COVER SHEET

SEC Registration Number

0 0 0 0 0 0 0 1 5 3 9 3

Company Name

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
N/A	815-9636 to 38	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
407	3rd Friday of July	March 31

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

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

Note: 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

SECURITIES AND EXCHANGE COMMISSION

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 March 31, 2015

2. SEC Identification Number 15393

3. BIR Tax Identification No. 000-463-069

4. Exact name of registrant as specified in its charter: HOUSE OF INVESTMENTS, INC.

5. 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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P1.50 par value	615,896,757 shares of common stock
Preferred Stock, P0.40 par value	838,517,653 shares of preferred stock

Amount of debt as of March 31, 2015 P16.14 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 ( )

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

	Unaudited	Audited
	March 31, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱2,447,009,413**	₱2,161,107,813
Accounts receivable (Notes 6)	**7,000,729,334**	6,830,291,831
Current portion of loans receivable	**11,667,755**	11,973,267
Costs and estimated earnings in excess of billings on uncompleted contracts	**3,666,844,000**	4,119,775,819
Inventories (Note 7)	**1,013,440,424**	1,049,522,172
Receivables from related parties	**67,314,814**	33,261,248
Prepaid expenses and other current assets (Note 8)	**1,067,001,106**	943,531,851
Financial asset at FVPL	**8,021,630**	8,021,630
Total Current Assets	**15,282,028,476**	15,157,485,631
Noncurrent Assets		
Investments in associates and joint venture (Note 9)	**3,970,861,302**	3,898,284,355
Available-for-sale (AFS) financial assets	**481,851,417**	484,239,518
Investment properties	**257,911,427**	260,296,107
Property and equipment (Note 10)		
At cost	**5,372,921,673**	5,128,036,611
At revalued amount	**2,836,565,819**	2,836,565,819
Loans receivable - net of current portion	**5,119,966**	4,626,258
Deferred tax assets - net	**135,823,457**	135,804,217
Goodwill	**471,357,459**	471,357,459
Other noncurrent assets - net	**365,161,409**	436,187,340
Total Noncurrent Assets	**13,897,573,929**	13,655,397,684
Total Assets	**₱29,179,602,405**	₱28,812,883,315
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable	**₱3,335,000,000**	₱3,520,400,000
Accounts payable and accrued expenses (Note 11)	**5,938,399,315**	5,847,364,658
Current portion of long-term debt	**333,792,596**	379,233,744
Current portion of lease liability	**–**	–
Billings in excess of costs and estimated earnings on uncompleted contracts	**3,246,472,000**	3,040,698,597
Unearned tuition fees	**2,441,265**	10,157,488
Income tax payable	**214,299,546**	133,470,587
Due to related parties	**14,125,850**	16,463,980
Customers' deposits	**53,294,000**	45,597,223
Total Current Liabilities	**13,137,824,572**	12,993,386,277

(Forward)

	Unaudited	Audited
	March 31, 2015	December 31, 2014
Noncurrent Liabilities		
Long-term debt - net of current portion	**₱2,725,057,690**	₱2,795,336,097
Lease liability - net of current portion	**49,000**	281,259
Retirement liability	**154,195,675**	154,257,671
Deferred tax liabilities - net	**121,648,879**	121,922,794
Total Noncurrent Liabilities	**3,000,951,244**	3,071,797,821
Total Liabilities	**16,138,775,816**	16,065,184,098
Equity		
Capital stock		
Preferred stock	**335,407,062**	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	**(16,174,186)**	(9,700,617)
Revaluation increment on land - net	**420,309,754**	420,309,754
Unrealized gain on available-for-sale financial assets	**104,011,028**	105,648,267
Remeasurement gain on net retirement liability	**30,499,466**	31,298,374
Cumulative translation adjustment	**18,593,625**	11,902,110
Retained earnings	**6,533,536,252**	6,234,678,662
	8,502,448,865	8,214,409,657
Noncontrolling interest	**4,538,377,724**	4,533,289,560
Total Equity	**13,040,826,589**	12,747,699,217
	₱29,179,602,405	₱28,812,883,315

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

	Periods Ended March 31		
	2015	2014	2013
REVENUES			
Sales of services - net	**₱4,940,261,001**	₱3,018,533,346	₱3,051,113,390
Sales of goods - net	**1,524,779,874**	1,103,559,278	1,140,097,897
School and related operations	**549,219,076**	494,292,744	450,415,661
Interest and discounts	**3,116,484**	2,612,883	3,786,010
Dividends	**9,000**	869	4,326
	7,017,385,435	4,618,999,120	4,645,417,284
COSTS OF SALES AND SERVICES (Note 12)			
Cost of services	**4,452,625,721**	2,616,785,112	2,499,164,799
Cost of goods sold	**1,423,273,836**	1,035,819,656	1,066,529,622
Cost of school and related operations	**275,151,132**	245,336,237	226,781,380
	6,151,050,689	3,897,941,005	3,792,475,801
GROSS PROFIT	**866,334,746**	721,058,115	852,941,483
GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**(423,163,000)**	(415,605,157)	(419,291,312)
OTHER INCOME - Net (Note 14)	**83,387,084**	65,266,135	73,576,911
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURE	**74,772,809**	105,035,359	67,632,425
INTEREST AND FINANCE CHARGES	**(69,900,331)**	(59,103,094)	(35,709,092)
INCOME BEFORE INCOME TAX	**531,431,308**	416,651,358	539,150,415
PROVISION FOR INCOME TAX	**87,233,060**	72,870,831	123,088,365
NET INCOME	**₱444,198,248**	₱343,780,527	₱416,062,050
Net income attributable to:			
Equity holders of the Parent Company	**₱301,840,993**	₱221,939,796	₱241,371,551
Noncontrolling interest in consolidated subsidiaries	**142,357,255**	121,840,731	174,690,500
	₱444,198,248	₱343,780,527	₱416,062,051
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (Note 15)			
BASIC	**₱0.4852**	₱0.3556	₱0.3882
DILUTED	**0.3631**	₱0.2585	₱0.2470

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Periods Ended March 31		
	2015	2014	2013
NET INCOME	**₱444,198,248**	₱343,780,527	₱416,062,050
OTHER COMPREHENSIVE INCOME			
Cumulative translation adjustments	**13,170,686**	18,491,107	–
Net unrealized gain (loss) on available-for-sale securities	**(15,374,782)**	(4,963,176)	(2,580,103)
Remeasurement gains (losses) on net retirement liability	**(798,908)**	–	–
TOTAL COMPREHENSIVE INCOME	**₱441,994,152**	₱357,308,458	₱413,481,947
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱306,146,589**	₱226,751,059	₱110,892,947
Noncontrolling interest in consolidated subsidiaries	**135,048,655**	140,483,751	302,589,000
	₱441,195,244	₱367,234,810	₱413,481,947

House of Investments Inc and Subsidiaries
Unaudited Consolidated Statements of Changes in Equity
For the Quarter Ended March 31, 2015, 2014 and 2013

	Preferred Stock	Common Stock	Additional paid-in capital	Equity Reserve on Acquisition of Noncontrolling Interest	Revaluation Increment in Property	Cumulative Translation Adjustment	Unrealized gain/(loss) on Available for sale Financial Assets	Remeasurement gains on net pension liability	Retained Earnings	Total	Non-controlling Interest	Total
Balances 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	(8,600,181)									(8,600,181)		(8,600,181)
Conversion to common stock										-		-
Purchase of treasury shares										-		-
Purchase of non-controlling interest				(6,473,569)	-	29,618	15,932	(95,778)		(6,523,797)	(11,336,094)	(17,859,891)
Net Income									301,840,993	301,840,993	142,357,255	444,198,248
Other Comprehensive Income					-	6,661,897	(1,653,171)	(703,130)		4,305,596	(7,308,600)	(3,003,004)
Total Comprehensive Income		-	-		-	6,661,897	(1,653,171)	(703,130)	301,840,993	306,146,589	135,048,655	441,195,244
Dividends declared by Parent Company									(2,983,403)	(2,983,403)		(2,983,403)
Dividends declared by subsidiaries										-	(118,624,396)	(118,624,396)
Balances as at March 31, 2015	335,407,062	921,687,536	154,578,329	(16,174,186)	420,309,754	18,593,625	104,011,028	30,499,466	6,533,536,252	8,502,448,866	4,538,377,724	13,040,826,589

House of Investments Inc and Subsidiaries
Unaudited Consolidated Statements of Changes in Equity
For the Quarter Ended March 31, 2015, 2014 and 2013

