iPeople, inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2014 and 2013
and Years Ended December 31, 2014, 2013 and 2012

and

Independent Auditors' Report

SGV

Building a better working world

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
iPeople, inc.

We have audited the accompanying consolidated financial statements of iPeople, inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of iPeople, inc. and its subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-2 (Group A),
March 26, 2014, valid until March 25, 2017
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751320, January 5, 2015, Makati City

March 23, 2015

IPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 14 and 30)	**₱1,156,486,981**	₱739,344,120
Receivables (Notes 7 and 30)	**183,188,125**	142,536,835
Receivables from related parties (Notes 14 and 30)	**2,485,905**	5,972,732
Prepaid expenses and other current assets (Note 8)	**67,846,896**	43,649,489
Financial assets at fair value through profit and loss (FVPL) (Note 30)	**8,021,630**	363,264,505
Total Current Assets	**1,418,029,537**	1,294,767,681
Noncurrent Assets		
Available-for-sale (AFS) financial assets (Note 30)	**16,993,519**	14,855,624
Property and equipment (Notes 9 and 10)	**3,746,668,297**	3,193,367,435
Goodwill (Note 11)	**137,853,345**	137,853,345
Deferred tax assets - net (Note 23)	**10,149,738**	8,293,056
Other noncurrent assets (Notes 12 and 25)	**5,183,864**	10,211,317
Total Noncurrent Assets	**3,916,848,763**	3,364,580,777
	₱5,334,878,300	₱4,659,348,458
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 13 and 30)	**₱578,498,809**	₱439,226,747
Payable to related parties (Notes 14 and 30)	**21,198,102**	31,676,130
Income tax payable (Note 23)	**19,894,538**	23,774,478
Unearned tuition fees	**10,157,488**	9,110,987
Dividends payable (Notes 18 and 30)	**123,813,181**	68,213,731
Current portion of long-term debt (Notes 14, 15 and 30)	**96,250,715**	95,127,118
Total Current Liabilities	**849,812,833**	667,129,191
Noncurrent Liabilities		
Pension liability - net (Note 25)	**58,324,960**	66,207,049
Long-term debt - net of current portion (Notes 14, 15 and 30)	**430,000,000**	516,000,000
Deferred tax liabilities - net (Note 23)	**83,682,319**	74,168,180
Total Noncurrent Liabilities	**572,007,279**	656,375,229
Total Liabilities	**₱1,421,820,112**	₱1,323,504,420

(Forward)

	December 31	
	2014	2013
Equity		
Common stock (Note 17)	**₱748,933,221**	₱748,933,221
Additional paid-in capital	**1,438,827**	1,438,827
Other comprehensive income		
Unrealized gain on AFS financial assets (Note 30)	**4,633,824**	2,495,929
Revaluation increment on land (Note 10)	**448,763,360**	366,127,520
Remeasurement losses on defined benefit plans (Note 25)	**36,051,315**	36,162,718
Retained earnings (Note 16)	**2,432,843,210**	1,979,535,008
	3,672,663,757	3,134,693,223
Less: Treasury stock (Note 16)	**209**	209
	3,672,663,548	3,134,693,014
Noncontrolling interest in consolidated subsidiaries (Note 27)	**240,394,640**	201,151,024
Total Equity	**3,913,058,188**	3,335,844,038
	₱5,334,878,300	₱4,659,348,458

See accompanying Notes to Consolidated Financial Statements.

IPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
REVENUES (Note 28)			
School and related operations (Note 19)	**₱2,076,758,318**	₱1,893,856,394	₱1,735,771,060
Sale of goods	**167,012,870**	87,746,811	93,475,571
Sale of services	**65,089,202**	63,819,070	57,280,672
	2,308,860,390	2,045,422,275	1,886,527,303
COSTS AND EXPENSES			
Cost of school and related operations (Note 20)	**1,057,421,021**	961,978,398	901,380,523
Cost of goods sold	**148,892,477**	75,806,709	84,419,957
Cost of services	**19,304,180**	24,879,313	29,360,354
	1,225,617,678	1,062,664,420	1,015,160,834
GROSS PROFIT	**1,083,242,712**	982,757,855	871,366,469
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	**(235,364,686)**	(291,407,598)	(209,137,434)
INTEREST AND OTHER FINANCE CHARGES (Notes 15 and 22)	**(19,550,823)**	(19,945,748)	(26,512,050)
INTEREST INCOME (Notes 6, 7, 14 and 22)	**7,001,749**	15,407,094	17,243,719
OTHER INCOME (LOSS)	**(7,068,001)**	11,253,282	–
INCOME BEFORE INCOME TAX	**828,260,951**	698,064,885	652,960,704
PROVISION FOR INCOME TAX (Note 23)	**82,670,400**	66,383,893	61,200,411
NET INCOME	**745,590,551**	631,680,992	591,760,293
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) on AFS financial assets (Note 30)	**2,137,895**	(1,863,806)	2,329,757
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Revaluation increment on land - net of tax (Note 10)	**88,855,740**	63,673,470	19,461,781
Remeasurement gains (loss) on defined benefit plans - net of tax (Note 25)	**(111,403)**	35,018,069	1,277,270
	90,882,232	96,827,733	23,068,808
TOTAL COMPREHENSIVE INCOME	**₱836,472,783**	₱728,508,725	₱614,829,101
Net income attributable to:			
Equity holders of the parent (Note 26)	**₱692,966,836**	₱585,113,347	₱549,589,977
Non-controlling interest in consolidated subsidiaries (Note 27)	**52,623,715**	46,567,645	42,170,316
	₱745,590,551	₱631,680,992	₱591,760,293
Total comprehensive income attributable to:			
Equity holders of the parent	**₱777,629,168**	₱675,311,037	₱570,662,796
Non-controlling interest (Note 27)	**58,843,615**	53,197,688	44,166,305
	₱836,472,783	₱728,508,725	₱614,829,101

See accompanying Notes to Consolidated Financial Statements.

IPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent Company									
	Common Stock (Note 17)	Additional Paid-in Capital	Unrealized Gain on Available - for-Sale Financial Assets (Note 30)	Revaluation Increment On Land - net of tax (Note 10)	Remeasurement Losses on Net Pension Liability (Note 25)	Treasury Stock (Note 16)	Retained Earnings (Note 16)	Total	Non - controlling Interest (Note 27)	Total
For the year ended December 31, 2014										
Balances as at January 1, 2014	**₱748,933,221**	**₱1,438,827**	**₱2,495,929**	**₱366,127,520**	**₱36,162,718**	**(₱209)**	**₱1,979,535,008**	**₱3,134,693,014**	**₱201,151,024**	**₱3,335,844,038**
Net income for the year	–	–	–	–	–	–	**692,966,835**	**692,966,835**	**52,623,716**	**745,590,551**
Other comprehensive income (loss)	–	–	**2,137,895**	**82,635,840**	**(111,403)**	–	–	**84,662,332**	**6,219,900**	**90,882,232**
Total comprehensive income (loss)	–	–	**2,137,895**	**82,635,840**	**(111,403)**	–	**692,966,835**	**777,629,167**	**58,843,616**	**836,472,783**
Dividends declared	–	–	–	–	–	–	**(239,658,633)**	**(239,658,633)**	**(19,600,000)**	**(259,258,633)**
Balances as at December 31, 2014	**₱748,933,221**	**₱1,438,827**	**₱4,633,824**	**₱448,763,360**	**₱36,051,315**	**(₱209)**	**₱2,432,843,210**	**₱3,672,663,548**	**₱240,394,640**	**₱3,913,058,188**
For the year ended December 31, 2013										
Balances as at January 1, 2013	₱748,933,221	₱1,438,827	₱4,359,735	₱306,911,195	₱3,317,547	(₱209)	₱1,574,165,635	₱2,639,125,951	₱167,851,286	₱2,806,977,237
Net income for the year	–	–	–	–	–	–	585,113,345	585,113,345	46,567,647	631,680,992
Other comprehensive income (loss)	–	–	(1,863,806)	59,216,325	32,845,171	–	–	90,197,690	6,630,041	96,827,731
Total comprehensive income (loss)	–	–	(1,863,806)	59,216,325	32,845,171	–	585,113,345	675,311,035	53,197,688	728,508,723
Dividends declared	–	–	–	–	–	–	(179,743,972)	(179,743,972)	(19,897,950)	(199,641,922)
Balances as at December 31, 2013	₱748,933,221	₱1,438,827	₱2,495,929	₱366,127,520	₱36,162,718	(₱209)	₱1,979,535,008	₱3,134,693,014	₱201,151,024	₱3,335,844,038
For the year ended December 31, 2012										
Balances as at January 1, 2012	₱748,933,221	₱1,438,827	₱2,029,978	₱288,819,757	₱2,665,922	(₱209)	₱1,204,319,630	₱2,248,207,126	₱137,194,983	₱2,385,402,109
Net income for the year	–	–	–	–	–	–	549,589,977	549,589,977	42,170,316	591,760,293
Other comprehensive income	–	–	2,329,757	18,091,438	651,625	–	–	21,072,820	1,995,988	23,068,808
Total comprehensive income	–	–	2,329,757	18,091,438	651,625	–	549,589,977	570,662,797	44,166,304	614,829,101
Dividends declared	–	–	–	–	–	–	(179,743,972)	(179,743,972)	(13,510,001)	(193,253,973)
Balances as at December 31, 2012	₱748,933,221	₱1,438,827	₱4,359,735	₱306,911,195	₱3,317,547	(₱209)	₱1,574,165,635	₱2,639,125,951	₱167,851,286	₱2,806,977,237

See accompanying Notes to Consolidated Financial Statements.

IPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱828,260,951**	₱698,064,885	₱652,960,704
Adjustments for:			
Depreciation and amortization (Notes 9, 12, 20 and 21)	**143,410,591**	151,960,745	152,649,197
Interest expense and other finance charges (Note 22)	**19,550,823**	19,945,748	26,512,050
Interest income (Notes 6, 7, 14 and 22)	**(7,001,749)**	(15,407,094)	(17,243,719)
Unrealized market gain on financial asset at FVPL	**(57,289)**	(10,969,599)	–
Realized loss on disposal of financial assets at FVPL	**7,125,290**	–	–
Loss on disposal of property and equipment	□	–	45,922
Unrealized foreign exchange loss	**109,299**	1,508,365	268,706
Operating income before working capital changes	**991,397,916**	845,103,050	815,192,860
Decrease (increase) in:			
Accounts receivable	**(40,374,039)**	(51,132,133)	(37,003,629)
Prepaid expenses and other current assets	**(24,197,407)**	4,317,854	(11,554,410)
Increase (decrease) in:			
Movement in net pension asset and liability	**(7,116,489)**	(37,774,187)	10,901,312
Accounts payable and accrued expenses	**138,165,250**	249,901,002	7,363,156
Unearned tuition fees	**1,046,501**	(54,510,628)	(104,102,567)
Net cash generated from operations	**1,058,921,732**	955,904,958	680,796,722
Interest received	**6,724,499**	15,887,859	17,003,107
Interest paid	**(18,444,009)**	(21,098,643)	(27,561,319)
Income taxes paid	**(88,951,646)**	(74,120,311)	(63,057,900)
Net cash flows provided by operating activities	**958,250,576**	876,573,863	607,180,610
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at FVPL	**348,174,874**	–	–
Acquisitions of:			
Property and equipment (Notes 9 and 28)	**(593,184,074)**	(170,360,379)	(74,735,839)
Land (Notes 10 and 29)	□	(25,306,837)	(90,768,000)
Financial assets at FVPL	–	(352,294,906)	–
Computer software (Note 12)	**(462,429)**	(4,440,671)	(6,728,444)
Payments made on lease liability	□	(1,374,873)	(1,237,631)
Decrease (increase) in amounts receivables from related parties	**3,486,827**	2,737,236	(1,323,813)
Net cash flows used in investing activities	**(241,984,802)**	(551,040,430)	(174,793,727)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of long-term debt	**(84,876,403)**	(142,076,104)	(64,730,914)
Dividends paid to stockholders	**(203,659,183)**	(183,243,416)	(191,792,738)
Increase (decrease) in payables to related parties	**(10,478,028)**	1,811,734	(6,036,936)
Net cash flows used in financing activities	**(299,013,614)**	(323,507,786)	(262,560,588)

(Forward)

	Years Ended December 31		
	2014	2013	2012
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(₱109,299)**	(₱1,508,365)	(₱268,706)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**417,142,861**	517,282	169,557,589
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**739,344,120**	738,826,838	569,269,249
CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 6 and 30)	**₱1,156,486,981**	₱739,344,120	₱738,826,838

See accompanying Notes to Consolidated Financial Statements.

