1 2 3 9 7

S.E.C. Registration Number

P H I N M A C O R P O R A T I O N

(Company's Full Name)

L E V E L 12 - P H I N M A P L A Z A 39 P L A Z A D R I V E, R O C K W E L L C E N T E R M A K A T I

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

L I N A A N D R A D A

Contact Person

8 7 0 0 1 0 0

Company Telephone Number

1 2 | 3 1

Month Day

Calendar Year

S E C 1 7 - Q

FORM TYPE

0 8 | 1 4 | 2 0 1 5

Month Day Year

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17 – Q

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

1. For the quarterly period ended ***June 30, 2015***

2. Commission identification no. ***12397*** 3. BIR Tax Identification No. ***000-107-026***

4. ***PHINMA Corporation***
   Exact name of registrant as specified in its charter

5. ***Manila, Philippines***
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code : __________

7. ***12/F, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City 1210***
   Address of registrantôs principal office

8. ***(632) 870-01-00***
   Registrantôs telephone number, including area code

9. Former name, former address, and former fiscal year, if changed since last report : **N/A**

10. Common Shares - **259,833,508** shares issued and outstanding

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

    Yes (x) No ( )

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange, Inc. **Common Shares**

12. Indicate by check mark whether the registrant :
    (a) Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

    Yes [x] No [ ]

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

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PART I - FINANCIAL INFORMATION

Item 1 Financial Statement

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited	Audited
	June 30, 2015	December 31, 2014
	(In Thousands)	
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7)	**₱502,811**	₱559,611
Investments held for trading (Notes 8)	**329,031**	794,205
Trade and other receivables (Notes 9)	**1,542,201**	1,010,277
Inventories (Note 10)	**975,550**	1,148,898
Input value-added taxes	**9,246**	17,369
Derivative asset and other current assets	**134,474**	96,230
Total Current Assets	**3,493,313**	3,626,590
Noncurrent Assets		
Investments in associates - at equity (Note 11)	**2,607,314**	2,533,201
AFS investments (Notes 12)	**55,515**	55,515
Property, plant and equipment (Notes 13)	**2,820,637**	2,469,337
Investment properties (Notes 14)	**574,765**	431,702
Intangible assets (Notes 15)	**2,807,695**	1,072,557
Deferred tax assets ï net (Note 22)	**112,185**	84,611
Long-term receivable	**197,759**	-
Other noncurrent assets (Note 16)	**57,156**	35,832
Total Noncurrent Assets	**9,233,026**	6,682,755
	₱12,726,339	₱10,309,345

LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Notes 17)	**₱2,036,197**	₱390,054
Trade and other payables (Notes 18)	**806,111**	561,969
Unearned revenues	**529,361**	308,201
Trust receipts payable (Notes 10)	**130,319**	200,497
Income and other taxes payable	**57,051**	41,689
Due to related parties (Notes 21)	**45,222**	44,777
Current portion of long-term loan payable	**25,972**	25,759
Current portion of long-term debt (Notes 19)	**119,738**	106,623
Total Current Liabilities	**3,749,971**	1,679,569

	Unaudited	Audited
	June 30, 2015	Dec. 31, 2014
	(In Thousands)	
Noncurrent Liabilities		
Long-term debt ï net of current portion (Notes 19)	**₱965,435**	₱912,288
Deferred tax liabilities ï net	**272,665**	252,632
Pension and other post-employment benefits	**249,743**	217,857
Deferred rent revenue - net of current portion	**43,730**	43,730
Other noncurrent liabilities	**18,352**	14,555
Total Noncurrent Liabilities	**1,549,925**	1,441,062
Total Liabilities	**5,299,896**	3,120,631
Equity attributable to equity holders of the parent		
Capital stock (Note 20)	**2,604,284**	2,604,284
Additional paid-in capital	**259,248**	259,248
Share in other comprehensive income of associates	**25,278**	18,372
Exchange differences on translation of foreign operations	**7,424**	5,983
Other reserves	**(1,897)**	(4,315)
Retained earnings (Note 20)	**3,729,366**	3,688,989
Treasury shares	**(7,062)**	-
Equity attributable to equity holders of the parent	**6,616,641**	6,572,561
Equity Attributable to Non-controlling Interest	**809,802**	616,153
Total Equity	**7,426,443**	7,188,714
	₱12,726,339	₱10,309,345