	Preferred Stock	Common Stock	Additional paid-in capital	Revaluation Increment in Property	Cumulative Translation Adjustment	Accumulated Unrealized Gain on Available-for-Sale Securities	Remeasurement losses on Net Retirement Liability	Retained Earnings	Total	Non-controlling Interest	Total
Balances 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	(9,516,760)								(9,516,760)		(9,516,760)
Conversion to common stock									-		-
Cost of shares held in treasury									-		-
Effects of change in accounting for employee benefits									-		-
Net Income								221,939,796	221,939,796	121,840,731	343,780,527
Other Comprehensive Income				-	18,491,107	4,963,176	-		23,454,283	18,643,020	42,097,303
Total Comprehensive Income		-	-	-	18,491,107	4,963,176	-	221,939,796	245,394,079	140,483,751	385,877,830
Dividends declared by Parent Company								(2,902,612)	(2,902,612)		(2,902,612)
Dividends declared by subsidiaries									-	(117,721,745)	(117,721,745)
Balances as at March 31, 2014	371,153,653	921,687,536	154,578,328	352,767,062	24,075,703	98,196,602	(61,731,769)	5,253,535,447	7,114,262,562	3,952,014,068	11,066,276,631

House of Investments Inc and Subsidiaries
Unaudited Consolidated Statements of Changes in Equity
For the Quarter Ended March 31, 2015, 2014 and 2013

	Preferred Stock	Common Stock	Additional paid-in capital	Revaluation Increment on Land - net	Cumulative Translation Adjustment	Unrealized gain/(loss) on Available for sale Financial Assets	Retained Earnings	Total	Non-controlling Interest	Total
Balances 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	(10,532,101)							(10,532,101)		(10,532,101)
Conversion to common stock										-
Purchase of non-controlling interest										-
Net Income							241,371,551	241,371,551	174,690,500	416,062,050
Other Comprehensive Income				-	(94,400,117)	(2,580,103)		(96,980,220)		(96,980,220)
Total Comprehensive Income		-	-	-	(94,400,117)	(2,580,103)	241,371,551	144,391,330	174,690,500	319,081,829
Dividends declared by Parent Company							(2,169,613)	(2,169,613)		(2,169,613)
Dividends declared by subsidiaries									(118,629,667)	(118,629,667)
Balances as at March 31, 2013	410,751,949	924,252,111	154,578,328	291,703,332	(167,375,000)	92,123,014	4,144,581,186	5,850,614,919	3,509,354,654	9,359,969,573

House of Investments Inc and Subsidiaries
Unaudited Consolidated Statements of Cash Flows
For the periods ended March 31, 2015 and 2014

	March 31, 2015	March 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**531,431,308**	416,651,358
Depreciation and amortization	**127,380,658**	38,672,609
Interest and finance charges	**69,900,331**	59,103,094
Movement in accrued retirement liability	**(860,904)**	(9,352,205)
Dividend Income	**(9,000)**	(869)
Interest income	**(10,350,098)**	(12,622,331)
Equity earnings in associates	**(74,772,809)**	(105,035,359)
Operating income before working capital changes	**642,719,486**	387,416,297
Decrease (Increase) in		
Accounts receivable	**(170,437,503)**	(116,817,635)
Loans receivable	**(188,196)**	705,703
Costs and estimated earnings in excess of billings on uncompleted contracts	**452,931,819**	8,602,533
Inventories	**36,081,748**	63,367,358
Prepaid Expenses and other current assets	**(123,469,255)**	(192,130,462)
Financial asset at FVPL	**-**	(882,984)
Increase (decrease) in		
Accounts payable and accrued expenses	**91,034,657**	353,487,992
Customers' deposits	**7,696,777**	50,469,286
Billings in excess of costs and estmated earnings on uncompleted contracts	**205,773,403**	(113,910,704)
Unearned tuition fees	**(7,716,223)**	(6,590,695)
Net cash generated from operations	**1,134,426,713**	433,716,689
Interest received	**10,350,098**	12,622,331
Interest and finance charges paid	**(69,900,331)**	(59,103,094)
Income tax paid	**(6,697,256)**	8,008,048
Net cash flows provided by operating activities	**1,068,179,224**	395,243,974

Unaudited Consolidated Statements of Cash Flows
For the periods ended March 31, 2015 and 2014

	March 31, 2015	March 31, 2014
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received from (advances to) related parties	**(36,391,696)**	12,788,586
Investments in associates and joint ventures	**8,887,377**	(13,494,692)
Increase (decrease) in other noncurrent assets	**73,410,611**	5,845,603
Proceeds from disposals (acquisitions) of available-for-sale securities	**750,862**	3,527,049
Acquisitions of property and equipment	**(372,265,720)**	-
Property, plant and equipment, net	**-**	(202,446,160)
Dividends received	**9,000**	869
Net Addition (deduction) to minority interst	**(143,742,660)**	(99,078,726)
Net cash flows used in investing activities	**(469,342,226)**	(292,857,472)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans payable	**(185,400,000)**	(596,000,000)
Long-term debt	**(115,719,555)**	539,119,460
Lease liability	**(232,259)**	(2,607,739)
Advances from related parties	**-**	-
Redemption of preferred shares	**(8,600,181)**	(9,516,760)
Cash dividends paid	**(2,983,403)**	(2,902,612)
Net cash flows provided by (used in) financing activities	**(312,935,398)**	(71,907,650)
Net INCREASE (DECREASE)IN CASH AND CASH EQUIV/	**285,901,600**	30,478,853
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,161,107,813**	2,111,510,291
CASH AND CASH EQUIVALENTS AT END OF YEAR	**2,447,009,413**	2,141,989,144

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 (collectively referred to herein as the 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 Philippine Stock Exchange (PSE). The ultimate parent company of the Group is Pan Malayan Management and Investment Corporation (PMMIC).

2. Summary of Significant Accounting Policies

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 Group'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 include the accounts of the Parent Company and its subsidiaries. All subsidiaries are incorporated and operating in the Philippines.

	Percentage of ownership		
Subsidiaries	**March 2015**	2014	2012
Landev Corporation and subsidiaries	**100.00**	100.00	100.00
Xamdu Motors, Inc. (Xamdu)	**100.00**	100.00	100.00
Investment Managers, Inc.	**100.00**	100.00	100.00
Zambowood Realty and Development Corporation	**100.00**	100.00	100.00
Zamboanga Carriers, Inc.	**100.00**	100.00	100.00
iPeople, inc. (iPeople) and subsidiaries	**67.34**	67.34	67.34
Honda Cars Kalookan, Inc. (HCKI)	**55.00**	55.00	55.00
EEI Corporation (EEI) and subsidiaries	**50.49**	50.32	50.09
Zamboanga Industrial Finance Corporation (ZIFC)	**50.00**	50.00	50.00

[3] During the quarter, the Parent Company acquired additional 0.17% ownership in EEI Corp. totaling to 1,820,000 shares.

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
- Reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

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

3. **Changes in Accounting Policies and Disclosures**

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

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments had no financial impact on the Group's consolidated financial statements.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments had no impact on the Group as it has no offsetting arrangements.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)

  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and had no impact on the Group's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments had no financial impact in the Group's consolidated financial statement.

- Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities*
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments affect disclosures only and had no impact on the Group's financial position or performance.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements to PFRSs (2010-2012 cycle)

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

Annual Improvements to PFRSs (2011-2013 cycle)

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

Standards Issued but not yet Effective

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

- PFRS 9, *Financial Instruments* - Classification and Measurement (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss.

For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

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

Effective in January 1, 2015

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

Annual Improvements to PFRSs (2010-2012 cycle)

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

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

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

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

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*

  (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment will have no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affect disclosures only and will have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)

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

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

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

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39. The amendment will have no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment will have no significant impact on the Group's financial position or performance.

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will have no significant impact on the Group

given that the Group has not used a revenue-based methods to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will have no significant impact on the Group's financial position or performance.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. These amendments are not expected to have any impact to the Group.

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

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the

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

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

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

Annual Improvements to PFRSs (2012-2014 cycle)

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

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment will have no significant impact on the Group's financial position or performance.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendment will have no significant impact on the Group's financial position or performance.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendment will have no significant impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment will have no significant impact on the Group's financial position or performance.

- PAS 34*, Interim Financial Reporting* - *disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The amendment will have no significant impact on the Group's financial position or performance.

Effective January 1, 2018

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

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

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces

new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

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

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

IFRS 15, *Revenue from Contracts with Customers*

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

COMPLIANCE WITH SEC MEMORANDUM CIRCULAR NO. 3

As of March 31, 2015, the Group has yet to conduct an evaluation on the possible financial impact of the adoption of PFRS 9. The Group's financial instruments are composed of Loans and Receivables and Available for Sale Investments in quoted common shares. The management believes that these financial instruments do not have material effect to the Group's financial position.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

4. 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 March 31, 2015 and December 31, 2014, respectively. This consists of peso-denominated investments in unit investment trust funds (UITFs) in Rizal Commercial Banking Corporation (RCBC).