IPEOPLE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

iPeople, inc. (the Parent Company) is a stock corporation incorporated on July 27, 1989 under the laws of the Philippines and has nine wholly-owned subsidiaries, namely: Pan Pacific Computer Center, Inc. (PPCCI), Malayan Colleges, Inc. (MCI), People eServe Corporation (PEC), Malayan Colleges Laguna Inc. (MCLI), Malayan High School of Science, Inc. (MHSSI), Mapua Information Technology Center, Inc. (MITC), Mapua Techserv, Inc., Mapua Techpower, Inc., and San Lorenzo Ruiz Institute of Health Science Inc. (SLRIHSI).

The Parent Company, a subsidiary of House of Investments, Inc. (HI), is a holding and management company with principal office at 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City. iPeople, inc. and its subsidiaries (collectively referred to as "the Group") are involved in education, consulting development and in installation and maintenance of information technology systems.

The Group's ultimate parent is Pan Malayan Management and Investment Corporation (PMMIC).

2. Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared under the historical cost basis, except for the land which is under revaluation model and available-for-sale (AFS) financial assets which are measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Group's functional currency. All values are rounded to the nearest peso unless otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS also includes Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) interpretations.

The Parent Company also prepares and issues financial statements for the same period as the consolidated financial statements in compliance with PFRS, which can be obtained from the Parent Company's registered office address.

Basis of Consolidation and Investments in Subsidiaries
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2014 and 2013, and for each of the three years in the period ended December 31, 2014.

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

Below are the Group's subsidiaries and percentage of ownership:

	Percentage of Ownership		
	2014	2013	2012
Malayan Colleges, Inc. (Operating Under the Name of Mapua Institute of Technology) and subsidiaries	**93%**	93%	93%
Direct ownership of MCI on its subsidiaries:			
Mapua Information Technology Center, Inc.	**100**	100	100
Mapua Techserv, Inc.	**100**	100	100
Mapua Techpower, Inc.	**75**	75	75
Malayan High School of Science, Inc.	**100**	100	100
San Lorenzo Ruiz Institute of Health Sciences, Inc.	**100**	100	100
Malayan Colleges Laguna Inc. led by a Mapua School of Engineering	**100**	100	100
People eServe Corporation	**100**	100	100
Pan Pacific Computer Center, Incorporated	**100**	100	100

All subsidiaries were incorporated in the Philippines.

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.

Noncontrolling interests represent 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 equity in the consolidated statement of financial position, separately from the Group's shareholders' equity. Transactions with noncontrolling interests are handled in the same way as transactions with external parties.

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. All intragroup balances, transactions, unrealized gains and losses resulting from intragroup transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and

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

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 noncontrolling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

3. **Changes in Accounting Policies**

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the following new and amended PFRSs and 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 did 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 statements.

- 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 principle under PAS 37.

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 businesses.

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; and
  - 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 amendment affects 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. These amendments will have no significant impact on the Group's financial position or performance.

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

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

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

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

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be

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

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

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendment will have no significant impact on the Group's financial position or performance.

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

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

Effective January 1, 2018

- PFRS 9, *Financial Instruments* - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the

risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

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

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

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

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

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

4. **Summary of Significant Accounting Policies**

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less 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.

   Financial assets at FVPL are recorded in the consolidated statement of financial position at fair value with unrealized mark-to-market gains and losses reported as part of the current year operations in the consolidated statement of comprehensive income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded in the consolidated statement of comprehensive income according to the terms of the contract, or when the right of 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.

   The Group's financial assets at FVPL amounted to ₱8.02 million and ₱363.26 million as of December 31, 2014 and 2013, respectively. This consists of peso-denominated investments in unit investment trust funds (UITFs) in Rizal Commercial Banking Corporation (RCBC). The mark to market loss and gain on these assets amounted to ₱0.06 million and ₱10.97 million in 2014 and 2013, respectively. In 2014, the Group disposed a significant portion of its financial assets at FVPL realizing a loss amounting ₱7.13 million.

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

Classified under this category are the Group's cash and cash equivalents, receivables and receivables from related parties which are carried at amortized cost.

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 December 31, 2014 and 2013.

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 ro changes in market conditions. 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 Group's AFS financial assets consist of investments in quoted common shares which amounted to ₱16.99 million and ₱14.86 million as at December 31, 2014 and 2013, respectively. The unrealized gain on AFS amounted to ₱4.63 million and ₱2.50 million as of December 31, 2014 and 2013, respectively.

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 December 31, 2014 and 2013.

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

a. *Financial liabilities at FVPL* - Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Derivatives, including separated embedded derivatives, are also classified as FVPL, unless they are designated as effective hedging instruments.

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

The Group has no financial liabilities at FVPL as at December 31, 2014 and 2013.

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.

   Classified under this category are Group's accounts payable and accrued expenses, payables to related parties, dividends payable and long-term debt.

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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial reporting date.

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' difference
Where the transaction price in a non-active market is different to the fair value from 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' difference) in the consolidated statement of comprehensive income, unless it qualifies for recognition as some other type of asset. 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 comprehensive 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' difference amount.

Financial assets at FVPL
Financial assets at FVPL include 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.

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.

As of December 31, 2014 and 2013, the Group holds its quoted equity securities for trading purposes and classifies them as financial assets at FVPL.

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables.

Financial assets may be designated at initial recognition as AFS if they 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. 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.

Investments in unquoted equity securities are carried at cost net of impairment losses, if any. The Company's AFS financial assets pertain to unquoted equity securities included under "Available-for-sale (AFS) financial assets" account in the statement of financial position.

This accounting policy relates to the statement of financial position caption "Available-for-sale financial assets". The Company's AFS financial assets include its investments in equity securities.

Offsetting Financial Instruments

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

This accounting policy relates to the net payable to PTC amounting ₱10.25 million and ₱9.13 million as of December 31, 2014 and 2013, 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 the borrower or a group of borrowers is 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 a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets carried at amortized cost

For loans and receivables 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, it includes the asset 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 comprehensive income. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery. 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 comprehensive 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.

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
In case of equity instruments classified as AFS, impairment would include 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 comprehensive 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 comprehensive income but as a separate item in the consolidated statement of comprehensive income. Reversals of impairment losses on debt instruments 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 comprehensive income.

Prepaid Expenses and Other Current Assets
Prepaid expenses and other current assets pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group.

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.

Property and Equipment

Property and equipment, except for land, is stated at cost, less accumulated depreciation and any impairment in value.

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 or revalued amount, 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 estimated useful lives (EUL) of the related assets as follows:

	Years
Buildings and improvements	10 to 20
Office furniture and equipment	5 to 10
Transportation equipment	5

The EUL 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.

Land is carried at its revalued amount based on the latest appraisal conducted by an independent firm of appraisers. The appraisal increment resulting from the revaluation is recorded in other comprehensive income and treated as a separate component in the Group's equity.

Construction in progress represents property under construction and is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are ready for their intended use.

Intangible Assets

The Group's intangible assets include goodwill and computer software as at December 31, 2014 and 2013.

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be 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 reporting period. 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 the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

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 as bargain purchase gain.

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 any excess remaining after reassessment in the consolidated statement of comprehensive income.

The goodwill recognized in the consolidated statement of financial position pertains to the acquisition of MCI. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling 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.

Goodwill is measured at cost less accumulated impairment losses, if any.

<u>Impairment of Property and Equipment, Computer Software and Goodwill</u>
For property and equipment and computer software, the Group assesses at each reporting date whether there is any indication that an item of property and equipment and computer software may

be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. A previously recognized impairment loss is reversed by a credit to current operations to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined had no impairment loss been recognized for the asset in prior years.

Impairment on goodwill is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. When the Group is acting as a principal in an arrangement, revenue is recorded at gross. When the Group is acting as an agent, the revenue recorded is only the commission. Except for certain arrangements of People eServe, 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:

- Revenues from school and related 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.
- Sales of goods are recognized as revenue upon delivery of the goods and when the risks and rewards of ownership have passed to the buyer.
- Interest income is recognized as it accrues taking into account the effective yield on the asset.
- Rental income is recognized as revenue on a straight-line basis over the lease term.
- Maintenance, service and commission income are recognized when services are rendered.

Costs and Expenses
The Group's costs and expenses constitute costs of operating and administering the business recognized in the consolidated statement of comprehensive income as incurred.

Cost of school and related operations
Cost of school and related operations 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.

Cost of goods sold
Cost of goods sold 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.

Cost of services
Cost of services 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.

Retirement Cost
Defined benefit plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

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.

Income Taxes

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 at the financial reporting date.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences except: (a) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred 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) and net operating loss carryover (NOLCO), to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences and carryforward of unused MCIT and NOLCO can be utilized except; (a) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at 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 utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred tax relating to items recognized directly in equity or other comprehensive income is included in the related equity or other comprehensive income account and not in profit or loss.

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 at the financial reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred 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.

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 commencement 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 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 recognized in the consolidated statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the EUL of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the consolidated statement of comprehensive 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.

Equity
The Group records capital stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity shares. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. When any member of 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 less dividends declared and any adjustment arising from application of new accounting standards, policies or corrections of errors applied retroactively.

The Parent Company’s retained earnings declarable as dividends amounted to ₱889.21 million and ₱871.86 million as at December 31, 2014 and 2013, respectively. Dividends distribution is approved by the BOD of the Parent Company.

The individual accumulated earnings of the subsidiaries are available for dividend declaration when these are declared as dividends by the respective subsidiaries as approved by their respective BOD.

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.

Foreign Currency-denominated Transactions and Translation
Foreign currency-denominated transactions are recorded using the prevailing exchange rates at the time of transactions. Foreign currency-denominated monetary assets and liabilities are translated to Philippine Peso closing rate of exchange prevailing at the reporting date. Exchange gains or losses arising from foreign currency are charged to current operations.

Basic and Diluted Earnings Per Share (EPS)
Basic earnings per common share is computed based on weighted average number of issued and outstanding common shares, less treasury shares, after giving retroactive effect for any stock dividends. Diluted earnings per share, if applicable, is computed on the basis of the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There are no dilutive potential common shares that would require disclosure of diluted earnings per common share in the consolidated financial statements.

As of December 31, 2014 and 2013, the Group has no potential dilutive common shares (Note 26).