PHINMA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME

	For the Three (3) Months Ended June 30		For the Six (6) Months Ended June 30	
	2015	2014	**2015**	2014
		(Amounts in Thousands)		
REVENUES				
Sale of goods	**₱983,393**	₱969,447	**₱1,902,028**	₱1,859,029
Tuition and school fees	**271,294**	259,249	**566,753**	513,254
Consultancy services	**97,858**	155,060	**214,765**	264,922
Investment income	**2,507**	8,868	**6,958**	16,027
Rental income	**2,672**	4,290	**6,880**	8,514
	1,357,724	1,396,914	**2,688,996**	2,661,746
COSTS AND EXPENSES				
Cost of sales, educational and animation services	**(969,532)**	(1,011,789)	**(1,885,700)**	(1,888,883)
Operating expenses	**(305,737)**	(288,940)	**(618,465)**	(619,013)
	(1,275,269)	(1,300,730)	**(2,504,165)**	(2,507,896)
OTHER INCOME (CHARGES)				
Equity in net earnings of associates (Note 11)	**93,177**	11,905	**120,146**	43,941
Interest expense and other financial charges	**(29,360)**	(18,001)	**(47,993)**	(35,992)
Gain on sale of a subsidiary	**1,294**	-	**1,294**	-
Gain (loss) on sale of asset	**(18,063)**	-	**(25,771)**	-
Foreign exchange gains (losses) - net	**1,347**	(1,466)	**695**	(801)
Others - net	**(23,308)**	3,182	**(21,837)**	2,445
	25,087	(4,380)	**26,534**	9,593
INCOME BEFORE INCOME TAX	**107,542**	91,805	**211,365**	163,443
PROVISION FOR INCOME TAX (Notes 22)	**20,697**	18,502	**42,227**	36,554
NET INCOME	**₱86,845**	₱73,303	**₱169,138**	₱126,889
Net Income Attributable To				
Equity holders of the Parent	**₱80,944**	₱64,315	**₱144,553**	₱106,406
Non-controlling interest	**5,901**	8,988	**24,585**	20,483
	₱86,845	₱73,303	**₱169,138**	₱126,889
Basic/Diluted Earnings Per Common Share - Attributable to Equity Holders of the Parent (Notes 24)	**₱0.31**	₱0.25	**₱0.56**	₱0.41

PHINMA CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	**2015**	2014
	(Amounts in Thousands)			
NET INCOME	**₱86,845**	₱73,303	**₱169,138**	₱126,888
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified to profit or loss in subsequent periods:				
Share in unrealized gain (loss) on change in fair value of AFS investments of associates (Note 12)	**(2,200**	(6,004)	**6,906**	(5,398)
Unrealized gain (loss) on change in fair value of AFS investments (Note 11)	**-**	3,790	**-**	3,790
Cumulative translation adjustments	**3,069**	(1,349)	**1,441**	(2,051)
	869	(3,563)	**8,347**	(3,659)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**₱87,714**	₱69,740	**₱177,485**	₱123,229
Total Comprehensive Attributable To				
Equity holders of the Parent	**₱81,813**	₱60,752	**₱152,900**	₱102,747
Non-controlling interest	**5,901**	8,988	**24,585**	20,482
	₱87,714	₱69,740	**₱177,485**	₱123,229

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the Parent											
							Retained Earnings (Note 21)					
	Capital Stock (Note 21)	Additional Paid-in Capital	Unrealized Gain (Loss) on Change in Fair Value of AFS Investments (Note 13)	Exchange Differences on Translation of Foreign Operations)	Other Reserves	Share in Unrealized Gain (Loss) on Change in Fair Value of AFS Investments of Associates (Note 12)	Appropriated	Unappropriated	Treasury shares	Subtotal	Non-controlling Interests	Total Equity
					(Amounts in Thousands)							
Balance, January 1, 2015	₱2,604,284	₱259,248	₱–	₱5,983	(₱4,315)	₱18,372	₱1,000,000	₱2,688,989	₱ï	₱6,572,561	₱616,153	₱7,188,714
Net income	–	–	–	–	–	–	–	144,553	–	144,553	24,585	169,138
Other comprehensive income (loss)	–	–	–	1,441	2,418	6,906	–	–	–	10,765	-	10,765
Total comprehensive income (loss)	–	–	–	1,441	2,418	6,906	–	144,553	–	155,318	24,585	179,903
Acqusitions	–	–	–	–	–	–	–	–	(7,062)	(7,062)	225,785	218,723
Cash dividends	–	–	–	–	–	–	–	(104,176)	–	(104,176)	(39,601)	(143,777)
Sale of shares	–	–	–	–	–	–	–	–	–	–	(13,310)	(13,319)
Dilution of Parentôs interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	(3,810)	(3,810)
Balance, June 30, 2015	₱2,604,284	₱259,248	₱-	₱7,424	(₱1,897)	₱25,278	₱1,000,000	₱2,729,366	(₱7,062)	₱6,616,641	₱809,802	₱7,426,443
Balance, January 1, 2014	₱2,596,654	₱258,958	₱ï	(₱5,850)	₱8,682	₱26,786	₱1,000,000	₱2,552,193	₱ï	₱6,437,423	₱594,558	₱7,031,981
Net income	ï	ï	ï	ï	ï	ï	ï	246,548	–	246,548	55,459	302,007
Other comprehensive income (loss)	ï	ï	ï	11,833	ï	(8,414)	ï	(5,880)	–	(2,461)	2,184	(277)
Total comprehensive income (loss)	ï	ï	ï	11,833	ï	(8,414)	ï	240,668	–	244,087	57,643	301,730
Cash dividends	ï	ï	ï	ï	ï	ï	ï	(103,872)	–	(103,872)	(45,709)	(149,581)
Dilution of Parentôs interest in subsidiaries	ï	ï	ï	ï	(5,193)	ï	ï	ï	–	(5,193)	9,661	4,468
Issuances	7,630	290	ï	ï	(7,920)	ï	ï	ï	–	ï	ï	ï
Stock purchase plan	ï	ï	ï	ï	116	ï	ï	ï	–	116	ï	116
Balance, December 31, 2014	₱2,604,284	₱259,248	₱ï	₱5,983	(₱4,315)	₱18,372	₱1,000,000	₱2,688,989	₱–	₱6,572,561	₱616,153	₱7,188,714
Balance, January 1, 2014,	₱2,596,654	₱258,958	₱-	(₱5,850)	₱8,682	₱26,786	₱1,000,000	₱2,552,193	₱ï	₱6,437,423	₱594,558	₱ 7,031,981
Net income	ï	ï	ï	ï	ï	ï	ï	106,407	–	106,407	20,487	126,894
Other comprehensive income (loss)	ï	ï	3,790	(2,051)	ï	(5,398)	ï	-	–	(3,659)		(3,659)
Total comprehensive income (loss)	–	–	3,790	(2,051)	ï	(5,398)	ï	106,407	–	102,748	20,487	123,235
Cash dividends	ï	ï	ï	ï	ï	ï	ï	(103,871)	–	(103,871)	(23,077)	(126,948)
Balance, June 30, 2014	₱2,596,654	₱258,958	₱3,790	(₱7,901)	₱8,682	₱21,388	₱1,000,000	₱2,554,729	₱-	₱6,436,300	₱591,968	P7,028,268

PHINMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	January – June 30, 2015	2014
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	**₱211,365**	₱163,443
Adjustments for:		
Depreciation and amortization	**97,735**	99,122
Equity in net earnings of associates (Note 11)	**(120,147)**	(43,941)
Unrealized foreign exchange loss (gain) - net	**(655)**	1,222
Other non-cash expenses	**37,455**	13,677
Others	**281**	(120)
Operating income before working capital changes	**226,034**	233,403
Changes in working capital and others	**462,926**	(126,764
Net cash provided by operating activities	**688,960**	106,639
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Available for sale investment	**-**	103,656
Property and equipment	**(243,220)**	(78,554)
Other noncurrent assets	**(8,441)**	(18,934)
Investments in sussidiaries	**(2,110,649)**	(5,499)
Installment receivable	**-**	600
Proceeds from sale of PPE and investment properties	**35,028**	-
Dividends received	**53,058**	51,158
Net cash provided by (used in) investing activities	**(2,274,224)**	52,427
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments of) :		
Short-term borrowing	**1,587,582**	63,749
Long-term borrowing	**50,260**	(78,552)
Payment of cash dividends	**(102,734)**	(102,303)
Buy back of shares	**(7,062)**	-
Net cash used in financing activities	**1,528,046**	(113,476)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(57,218)**	45,590
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**418**	(196)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**559,611**	472,708
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱502,811**	₱518,102

1. Corporate Information

PHINMA Corporation (PHN or the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 12, 1957. On August 2, 2006, the Philippine SEC approved the extension of the Parent Companyøs corporate life for another 50 years. On May 27, 2010, the Philippine SEC approved the change in the Parent Companyøs corporate name from Bacnotan Consolidated Industries, Inc. to PHINMA Corporation. Its principal activity is investment holdings of shares in various subsidiaries, associates and affiliates and other financial instruments.

Following are the subsidiaries of the Parent Company and the nature of their principal business activities:

		Calendar/Fiscal	Percentage of Ownership	
Name of Subsidiaries	Nature of Business	Yearend	**June 2015**	2014
Union Galvasteel Corporation (UGC)	Manufacturing and distribution of steel products	December 31	**98.08**	98.08
One Animate Limited (OAL) and Subsidiary [(a)]	Business Process Outsourcing - Animation services	December 31	**80.00**	80.00
Pamantasan ng Araullo (Araullo University), Inc. (AU) [(b)]	Educational institution	March 31	**78.64**	78.64
Cagayan de Oro College, Inc. (COC) [(b)]	Educational institution	March 31	**74.21**	74.21
University of Iloilo (UI) [(b)]	Educational institution	March 31	**69.79**	69.79
University of Pangasinan (UPANG) and Subsidiaries[(b)]	Educational institution	March 31	**69.75**	69.75
Career Academy Asia, Inc. (CAA) [(c)]	Educational Institution	March 31	**100.00**	100.00
Southwestern University	Education Instititution	May 31	**65.35**	-
P & S Holdings Corporation (PSHC)	Investment and real estate holdings	December 31	**60.00**	60.00
Asian Plaza, Inc. (API)	Lease of real property	December 31	**57.62**	57.62
Fuld & Company, Inc. (Fuld U.S.) and Subsidiary	Business research	December 31	**85.00**	85.00
Fuld & Company (Philippines), Inc. (Fuld Philippines)	Business research	December 31	**85.00**	85.00

[(a)] *OAL owns 100% interest in Toon City Animation, Inc. (Toon City). OAL and Toon City ceased operations in April 2013.*

[(b)] *Balances as at and for the year ended December 31 of these subsidiaries were used for consolidation purposes. UPANG established a new educational institution – PHINMA-UPANG College Urdaneta, Inc. which was incorporated and duly registered with the Philippine SEC on November 11, 2014.*

[(c)] *On November 28, 2014, CAA was incorporated and duly registered with the Philippine SEC. It will engage in providing technical vocational education and training programs.*

The Parent Company and its subsidiaries (collectively referred to as õthe Companyö) are all incorporated in the Philippines, except for OAL and Fuld U.S. OAL is incorporated in Hong Kong while Fuld U.S. is incorporated in the United States of America. The Companyøs ultimate parent company is Philippine Investment-Management (PHINMA), Inc., which is also incorporated in the Philippines.