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 March 31, 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 March 31, 2015 and December 31, 2014.

<u>Financial Liabilities</u>
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 March 31, 2015 and December 31, 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 (Note 12).

Derecognition of Financial Assets and Financial Liabilities

Financial asset

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

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

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

Financial liability

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

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

Offsetting Financial Instruments

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

This accounting policy relates to the net payable to PTC amounting 11.84 million and 10.25 million as of March 31, 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	
	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**	22.41
RCBC Realty Corporation (RRC)[2]	**10.00**	10.00
Joint venture:		
ECW Joint Venture Inc.	**50.00**	50.00

[1] On February 21, 2013, significant influence was obtained through piecemeal acquisition. In 2014, the Parent Company purchased additional 6.6 million shares of PERC which increased its ownership interest from 20.00% to 22.41%.
[2] On September 17, 2013, the Parent Company acquired 10.00% ownership in RRC as investment in associate. The Parent Company was able to exercise significant influence since it has the capacity to participate in the financial and operating decisions of RRC through block voting consultation with Parent Company on Board Matters and representation to the Board of Directors.

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

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

Property and Equipment

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

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

are capitalized as an additional cost of property and equipment. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as part of current operations.

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

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

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

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

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

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

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

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

Investment Properties

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

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

Transfers are made to investment property when there is a change in use, evidenced by ending of

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

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

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

Intangible Assets

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

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

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

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

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

Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case, the impairment is also

recognized in equity up to the amount of any previous revaluation.

Borrowing Costs

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

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

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

Business Combination and Goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not

be remeasured until it is finally settled within equity.

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

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

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

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

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

<u>Revenue Recognition</u>
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.

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

Provisions
Provisions are recognized when (a) the Group has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted

using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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

Stock Option Plan
No benefit expense is recognized relative to the shares issued under the stock options plan. When the shares related to the stock option plans are subscribed, these are treated as capital stock issuances. The stock option plan is exempt from PFRS 2, *Share-based Payment* (Note 21).

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

Segment Reporting
The Group's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 25.

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.

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.

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 March 2015	Audited December 2014
Cash on hand and in banks	**₱1,303,479,489**	₱1,019,458,316
Short-term investments	**1,143,529,924**	1,141,107,813
	₱2,447,009,413	₱2,160,566,129

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.

6. **Accounts Receivable**

This account consists of:

	Unaudited March 2015	Audited December 2014
Trade		
Construction and infrastructure (including retention receivable of ₱2.5 billion and ₱2.3 billion in 2015 and 2014, respectively)	**₱4,867,235,000**	₱4,943,645,519
Car dealership	**532,799,550**	540,444,959
Education and information technology	**202,994,503**	209,159,431
Other services	**32,113,940**	21,713,190
Other receivables		
Advances to suppliers and contractors	**788,409,482**	753,911,577
Consultancy fee	**329,821,000**	313,156,649
Advances to officers and employees	**51,587,830**	37,554,310
Receivables from plant	**994,649**	3,745,828
Rent receivable	**–**	184,708
Others	**452,652,372**	265,837,372
	7,258,608,326	7,089,353,543
Less allowance for impairment	**257,878,992**	259,061,712
	₱7,000,729,334	₱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 8.0% shall be liquidated on a monthly basis through salary deduction and therefore collectible within a year.

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

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

Aging of Trade Receivables as of March 31, 2015

	No. of days due			
	0-30	**31-60**	**Over 61 days**	**Total**
Education	**₱4,489,449,000**	**₱ 80,028,000**	**₱297,758,000**	**₱4,867,235,000**
Information technology	**347,181,567**	**91,288,973**	**94,329,011**	**532,799,550**
Parent and others	**119,472,059**	**41,147,093**	**42,375,351**	**202,994,503**
Total	**974,388,283**	**335,586,790**	**345,604,200**	**1,655,579,273**
	₱5,930,490,909	**₱548,050,856**	**₱548,050,856**	**₱7,258,608,326**

There was no change in amount reported in prior financial year that have material effect in the current interim period.

7. **Inventories**

This account consist of:

	Unaudited March 2015	Audited December 2014
At cost		
Land and land development	**₱219,256,480**	₱219,256,480
Subdivision lots and contracted units for sale	**88,679,417**	84,400,136
Raw lands	**44,916,103**	44,916,103
	352,852,000	348,572,719
At NRV		
Merchandise	**632,744,424**	662,363,764
Construction materials	**21,257,000**	15,425,375
Spare parts and supplies	**6,587,000**	23,160,314
	660,588,424	700,949,453
	₱1,013,440,424	₱1,049,522,172

Land included in inventories relates to real estate development projects being undertaken by EEI Realty, either on its own or with other parties.

There were no capitalized borrowing costs as at March 2015 and December 2014.

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

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

8. **Prepaid Expenses and Other Current Assets**

This account consist of:

	Unaudited March 2015	Audited December 2013
Input value added tax (VAT)	**₱431,827,523**	₱471,459,534
Prepaid taxes	**304,158,915**	187,178,398
Receivable from EEI Retirement Fund, Inc. - net (Notes 17 and 22)	**117,126,267**	117,000,000
Prepaid expenses	**111,058,384**	84,534,933
Miscellaneous deposits - net	**49,550,583**	46,492,353
Restricted cash investment	**7,549,818**	7,549,817
Unused office supplies	**4,310,877**	5,557,635
Others	**41,418,740**	23,759,181
	₱1,067,001,107	₱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.

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

9. **Investment in Associates and Joint Ventures**

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

	Unaudited March 2015	Audited December 2014
Acquisition cost		
Balances at beginning	**₱1,992,371,494**	₱1,833,886,394
Additions	**16,020,000**	158,485,100
Disposals	**–**	–
Balance at end of year	**2,008,391,494**	1,992,371,494
Accumulated impairment loss		
Balance at beginning of year	**74,536,609**	74,536,609
Disposals	**–**	–
Recovery of impairment loss (Note 28)	**–**	–
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	**74,772,809**	659,772,494
Dividends received	**(4,319,988)**	(256,443,120)
Balance at end of year	**2,095,807,550**	2,025,354,729
Equity in cumulative translation adjustment	**(58,801,133)**	(44,905,259)
	₱3,970,861,302	₱3,898,284,355

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

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

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.

10. Property and Equipment

The rollforward analysis of this account follows:

	Unaudited March 2015	Audited December 2014
At Cost		
Land, Buildings and Improvements	**2,754,972,925**	2,740,777,418
Machinery, Tools and Construction Equipment	**3,688,458,710**	3,372,866,686
Transportation and Service Equipment	**639,907,359**	714,330,236
Furniture, Fixtures and Office Equipment	**1,822,805,619**	1,790,615,854
	8,906,144,613	8,618,590,194
Less: Accumulated Depreciation	**4,095,900,466**	3,938,744,215
	4,810,244,147	4,679,845,979
Construction in Progress	**562,677,526**	448,190,632
Net book value at Cost	**5,372,921,673**	5,128,036,611
Land at revalued amount	**2,836,565,819**	2,836,565,819
	8,209,487,492	7,964,602,430

11. Accounts Payable and Accrued Expenses

This account consists of:

	Unaudited March 2015	Audited December 2014
Accounts payable	**₱4,549,738,639**	₱4,545,031,586
Accrued expenses	**503,391,302**	536,493,121
Deferred output taxes	**490,982,190**	516,120,678
Output tax payable	**192,298,486**	131,577,440
Subscriptions payable	**58,007,505**	58,007,218
Dividends payable	**130,328,784**	43,169,759
Accrued interest payable	**9,996,629**	12,253,244
Others	**3,655,780**	4,711,612
	₱5,938,399,315	₱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 March 2015	Audited December 2014
Accrued salaries and wages	**₱179,690,145**	₱165,901,989
Withholding taxes and others	**92,130,300**	63,276,789
Accrued rent	**81,308,821**	119,110,569
SSS and other contributions	**26,727,017**	20,079,421
Accrued insurance	**24,958,917**	32,198,546
Payable to security guards	**10,768,009**	10,438,737
Deferred income	**5,223,844**	6,128,396
Chattel mortgage payable	**2,158,429**	2,952,116
Payable to Land Transportation Office	**1,806,961**	1,917,301
Rust proofing payable	**259,742**	19,763
Others	**78,359,117**	114,469,494
	₱503,391,302	₱536,493,121

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

The Group is a defendant in a claim seeking remuneration. The amount of the provision recorded under "Other " 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.