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

Provisions
Provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, 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 interest expense in profit or loss.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These 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 are disclosed when an inflow of economic benefits is probable.

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

5. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Operating lease commitments - Group as a lessor
The Group has entered into commercial property lease on the use of its building facilities. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

The Group leased commercial properties for its administrative office locations. The Group has determined that it does not acquire all the significant risks and rewards of ownership of these administrative office locations and therefore are accounted for as operating leases.

Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Notes 13 and 31).

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating allowance for impairment of receivables
The Group maintains allowances for impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. For education segment, the evaluation factors will include the number of days the receivable is outstanding, year level of students and historical experience. For other segments, the evaluation of collectibility considers the length of the Group's relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis.

The amount of timing and recording of expenses for any period would differ if the Group made different judgments or utilized different estimates.

Allowance for impairment of receivables amounted to ₱61.94 million and ₱52.98 million as of December 31, 2014 and 2013, respectively (Note 7). The carrying value of receivables as at December 31, 2014 and 2013 amounted to ₱183.19 million and ₱142.54 million, respectively (Note 7). The carrying value of receivables from related parties as at December 31, 2014 and 2013 amounted to ₱2.49 million and ₱5.97 million, respectively (Note 14).

Impairment of AFS financial assets
The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The Group treats 'significant' generally as 20% or more of the original cost of investment, and 'prolonged' as greater than twelve months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities. The Group's AFS financial assets carried at fair value amounted to ₱16.99 million and ₱14.86 million as at December 31, 2014 and 2013, respectively (Note 30). The unrealized gain (loss) on AFS financial assets amounted to ₱2.14 million, (₱1.86 million) and ₱2.33 million in 2014, 2013 and 2012, respectively. As at December 31, 2014, 2013, and 2012 no impairment loss was recognized pertaining to the Group's AFS financial assets.

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

As at December 31, 2014 and 2013, net book value of depreciable property and equipment amounted to ₱1,202.27 million and ₱748.68 million, respectively (Note 9).

Impairment of nonfinancial assets
The Group assesses impairment on its property and equipment, computer software and goodwill whenever events or changes in circumstances indicate that the carrying amount of a property and equipment and goodwill may not be recoverable.

Impairment of goodwill is assessed at least on an annual basis. The goodwill recognized in the consolidated statements of financial position pertains to the acquisition of MCI. In assessing the impairment on goodwill, the Group determines the recoverable amount using value in use which represents the present value of expected cash flows from the continuing operations of MCI which is in educational services. The value in use calculations used cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 8.94% in 2014 and 2013. The cash flow projections considered the impact of the Enhanced K+12 Basic Education Program on MCI's financial performance is effective in 2016. Cash flows beyond the five-year period are assumed to be without growth. There is no impairment loss recognized on goodwill in 2014, 2013, and 2012.

In 2014 and 2013, there are continuing indications of impairment in the property and equipment of MHSSI due to continuing losses of the school. Management assessed that the level of impairment is at the same level with 2009. In 2009, an impairment loss of ₱52.00 million was recognized to write-down certain assets of MHSSI. No additional impairment loss was recognized in 2014, 2013 and 2012.

As at December 31, 2014 and 2013, the carrying value of goodwill amounted to ₱137.85 million (Note 11).

The carrying value of the Group's property and equipment and computer software amounted to ₱3,746.67 million; ₱3,193.37 million and ₱4.07 million; ₱9.09 million as at December 31, 2014 and 2013, respectively (Notes 9 and 12).

Estimation of pension obligations and other retirement benefits
The determination of the Group's pension liabilties is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rate, expected return on plan assets and salary increase rate which were disclosed in Note 25 and to which the cash flows are most sensitive to. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the retirement expense and accrued retirement obligation.

As at December 31, 2014 and 2013, the retirement liability amounted to ₱58.32 million and ₱66.21 million, respectively, (Note 25) while retirement asset that is classified under other noncurrent assets amounted to ₱0.73 million as of December 31, 2014 and 2013 (Notes 12 and 25).

Deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Where there is no absolute assurance that each legal entity in the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized, deferred tax assets are not recognized.

Deferred tax assets recognized amounted to ₱10.15 million and ₱8.29 million as at December 31, 2014 and 2013, respectively (Note 23). The temporary differences on which deferred tax assets were not recognized amounted to ₱90.13 million and ₱78.73 million, respectively (Note 23).

6. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand	**₱889,100**	₱799,099
Cash in banks (Note 14)	**173,122,676**	111,400,298
Cash equivalents (Note 14)	**982,475,205**	627,144,723
	₱1,156,486,981	₱739,344,120

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments have terms with varying periods of up to three (3) months and can be liquidated depending on the immediate cash requirements of the Group. These assets earn interest at the prevailing short-term investment rates.

Interest income from cash in banks and short-term investments amounted to ₱6.94 million, ₱14.26 million and ₱17.21 million in 2014, 2013 and 2012, respectively (Note 22).

There is no restriction on the Group's cash balances as at December 31, 2014 and 2013.

7. Receivables

This account consists of:

	2014	2013
Tuition and other fees	**₱144,735,135**	₱129,431,998
Other receivables		
Trade	**65,905,314**	34,220,165
Advances to officers and employees	**10,354,357**	7,653,743
Others	**24,133,132**	24,209,046
	245,127,938	195,514,952
Less allowance for doubtful accounts	**(61,939,813)**	(52,978,117)
	₱183,188,125	₱142,536,835

Tuition and other fees pertain to matriculation and miscellaneous fees which are collected at end of every school term before the students can proceed to the next term.

Advances to officers and employees represent receivables for the employees' share in car plan agreements. There were no amounts written-off during the year. Interest income from advances to officers and employees amounted to ₱0.06 million, ₱1.15 million and ₱0.03 million in 2014, 2013 and 2012, respectively (Note 22).

Other receivables include rent receivable, interest receivable, receivable from trainings and technology-oriented programs and those that are not directly related to students' fees. Expenses relating to on-board training of students are paid in advance and may be paid by students anytime even after their graduation.

The changes in collectively assessed allowance for doubtful accounts as at December 31 follow:

	2014			
	Tuition and other fees	**Advances to officers and employees**	**Others**	**Total**
Balances at beginning of year	**₱43,681,678**	**₱5,754,719**	**₱3,541,720**	**₱52,978,117**
Provisions for the year (Note 21)	**5,499,285**	**–**	**3,462,411**	**8,961,696**
Balances at end of year	**₱49,180,963**	**₱5,754,719**	**₱7,004,131**	**₱61,939,813**

	2013			
	Tuition and other fees	Advances to officers and employees	Others	Total
Balance at beginning of year	₱41,398,052	₱5,754,719	₱1,368,830	₱48,521,601
Provisions for the year (Note 21)	2,283,626	–	2,172,890	4,456,516
Balance at end of year	₱43,681,678	₱5,754,719	₱3,541,720	₱52,978,117

Provisions for impairment of receivables are determined based on specific and collective assessments.

Trade receivables are noninterest-bearing and are generally on forty five (45)-day term.

Advances to officers and employees are interest bearing and liquidated on a monthly basis

Other receivables are noninterest-bearing and are generally collectible within one (1) year.

8. Prepaid Expenses and Other Current Assets

	2014	2013
Prepaid expenses	**₱25,443,934**	₱22,829,896
Input value added tax	**22,556,140**	11,296,509
Fund for Engineering Development and Institutional Linkages (FEDIL)	**14,294,289**	6,241,800
Refundable deposits	**1,264,202**	1,123,133
Office supplies	**823,214**	684,747
Creditable withholding tax	**223,776**	–
Others	**3,241,341**	1,473,404
	₱67,846,896	₱43,649,489

Prepaid expenses mainly include prepayments for membership fees, taxes and licenses, rentals and insurance.

The input VAT is applied against output VAT. The remaining balance is recoverable in future periods.

FEDIL is restricted deposit for the purpose of undertaking socio-economic studies and development projects.

Refundable deposits pertain to advances on rentals.

Creditable withholding tax refers to taxes paid in advance by the Group which is creditable against the income tax liability of the Group.

Others relate to books inventory and other supplies.

9. Property and Equipment

The rollforward analysis of this account follows:

	2014				
	Buildings and Improvements	**Office Furniture and Equipment**	**Transportation Equipment**	**Construction In Progress**	**Total**
Cost					
Balance at beginning of year	**₱1,064,570,459**	**₱847,761,101**	**₱21,166,829**	**₱45,261,293**	**₱1,978,759,682**
Acquisitions	**14,629,484**	**166,606,905**	**1,774,869**	**410,172,816**	**593,184,074**
Reclassifications and adjustments	**44,107,749**	**(837,243)**	□	**(44,107,749)**	**(837,243)**
Balance at end of year	**1,123,307,692**	**1,013,530,763**	**22,941,698**	**411,326,360**	**2,571,106,513**
Accumulated depreciation and amortization					
Balance at beginning of year	**603,749,894**	**614,323,225**	**12,004,965**	**–**	**1,230,078,084**
Depreciation (Notes 20 and 21)	**41,581,507**	**93,844,190**	**2,495,013**	**–**	**137,920,710**
Reclassification and adjustments	**–**	**837,241**	**–**	**–**	**837,241**
Balance at end of year	**645,331,401**	**709,004,656**	**14,499,978**	**–**	**1,368,836,035**
Net book value	**477,976,291**	**304,526,107**	**8,441,720**	**411,326,360**	**1,202,270,478**
Land at revalued amounts (Note 10)	**–**	**–**	**–**	**–**	**2,544,397,819**
Total	**₱477,976,291**	**₱304,526,107**	**₱8,441,720**	**₱411,326,360**	**₱3,746,668,297**

	2013				
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	Total
Cost					
Balance at beginning of year	₱1,033,621,853	₱785,581,424	₱17,401,370	₱6,659,257	₱1,843,263,904
Acquisitions	19,120,395	96,833,903	3,975,834	50,430,247	170,360,379
Disposals	–	–	(210,375)	–	(210,375)
Reclassifications and adjustments	11,828,211	(34,654,226)	–	(11,828,211)	(34,654,226)
Balance at end of year	1,064,570,459	847,761,101	21,166,829	45,261,293	1,978,759,682
Accumulated depreciation and amortization					
Balance at beginning of year	543,658,681	560,917,936	9,074,896	–	1,113,651,513
Depreciation (Notes 20 and 21)	60,091,213	83,313,592	3,140,444	–	146,545,249
Disposals	–	–	(210,375)	–	(210,375)
Reclassification and adjustments	–	(29,908,303)	–	–	(29,908,303)
Balance at end of year	603,749,894	614,323,225	12,004,965	–	1,230,078,084
Net book value	460,820,565	233,437,876	9,161,864	45,261,293	748,681,598
Land at revalued amounts (Note 10)	–	–	–	–	2,444,685,837
Total	₱460,820,565	₱233,437,876	₱9,161,864	₱45,261,293	₱3,193,367,435

In 2013, the Group entered into a contract with EEI Corporation for the construction of new school facilities in a bid to attract more students. This construction has two major phases. The first phase is the renovation and update of the existing gym amounting ₱44.11 million which was completed in 2014. The second phase is the construction of the new Research and Administration facility amounting ₱238.74 million. This started in May 2014 and is expected to be completed by the first quarter of 2015.

On July 8, 2014, the Group also started the construction of the new engineering building in Laguna amounting ₱171.88 million which is expected to be completed in 2015. The building will be equipped with state-of-the-art facilities and interactive learning environment to aid the students in their advanced engineering studies.