The information on the segments of the Company is presented in Note 24.

The registered office address of the Parent Company is 12th Floor, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

The accompanying interim consolidated financial statements of the Group for the six (6) months ended June 30, 2015 were approved and authorized for issuance by the Board of Directors on July 31, 2015.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation and Compliance

The Groupô financial statements have been prepared on a historical cost basis, except for investments held for trading, derivative financial instruments and Available-for-sale (AFS) investments that have been measured at fair value. The Group financial statements are presented in Philippine peso, which is the Companyô functional and presentation currency. All values are rounded to the nearest thousand peso, except when otherwise indicated.

The accompanying interim consolidated financial statements have been prepared in compliance with Philippine Accounting Standards (PAS) 34*, Interim Financial Reporting*. Accordingly, the financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Groupô annual financial statements as of December 31, 2014.

3. Changes in Accounting Policies and Disclosures

Current Changes in Accounting Policies

The accounting policies adopted in preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Groupô annual consolidated financial statements for the year ended December 31, 2014, except for the adoption of new standards and interpretations effective as of January 1, 2015.

Standards Issued but not yet Effective

The Company did not early adopt the following new standards, amendments and improvements to PFRS that have been approved but are not yet effective. The Company does not expect these changes to have a significant impact on its financial statements unless otherwise indicated.

Effective 2015

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The 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 effectivity of this interpretation until the final Revenue standard is issued by 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.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)

  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefits plan. 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 contribution 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. This amendment is effective for annual periods beginning on or after January 1, 2015.

Effective Subsequent 2015

- 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.

- 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.

- 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. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

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

  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 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 1 January 2016.

- 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, *Business Combination,* 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.

- PFRS 14, *Regulatory Deferral Accounts* (Amendments)

  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 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 entityҫs 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.

- PFRS 9, *Financial Instruments – Classification and Measurement*

  PFRS 9 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. PFRS 9 requires all financial assets 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 liabilityҫs 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.

  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 is permitted if the date of initial application is before February 1, 2015.

Annual Improvements to PFRS
These improvements contain non-urgent but necessary amendments to PFRS. These amendments are effective for annual periods beginning on or after January 1, 2015 and are applied retrospectively, except as otherwise stated. Early application is permitted. Unless otherwise stated, these amendments will have no material impact on the Company's financial position or performance.

2010–2012 cycle

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*

  This improvement is applied prospectively and clarifies various issues relating to the definition of performance and service conditions, which are vesting conditions, including:

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

- 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 July1, 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 (or PFRS 9, if early adopted).

- 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.

- PAS 16, *Property, Plant and Equipment,* and PAS 38*, Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*

  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 gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*

  The amendment is applied retrospectively and clarifies that a management, 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.

2011–2013 cycle

- 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.

- 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.

- 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).

<u>Annual Improvements to PFRS</u>
These improvements contain non-urgent but necessary amendments to PFRS. These amendments are effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively, except as otherwise stated. Early application is permitted. Unless otherwise stated, these amendments will have no material impact on the Companyôs financial position or performance.

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

  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).

- 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.

- 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.

- 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 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.

- 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 financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

4. Summary of Significant Accounting and Financial Reporting Policies

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and all of its subsidiaries as at March 31, 2015.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represents the portion of profit or loss, other comprehensive income and net assets not held by the Group and are presented separately in the consolidated statements of income, consolidated statements of comprehensive income and within equity section the consolidated balance sheets , separately from equity attributable to owners of the Parent.

5. Significant Accounting Judgments, Estimates and Assumptions

The accompanying interim condensed consolidated financial statements prepared in conformity with PFRS require management to make judgments, estimates and assumptions that affect the amounts reported in the interim condensed consolidated financial statements and related notes. In preparing the Companyøs interim condensed consolidated financial statements, management has made its best judgments, estimates and assumptions of certain amounts, giving due consideration to materiality. The judgments, estimates and assumptions used in the accompanying interim condensed consolidated financial statements are based upon managementøs evaluation of relevant facts and circumstances as of the date of the interim condensed consolidated financial statements. Actual results could differ from such estimates.

The Company believes the following represents a summary of these significant judgments, estimates and assumptions and related impact and associated risks in its interim condensed consolidated financial statements.

Judgment

In the process of applying the Companyøs accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Companyøs interim condensed consolidated financial statements:

Loss of Significant Influence Over AB Capital. Pursuant to an agreement between PHN and Vicsal Investment Inc. (Vicsal), PHN agreed to sell its shares in AB Capital subject to certain conditions, including the following:

(a) Approval of the Bangko Sentral ng Pilipinas (BSP)
(b) Removal of assets other than those identified and agreed to be retained by Vicsal in AB Capital, by transfer to a New Company in exchange for shares in New Company and/or by sale or assignment of assets to the New Company
(c) Return of capital to PHN pertaining to shares in New Company
(d) Selling Shareholders shall secure all Government Authorizations, including approvals and clearances, required for the return of capital of AB Capital to PHN and other sellers
(e) On Closing Date, PHN shall transmit to the Buyer the Deed of Absolute Sale

On January 16, 2014, after having secured approval of the SEC and having complied with the other conditions under the Share Purchase Agreement, PHN sold 406,361 shares in AB Capital to Vicsal for P97.5 million and on the same date signed the Deed of Absolute Sale.