12. **Cost of Sales and Services**

This account consists of:

	For the Quarter ending March		
	2015	2014	2013
Cost of services			
Cost of construction contracts	**₱4,136,222,000**	₱2,277,734,242	₱2,155,377,000
Cost of manpower and other services	**316,403,721**	339,050,870	343,787,799
	4,452,625,721	2,616,785,112	2,499,164,799
Cost of goods sold			
Cost of merchandise sold	**1,423,273,836**	1,035,819,656	1,066,529,622
Cost of school and related operations	**275,151,132**	245,336,238	226,781,380
	₱6,151,050,689	₱3,897,941,006	₱3,792,475,801

13. **General and Administrative Expenses**

This account consists of:

	For the Quarter ending March		
	2015	2014	2013
Personnel expenses	**₱175,328,448**	₱172,000,308	₱162,607,894
Rent, light and water	**50,156,146**	49,384,691	46,837,249
Depreciation and amortization	**44,508,782**	38,672,609	46,342,839
Taxes and licenses	**26,643,524**	34,335,719	23,570,198
Advertising and promotions	**17,862,405**	20,277,398	27,570,722
Entertainment, amusement and recreation	**11,654,410**	10,356,714	12,504,962
Transportation and travel	**11,317,825**	15,003,998	15,431,036
Management and other fees	**10,798,255**	1,752,852	5,251,613
Professional fees	**9,609,666**	8,594,421	7,335,152
Repairs and maintenance	**9,520,675**	8,586,278	9,974,446
Securities and utilities	**7,488,716**	10,182,956	9,097,231
Direct expenses	**1,280,435**	1,743,918	519,846
Office expenses	**6,201,037**	6,980,348	5,546,169
Commissions	**4,652,688**	3,974,696	4,258,318
Insurance	**2,324,159**	2,103,047	1,814,111
Provision for impairment	**1,620,073**	–	300,000
Donations and contributions	**571,750**	–	39,537
Accreditation cost	**450,511**	–	–
Seminars	**401,898**	412,813	271,450
Provision for probable losses	**81,531**	6,187,815	69,223
Provision for inventory obsolescence	**–**	77,939	300,000
Miscellaneous	**30,690,066**	24,976,637	39,649,316
	₱423,163,000	₱415,605,157	₱419,291,312

Increase in depreciation is attributed to the purchase of additional machinery, tools and construction equipment of the Group.

Taxes and licenses dropped against last year due to lower local business taxes of EEI Group as taxable revenues for 2014 are lower compared to 2013.

Advertising and promotions dropped mainly because of lower promotional cost of car dealership.

Management and other fees increased in relation to renovation and construction of school buildings under IPO Group.

Securities and utilities pertains to costs of contracting security, maintenance, and casual employees.

Commissions pertain mainly to incentives given by car dealerships to its sales agent. Increase was driven by higher volume of units sold.

Miscellaneous includes notary fees, bank charges, credit card fees, association and subsription dues, transfer and mortgages expenses, manual and training materials and periodicals.

14. **Other Income**

This account consists of:

	For the Quarter ending March		
	2015	2014	2013
Commission income	**₱24,405,856**	₱21,105,959	₱11,742,747
Finance income	**3,062,600**	5,347,448	–
Dealers income	**3,537,856**	10,251,523	11,662,309
Interest income	**10,350,098**	10,009,448	20,280,382
Other savings	**7,983,000**	–	–
Insurance income	**5,858,646**	3,832,723	3,995,770
Rental income	**1,079,000**	3,128,770	2,076,406
Space and car rental	**5,064,097**	–	–
Gain on sale from AFS securities	**1,255,357**	–	–
Gain on sale from property and equipment	**535,713**	(18,049)	415,020
Gain on sale from investment property	**–**	1,317,857	–
Foreign exchange loss	**(40,067)**	499,719	(3,681,333)
Miscellaneous	**20,294,928**	9,790,737	27,085,610
	₱83,387,084	₱65,266,135	₱73,576,911

15. **Earnings per Share**

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

Basic earnings per share

	Unaudited as of March 31,		
	2015	2014	2013
Net income attributable to equity holders of parent company	**₱301,840,993**	₱221,939,796	₱241,371,551
Less dividends attributable to preferred shares (Note 38)	**2,983,403**	2,902,612	2,169,613
Net income applicable to common shares	**298,857,590**	219,037,184	239,201,938
Divided by the weighted average number of common shares	**615,896,757**	615,896,757	616,168,074
Basic earnings per share	**₱0.4852**	₱0.3556	₱0.3882

Diluted earnings per share

	Unaudited as of March 31,		
	2015	2014	2013
Net income applicable to common shares	**₱301,840,993**	₱221,939,796	₱241,371,551
Add dividends attributable to preferred shares	**2,983,403**	2,902,612	2,169,613
Net income applicable to common shares for diluted earnings per share	**304,824,396**	224,842,408	243,541,164
Weighted average number of common shares	**615,896,757**	615,896,757	616,168,074

Dilutive shares arising from convertible preference shares	**223,604,708**	253,780,276	369,700,844
Weighted average number of common shares for diluted earnings per share	**839,501,465**	869,677,033	985,868,918
Diluted earnings per share	**₱0.3631**	₱0.2585	₱0.2470

16. **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 Company.

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.

House of Investments Inc and Subsidiaries
Unaudited Operating Segment Attributable to Equity Holders of the Parent Company
For the periods ended March 31, 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	4,820,303,000	2,899,283,448	3,116,484	2,794,934	577,321,022	543,116,937	1,781,217,030	1,462,639,862	(164,572,101)	(118,422,088)	7,017,385,435	4,789,413,093
Net Income (Loss)	159,551,000	118,747,250	820,197	663,895	194,937,167	190,646,205	174,173,660	134,007,791	(85,283,776)	(222,125,345)	444,198,248	221,939,796
Other Information												
Segment Assets	18,598,949,429	13,815,051,831	27,831,037	25,294,848	5,484,143,041	1,506,361,027	6,571,876,272	9,740,736,721	(1,503,197,373)	(1,585,308,474)	29,179,602,405	23,502,135,954
Segment Liabilities	11,973,360,838	8,083,294,258	3,556,534	5,237,725	1,422,892,662	1,487,675,747	3,070,558,079	3,101,181,564	(331,592,297)	(241,529,972)	16,138,775,816	12,435,859,323
Investments in Associates	1,972,823,792	1,703,774,805	-	-	-	-	3,543,632,655	3,486,568,568	(1,545,595,145)	(1,730,425,303)	3,970,861,302	3,459,918,071

PART II – OTHER INFORMATION

Item 2: 1Q 2015 DEVELOPMENTS

1. As of March 31, 2015, total loan repayment is P2,336.5 million.

   On September 17, 2013, the Parent Company obtained interest-bearing loans from various local commercial banks which were executed through individual loan agreements with chattel mortgage. Each interest-bearing loan has a term of ten years. Fifty percent of the total loan will be paid on the 10th year, while the remaining fifty percent of the loan, inclusive of a three-year grace period on principal payment, will be paid in 28 quarterly instalments commencing on the 13th quarter. A portion of each loan bears a fixed annual effective interest rate of 5.5%, subject to repricing on the fifth year, while the remaining portion bears a floating effective interest rate of 5%, subject to quarterly repricing.

   With respect to the Fixed-Rate Notes, a fixed rate per annum based on the highest of (i) 5-year Philippine Dealing System Treasury Reference Rates – Fixing ("PDST-F"), for Philippine Government Securities as displayed on the Philippine Dealing and Exchange Page of Bloomberg (or such successor page or electronic service provider) on the Interest Rate Setting Date (the "Primary Base Rate"), plus a spread of two percent (2.0%) per annum ("Interest Spread") or (ii) the floating rate per annum determined in accordance with paragraph [ii] below plus a spread of half percent (0.5%) per annum or (iii) the rate of five and a half percent (5.5%) per annum, which rate shall be repriced on the Interest Repricing Date; provided that, if there shall be no Floating-Rate Notes outstanding as of such Interest Repricing Date, the floating rate referred to in (ii) herein shall not be considered in determining the interest rate applicable as of such Interest Repricing Date; and

   With respect to Floating-Rate Notes, a floating rate per annum based on the higher of (i) the three (3)-month Philippine Dealing System Treasury Reference Rates – Fixing ("PDST-F"), for Philippine Government Securities as displayed on the Philippine Dealing and Exchange Page of Bloomberg (or such successor page or electronic service provider) on the Interest Rate Setting Date (the "Primary Base Rate"), plus a spread of two percent (2.0%) per annum ("Interest Spread") or (ii) the BSP overnight rate plus a spread of one and a half percent (1.5%).

