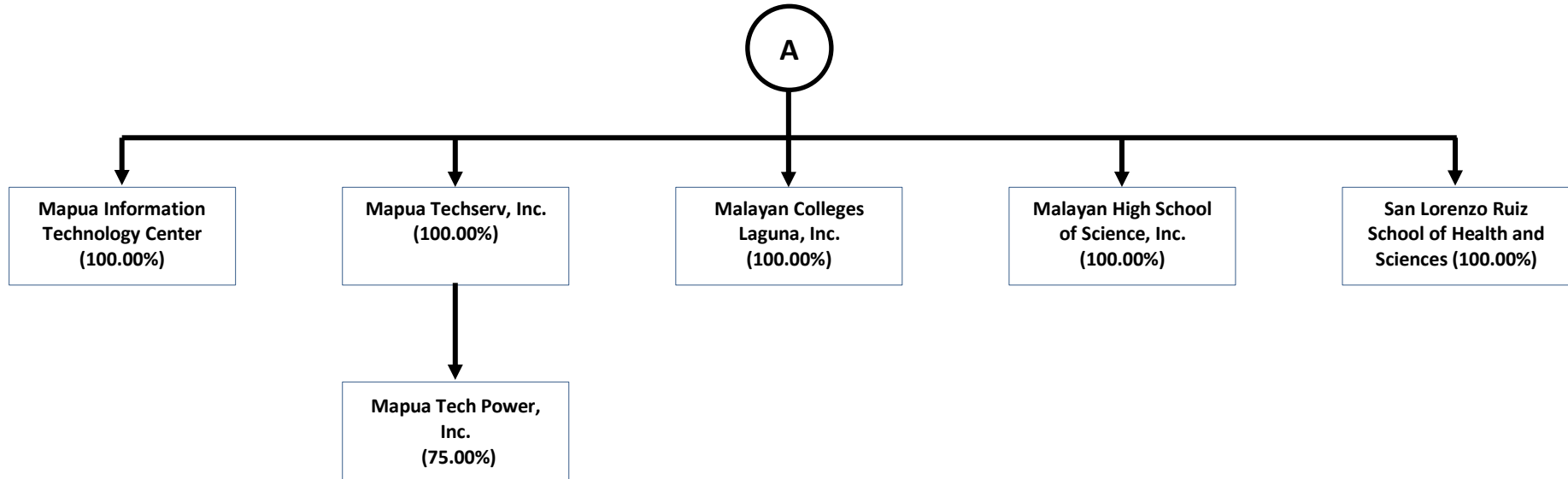
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