6. Acquisition of Southwestern University

On April 22, 2015, Phinma Corporation (PHN) acquired 17,201 shares equivalent to 56.83% interest in Southwestern University (SWU) for a total purchase price of P 1.9 billion. SWU is a private educational institution incorporated in the Philippines with campuses located in Cebu City.

In May and June 2015, PHN acquired 883 shares and signed agreements for the purchase of 1,696 shares for a total purchase price of P 297 million.

The audit of the financial statements of Southwestern University as of and for the years ended May 31, 2014 and 2015 and as of and for the period ended April 22, 2015 (acquisition date) is ongoing. The results of operation of Southwestern University from the acquisition date have not been included in the Companyøs results of operations as of June 30, 2015.

The fair values of the identifiable acquired assets and liabilities as of the date of acquisition determined provisionally are as follows :

	Fair value Recognized On Acquisition (Determined Provisionally)
	In Thousands
Cash and cash equivalents	₱ 85,522
Trade and other current receivable	210,085
Inventories and supplies	23,831
Prepayments and other current assets	5,013
Property and equipment	292,883
Investment property	171,360
Advances to affiliates	178,653
Deferred tax assets- net	2,275
Other noncurrent assets	6,855
	976,477
Trade and other current payables	(195,977)
Deferred revenues	(2,885)
Borrowings - current portion	(13,038)
Income tax payable	(7,406)
Advances from affiliates	(58,560)
Borrowings - net of current portion	(2,964)
Retirement liability - net	(34,797)
Other noncurrent liabilities	(9,235)
	(324,862)
Net assets	651,615
Percentage of ownership	65.35%
	425,830
Goodwill arising from acquisition	1,770,051
Total consideration	₱ 2,195,881

The Company is still in the process of determining the final fair values to be assigned to the acquireeôs identifiable assets, liabilities or contingent liabilities, hence the Company accounted for the combination using provisional values. The Company shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months from the acquisition date.

Management deemed it impracticable to disclose the carrying amounts of each of the acquired assets and liabilities, determined in accordance with PFRS, immediately before the business combination.

Goodwill determined provisionally from the acquisition amounted to ₱1.770 billion.

The cash outflow related to the acquisition is as follows :

	Amount
	(In Thousands)
Cash paid on acquisition dates	2,195,881
Less cash of acquired subsidiary	85,522
Net cash outflow	2,110,359

7. **Cash and Cash Equivalents**

This account consists of:	**Unaudited**	Audited
	June 30, 2015	Dec. 31, 2014
	(In Thousands)	
Cash on hand and in banks	**₱342,211**	₱180,390
Short-term deposits	**160,600**	379,221
	₱502,811	₱559,611

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

8. **Investments Held for Trading**

This account consists of investments in:

	Unaudited	Audited
	June 30, 2015	Dec. 31, 2014
	(In Thousands)	
Unit Investment Trust Funds (UITFs)	**₱320,062**	₱772,769
Marketable equity securities	**8,969**	7,526
Bonds	**-**	13,910
	₱329,031	₱794,205

9. **Trade and Other Receivables**

This account consists of:

	Unaudited	Audited

	June 30, 2015	Dec. 31, 2014
	(In Thousands)	
Trade	**₱1,553,928**	₱1,118,238
Due from related parties	**49,681**	47,123
Advances to suppliers and contractors	**57,468**	36,528
Receivable from PHN Retirement/Gratuity Plan (PHN Retirement)	**8,939**	8,939
Advances to officers and employees	**78,867**	9,382
Installment contract receivables	**37,998**	1,192
Others	**173,714**	34,332
	1,960,595	1,255,734
Less allowance for doubtful accounts	**418,394**	245,457
	₱1,542,201	₱1,010,277

10. **Inventories**

This account consists of:

	Unaudited June 30, 2015	Audited Dec. 31, 2014
	(In Thousands)	
At cost:		
Finished goods	**₱859,488**	₱1,073,974
Raw materials	**24,832**	17,404
Other inventories	**51,309**	34,934
At net realizable value - Spare parts and others	**39,921**	22,586
	₱975,550	₱1,148,898

11. **Investments in Associates**

This account consists of the Company's investments in the following entities:

	Percentage of Ownership June 2015	Percentage of Ownership Dec.2014
PHINMA Property Holdings Corporation (PPHC)	**35.35**	35.35
Coral Way City Hotel Corporation (Coral Way)	**29.62**	-
Trans-Asia Oil and Energy Development Corporation (TA Oil)	**26.23**	26.22
Trans-Asia Petroleum Corporation (TA Pet)	**12.99**	-
ABCIC Property Holdings, Inc. (APHI)	**26.51**	26.51
Asia Coal Corporation (Asia Coal) *	**12.08**	12.08

(*) *Ceased commercial operations and in the process of dissolution.*

The movements and details of investments in associates are as follows:

	Unaudited	Audited
	June 30, 2015	Dec. 31, 2014
	(In Thousands)	
Acquisition costs:		
Balance at beginning of year	**₱2,548,494**	₱2,311,375
Additions	**-**	237,119
Balance at end of year	**2,548,494**	2,548,494
Accumulated equity in net income (losses):		
Balance at beginning of year	**(33,003)**	(43,606)
Equity in net earnings	**120,147**	65,857
Dividends	**(52,941)**	(55,254)
Balance at end of year	**34,203**	(33,003)
Share in net unrealized gain on change in fair value of AFS investments of associates:		
Balance at beginning of year	**17,710**	23,075
Change in fair value	**6,907**	(5,365)
Balance at end of year	**24,617**	17,710
	₱2,607,314	₱2,533,201

The detailed carrying values of investments in associates which are accounted for under the equity method are as follows:

	Unaudited	Audited
	June 30, 2015	Dec. 31, 2014
	(In Thousands)	
TA Oil*	**₱1,821,557**	₱1,765,854
PPHC	**448,662**	430,347
TA Pet	**144,493**	145,336
APHI	**100,942**	100,773
Coral Way	**93,054**	90,385
Academy of Competitive Intelligence***	**(1,662)**	238
Asia Coal	**268**	268
	₱2,607,314	₱2,533,201

**The fair value based on quoted share price amounted to ₱2,743.3 million and ₱2,847.1 million as of June 30, 2015 and December 31, 2014, respectively.*
**** Associate of Fuld U.S.*

The summarized financial information of the material associates are provided below.

Summarized statements of financial position as at June 30, 2015 and December 31, 2014 follow:

	June 30, 2015			December 31, 2014		
	TA Oil	**PPHC**	**TA Pet**	TA Oil	PPHC	TA Pet
	(Amounts in Thousands)					
Current assets*	**₱5,872,362**	**₱3,618,384**	**₱106,953**	₱5,121,798	₱3,139,016	₱114,176
Noncurrent assets	**11,750,399**	**400,574**	**995,267**	11,469,561	462,358	994,905
Current liabilities**	**(3,213,357)**	**(2,063,267)**	**(351)**	(2,370,267)	(1,349,078)	(689)
Noncurrent liabilities	**(6,975,860)**	**(685,315)**	ï	(6,998,970)	(1,033,758)	ï

	June 30, 2015			December 31, 2014		
	TA Oil	**PPHC**	**TA Pet**	TA Oil	PPHC	TA Pet
			(Amounts in Thousands)			
Non-controlling interests	**(106,855)**	ï	**(2,505)**	(110,036)	ï	(2,542)
Equity attributable to Equity Holders of the Parent	**7,326,688**	**1,270,376**	**1,099,364**	7,112,086	1,218,538	1,105,850
Proportion of the Parent Companyôs ownership	**26.23%**	**35.34%**	**12.99%**	26.22%	35.34%	12.99%
	1,921,790	**448,951**	**142,807**	1,864,789	430,631	143,650
Valuation differences	**(100,213)**	**(289)**	**1,686**	(98,935)	(284)	1,686
Carrying amount of the investments	**₱1,821,577**	**₱448,662**	**₱144,493**	₱1,765,854	₱430,347	₱145,336

Summarized statements of comprehensive income follow:

	June 30, 2015			December 31, 2014		
	TA Oil	**PPHC**	**TA Pet**	TA Oil	PPHC	TA Pet
Revenues	**₱1,255,151**	**₱853,283**	**₱–**	₱1,087,068	₱1,116,936	₱ï
Cost of sales	**(524,717)**	**(757,127)**	ï	(13,544)	(731,139)	ï
Depreciation and amortization	**(187,860)**	**(6,926)**	**(68)**	(161,407)	(16,516)	(9)
Interest income	**1,668**	ï	**61**	6,113	19,391	131
Interest expense	**(204,767)**	**(45,022)**	ï	(170,967)	(19,259)	ï
Other income (expenses) - net	**143,995**	**10,384**	**(6,522)**	(433,754)	(329,273)	(13,759)
Net income before tax	**483,470**	**54,592**	**(6,529)**	313,509	40,140	(13,637)
Dividends received	**₱51,037**	**₱–**	**₱–**	₱51,037	₱ï	₱ï

Following are the status of operations and significant transactions of certain associates :

a. TA Oil /TA Pet

TA Oil was incorporated in the Philippines and is involved in power generation and oil and mineral exploration activities. The registered office address of TA Oil is 11th floor, PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City.

On July 23, 2013, the BOD of TA Oil declared special cash dividend amounting to ₱64.1 million, equivalent to ₱0.013 per share, to all common stockholders of record as of August 5, 2013 subject to the approval by the Philippine SEC and other regulatory agencies. On the same day, the BOD of TA Oil approved a property dividend declaration which resulted in the distribution to TA Oil shareholders of 2.55 shares in TA Pet, a 100% subsidiary of TA Oil, for every 100 shares in TA Oil provided that no fractional shares shall result and any resulting dividend with fractional shares shall be rounded down to the nearest whole number.

On September 10, 2013, the Philippine SEC approved TA Oilôs application for exemptive relief from the 18-day payment date requirement. As approved, the payment date for the property dividend was moved to within ten (10) trading days from the date the following regulatory approvals are obtained:

- Approval of the property dividend by SEC;
- Approval of the registration statement of Trans-Asia Petroleum by the SEC; and
- Issuance by the Bureau of Internal Revenue (BIR) of the corresponding Certificate Authorizing Registration (CAR).