As at December 31, 2014, the gym was transferred from construction in progress account to buildings and improvements account. The research and administration facilities and the engineering building remain under construction.

As of December 31, 2014, 2013 and 2012, depreciation and amortization amounting ₱120.16 million, ₱95.65 million and ₱128.15 million are included under cost of school and related operations (Note 20). While depreciation and amortization charged to general and administrative expenses amounted to ₱17.76 million, ₱50.89 million and ₱18.59 million in 2014, 2013 and 2012, respectively (Note 21).

Fully depreciated property and equipment items amounting ₱582.77 million and ₱550.74 million as of December 31, 2014 and 2013, respectively, are still in use.

There are no property and equipment items that are pledged as security to obligations as of December 31, 2014 and 2013.

10. Land at Revalued Amounts

This account consists of:

	2014	2013
Balance at beginning of year	**₱2,444,685,837**	₱2,348,630,700
Acquisition	–	25,306,837
Capitalizable costs	**983,380**	–
Appraisal increase	**98,728,602**	70,748,300
Balance at end of year	**₱2,544,397,819**	₱2,444,685,837

Land at revalued amounts consists of owner-occupied property wherein school buildings and other facilities are located.

Land at cost amounted to ₱2,045.77 million and ₱2,037.88 million as at December 31, 2014 and 2013, respectively.

Capitalizable costs include taxes paid for purchase of land.

Fair value is determined through records of sales and offerings of similar parcels of land with similar location, size, shape, characteristics of the lots and present and prospective use.

11. Goodwill

The goodwill recognized in the consolidated statement of financial position pertains to the excess of the acquisition cost over the fair values of the net assets acquired by MCI in 1999.

The Group performed its annual impairment test on its goodwill with indefinite useful lives as of December 31, 2014. The recoverable amount of goodwill was determined based on value in use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The cash flow projections considered the impact of the Enhanced K+12 Basic Education Program on MCI's financial performance effective in 2016. Cash flows beyond the five-year period are assumed to be without growth. There is no impairment loss recognized on goodwill in 2014, 2013 and 2012.

12. **Other Noncurrent Assets**

This account consists of:

	2014	2013
Computer software	**₱4,065,556**	₱9,093,008
Retirement asset (Note 25)	**732,228**	732,228
Miscellaneous deposits	**386,080**	386,081
	₱5,183,864	₱10,211,317

Computer software is amortized over a period of three years. Amortization of computer software charged to operations in 2014, 2013 and 2012 amounted to ₱5.49 million ₱5.42 million, and ₱5.50 million, respectively (Notes 20 and 21). There was no impairment recognized for computer software during the year and in prior periods.

The rollforward analysis of computer software follows:

	2014	2013
Cost		
Balance at the beginning of the year	**₱29,374,930**	₱25,389,182
Additions	**462,429**	3,985,748
Balance at the end of the year	**29,837,359**	29,374,930
Accumulated Amortization		
Balance at the beginning of the year	**20,281,922**	14,866,426
Amortization (Notes 20 and 21)	**5,489,881**	5,415,496
Balance at the end of the year	**25,771,803**	20,281,922
Net Book Value	**₱4,065,556**	₱9,093,008

Amortization charged to cost of school and related operations amounted to ₱1.16 million, ₱1.14 million and ₱0.82 million in 2014, 2013 and 2012, respectively (Note 20). While amortization charged to general and administrative expenses amounted to ₱4.33 million, ₱4.28 million and ₱2.35 million in 2014, 2013 and 2012, respectively (Note 21).

13. **Accounts Payable and Accrued Expenses**

This account consists of:

	2014	2013
Accounts payable	**₱276,787,116**	₱163,433,438
Accrued expenses	**217,056,760**	205,782,905
Funds payables	**80,588,606**	68,751,195
Other payables	**4,066,327**	1,259,209
	₱578,498,809	₱439,226,747

Accounts payable pertains to the Group's obligation to local suppliers. The liability arises from purchases of various supplies which includes construction inputs in relation to the ongoing redevelopment plan of MCI which started during 2013.

Accrued expenses include the Group's accrual associated with MCI's 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 with the FAMIT. The Supreme Court reversed an earlier Court of Appeals decision in favor of management. An entry of judgment dated March 13, 2008 was made in the Supreme Court Book of Entries of Judgments, making the decision final and executory. A Memorandum of Agreement was entered into by management with FAMIT before the Voluntary Arbitrators wherein the parties agreed to continue the process of faculty ranking. The evaluation process was completed in December 2008.

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

As at December 31, 2014 and 2013, total accumulated payments to faculty members amounted to ₱228.92 million and ₱228.85 million, respectively. The related remaining accrual in 2014, 2013 and 2012 amounted to ₱65.95 million, ₱66.02 million and ₱66.87 million, respectively.

Accrued expenses consist of:

	2014	2013
Contingent liability (Note 31)	**₱144,835,772**	₱144,906,104
Accrued professional fees	**15,730,590**	12,533,818
Withholding taxes and others	**9,392,303**	5,848,996
Accrued salaries and wages	**4,218,239**	2,577,642
SSS and other contributions	**2,553,806**	2,934,179
Accrued interest	**2,439,820**	2,218,454
Others	**37,886,230**	34,763,712
	₱217,056,760	₱205,782,905

Other accrued expenses consist of accrued rent, utilities and other contracted services. Details of which follows:

	2014	2013
Payable to suppliers	**₱4,817,926**	₱2,359,820
Accrued utilities	**2,373,995**	2,368,638
Insurance	**1,921,782**	1,171,657
Accrued communication expense	**1,791,626**	2,067,297
Others	**26,980,901**	26,796,300
	₱37,886,230	₱34,763,712

Other accruals pertain to contracted services and other management fees.

Funds payables include funds received by the Group from Department of Science and Technology (DOST) and Commission on Higher Education (CHED) for the scholarships programs provided to the students.

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

Accounts payable, accrued expenses and other payables are noninterest-bearing and are expected to be settled within a year after the financial reporting date. Funds payables are noninterest-bearing and are expected to be settled upon payout related to the scholarship programs.

14. Related Party Transactions

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

Transactions with related parties consist primarily of receivables and payables which are currently due and collectible. Amounts payables to and receivables from related parties consist mainly of unsecured advances to and from other parties arising from computer-related services which are to be settled on a cash basis. Outstanding balances are expected to be realized and settled within one year from the financial reporting date.

	2014			
	Amount / Volume	**Receivables from (Payables to)**	**Terms**	**Conditions**
Parent Company				
a) Receivables from related parties	₱–	₱319,454	Noninterest-bearing, due and demandable	Unsecured
Rental income	2,759,583	–		
b) Payables to related parties	–	(5,287,933)	Noninterest-bearing, due and demandable	Unsecured
Management fee and other professional fees	45,879,047	–	–	–
Entities under common control of HI				
c) Receivables from related parties	–	449,077	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income	2,482,168	–	–	
d) Payables to related parties	–	(15,898,172)	Noninterest-bearing, due and demandable	Unsecured
Contracted services	151,849,600	–	–	
Entities under common control of PMMIC				
e) Cash and cash equivalents	1,155,597,881	1,155,597,881	Interest at prevailing deposit and short-term rates	Unsecured, no impairment
Interest income	6,943,136	–	–	–
f) Receivables from related parties	–	1,717,374	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income	24,425,101	–	–	–
g) Payables to related parties	–	(11,997)	Noninterest-bearing, due and demandable	Unsecured
Insurance expense	4,767,620	–	–	–
h) Long-term debt	–	(430,000,000)	10-year, interest at 3-mo. PDST-F plus spread per quarter	Secured
Interest expense	19,533,116	–	–	–

	2013			
	Amount / Volume	Receivables from (Payables to)	Terms	Conditions
Parent Company				
a) Payables to related parties	₱–	(₱16,878,136)	Noninterest-bearing, due and demandable	Unsecured
Management fee and other professional fees	67,132,826	–	–	–
Entities under common control of HI				
b) Receivables from related parties	–	1,196,122	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income	2,124,459	–	–	
c) Payables to related parties	–	(12,366,717)	Noninterest-bearing, due and demandable	Unsecured
Contracted services	69,738,855	–	–	
Entities under common control of PMMIC				
d) Cash and cash equivalents	738,545,021	738,545,021	Interest at prevailing deposit and short-term rates	Unsecured, no impairment
Interest income	14,260,496	–	–	–
e) Receivables from related parties	–	4,776,610	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income	23,280,576	–	–	–
f) Payables to related parties	–	(2,431,277)	Noninterest-bearing, due and demandable	Unsecured
Insurance expense	5,664,564	–	–	–
g) Long-term debt	–	(516,000,000)	10-year, interest at 3-mo. PDST-F plus spread per quarter	Secured
Interest expense	19,945,748	–	–	–

The Group’s significant transactions with related parties follow. Outstanding balances are expected to be settled in cash. As at December 31, 2014 and 2013, there were no provisions for doubtful receivables pertaining to related party balances.

a) *Receivables from Parent Company*
This account pertains to lease of Oracle assets to the Parent Company. These are non-interest bearing and are payable on demand.

Rental income recognized amounted to ₱2.76 million in 2014 and nil in 2013 and 2012.

b) *Payable to Parent Company*
This account pertains to management and other professional fees charged by the Parent Company for administering the subsidiaries operations. These are non-interest bearing and are payable on demand.

Total management fee and other professional fees recognized amounted to ₱45.80 million, ₱67.13 million and ₱42.04 million in 2014, 2013 and 2012, respectively (Notes 20 and 21).

c) *Receivables from entities under common control of HI*
Receivables from entities under common control of HI arise from HI’s subsidiaries lease of the Group’s canteen kiosks in its Makati and Intramuros properties. The term of the lease is for one year and renewable with uniform rental payments.

Rental income recognized amounted to ₱2.48 million, ₱2.13 million and ₱1.80 million in 2014, 2013 and 2012, respectively.

d) *Payable to entities under common control of HI*
Payables to entities under common control of HI pertain to property management and janitorial and security services.

Contracted services recognized amounted to ₱151.85 million, ₱69.74 million and ₱78.57 million in 2014, 2013 and 2012, respectively (Notes 20 and 21).

e) *Cash and cash equivalents*
The Group maintains cash in banks and short-term investments with its affiliated bank. Cash in bank and cash equivalents earn interest at prevailing deposit and short-term investments rates, respectively.

Interest income earned amounted to ₱6.94 million, ₱14.26 million and ₱17.21 million in 2014, 2013 and 2012, respectively (Note 22).

f) *Receivables from entities under common control of PMMIC*
Due from entities under common control of PMMIC arises from RCBC's rental of the Group's office spaces in its Makati and Intramuros properties. The term of the lease is for three years and future minimum rental payments receivable under the aforementioned lease agreement follows:

	2014	2013
Within one (1) year	**₱13,485,674**	₱23,862,590
More than 1 year but not more than 5 years	**67,428,372**	11,640,288
	₱80,914,046	₱35,502,878

Rental income earned amounted to ₱24.43 million, ₱23.28 million and ₱21.58 million in 2014, 2013 and 2012, respectively.

g) *Payables to entities under common control of PMMIC*
The Group's maintains property and personnel insurance with its affiliated insurance company, Malayan Insurance Company, Inc. (MICO). Insurance contract coverage pertains to the Group's fire, accident, group and other insurance policies. Insurance contracts with related parties amounted to ₱2,584.05 million, ₱1,242.35 million and ₱47.27 million in 2014, 2013 and 2012, respectively.

h) *Long-term debt*
This pertains to the Group's ₱860.00 million long-term loan to refinance its previous loans with RCBC collateralized by the Company's Makati and Manila properties. In 2014 and 2013, payments made in relation to the principal amount totaled ₱86.00 million.