   The following shares of stocks are used as collateral for the above interest-bearing loans:

	EastWest Bank	**Robinsons Bank**	**Philippine Bank of Communications**
RCBC Realty	1,852,000 shares	909,416 shares	–
EEI	–	52,078,817 shares	95,439,803 shares
Total Fair Market Value of Collateral	P871,595,150	P957,911,946	P958,215,622
Total Value of the Loan	P435,000,000	P435,000,000	P435,000,000

In addition to the terms of each Loan Agreement with Chattel Mortgage, the above loans are also subject to the following debt covenant ratios, which are monitored on a quarterly basis.

Debt to Equity Ratio	2.5:1
Current Assets* to Current Liabilities	1.5:1

Debt Service** Coverage Ratio	1.25:1

**including short-term available-for-sale securities*
***excluding principal payments of short-term debts.*

These interest bearing loans has no current portion because of the three-year grace period as mentioned above.

Transactions Costs of the long-term debt amounting to P22.56M were capitalized and recorded as a deduction from LT debt. Such costs are amortized over the term of the LT Debt using the effective interest method.

2. The Board of Directors of the Parent Company declared cash dividends during the first three quarter as follows:

Declaration Date	Record Date	Payment Date		Amount
March 20, 2015	April 17, 2015	May 12, 2015	on Preferred Shares	P 2.98 million

3. There was no material event subsequent to the end of the interim financial period that has not been reflected in the interim consolidated financial statements.

4. Except for the acquisitions mentioned in Note 9, there was no material change in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

5. There was no any known event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

6. There are no any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), or/and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

Following are significant elements, trends, events or uncertainties that are reasonably expected to have a material favorable or unfavourable impact on net sales or revenues or income from continuing operations:

- For EEI Corp., the company continues to monitor the developments in the domestic real estate market very closely. Any sign of a major sustained price reduction in residential real estate (especially in the high-rise market) will impact the high-rise residential construction pipeline negatively.

  Consequently, EEI diversifies the portfolio of its project pipeline by balancing its residential high-rise real estate projects with infrastructure, petro-chemical, and electro-mechanical projects, and similar installations while leaning more towards the latter. In this way, it seeks to hedge versus any shocks that may be experienced from the domestic real estate sector.

  EEI Corporation recently signed a contract with Citra Central Expressway Corporation for the construction of Sections 3 and 4 of the Metro Manila Skyway Stage 3 Project, adding to its portfolio of infrastructure projects. The elevated expressway project covers 14.82 kilometers

from Buendia to Balintawak and will link the South and North Luzon Expressways through eight strategic interchanges.

In 2014, EEI signed a contract with NEPC Power Construction Corp. for the construction of a 3X135MW circulating fluidized bed (CFB) coal thermal power plant in Misamis Oriental. With this new project, EEI's level of workable contracts hit the Php35 billion peso mark, the highest in the history of the company.

EEI also continues to look forward to, and is preparing for, the eventual liberalization of ASEAN trade in 2015. The company will seek to increase its project pipeline in several ASEAN countries because of this.

- 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 submitted their respective applications with the Department of Education (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, HI expects that Honda and Isuzu unit sales at our car dealerships will increase significantly.

7. Following are seasonal aspects that had a material effect on the financial condition or results of operations:

   With respect to HI, major seasonal effects are felt in two businesses, the education sector, and the car division.

- In the education sector, 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 (late May to late August), 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.

- In the Car Division, sales usually increase towards the second half of the year. The main reason for this is that new variants (whether a minor model change, or completely brand new unit introductions) are usually launched towards the end of a calendar year in anticipation of the upcoming calendar year.

8. Following is the material commitment for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures:

- 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) recently completed a two-phase is currently pursuing a 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, is 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 this May 2014 and completion is on track for the end of the yearwas completed this year.

  iPeople, inc. and the Malayan Colleges, Inc. will used internally generated funds for this redevelopment project. The project is expected to finish by the end of 2014.

  Construction of the Engineering Building of Malayan Colleges Laguna, Inc. is also ongoing. Expected completion of the project is in mid-Q2 2015.

Item 3: **Management's Discussion and Analysis of Financial Condition and Results of Operations**

Financial Condition

Total consolidated assets of the Group stood at P29.18 billion as of the quarter ended March 2015 against P28.81 billion as of the year ending December 2014.

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

Costs and estimated earnings in excess of billings on uncompleted contracts dropped by 11%, due to completion of major domestic projects.

Prepaid expenses and other current assets increased primarily due to prepaid taxes and unutilized input taxes.

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

Total noncurrent assets increased from P13.66 billion to P13.90 billion. This is attributable to increase in property and equipment as EEI purchased additional machinery, tools and construction equipment. Increase is also attributable to the on-going construction of school buildings.

Total consolidated liabilities was at P16.14 billion against P16.01 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 domestic projects of EEI.
Unearned tuition fees dropped as the last term for school year 2014-2015 ends in April.
Total noncurrent liabilities slightly dropped to P3.00 billion from P3.07 billion of year ending December 2014.
Lease liability pertains to EEI's obligation to RCBC Leasing and Finance Corporation relative to purchase of various machinery and construction equipment under financial lease.
Total consolidated equity rose from P12.75 billion to P13.04 billion, of which P8.50 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.

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 P6.53 billion.

Results of Operations

For the quarter ended 30 March 2015, the Group posted a consolidated net income after tax of P444.20 million compared to P343.78 million of the same period last year. Net income attributable to Parent company is P301.84 million.

Total consolidated revenues increased by 52%, from P4.62 billion to P7.02 billion of the comparable quarter last year. This was driven by the significant increase in construction segment.

Revenues from construction segment improved by 64% compared to last year, resulting from several new domestic projects awarded to EEI. Sales of car dealerships grew by 38%, from P1.10 billion of same quarter last year to P1.52 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, increased from P2.61 million to P3.12 million this quarter.

Dividends represent dividend income from various available-for-sale securities.

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 for 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 increased by merely 2% as the Group continued to keep its cost under control.

Other income went up by 28%, from P65.27 million to P83.39 million, primarily because of increase in commission income, lease of office space, car rental and other income of EEI from its foreign subsidiary, EEI BVI Ltd.

Equity in net earnings has significantly dropped because of lower intake of EEI from its foreign affiliate, Al Rushaid Construction Company (ARCC).

Interest and finance charges increased from P59.10 million to P69.90 million due to higher loan level of the Group to finance new projects and investments.

HOUSE OF INVESTMENTS INC and SUBSIDIARIES
Item 4: SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AND 68.1 AS AMENDED FOR THE FIRST QUARTER ENDED MARCH 31, 2014

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labelled 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 and 68.1 as amended that are relevant to the Group. This information is presented for purposes of filing with 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-share securities amounting to ₱482 million do not constitute 5% or more of the total assets of the Group as at March 31, 2015.

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

Below is the schedule of advances to officers and employees of the Group with balances above P100,000 as at March 31, 2015:

Name	Balance at beginning of year	Additions	Collections/ Liquidation	Balance at end of quarter
EEI				
Macapagal, Norman K.	1,533,095		(1,042)	1,532,053
Mercado, Oscar D.	1,441,523	40,739	(40,739)	1,441,523
Apolonio, Ferdinand D.	3,060,092		(3,060,092)	-
Cabrera, Lovette O.	174,561		(16,822)	157,739
San Miguel, Simon Elmer D.	489,035	300		489,335
Villarin , Pantaleon T. Jr.	150,000	6,852	(6,852)	150,000
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		108,450
Zulueta, Reynaldo S.	320,261		(14,370)	305,891
Albarda, John Christian L.	250,259		(8,200)	242,059
Largosta, Christopher M.	245,393		(19,500)	225,893
Matibag, Jun E.	224,786		(9,750)	215,036
De Guzman, Justino B.	148,044		(30,000)	118,044
Contantino, Edwin P.	232,655	120,000		352,655
Undag, Oriel T.	127,601			127,601
Lamio, Amor C.	123,000		(41,474)	81,526
Sunga, Renato Z.	122,321		(5,000)	117,321
Edorot, Rico C.	131,477			131,477
Royeras, Fenton V.	100,000		(100,000)	-
Velasquez, Renato R.	-	221,008		221,008
Mondoy, Roy C.	-	200,000	(11,983)	188,017
Sumando, Gil T.	-	150,000		150,000
Bernal, Edgardo A.	-	125,549		125,549
Del Prado, Ferdinand M.	-	104,859		104,859
	9,342,517	**969,607**	**(3,365,824)**	**6,946,300**