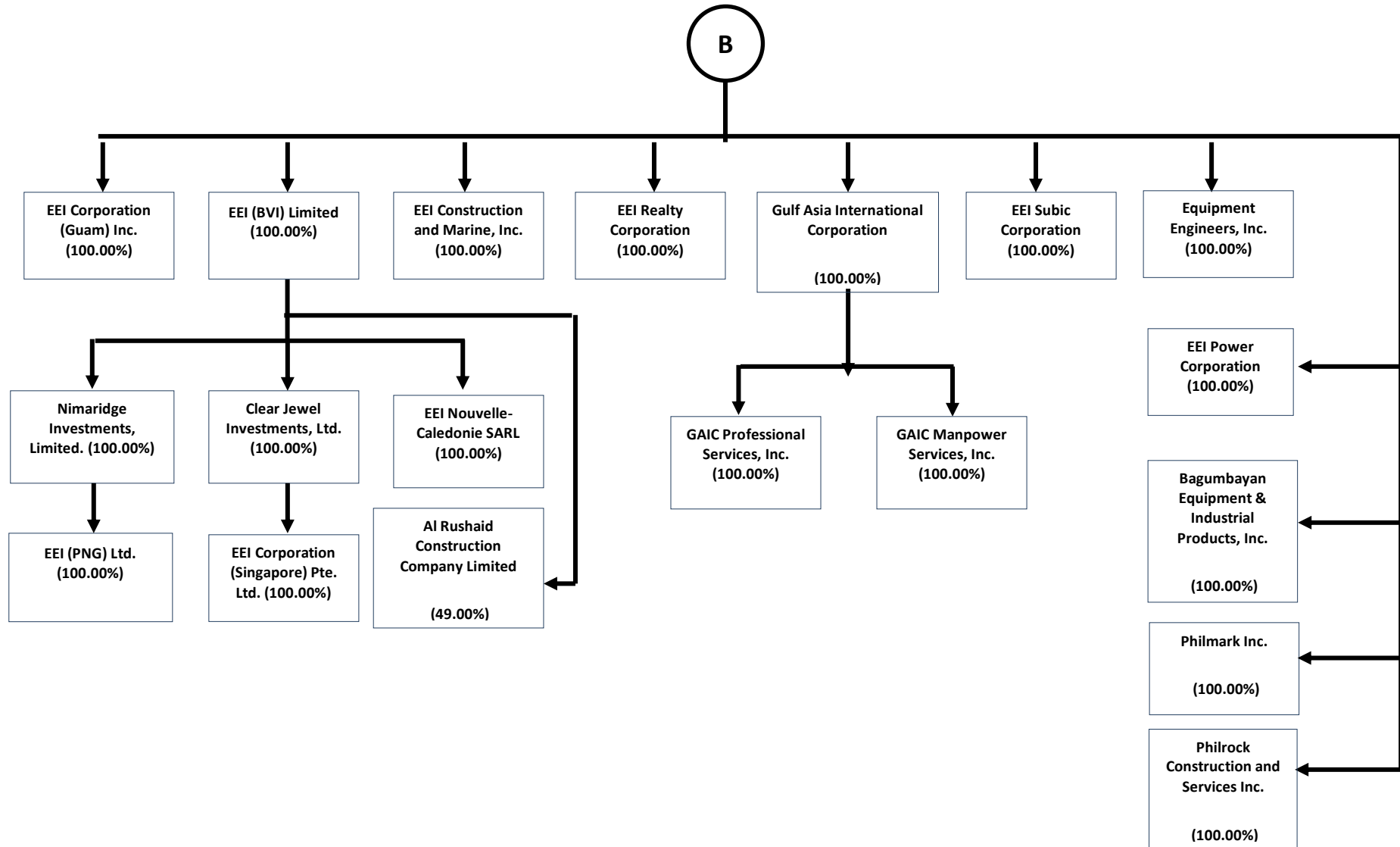
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

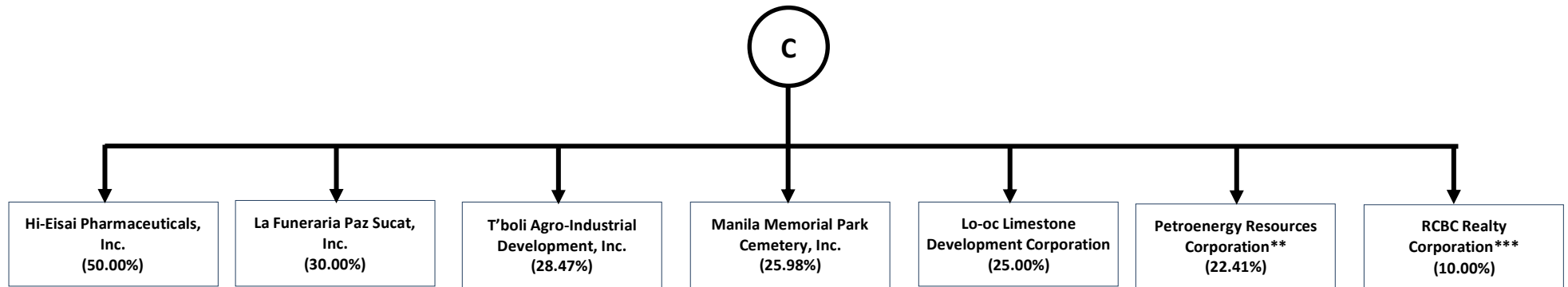
Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of September 30, 2015:









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

** On February 21, 2013, significant influence was obtained through piecemeal acquisition. In 2014, the Group purchased additional 6.6 million shares of PERC which increased ownership interest from 20.00% to 22.41%. For the first half of the year, the Parent Company availed the stock rights offered by PERC totaling 30.68 million shares.