Interest expense recognized amounted to ₱19.53 million, ₱19.95 million and ₱26.14 million in 2014, 2013 and 2012, respectively.

Other related party transactions follow:

a) The Group maintains its retirement fund with RCBC trust division. As at December 31, 2014 and 2013, the fair value of the plan assets of the retirement fund amounted to ₱151.06 million and ₱81.42 million, respectively. Trust fees amounting to ₱0.60 million and ₱0.38 million were recognized by the retirement plan arising from its transactions with RCBC for the years ended December 31, 2014 and 2013, respectively.

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

	2014	2013	2012
Short -term benefits	**₱53,535,840**	₱61,116,869	₱52,315,482
Post-employment benefits	**1,292,443**	5,191,729	961,164
	₱54,828,283	₱66,308,598	₱53,276,646

Terms and conditions of transaction with related parties
Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. For the years ended December 31, 2014 and 2013, the Group has not recorded any impairment losses on receivables relating to amounts owed by related parties. This assessment is undertaken each year through examining the financial position of the related party and the market in which the related party operates.

15. **Long-term Debt**

This account consists of:

	2014	2013
Loans from financial institutions	**₱516,000,000**	₱602,000,000
Payable to PTC - net	**10,250,715**	9,127,118
	526,250,715	611,127,118
Less current portion of long-term debt	**96,250,715**	95,127,118
	₱430,000,000	₱516,000,000

A. Loans from financial institutions
These include loans obtained from local banks. Details as at December 31 follow:

	2014	2013
Peso-denominated syndicated bank loan payable after 10 years starting November 2010 without grace period on principal payment, subject to floating rate equal to the 3-month Philippine Dealing System Treasury Reference Rates-Fixing (PDST-F) plus a per annum spread of 1.75% payable in accelerating amounts up to November 22, 2020.	**₱516,000,000**	₱602,000,000
Less current portion of long-term debt	**86,000,000**	86,000,000
	₱430,000,000	₱516,000,000

The Group acquired a loan from RCBC amounting ₱860.00 million on November 22, 2010, payable within ten years.

This loan is backed up by land properties in Manila and Makati owned by the Group. The unpaid principal amount is subject to floating rate equivalent to 3-month PDST-F plus a per annum spread of 1.75%. The carrying value of the collateral amounted to ₱1,400.00 million both in 2014 and 2013. Interest expense charged to operations in 2014, 2013 and 2012 amounted to ₱19.53 million, ₱19.95 million and ₱26.51 million, respectively (Note 22).

B. *Payable to PTC*
On January 22, 2008, the Group entered into a memorandum of agreement with Philippine Transmarine Carriers, Inc. (PTC) to jointly establish the Mapua-PTC Center for Maritime Education and Training (CMET).

The parties agree that the operation and management of Mapua-PTC CMET shall be under the auspices of the Company and that the parties shall execute both an Operations and Management Agreement to operate the educational activities and general administrative functions of the Mapua-PTC CMET. The agreement was accounted for as jointly controlled operations.

The Company shall be responsible for establishing academic, faculty, student and academic services policies and the enforcement thereof, as well as provide overall administrative control and supervision of all school personnel, faculty and engaged service providers.

All properties acquired under the project shall be equally owned by the PTC and the Group unless otherwise borrowed or leased by the Group for the Mapua-PTC CMET or donated with preconditions imposed by third parties on Mapua-PTC CMET.

All net income or losses which results from the operation of the Mapua-PTC CMET shall be shared and distributed equally on a 50%-50% basis between the Group and PTC.

As at December 31, 2014 and 2013, payable to PTC amounted to ₱10.25 million and ₱9.13 million, respectively, for its share in the income of tuition and other matriculation fees of students of the Malayan-PTC CMET. The outstanding balance of ₱10.25 million and ₱9.13 million are payable in 2015 and 2014, respectively, and is recorded under current liabilities.

16. **Retained Earnings**

In accordance with SRC Rule No. 68, As Amended (2011), Annex 68-C, after reconciling items, the Parent Company's retained earnings available for dividend declaration as of December 31, 2014 amounted to ₱889.21 million.

The retained earnings account includes the accumulated equity in undistributed earnings of consolidated subsidiaries amounting ₱488.57 million and ₱384.05 million as of December 31, 2014 and 2013, respectively. These are not available for dividends until declared by the subsidiaries.

The Group's retained earnings is restricted to the extent of the cost of treasury stock amounting ₱209.

17. **Capital Stock**

Capital stock consists of 2,000,000,000 authorized and 748,932,949 issued and outstanding common shares as at December 31, 2014 and 2013 with a par value of ₱1 per share.

On September 15, 1989, SEC approved the registration of the Company's entire authorized capital stock with a Certificate of Permit to Sell Securities authorizing the sale of 25 billion shares worth

₱250 million. The Company's capital stock was listed in both Manila and Makati Stock Exchanges on January 24, 1990. Actual number of shares initially listed is 15 billion at an offer price of ₱0.01 per share.

Below is the summary of the Parent Company's outstanding number of shares and holders of securities as of December 31, 2014:

Year	Number of Shares Registered	Number of holders of securities as of year end
January 1, 2014	748,932,949	2,180
Add (deduct) movement	–	–
December 31, 2014	748,932,949	2,180
Add (deduct) movement	–	–
December 31, 2014	748,932,949	2,180

Note: Exclusive of 272 treasury shares.

18. Cash Dividends

The BOD declared cash dividends as follows:

	2014	2013	2012
November 21, 2014, 8% cash dividends (₱0.08 per share) to stockholders of record as of December 19, 2014, paid on January 21, 2015	**₱59,914,661**	₱–	₱–
November 21, 2014, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 19, 2014, paid on January 21, 2015	**44,935,993**	–	–
September 18, 2014, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 16, 2014, paid on November 6, 2014	**44,935,993**	–	–
July 3, 2013, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 31, 2014, paid on August 22, 2014	**44,935,993**	–	–
March 24, 2014, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 21, 2014, paid on May 15, 2014	**44,935,993**	–	–
December 20, 2013, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 13, 2012, paid on January 17, 2014	–	44,935,993	–
October 10, 2013, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 31, 2012, paid on November 5, 2013	–	44,935,993	–
July 26, 2013, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 31, 2012, paid on August 16, 2013	–	44,935,993	–

(Forward)

	2014	2013	2012
April 16, 2013, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 31, 2012, paid on May 10, 2013	**₱–**	₱44,935,993	₱–
November 15, 2012, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 13, 2012, paid on January 11, 2013	**–**	–	44,935,993
September 13, 2012, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 11, 2012, paid on October 26, 2012	**–**	–	44,935,993
June 29, 2012, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 27, 2012, paid on August 9, 2012	**–**	–	44,935,993
March 20, 2012, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 17, 2012, paid on May 9, 2012	**–**	–	44,935,993
	₱239,658,633	₱179,743,972	₱179,743,972

19. Revenue from School and Related Operations

This account consists of:

	2014	2013	2012
Tuition fees and other matriculation fees	**₱1,997,108,367**	₱1,830,727,062	₱1,651,346,061
Bookstore income	**15,283,136**	8,822,460	10,692,285
Seminar fee income	**3,532,209**	5,092,728	32,386,703
Miscellaneous	**60,834,606**	49,214,144	41,346,011
	₱2,076,758,318	₱1,893,856,394	₱1,735,771,060

Miscellaneous income consists of entrance examination fees, photocopying and printing, late penalty payments, and other various income earned by the Group from the students which are other than payment for tuition fees. These include, but not limited to class pictures, certification of grades, good moral and other school credentials.

20. Cost of School and Related Operations

This account consists of:

	2014	2013	2012
Personnel expenses (Note 24)	**₱533,876,708**	₱509,882,745	₱462,104,336
Student-related expenses	**133,660,473**	105,620,122	83,566,759
Depreciation and amortization (Notes 9 and 12)	**121,322,468**	96,794,226	128,972,148
Utilities	**83,158,970**	81,957,954	71,254,794
Management and other professional fees (Note 14)	**65,070,778**	77,754,398	59,780,694

(Forward)

	2014	2013	2012
Tools and library books	**₱28,298,469**	₱11,453,742	₱10,192,833
Seminar	**13,823,755**	16,294,387	12,342,439
Repairs and maintenance	**13,818,194**	10,132,197	11,577,964
Advertising	**11,647,069**	9,012,368	19,222,390
Periodicals	**11,178,975**	7,477,266	5,879,741
Research and development fund	**7,463,924**	6,182,896	2,688,032
Laboratory supplies	**6,027,458**	5,571,977	4,909,899
Office supplies	**5,521,043**	6,287,212	5,960,859
Accreditation cost	**4,735,036**	2,812,803	1,603,161
Insurance	**3,700,581**	4,983,208	3,368,317
Transportation and travel	**2,378,168**	2,384,600	1,945,754
Rent	**2,081,895**	1,217,284	1,095,952
Taxes and licenses	**1,701,100**	1,173,844	1,056,687
Entertainment, amusement, and recreation (EAR)	**874,285**	1,051,090	1,192,290
Miscellaneous	**7,081,672**	3,934,079	12,665,474
	₱1,057,421,021	₱961,978,398	₱901,380,523

21. General and Administrative Expenses

This account consists of:

	2014	2013	2012
Management and other professional fees (Note 14)	**₱89,538,405**	₱59,117,283	₱60,836,566
Personnel expenses (Notes 24 and 25)	**67,369,352**	64,553,731	83,899,014
Depreciation and amortization (Notes 9 and 12)	**22,088,123**	55,166,519	20,938,018
Provision for impairment of receivables (Note 7)	**8,961,696**	4,456,516	65,853
Advertising	**8,015,375**	5,270,802	383,620
Taxes and licenses	**7,237,307**	9,571,857	5,982,647
Donations	**6,814,679**	6,400,531	5,576,574
Utilities	**4,531,339**	7,879,046	8,924,960
Repairs and maintenance	**4,512,974**	5,722,824	1,641,245
Transportation and travel	**2,461,260**	1,926,087	2,009,286
EAR	**2,303,779**	2,285,897	1,712,402
Office supplies	**1,809,973**	1,612,957	1,883,875
Rent	**1,615,938**	3,167,545	2,905,998
Insurance	**1,067,039**	681,356	883,139
Accreditation cost	**444,825**	214,506	–
Seminar	**418,721**	185,880	835,615
Provision for expenses	–	60,000,000	–
Miscellaneous	**6,173,901**	3,194,261	10,658,622
	₱235,364,686	₱291,407,598	₱209,137,434

Management and other professional fees consist of property management fees, janitorial and security service fees, lawyers, payroll specialists and other professional service fees.

Miscellaneous expense includes dues and subscriptions, direct write-off of receivable, manual and training materials, periodicals and other contracted services.