Forward

Name	Balance at beginning of year	Additions	Collections/ Liquidation	Balance at end of quarter
IPEOPLE				
Papas, Aileen Kate A.	360,787	61,268	(22,213)	399,841
Geguiento, Edgardo P.	395,323		(28,395)	366,928
Apsay, Christopher	379,504		(16,766)	362,738
Balan, Ariel Kelly	363,942		(24,467)	339,475
Cabanilla, Angela Celine	347,226		(21,321)	325,905
Cinco, Arnold	347,226		(21,321)	325,905
Camus, Rosette Eira	341,133		(21,321)	319,812
Sabio, Maurice	297,557		(20,900)	276,657
Arenillo, Denise Jordan	270,933		5,455	276,388
Hofilena, Joy	288,830		(20,900)	267,930
Uy, Francis Aldrine	280,146		(23,071)	257,075
Kikuchi, Khristian	261,959		(19,417)	242,542
Macayan, Jonathan	264,365		(22,568)	241,797
Teodoro, Gloria	199,000		(23,217)	175,783
Bitor, Rolando	170,270		(20,525)	149,745
Tablante, Dennis H.	146,850		(19,979)	126,871
Sabino, Lilibeth	137,063		(21,321)	115,742
Songsong, Maribel	125,586	3,893	(20,525)	108,954
Salvacion, Jonathan	127,500		(22,313)	105,188
	5,105,198	**65,161**	**(385,083)**	**4,785,276**
HI PARENT				
Villegas, Sonia P	527,506	-	(81,129)	446,377
Joven, Ma. Esperanza F	458,545	-	(24,944)	255,309
Gan, Ma. Eloisa	207,396	-	(12,942)	248,359
Bautista, Ma. Bautista T.	216,802	-	(28,357)	224,632
Eugenio, Rolando	226,785	-	-	-
Bagsik, Carlo M.	271,182	-	(271,182)	143,103
Ramirez, Rosalia	155,000	-	-	155,000
	2,063,216	**-**	**(418,554)**	**1,472,780**
Total	**16,510,931**	**1,034,768**	**(4,169,461)**	**13,204,356**

Schedule C. Amounts Receivable/Payables from and to Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivables/payables with related parties, which are eliminated in the consolidated financial statements as at March 31, 2015:

Name and Designation of Debtor	Balance at Beginning Period	Additions	Amounts Collected	Amount Written off	Balance at end of period
Landev Corp					
Due fr Affiliates	1,078,803	1,934,546	(2,638,040)		375,310
Dividends Receivable	22,500,000		(7,500,000)		15,000,000
	23,578,803	1,934,546	(10,138,040)	-	15,375,310
Greyhounds Security and Investigation Agency					
Due fr Affiliates	347,667	180,080	(333,025)		194,722
	347,667	180,080	(333,025)	-	194,722
Investment Managers Inc					
Due fr Affiliates	136,986	1,920,332	(645,517)		1,411,801
Dividends Receivable	1,000,170				1,000,170
	1,137,156	1,920,332	(645,517)	-	2,411,971
Ipeople Inc. and subsidiary					
Due fr Affiliates	4,968,478	14,220,181	(14,271,593)		4,917,065
Dividends Receivable	89,654,798	11,137,555	(70,433,825)		30,358,529
	94,623,276	25,357,736	(84,705,418)	-	35,275,594
EEI Corporation and Subsidiaries					
Due fr Affiliates	759,544	804,142	(383,737)		1,179,949
Dividends Receivable		104,655,672			104,655,672
	759,544	105,459,814	(383,737)	-	105,835,621
Zamboanga Industrial Finance Corp					
Dividends Receivable	-	1,250,000			1,250,000
	-	1,250,000	-	-	1,250,000
Hexagon Lounge					
Due fr Affiliates	129		(129)		-
	129	-	(129)	-	-
Xamdu Motors Inc					
Due fr Affiliates	-	351			351
	-	351	-	-	351
Zambowood Realty and Development Corp					
Due from affiliates	-	1,072	-	-	1,072
	-	1,072	-	-	1,072
Zambowood Realty and Development Corp					
Due from affiliates	-	1,051	-	-	1,051
	-	1,051	-	-	1,051
	120,446,575	**136,104,983**	**(96,205,866)**	**-**	**160,345,692**

Schedule D. Intangible Asset - Other Noncurrent Assets

As at March 31, 2015, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of 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	1,272,354	(5,287,285)	–	–	24,490,638
	₱499,863,028	₱1,272,354	(₱(5,287,285))	₱–	₱–	₱495,848,097

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%.	₱643,098,955	₱–	₱643,098,955
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.	643,098,955	–	643,098,955
Peso-denominated five (5) year term loan, payable quarterly starting March 2014 with interest of 5.00% per annum	348,597,720	96,058,940	252,538,780
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.	430,000,000	21,500,000	408,500,000

Forward

EEI			
Fixed-rate corporate promissory notes with effective interest of 5.1667% and 5.1875% per annum	428,571,000	53,571,000	375,000,000
EEI Power			
Peso-denominated seven (7) year term loan, payable quarterly starting June 2014 with interest of 6.50% per annum inclusive of two (2) year grace period on principal amortization	489,140,000	86,319,000	402,821,000
	₱2,982,506,630	₱257,448,940	₱2,725,057,690

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
Below is the schedule of long-term debt of the Group from RCBC as at March 31, 2015:

Type of Obligation	Amount	Outstanding
Parent Company		
Peso-denominated five (5) year term loan, payable quarterly starting March 2014 with interest of 5.00% per annum	500,000,000	348,597,720
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.	860,000,000	430,000,000
	1,360,000,000	778,597,720

Schedule G. Guarantees of Securities of Other Issuers
There are no guarantees of securities of other issuing entities by the Group as at March 31, 2015.

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common shares	1,250,000,000	615,896,757	0	344,701,851	3,249,075	267,945,831
Preferred shares	2,500,000,000	838,517,653	0	355,932,908	457,943,264	24,641,481

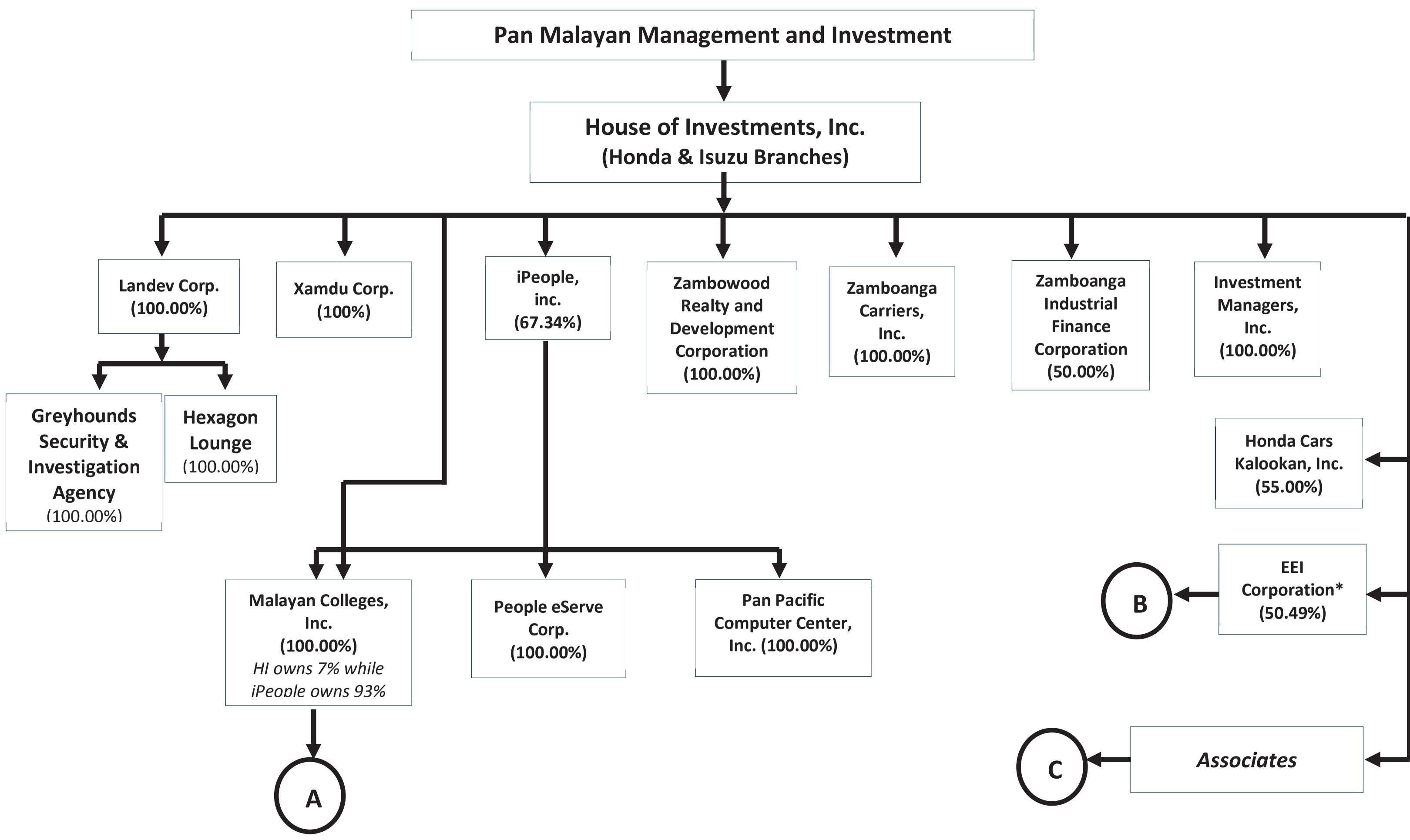
HOUSE OF INVESTMENTS, INC. and SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