*** On September 17, 2013, the Group acquired 10.00% ownership in RRC. The Group was able to exercise significant influence since it has the capacity to participate in the financial and operating decisions of RRC through common key management and representation to the Board of Directors

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND
INTERPRETATIONS UNDER PFRS AS OF SEPTEMBER 30, 2015

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of September 30, 2015:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		√		
PFRSs Practice Statement Management Commentary				√
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			√
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			√
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			√
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			√
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			√
	Amendments to PFRS 1: Government Loans			√
PFRS 2	Share-based Payment			√
	Amendments to PFRS 2: Vesting Conditions and Cancellations			√
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			√
PFRS 3 (Revised)	Business Combinations			√
PFRS 4	Insurance Contracts			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			√
PFRS 6	Exploration for and Evaluation of Mineral Resources			√
PFRS 7	Financial Instruments: Disclosures	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of September 30, 2015				
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	√		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	√		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	√		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	√		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	√		
PFRS 8	Operating Segments	√		
PFRS 9	Financial Instruments		√	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		√	
	New Hedge Accounting Requirements		√	
PFRS 10	Consolidated Financial Statements	√		
	Amendments to PFRS 10: Investment Entities			√
PFRS 11	Joint Arrangements	√		
PFRS 12	Disclosure of Interests in Other Entities	√		
	Amendments to PFRS 12: Investment Entities			√
PFRS 13	Fair Value Measurement	√		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	√		
	Amendment to PAS 1: Capital Disclosures	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	√		
PAS 2	Inventories	√		
PAS 7	Statement of Cash Flows	√		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	√		
PAS 10	Events after the Reporting Date	√		
PAS 11	Construction Contracts	√		
PAS 12	Income Taxes	√		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			√
PAS 16	Property, Plant and Equipment	√		
PAS 17	Leases	√		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2015		Adopted	Not Adopted	Not Applicable
PAS 18	Revenue	√		
PAS 19 (Amended)	Employee Benefits	√		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	√		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			√
PAS 21	The Effects of Changes in Foreign Exchange Rates	√		
	Amendment: Net Investment in a Foreign Operation			√
PAS 23 (Revised)	Borrowing Costs	√		
PAS 24 (Revised)	Related Party Disclosures	√		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			√
PAS 27	Consolidated and Separate Financial Statements	√		
PAS 27 (Amended)	Separate Financial Statements			√
	Amendments to PAS 27: Investment Entities			√
PAS 28 (Amended)	Investments in Associates and Joint Ventures	√		
PAS 29	Financial Reporting in Hyperinflationary Economies			√
PAS 32	Financial Instruments: Disclosure and Presentation	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendment to PAS 32: Classification of Rights Issues			√
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		√	
PAS 33	Earnings per Share	√		
PAS 34	Interim Financial Reporting	√		
PAS 36	Impairment of Assets	√		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	√		
PAS 38	Intangible Assets	√		
	Amendments to PAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets			√
PAS 39	Financial Instruments: Recognition and Measurement	√		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	√		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			√
	Amendments to PAS 39: The Fair Value Option			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2015		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			√
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			√
	Amendment to PAS 39: Eligible Hedged Items			√
	Amendments to PAS 39: Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting			√
PAS 40	Investment Property	√		
PAS 41	Agriculture			√
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			√
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			√
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	√		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			√
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			√
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			√
IFRIC 8	<i>Scope of PFRS 2</i>			√
IFRIC 9	Reassessment of Embedded Derivatives			√
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			√
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			√
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			√
IFRIC 12	Service Concession Arrangements			√
IFRIC 13	Customer Loyalty Programmes			√
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			√
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			√
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			√
IFRIC 17	Distributions of Non-cash Assets to Owners			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2015		Adopted	Not Adopted	Not Applicable
IFRIC 18	Transfers of Assets from Customers			√
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			√
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			√
IFRIC 21	Levies			√
SIC-7	Introduction of the Euro			√
SIC-10	Government Assistance - No Specific Relation to Operating Activities			√
SIC-12	Consolidation - Special Purpose Entities			√
	Amendment to SIC - 12: Scope of SIC 12			√
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			√
SIC-15	Operating Leases - Incentives			√
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets			√
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			√
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			√
SIC-29	Service Concession Arrangements: Disclosures.			√
SIC-31	Revenue - Barter Transactions Involving Advertising Services			√
SIC-32	Intangible Assets - Web Site Costs			√

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions for the year ended September 30, 2015.

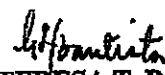
Standards tagged as “Not adopted” are standards issued but not yet effective as of September 30, 2015. The Group will adopt the Standards and Interpretations when these become effective.

SIGNATURES

Pursuant to the requirements of the Securities Regulation code, the issuer has duly caused this report to be signed on behalf of the undersigned thereunto duly authorized

Issuer : **HOUSE OF INVESTMENTS, INC.**

Signature and Title : 
MEDEL TURNER
President & CEO

Signature and Title : 
MARIA TERESA T. BAUTISTA
AVP – Finance and Corporate Controller

Date : November 16, 2015