22. Interest Income, Interest and Other Finance Charges

The Group's interest income consists of interest from the following sources:

	2014	2013	2012
Cash in banks and cash equivalents (Note 6)	**₱6,943,136**	₱14,260,496	₱17,211,870
Advances to officers and employees (Note 7)	**58,613**	1,146,598	31,849
	₱7,001,749	₱15,407,094	₱17,243,719

The Group's interest expense consists of interest on the following:

	2014	2013	2012
Long-term debt (Note 15)	**₱19,533,116**	₱19,945,748	₱26,142,249
Loans payable (Note 15)	**17,707**	–	–
Lease liability	**–**	–	369,801
	₱19,550,823	₱19,945,748	₱26,512,050

23. Income Tax

Provision for income tax consists of:

	2014	2013	2012
Current	**₱85,071,706**	₱77,364,717	₱62,840,796
Deferred	**(2,401,306)**	(10,980,824)	(1,640,385)
	₱82,670,400	₱66,383,893	₱61,200,411

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

	2014	2013
Deferred tax assets - net		
NOLCO	**₱7,103,653**	₱7,221,900
Provision for doubtful accounts (Note 7)	**1,445,864**	133,395
Retirement asset (Note 25)	**1,396,995**	638,129
MCIT	**202,257**	299,632
Unrealized foreign exchange loss	**969**	–
	₱10,149,738	₱8,293,056
Deferred tax liabilities - net		
Revaluation increment on land (Note 10)	**₱111,271,655**	₱98,398,795
Allowance for inventory obsolescence	**(52,710)**	(52,710)
Allowance for doubtful accounts (Note 7)	**(4,585,255)**	(4,319,180)
Retirement liability (Note 25)	**(8,433,102)**	(9,564,508)
Accruals (Note 13)	**(8,551,005)**	(6,602,031)
Others	**(5,967,264)**	(3,692,186)
	₱83,682,319	₱74,168,180

The Group did not recognize deferred tax assets on the following temporary differences because the Group believes that it may not be probable that sufficient taxable income will be available in the near foreseeable future against which the tax benefit can be realized.

	2014	2013
Provision for impairment losses	**₱52,031,090**	₱52,031,090
NOLCO	**29,355,881**	11,128,365
Allowance for doubtful accounts (Note 7)	**5,342,634**	9,650,802
Provision for retirement and others (Note 25)	**3,400,283**	5,916,545
	₱90,129,888	₱78,726,802

The Group performs an assessment of the deferred tax assets and such is recognized whenever permissible.

The details of NOLCO and MCIT as of December 31, 2012 are as follows:

Taxable Year Incurred	NOLCO	MCIT	Expiry Year
2014	₱6,293,959	₱197,245	2017
2013	17,361,891	13	2016
2012	18,018,392	4,999	2015
	₱41,674,242	₱202,257	

The NOLCO in 2011 and 2010 amounting ₱15.43 million and ₱23.20 million expired in 2014 and 2013, respectively.

The reconciliation of the provision for income tax computed at the statutory tax rate to the provision for income tax shown in the consolidated statements of income follows:

	2014	2013	2012
Income before income tax at statutory rate	**30.00%**	30.00%	30.00%
Deduct reconciling items:			
Income subject to lower tax rate	**(9.82)**	(9.83)	(8.00)
Others	**(10.20)**	(10.66)	(12.63)
	9.98%	9.51%	9.37%

MCI, MITC, MHSSI and MCLI are educational institutions, which are subject to a lower income tax rate of 10%.

24. Personnel Expenses

Details of personnel expenses are as follows:

	2014	2013	2012
Compensation	**₱572,481,347**	₱544,820,393	₱519,623,880
Retirement benefits (Note 25)	**17,831,683**	20,970,746	23,247,486
Miscellaneous benefits	**10,933,030**	8,993,017	11,412,986
	₱601,246,060	₱574,784,156	₱554,284,352

Personnel expenses amounting ₱533.88 million, ₱509.88 million and ₱462.10 million are lodged under "Cost of school and related operations" account in 2014, 2013 and 2012 (Note 20).

25. Retirement Plans

The Group has a noncontributory and defined benefit retirement plan covering all of its regular employees. The benefits are based on the years of service and percentage of latest monthly salary. The retirement benefit is the only long term benefit given to employees. Short-term benefits are expensed outright.

The most recent actuarial valuation was carried out on January 28, 2015 for the retirement plan of the Group as of December 31, 2014.

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

Based on the actuarial valuation as of December 31, 2014 and 2013 computed using the PUC method, the Group's net pension liabilities and expenses are summarized as follows:

	2014	2013
Net pension asset	**₱732,228**	₱732,228
Net pension liability	**58,324,960**	66,207,049
Pension expense (Notes 21 and 24)	**17,831,683**	20,970,746

Components of pension expense (included under "Cost of Goods Sold" and "General and Administrative Expense" accounts recognized in the consolidated statements of comprehensive income for the years ended December 31, 2014, 2013 and 2012) follow:

	2014	2013	2012
Current service cost	**₱14,337,059**	₱14,602,018	₱14,762,972
Net interest cost on defined benefit obligation	**3,494,624**	6,368,728	7,776,114
Past service cost	**–**	–	684,365
Net pension expense	**₱17,831,683**	₱20,970,746	₱23,223,451

The net pension asset recognized in the consolidated statements of financial position as of December 31, 2014 and 2013 is as follows:

	2014	2013
Fair value of plan assets	**₱1,390,165**	₱1,390,165
Present value of defined benefit obligation	**(657,937)**	(657,937)
	₱732,228	₱732,228

The net pension liability recognized in the consolidated statements of financial position as of December 31, 2014 and 2013 is as follows:

	2014	2013
Fair value of plan assets	**₱148,190,377**	₱131,312,453
Present value of defined benefit obligation	**(206,515,337)**	(197,519,502)
	(₱58,324,960)	(₱66,207,049)

The movements in the net pension liability follow:

	2014	2013
At beginning of year	**₱66,207,049**	₱141,217,107
Contribution paid during the year	**(26,029,653)**	(55,200,363)
Net pension expense	**17,831,683**	20,970,746
Amount to be recognized in OCI	**315,881**	(40,780,441)
At end of the year	**₱58,324,960**	₱66,207,049

Remeasurement losses recognized in OCI follow:

	2014	2013
Actuarial losses (gains)	**(₱32,219)**	₱41,892,428
Return on assets excluding amount included in net interest cost	**348,100**	(1,111,987)
Total remeasurements recognized in OCI	**₱315,881**	₱40,780,441

Movement of cumulative remeasurement effect recognized in OCI:

	2014	2013
Balance at beginning of year	**₱44,776,087**	₱3,995,646
Actuarial losses (gains)	**(32,219)**	41,892,428
Return on assets excluding amount included in net interest cost	**348,100**	(1,111,987)
Total amounts recognized in OCI	**₱45,091,968**	₱44,776,087

The reconciliation of the present value of defined benefit obligation is as follows:

	December 31	
	2014	2013
Beginning balance	**₱197,519,502**	₱221,115,256
Interest cost	**10,539,843**	11,416,724
Current service cost	**14,337,059**	14,602,018
Benefits paid	**(15,848,848)**	(7,722,068)
Actuarial losses on obligation:		
Experience adjustments	**(4,712,172)**	(71,726,380)
Changes in financial assumptions	**4,679,953**	29,833,952
Ending balance	**₱206,515,337**	₱197,519,502

The reconciliation of the fair value of plan assets is as follows:

	December 31	
	2014	2013
Beginning balance	**₱131,312,453**	₱79,898,149
Expected return	**7,045,219**	5,047,996
Contribution paid during the year	**26,029,653**	55,200,363
Benefits paid	**(15,848,848)**	(7,722,068)
Actuarial gains on plan assets	**(348,100)**	(1,111,987)
Ending balance	**₱148,190,377**	₱131,312,453

The distribution of plan assets as of December 31, 2014 and 2013 is as follows:

	2014		2013	
	Amount	**%**	Amount	%
Cash and cash equivalents	**₱3,711,896**	**2.49%**	₱45,563,657	34.51%
Investments in:				
Government securities	**123,142,330**	**82.69**	71,190,666	53.91
Equity instruments	**21,913,468**	**14.71**	14,492,800	10.98
Interest and other receivables	**1,074,395**	**0.72**	929,023	0.70
Accrued trust fees	**(919,484)**	**(0.61)**	(131,465)	(0.10)
	₱148,922,605	**100.00%**	₱132,044,681	100.00%

Net unrealized gains on investments in government securities amounted to ₱8.73 million, ₱5.27 million and ₱4.28 million in 2014, 2013 and 2012 respectively.

The Group does not expect to contribute to the Plan in 2015.

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

			PVO
Discount rate	5.54%	+100bps	(₱24,694,287)
	3.92%	-100bps	29,815,960
Salary rate	5.24%	+100bps	28,958,488
	3.24%	-100bps	(24,411,803)

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. It is the policy of the Trustee that immediate and near-term retirement liabilities of the Group's Retirement Fund are adequately covered by its assets. As such, due considerations are given that portfolio maturities are matched in accordance with due benefit payments. The Retirement Fund's expected benefits payments are determined through the latest actuarial reports.

26. **Earnings Per Share**

Earnings per share amounts attributable to equity holders of Parent Company are computed as follows:

	2014	2013	2012
Net income attributable to equity holders of Parent Company (a)	**₱692,966,836**	₱585,113,347	₱549,589,977
Weighted average number of outstanding shares - net of treasury shares (b)	**748,932,949**	748,932,949	748,932,949
Earnings per share (a/b)	**₱0.9253**	₱0.7813	₱0.7338

There are no dilutive potential shares that would require disclosure of diluted earnings per share in the consolidated financial statements.

27. **Noncontrolling Interest**

This represents shareholdings in subsidiaries not held by the Group.

28. **Operating Segment Information**

Business Segment
The business segment is determined as the primary segment reporting format as the Group's risks and rates of return are affected predominantly by each operating segment.

Management monitors the operating results of its operating segments separately for the purpose of making decision about resource allocation and performance assessment. Group financing (including interest income, dividend income and interest expense) and income taxes are managed on a group basis and are not allocated to operating segments. The Group evaluates performance based on income before income tax, and earnings before income tax, depreciation and amortization. The Group does not report its results based on geographical segments because the Group operates only in the Philippines.

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

The amount of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the consolidated statement of financial position which is in accordance with PFRS.

For management purposes, the Group is organized into business units based on the products and services it provides, which comprise of two (2) main groupings as follows:

Information Technology and Education - primarily consists of revenues of MCI, MCLI, MITC and MHSS in education.

Others - represent support services which cannot be directly identified with the reportable segment mentioned above. These include consulting, development, installation and maintenance of information technology systems.

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

Segment assets and liabilities exclude deferred 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.

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.

Capital expenditures consist of additions to property and equipment.