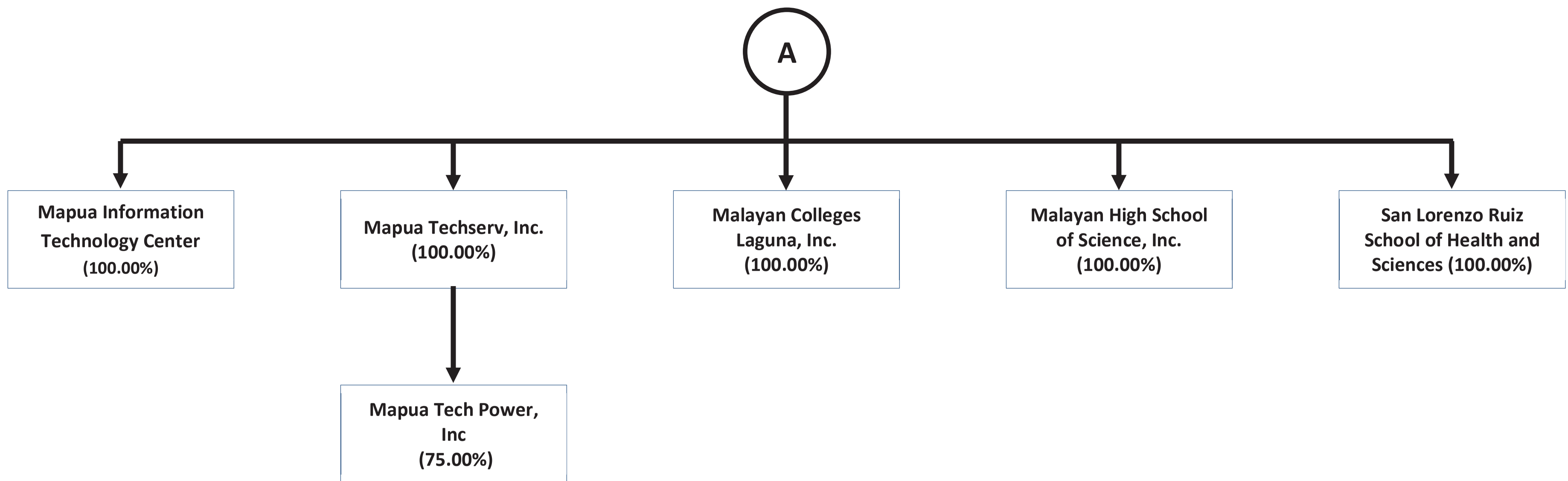
Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*	1,509,299,003
Add: Net Income actually earned/realized during the year	**162,296,197**
Net income during the period closed to Retained Earnings	
Less: Non-actual/unrealized gains net of tax	
Movements in deferred tax assets	-
Less: Dividends declarations during the year	(2,983,403)
Total Unappropriated Retained Earnings, End Available for Dividend Declaration	**1,668,611,798**

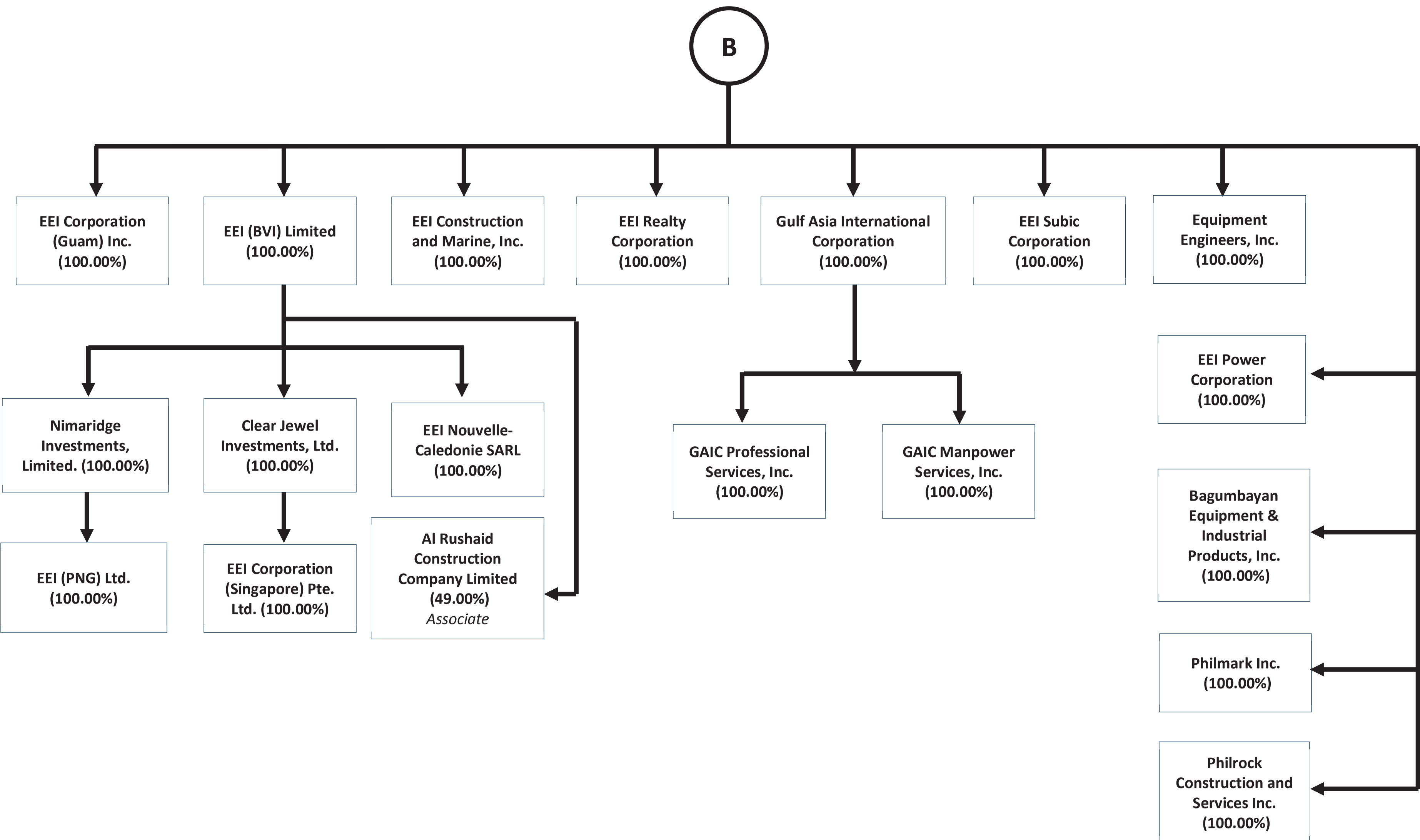
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

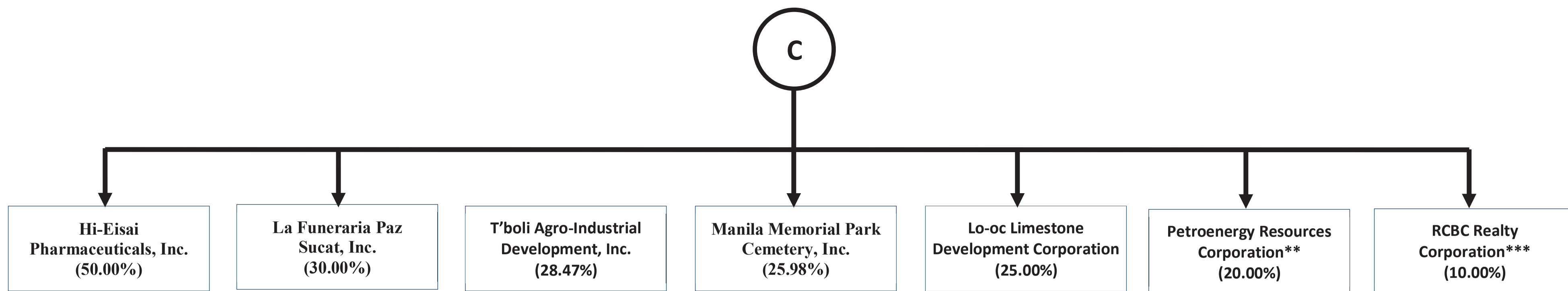
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

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




A
Mapua Information Technology Center (100.00%)
Mapua Techserv, Inc. (100.00%)
Mapua Tech Power, Inc (75.00%)
Malayan Colleges Laguna, Inc. (100.00%)
Malayan High School of Science, Inc. (100.00%)
San Lorenzo Ruiz School of Health and Sciences (100.00%)


B
EEI Corporation (Guam) Inc. (100.00%)
EEI (BVI) Limited (100.00%)
EEI Construction and Marine, Inc. (100.00%)
EEI Realty Corporation (100.00%)
Gulf Asia International Corporation (100.00%)
EEI Subic Corporation (100.00%)
Equipment Engineers, Inc. (100.00%)
Nimaridge Investments, Limited. (100.00%)
Clear Jewel Investments, Ltd. (100.00%)
EEI Nouvelle-Caledonie SARL (100.00%)
EEI (PNG) Ltd. (100.00%)
EEI Corporation (Singapore) Pte. Ltd. (100.00%)
Al Rushaid Construction Company Limited (49.00%) *Associate*
GAIC Professional Services, Inc. (100.00%)
GAIC Manpower Services, Inc. (100.00%)
EEI Power Corporation (100.00%)
Bagumbayan Equipment & Industrial Products, Inc. (100.00%)
Philmark Inc. (100.00%)
Philrock Construction and Services Inc. (100.00%)



** In 2015, the Group purchased additional 1.8 million shares resulting to an increased ownership interest from 50.32% to 50.49%.*

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

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

HOUSE OF INVESTMENTS, INC. and SUBSIDIARIES

Item 5: SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF MARCH 31, 2014 AND DECEMBER 31, 2013

Financial Soundness Indicator

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

Key Indicator	Method of Calculation	31-Mar-15	31-Dec-14
Current ratio: *Indicates ability to cover short tem obligations*	**Current Assets/ Current Liabilities**	1.16	1.17
Net Profit Margin: *Shows how much profit is made for every peso of revenue*	**Net Income/ Total Revenues**	6%	8%
Asset Turnover: *Shows efficiency of asset use in operations*	**Total Revenues/ Total Assets**	0.24	0.86
Leverage Ratio: *Shows how much of asset is finance by equity, and how much is financed by debt*	**Total Assets / Total Equity**	2.24	2.26
Return on Equity: *Shows how much the business returns to the stockholders for every peso of equity capital invested*	**Net Income/ Total Revenues x Total Revenues/ Total Assets x Total Assets/ Total Equity**	3%	15%

Key Indicator	Method of Calculation	31-Mar-15	31-Dec-14
Solvency Ratio: *Shows how likely a company will be able to continue meeting its debt obligations*	Net Income + Depreciation / Total Liabilities	0.05	0.16
Interest Rate Coverage: *Shows how easily a company can pay interest on outstanding debt*	Earnings Before Interests and Taxes / Interest Expense	8.45	10.29
Debt-to-Equity Ratio: *Measures the group's leverage*	Total Debt / Equity	1.12	1.26
Asset-to-Equity Ratio: *Measures the group's leverage and long-term solvency*	Total Assets / Equity	2.12	2.26
Return on Average Stockholders' Equity: *Reflects how much the group has earned on the funds invested by stockholders*	Net Income / Average Total Equity	3.73%	16.62%
Return on Assets: Measures the ability to utilize the group's assets to create profits	Net Income / Average Total Assets	1.70%	8.56%

- Current ratio is at 1.16 as of quarter ended March 2015 compared to 1.17 as of the period ended December 2014. The slight decrease is attributable to lower cost and estimated earnings in excess of billings on uncompleted contracts due to the completion of major domestic projects of EEI.
- Net profit margin is at 6%. It is lower at this period compared to year ended December 2014 because of lower revenues from the education business. Normally, revenues in education stabilize on the second half of the year. The Group is optimistic that the ratio will improve in the next three quarters of the year.
- Asset turnover is 0.24 times compared to 0.86 times as of December 2014. On an average quarter basis, this period is better than last year at 0.22 times.
- Leverage ratio is almost the same as last year.

- Return on equity is at 3% against 15% of the full year of 2014. The Group is optimistic that the return on equity will further increase in the next three quarters of the year..

- Solvency ratio is at 0.05. This shows that the Group has sufficient cash flow to meet its short-term and long-term liabilities

- Interest rate coverage ratio slightly lower at 8.45 times compared to last year because of higher interest cost for the quarter.

- Debt-to-equity ratio improved from 1.26 to 1.12 this quarter as the Group continues to pay down its loans.

- Asset to equity ratio dropped from 2.26 as of December 2014 to 2.12 this quarter due to acquisition of construction and service equipment of the Group.

- Return on average stockholders' equity is at 3.73% this quarter. The Group is confident that this will improve in the next quarters of the year

- Return on assets at 1.70% is expected to improve by second half of the year as the revenues from education business stabilize.

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

HOUSE OF INVESTMENTS, INC. and SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2014:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		√		
PFRSs Practice Statement Management Commentary				√
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			√
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			√
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			√
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			√
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			√
	Amendments to PFRS 1: Government Loans			√
PFRS 2	Share-based Payment			√
	Amendments to PFRS 2: Vesting Conditions and Cancellations			√
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			√
PFRS 3 (Revised)	Business Combinations			√
PFRS 4	Insurance Contracts			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			√
PFRS 6	Exploration for and Evaluation of Mineral Resources			√
PFRS 7	Financial Instruments: Disclosures	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	√		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	√		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	√		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	√		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	√		
PFRS 8	Operating Segments	√		
PFRS 9	Financial Instruments		√	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		√	
	New Hedge Accounting Requirements		√	
PFRS 10	Consolidated Financial Statements	√		
	Amendments to PFRS 10: Investment Entities			√
PFRS 11	Joint Arrangements	√		
PFRS 12	Disclosure of Interests in Other Entities	√		
	Amendments to PFRS 12: Investment Entities			√
PFRS 13	Fair Value Measurement	√		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	√		
	Amendment to PAS 1: Capital Disclosures	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	√		
PAS 2	Inventories	√		
PAS 7	Statement of Cash Flows	√		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	√		
PAS 10	Events after the Reporting Date	√		
PAS 11	Construction Contracts	√		
PAS 12	Income Taxes	√		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			√
PAS 16	Property, Plant and Equipment	√		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 17	Leases	√		
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	√		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			√
	Amendments to PAS 39: The Fair Value Option			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			√
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			√
	Amendment to PAS 39: Eligible Hedged Items			√
	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	*Determining Whether an Arrangement Contains a Lease*	√		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			√
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			√
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			√
IFRIC 8	*Scope of PFRS 2*			√
IFRIC 9	Reassessment of Embedded Derivatives			√
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			√
IFRIC 10	*Interim Financial Reporting and Impairment*			√
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			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	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			√
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 quarter ended March 31, 2015.

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

a. *Liquidity Risk*
Liquidity risk is the risk that the Group will be unable to meet its payment obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. As an inherent part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long-term credit facilities. As at March 31, 2015 and December 31, 2014, the Group has available credit facilities with banks aggregating to ₱5.4 million.

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

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

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

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.

c. *Credit Risk*

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

There can be some credit exposures on project commitments and contingencies as of March 31, 2014 and December 31, 2013 represented by work accomplishments on backlog of projects which are not yet invoiced. These exposures are however limited to a few months work accomplishment as work are frozen as soon as the Group is able to determine that the risk of non-collection materializes. This risk is, however, mitigated by the Group's contractor's lien on the project. A contractor's lien is the legal right of a contractor (the Group) to takeover the project in-progress and has priority in the settlement of contractor's receivables and claims on the project in the event of insolvency of the project owner. The Group assesses that the value of projects in-progress is usually higher than receivables from and future commitments with the project owners.

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

Except for ZIFC which is involved in financing activities, and 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.

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 T. NERA**
President & CEO

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

Date : May 15, 2015