(In million pesos)

	Information Technology and Education			Others			Elimination			Consolidated		
	2014	2013	2012	**2014**	2013	2012	**2014**	2013	2012	**2014**	2013	2012
Revenues:												
Income from external customers	**₱2,122**	₱1,956	₱1,763	**₱188**	₱96	₱306	**(₱1)**	(₱7)	(₱182)	**₱2,309**	₱2,045	₱1,887
Inter-segment income	**–**	–	–	**264**	260	183	**(264)**	(260)	(183)	**–**	–	–
Total Revenues	**₱2,122**	₱1,956	₱1,763	**₱452**	₱356	₱489	**(₱265)**	(₱267)	(₱365)	**₱2,309**	₱2,045	₱1,887
Net Income (Loss) attributable to Parent Company	**₱752**	₱664	₱599	**₱257**	₱231	₱170	**(₱317)**	(₱310)	(₱219)	**₱692**	₱585	₱550
Other Information												
Segment assets	**₱5,992**	₱5,470	₱4,976	**₱1,905**	₱1,687	₱1,690	**(₱2,562)**	(₱2,506)	(₱2,465)	**₱5,335**	₱4,651	₱4,201
Segment liabilities	**1,610**	1,586	1,480	**343**	139	113	**(532)**	(476)	(262)	**1,421**	1,249	1,331
Deferred tax assets	**1**	–	–	**9**	8	2	**–**	–	–	**10**	8	2
Deferred tax liabilities	**84**	74	68	□	–	–	**–**	–	–	**84**	74	68
Cash flows arising from:												
Operating activities	**875**	891	566	**30**	(77)	(13)	**53**	72	55	**958**	886	608
Investing activities	**(245)**	(565)	(153)	**253**	224	168	**(250)**	903	(190)	**(242)**	562	(175)
Financing activities	**(318)**	(326)	(222)	**(185)**	(131)	(182)	**204**	133	141	**(299)**	(324)	(263)
Interest expense	**20**	20	27	□	–	–	**–**	–	–	**20**	20	27
Provision for income tax	**83**	72	61	□	(6)	–	**–**	–	–	**83**	66	61
Capital expenditures	**494**	151	163	**99**	1	1	**–**	–	1	**593**	152	165
Depreciation and amortization	**141**	149	148	**2**	3	4	**–**	–	–	**143**	152	152

29. Note on Statements of Cash Flows

Noncash investing activities in 2014 and 2013 pertain to the revaluation of parcel of land amounting ₱98.73 million and ₱70.75 million, respectively (Note 10).

30. Financial Instruments

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of December 31, 2014 and 2013:

	Carrying Amount	**2014**			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:					
Financial assets at FVPL	**₱8,021,630**	**₱8,021,630**	**₱–**	**₱–**	**₱8,021,630**
AFS financial assets	**16,993,519**	**16,993,519**	**–**	**–**	**16,993,519**

	Carrying Amount	2013			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
Financial assets at FVPL	₱363,264,505	₱363,264,505	₱–	₱–	₱363,264,505
AFS financial assets	14,855,624	14,855,624	–	–	14,855,624

The Group uses the following hierarchy in determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 - Financial instruments based on quoted prices in active markets for identical assets or liabilities;
- Level 2 - Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 - Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash and cash equivalents, receivables, receivables from related parties, accounts payable and accrued expenses, payables to related parties and dividends payable* - carrying amounts approximate fair values due to short-term nature of these accounts.

- *Financial asset at FVPL* - the fair values are based on quoted market prices

- *AFS financial assets* - fair values were determined using quoted market prices at financial reporting date. The investments are included within the level 1 of the hierarchy. The movement in the cost and gain are as follow:

	2014	2013	2012
As of January 1	**₱14,855,624**	₱16,719,430	₱14,389,673
Changes in fair value of AFS financial assets	**2,137,895**	(1,863,806)	2,329,757
As of December 31	**₱16,993,519**	₱14,855,624	₱16,719,430

The rollforward of unrealized gain (loss) on AFS financial assets are as follows:

	2014	2013	2012
As of January 1	**₱2,495,929**	₱4,359,735	₱2,029,978
Changes in fair value of AFS financial assets	**2,137,895**	(1,863,806)	2,329,757
As of December 31	**₱4,633,824**	₱2,495,929	₱4,359,735

The unrealized gain (loss) on AFS financial assets are presented in the equity section of the Group statements of financial position.

As at December 31, 2014 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements. There are no financial assets and financial liabilities recognized at fair value based on Level 3 and there are no transfers in and out of Level 3 categories in 2014 and 2013. No instrument fall within Level 3.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, receivables, receivables from related parties, AFS financial assets, accounts payable and accrued expenses, payables to related parties, dividends payable and long-term debt. The main purpose of these financial instruments is to raise finances for the Group's operations.

The main risks arising from the Group's financial instruments are liquidity risk, market risk (equity price risk, foreign currency risk and cash flow interest rate risk), and credit risk. The BOD reviews and approves the policies for managing these risks. The Audit Committee and the Risk Management Committee of the Board meets regularly and exercises an oversight role in managing risks.

The Group's risk management policies are summarized as follows:

Liquidity risk

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. The Treasury Department is responsible for monitoring the short-term loans and demand deposits of the Group. It assesses the status and maturity period of the loans and deposits to be able to determine the financial standing of the Group and whether the funds being maintained will be able to accommodate any maturing liabilities. Short-term and long-term funding is obtained to finance capital expenditures and working capital. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecasts approved by BOD. As at December 31, 2014 and 2013, the Group has available short-term credit facilities with banks aggregating to ₱0.56 billion and ₱1.29 billion, respectively.

The table below summarizes the maturity profile of the Group's financial assets held for liquidity purposes. The maturity groupings are based on the remaining period from the end of the financial reporting date to the contractual maturity date.

	2014			
	On demand	**Less than 1 year**	**More than 1 year**	**Total**
Loans and receivables:				
Cash on hand and in banks	**₱174,011,776**	**₱–**	**₱–**	**₱174,011,776**
Cash equivalents	**–**	**982,475,205**	**–**	**982,475,205**
Receivables*	**50,160,055**	**122,905,706**	**61,707,820**	**234,773,581**
Receivables from related parties	**–**	**2,485,905**	**–**	**2,485,905**
AFS financial assets	**–**	**16,993,519**	**–**	**16,993,519**
	₱224,171,831	**₱1,124,860,335**	**₱61,707,820**	**₱1,410,739,986**

**excluding advances to officers and employees*

	2013			
	On demand	Less than 1 year	More than 1 year	Total
Loans and receivables:				
Cash on hand and in banks	₱112,199,397	₱–	₱–	₱112,199,397
Cash equivalents	–	627,144,723	–	627,144,723
Receivables*	62,002,085	72,963,886	52,895,238	187,861,209
Receivables from related parties	–	5,972,732	–	5,972,732
AFS financial assets	–	14,855,624	–	14,855,624
	₱174,201,482	₱720,936,965	₱52,895,238	₱948,033,685

**excluding advances to officers and employees*

The table below summarizes the maturity profile of the Group's other financial liabilities as of December 31 based on contractual undiscounted payments and contractual remaining maturities.

	2014					
	On demand	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**More than 3 years**	**Total**
Accounts payable and accrued expenses*	**₱240,619,832**	**₱309,085,696**	**₱6,706,395**	**₱7,700,956**	**₱–**	**₱564,112,879**
Payables to related parties	**20,248,652**	**949,450**	**–**	**–**	**–**	**21,198,102**
Dividends payable	**104,293,654**	**19,519,527**	**–**	**–**	**–**	**123,813,181**
Long-term debt	**–**	**86,000,000**	**172,000,000**	**172,000,000**	**–**	**430,000,000**
Interest payable	**–**	**2,439,820**	**–**	**–**	**–**	**2,439,820**
	₱365,162,138	**₱417,994,493**	**₱178,706,395**	**₱179,700,956**	**₱–**	**₱1,141,563,982**

**excluding payable to regulatory bodies*

	2013					
	On demand	Less than 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
Accounts payable and accrued expenses*	₱313,909,382	₱114,315,737	₱–	₱–	₱–	₱428,225,119
Payables to related parties	26,363,888	5,312,242	–	–	–	31,676,130
Dividends payable	44,935,993	11,638,869	11,638,869	–	–	68,213,731
Long-term debt	–	86,000,000	172,000,000	172,000,000	86,000,000	516,000,000
Interest payable	–	2,218,454	–	–	–	2,218,454
	₱385,209,263	₱219,485,302	₱183,638,869	₱172,000,000	₱86,000,000	₱1,046,333,434

**excluding payable to regulatory bodies*

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 interest rates, foreign currency exchanges rates, equity prices and other market changes.

a. *Equity price risk*
The Group's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, AFS financial assets. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, and limits on investment in each industry or sector.

The analysis below is performed for reasonably possible movements in the Philippine Stock Exchange index with all other variables held constant of quoted shares classified as AFS financial assets, showing the impact on equity:

	2014	
Market Index	**Change in variable**	**Effect on equity**
PSE	**+21%**	**₱1,929,450**
	-21%	**(1,929,450)**

	2013	
Market Index	Change in variable	Effect on equity
PSE	+11%	₱1,863,806
	-11%	(1,863,806)

The ±21% and ±11% were derived by getting the difference between the beginning and end of year composite index for 2014 and 2013, respectively and getting the percentage increase or decrease using the beginning of year as the base date. The percentage change in 2014 and 2013 are multiplied to the adjusted beta of the specific stocks and the fair value of the stocks as at December 31, 2014 and 2013, respectively.

Given the repricing position of the Group's AFS financial assets as of December 31, 2014 and 2013, if PSE index increased/decreased by 32% and 4%, respectively, the Group would expect unrealized gain on AFS financial assets to increase/(decrease) by (₱1.93) million and (₱1.86) million, respectively.

b. *Foreign currency risk*
The Group's foreign currency risk results primarily from movements in the prevailing exchange rate between the Philippine Peso (PHP) and the United States Dollar (USD). The revenues and the operating expenses of the Group are denominated in PHP. However, the Group maintains certain deposits with banks which are denominated in USD, totaling to US$979,633 and US$613,284 as at December 31, 2014 and 2013, respectively.

The Group closely monitors the movements in the USD/PHP exchange rate and makes a regular assessment of future foreign exchange movements, based also, in part, on its analysis of other macroeconomic indicators. The Group then manages the balance of its USD-denominated deposits based on this assessment.

The Group's foreign currency denominated financial assets (translated in PHP) as of December 31 are as follows:

	Original currency	Peso equivalent
Cash and cash equivalents		
2014	**$979,633**	**₱43,809,188**
2013	613,284	27,229,810

The following table demonstrates the sensitivity to a reasonably possible change in the USD rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets).

	2014	
	Percentage increase (decrease)	**Effect on profit before tax**
Cash and cash equivalents	**+0.27**	**₱117,556**
	-0.27	**(117,556)**

	2013	
	Percentage increase (decrease)	Effect on profit before tax
Cash and cash equivalents	+1.45	₱394,788
	-1.45	(394,788)

Percentage of increase and decrease is based by the Group on the percentage change on the foreign exchange rate as of the reporting date and the year-end forecasted closing rate for 2015 from an affiliated bank.

There are no other effects of the foreign currency sensitivity on the Group's equity other than those already affecting the consolidated statements of income.

c. *Cash flow interest rate risk*
Cash flow interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market rate risk for changes in interest rates relates primarily to the Group's long-term obligations. The Group follows prudent policies in managing its exposures to interest rate fluctuations, and constantly monitors its assets and liabilities.

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

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

	2014						
	Below 1 Year	**1-2 Years**	**2-3 Years**	**3-4 Years**	**4-5 Years**	**Over 5 Years**	**Total**
Liabilities:							
Variable rate							
Long-term debt	**₱86,000,000**	**₱86,000,000**	**₱86,000,000**	**₱86,000,000**	**₱86,000,000**	**₱–**	**₱430,000,000**
Interest rate	**3-month PDST-F rate plus 1.75%**						
	₱86,000,000	**₱86,000,000**	**₱86,000,000**	**₱86,000,000**	**₱86,000,000**	**₱–**	**₱430,000,000**

	2013						
	Below 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	Total
Liabilities:							
Variable rate							
Long-term debt	₱86,000,000	₱86,000,000	₱86,000,000	₱86,000,000	₱86,000,000	₱86,000,000	₱516,000,000
Interest rate	3-month PDST-F rate plus 1.75%						
	₱86,000,000	₱86,000,000	₱86,000,000	₱86,000,000	₱86,000,000	₱86,000,000	₱516,000,000

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings).

	Increase/decrease in basis points	Effect on profit before tax
2014 Peso floating rate borrowings	**+23**	**(₱811,213)**
	-23	**811,213**
2013 Peso floating rate borrowings	+11	(₱595,860)
	-11	595,860

Percentage of increase and decrease is based by the Group on the average of forecasted rates.

The sensitivity analysis shown above is based on the assumption that interest rate movement will most likely be limited to a ten and one hundred thirty-five point basis upward and downward fluctuation on 2014 and 2013, respectively. Effect on the Group's income before tax is computed on the carrying amount of the Group's floating rate long-term debt as at December 31, 2014 and 2013.

There are no other impacts on the Group's equity other than those already affecting the consolidated statements of income.

Credit risk and concentration of assets and liabilities
The Group's exposure to credit risk arising from its receivables relates primarily to the inability of the debtors and students to pay and to fully settle the unpaid balance of tuition fees and other charges, respectively, which are owed to the Group based on the installment payment schemes. The Group manages its credit risk in accordance with its credit policies by maintaining strict policies like not allowing students to enroll in the following term unless the unpaid balance in the previous term has been paid. The Group also withholds the academic records and clearance of the students with unpaid balances.

The Group's exposure to credit risk arising from its other receivables from debtors and related parties is managed through close account monitoring and setting of limits.

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.

The Group does not have any significant exposure to any individual customer or counterparty. With respect to credit risk arising from cash and cash equivalents, receivables, amounts due from related parties and AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The analysis of receivables of the Group that are past due but not impaired follows:

	2014					
	Neither past due nor impaired	Past due but not impaired			Impaired Financial Assets	Total
		< 1 quarter	1 - 2 quarters	2 - 3 quarters		
Tuition and other fees	₱73,229,249	₱12,050,438	₱4,088,267	₱6,186,218	₱49,180,963	₱144,735,135

	2014						
	Neither past due nor impaired	Past due but not impaired				Impaired Financial Assets	Total
		< 30 days	30 - 60 days	60 - 90 days	> 90 days		
Related parties	₱2,243,146	₱–	₱–	₱–	₱242,759	₱–	₱2,485,905
Others	19,239,026	27,295,561	2,872,186	2,918,987	30,708,555	7,004,131	90,038,446
Total	₱21,482,172	₱27,295,561	₱2,872,186	₱2,918,987	₱30,951,314	₱7,004,131	₱92,524,351

	2013					
	Neither past due nor impaired	Past due but not impaired			Impaired Financial Assets	Total
		< 1 quarter	1 - 2 quarters	2 - 3 quarters		
Tuition and other fees	₱58,145,290	₱11,245,820	₱4,249,549	₱12,109,661	₱43,681,678	₱129,431,998

	2013						
	Neither past due nor impaired	Past due but not impaired				Impaired Financial Assets	Total
		< 30 days	30 - 60 days	60 - 90 days	> 90 days		
Related parties	₱5,179,617	₱–	₱306,973	₱–	₱486,142	₱–	₱5,972,732
Others	4,327,531	8,343,217	2,339,146	1,444,518	38,433,079	3,541,720	58,429,211
Total	₱9,507,148	₱8,343,217	₱2,646,119	₱1,444,518	₱38,919,221	₱3,541,720	₱64,401,943

As at December 31, 2014 and 2013, there are no collaterals held in relation to the Group's financial assets.

The table below summarizes the credit quality of the Group's neither past due nor impaired financial assets as follows:

	2014				
	Neither past due nor impaired			Past due but not impaired	Total
	High Grade	Standard	Total		
Cash in banks	₱173,122,676	₱–	₱173,122,676	₱–	₱173,122,676
Cash equivalents	982,475,205	–	982,475,205	–	982,475,205
Receivables from:					
Tuition and other fees	59,695,169	13,534,080	73,229,249	22,527,069	95,756,318
Related parties	2,243,146	–	2,243,146	242,759	2,485,905
Others	19,239,026	–	19,239,026	63,795,289	83,034,315
AFS financial assets	16,993,519	–	16,993,519	–	16,993,519
	₱1,253,768,741	₱13,534,080	₱1,267,302,821	₱86,565,117	₱1,353,867,938

	2013				
	Neither past due nor impaired			Past due but not impaired	Total
	High Grade	Standard	Total		
Cash in banks	₱111,400,298	₱–	₱111,400,298	₱–	₱111,400,298
Cash equivalents	627,144,723	–	627,144,723	–	627,144,723
Receivables from:					
Tuition and other fees	54,379,197	3,766,093	58,145,290	27,605,030	85,750,320
Related parties	5,179,617	–	5,179,617	793,115	5,972,732
Others	4,327,531	–	4,327,531	50,559,960	54,887,491
AFS financial assets	14,855,624	–	14,855,624	–	14,855,624
	₱817,286,990	₱3,766,093	₱821,053,083	₱78,958,105	₱900,011,188

The credit quality of the financial assets was determined as follows:

Cash in banks and short-term investments - are composed of bank deposits and money market placements maintained with reputable financial institutions duly approved by the BOD.

Receivables:

a. *Tuition and other fees and others* - The Group categorizes their neither past due nor impaired receivables as follows:

   High-grade - pertains to receivables with no default in payment.
   Standard-grade - pertains to receivables with up to three (3) defaults in payment.
   Low grade - pertains to receivables with more than 3 defaults in payments.

b. *Related parties* - The Group categorizes their neither past due nor impaired receivables as follows:

   High-grade - pertains to receivables from profitable related parties with good payment record with the Group and transactions were made during the year.
   Standard-grade - pertains to receivables with up to three (3) defaults in payment.
   Low grade - pertains to receivables with more than 3 defaults in payments.

AFS financial assets - The Group categorizes its AFS financial assets as high grade because it limits its exposure with a single or group of issuer.

<u>Capital Management</u>
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group considers its equity attributable to equity holders of the Parent Company as Capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2014 and 2013.

As at December 31, 2014 and 2013, the Group is not subject to externally imposed capital requirements other than the monitoring of the Group's debt to equity ratio and current ratio as a result of the availment of long-term debt with RCBC. Debt to equity ratio should not exceed 2.5:1 and current ratio should not be less than 1:1.

The Group monitors capital using a debt-to-equity ratio, which is total liabilities divided by total equity. The Group's policy is to keep the debt to equity ratio not to exceed 2:1.

	2014	2013
Current Liabilities		
Accounts payable and accrued expenses	**₱578,498,809**	₱439,226,747
Payables to related parties	**21,198,102**	31,676,130
Income tax payable	**19,894,538**	23,774,478
Unearned tuition fees	**10,157,488**	9,110,987
Dividends payable	**123,813,181**	68,213,731
Current portion of long-term debt	**96,250,715**	95,127,118
Total current liabilities	**849,812,833**	667,129,191
Noncurrent liabilities		
Pension liability - net	**58,324,960**	66,207,049
Long-term debt - net of current portion	**430,000,000**	516,000,000
Deferred tax liabilities - net	**83,682,319**	74,168,180
Total noncurrent liabilities	**572,007,279**	656,375,229
Total liabilities	**₱1,421,820,112**	₱1,323,504,420
Equity		
Capital stock	**748,933,221**	748,933,221
Additional paid-in capital	**1,438,827**	1,438,827
Unrealized gain on AFS financial assets	**4,633,824**	2,495,929
Revaluation increment on land - net	**448,763,360**	366,127,520
Remeasurement losses on defined benefit plan	**36,051,315**	36,162,718
Retained earnings	**2,432,843,210**	1,979,535,008
Treasury stock	**(209)**	(209)
Equity attributable to equity holders of the Parent Company	**₱3,672,663,548**	₱3,134,693,014
Debt-to-equity ratio	**0.39:1.00**	0.42:1.00

Fair Value of Financial Instruments

The table below presents a comparison by category of the carrying amounts and estimated fair values of all of the Group's financial instruments as at December 31:

	2014	
	Carrying Value	**Fair Value**
Financial Assets		
AFS financial assets	**₱16,993,519**	**₱16,993,519**
Loans and receivables:		
Cash in banks	**173,122,676**	**173,122,676**
Cash equivalents	**982,475,205**	**982,475,205**
Receivables		
Tuition and other fees	**144,735,135**	**144,735,135**
Others	**90,038,446**	**90,038,446**
Receivables from related parties	**2,485,905**	**2,485,905**
	₱1,409,850,886	**₱1,409,850,886**

(Forward)

	2014	
	Carrying Value	**Fair Value**
Financial Liabilities		
Other financial liabilities:		
Accounts payable and accrued expenses*	**₱566,552,699**	**₱566,552,699**
Payables to related parties	**21,198,102**	**21,198,102**
Dividends payable	**123,813,181**	**123,813,181**
Long-term debt (carrying value includes current portion amounting ₱96.25 million)	**526,250,715**	**526,250,715**
	₱1,237,814,697	**₱1,237,814,697**

**Excluding payables to regulatory bodies*

	2013	
	Carrying Value	Fair Value
Financial Assets		
AFS financial assets	₱14,855,624	₱14,855,624
Loans and receivables:		
Cash in banks	111,400,298	111,400,298
Cash equivalents	627,144,723	627,144,723
Receivables		
Tuition and other fees	129,431,998	129,431,998
Others	58,429,211	58,429,211
Receivables from related parties	5,972,732	5,972,732
	₱947,234,586	₱947,234,586
Financial Liabilities		
Other financial liabilities:		
Accounts payable and accrued expenses*	₱430,443,573	₱430,443,573
Payables to related parties	31,676,130	31,676,130
Dividends payable	68,213,731	68,213,731
Long-term debt (carrying value includes current portion amounting ₱95.13 million)	611,127,118	611,127,118
	₱1,141,460,552	₱1,141,460,552

**Excluding payables to regulatory bodies*

Current financial assets and liabilities
Due to the short-term nature of the current assets and liabilities, the carrying values of these accounts were assessed to approximate their fair values.

AFS financial assets
The fair values of quoted equity securities are based on quoted market prices. In the absence of a reliable basis of determining fair values, unquoted equity securities are carried at cost, net of impairment provision.

Noncurrent financial liabilities
For variable rate loans that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

For lease liability, the fair value is estimated as the present value of all cash flows discounted using the applicable rates.

31. **Commitments and Contingencies**

Operating lease - Group as a lessor
RCBC entered into a lease agreement with the Group for the use of its office spaces in Makati campus. The term of the lease is for three years from July 1, 2014 to June 30, 2017 with a monthly rental of ₱2.14 million exclusive of VAT and subject to 5% escalation effective July 2015. The future minimum rental payments receivable under the aforementioned lease agreement follows:

	2014	2013
Within one (1) year	**₱13,485,674**	₱23,862,590
More than 1 year but not more than five (5) years	**67,428,372**	11,640,288
	₱80,914,046	₱35,502,878

Operating lease - Group as a lessee
The Group entered into a lease agreement with Grepa Realty Holdings Corporation for the use of the premises located at the Third floor of Grepalife Tower Building for a period of one (1) year from January 1, 2014 to December 31, 2014 with a monthly rental of ₱29,544.

Contingencies
The Group has contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these labor-related claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations.

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

32. **Approval of the Financial Statements**

The consolidated financial statements of the Group as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, 2013 and 2012 were authorized for issue by the BOD on March 23, 2015.