The Philippine SEC approved the property dividend on October 7, 2013, while the BIR issued CAR on March 27, 2014. The SEC issued on August 14, 2014, an Order of Registration approving TA Oilộs Registration Statement. The payment date of August 20, 2014 is thus within 10 trading days from issuance of the last regulatory approval on August 14, 2014.

On March 9, 2015, the BOD of TA Oil declared cash dividend amounting to ₱194.6 million, equivalent to ₱0.04 a share, to all common stockholders of record as of March 9, 2015 and was paid on March 25, 2015.

On August 24, 2014, PHN received 32.4 million shares of TA Pet, representing 13% interest, from TA Oil as property dividends.

On August 1, 2014, the Philippine Stock Exchange (PSE) notified TA Pet of its approval of TA Petộs application for initial listing by way of introduction of 250,000,000 common shares, with a par value of ₱1.00 per share, under the Main Board of the Exchange, at an initial price of ₱4.60 per share.

On March 24, 2014, the BOD of TA Oil declared cash dividend amounting to ₱194.6 million, equivalent to ₱0.04 a share, to all common stockholders of record as of April 7, 2014 and was paid on May 7, 2014.

Dividends received by the Parent Company from TA Oil amounted to ₱51.0 million, ₱213.4 million and ₱31.7 million in 2014, 2013 and 2012, respectively. As at December 31, 2013, dividends receivable amounted to ₱162.5 million (see Note 10).

The Parent Company acquired additional shares in TA Oil amounting to ₱2.3 million and ₱6.2 million in 2014 and 2013, respectively.

b. PPHC

PPHC was incorporated in the Philippines and is engaged in real estate development, particularly in the development of affordable medium and high-rise condominium units. The registered office address of the PPHC is PHINMA Properties Center, No. 29 EDSA, Mandaluyong City.

Dividends recognized by the Parent Company from PPHC amounted to ₱22.5 million in 2012.

The Parent Company acquired additional shares in PPHC amounting to ₱64.2 million in 2012.

c. AB Capital/APHI

AB Capital is an investment house that engages in corporate finance, fixed-income securities dealership, stock brokerage and fund management.

Pursuant to an agreement between PHN and Vicsal in March 2011, PHN agreed to sell its shares in AB Capital subject to certain conditions, including the following:

(a) Approval of BSP
(b) Removal of assets other than those identified and agreed to be retained by Vicsal in AB Capital, by transfer to a New Company (APHI) in exchange for shares in APHI and/or by sale or assignment of assets to the APHI;
(c) Return of capital to PHN pertaining to shares in APHI;
(d) Selling Shareholders shall secure all Government Authorizations, including approvals and clearances, required for the return of capital of AB Capital to PHN and other sellers; and

On Closing Date, PHN shall transmit to the Buyer the Deed of Absolute Sale.On December 9, 2013, the SEC approved the return of capital of APHI to PHN and other selling shareholders.

On January 16, 2014, after having complied with the other conditions under the Share Purchase Agreement, PHN sold 406,361 shares in AB Capital to Vicsal for ₱97.5 million and on the same date signed the Deed of Absolute Sale.

d. Luzon Bag Corporation

On February 1, 2012, the Parent Company received a parcel of land with fair value of ₱25.2 million from Luzon Bag Corporation as payment for ₱3.6 million advances and ₱21.6 million as liquidating dividend. The liquidating dividend was recorded as part of dividend income in CY 2012..

On January 8, 2015, PHN sold its 21.052% ownership share in a parcel of land in Meycauayan Bulacan for P19.6 million . The Parent Company recorded a loss on sale of investment property in the amount of P7.8 million.

e. Coral Way City Hotel Corporation (Coral Way)

In March 2014, PHN entered into a Memorandum of Agreement (MOA) with Coral Way wherein PHN converted the preferred shares to common shares of Coral Way. The conversion resulted in a gain of ₱23.2 million, representing accumulated dividends on the preferred share.

Coral Way was incorporated in the Philippines and registered with the Securities and Exchange Commission on December 10, 2007. It owns and operates Microtel Mall of Asia (the Hotel) which started commercial operations on September 1, 2010.

12. AFS Investments

This account consists of investments in quoted and unquoted equity securities:

	Unaudited	Audited
	June 30, 2015	Dec. 31, 2014
	(In Thousands)	
Unquoted equity securities (see Note 12)	**₱101,032**	₱101,032
Less accumulated impairment losses	**45,517**	45,517
	55,515	55,515
Less current portion	**–**	ï
	₱55,515	₱55,515

13. **Property, Plant and Equipment**

This account consists of:

	January 1, 2015	Additions through business combination	Additions	Disposals	Reclassifi- cation	June 30, 2015
				(In Thousands)		
Cost						
Land	**₱784,969**	**₱38,625**	**₱39,215**	**(₱4,120)**	**₱ï**	**₱858,689**
Plant site improvements	**111,570**	**–**	**195**	**-**		**111,765**
Buildings and improvements	**1,678,972**	**181,030**	**60,093**	**(66,870)**	**(15,387)**	**1,837,838**
Machinery and equipment	**1,081,601**	**–**	**20,551**	**(33,964)**	**12,955**	**1,081,143**
Transportation and other equipment	**343,774**	**73,363**	**19,753**	**(11,121)**	**–**	**425,769**
	4,000,886	**293,018**	**139.807**	**(116,075)**	**(2,432)**	**4,315,204**
Less Accumulated Depreciation						
Plant site improvements	**₱49,580**	**₱ï**	**₱2,087**	**₱–**	**₱–**	**₱51,667**
Buildings and improvements	**610,294**	**ï**	**28,307**	**(13,172)**	**(10,827)**	**614,602**
Machinery and equipment	**725,749**	**ï**	**47,525**	**(31,534)**	**(2,768)**	**738,972**
Transportation and other equipment	**265,892**	**ï**	**16,743**	**(8,223)**	**(2,209)**	**272,203**
	1,651,515	**ï**	**94,662**	**(52,929)**	**(15,804)**	**1,677,444**
	2,349,371	**293,018**	**45,145**	**(63,146)**	**13,372**	**2,637,760**
Construction in progress	**119,966**	**ï**	**76,283**	**–**	**(13,372)**	**182,877**
Net Book Value	**₱2,469,337**	**₱293,018**	**₱121,428**	**(₱63,146)**	**₱–**	**₱2,820,637**

	January 1, 2014	Additions	Disposals	Reclassifications	December 31, 2014
			(Amounts in Thousands)		
Cost					
Land	**₱1,154,287**	**₱–**	**₱–**	**(₱369,318)**	**₱784,969**
Plant site improvements	**51,204**	**11,736**	**–**	**48,630**	**111,570**
Buildings and improvements	**1,399,714**	**28,652**	**–**	**250,606**	**1,678,972**
Machinery and equipment	**780,323**	**49,622**	**(182,422)**	**434,078**	**1,081,601**
Transportation and other equipment	**477,142**	**32,818**	**(8,955)**	**(157,231)**	**343,774**
	3,862,670	**122,828**	**(191,377)**	**206,765**	**4,000,886**
Less Accumulated Depreciation					
Plant site improvements	**₱27,043**	**17,220**	**–**	**5,317**	**49,580**
Buildings and improvements	**594,233**	**50,652**	**–**	**(34,591)**	**610,294**
Machinery and equipment	**625,350**	**86,517**	**(117,869)**	**131,751**	**725,749**
Transportation and other equipment	**332,951**	**37,414**	**(1,996)**	**(102,477)**	**265,892**
	1,579,577	**191,803**	**(119,865)**	**–**	**1,651,515**
	2,283,093	**(68,975)**	**(71,512)**	**206,765**	**2,349,371**
Construction in progress	**234,533**	**92,198**	**–**	**(206,765)**	**119,966**
Net Book Value	**₱2,517,626**	**₱23,223**	**(₱71,512)**	**₱–**	**₱2,469,337**

14. **Investment Properties**

This account consists of:

	January 1, 2015	Additions	Disposals (see Note 10)	June 30, 2015
			(In Thousands)	
Cost:				
Land	**₱368,741**	**₱171,360**	**(25,224)**	**₱514,877**
Buildings for lease	**94,579**	**-**	**-**	**94,579**
	463,320	**171,360**	**(25,224)**	**609,456**
Less accumulated depreciation -				
Buildings for lease	**31,618**	**3,073**	**-**	**34,691**
	₱431,702	**₱168,287**	**(₱25,224)**	**₱574,765**

	January 1, 2014	Additions	Disposals	Reclassification	December 31, 2014
			(Amounts in Thousands)		
Cost:					
Land	**₱368,741**	₱ï	₱ï	₱ï	**₱368,741**
Buildings for lease	**94,579**	ï	ï	ï	**94,579**
	463,320	ï	ï	ï	**463,320**
Less accumulated depreciation -					
Buildings for lease	**25,471**	**6,147**	ï	ï	**31,618**
	₱437,849	**(₱6,147)**	**₱–**	**₱–**	**₱431,702**

15. Intangibles

Following are the details and movements of this account:

	Student List	Software Costs	Customer Contracts	Trademarks with Indefinite Useful Life	Goodwill	Total
Cost						
At January 1, 2014	**₱131,120**	**₱–**	**₱22,080**	**₱47,156**	**₱1,422,546**	**₱1,622,902**
Additions	–	**22,088**	–	–	–	**22,088**
Adjustment (see Note 6)	–	–	–	–	**(36,146)**	**(36,146)**
At December 31, 2014	**131,120**	**22,088**	**22,080**	**47,156**	**1,386,400**	**1,608,844**
Additions	–	–	–	–	**1,770,052**	**1,770,052**
Adjustment	–	–	–	**1,068**	**(33,774)**	**(32,706)**
At June 30, 2015	**₱131,120**	**₱22,088**	**₱22,080**	**₱48,224**	**₱3,122,678**	**₱3,346,190**
Amortization and Impairment						
At January 1, 2014	**₱131,120**	**₱–**	**₱22,080**	**₱–**	**₱378,669**	**₱531,869**
Amortization	–	**4,418**	–	–	–	**4,418**
Impairment	ï	ï	ï	ï	ï	ï
At December 31, 2014	**131,120**	**4,418**	**22,080**	–	**378,669**	**536,287**
Amortization	ï	**2,208**	ï	ï	ï	**2,208**
Impairment	ï	ï	ï	ï	ï	ï
At June 30, 2015	**₱131,120**	**₱6,626**	**₱22,080**	**₱ï**	**₱378,669**	**₱538,495**
Net Book Value						
At June 30, 2015	**₱ï**	**₱15,462**	**₱–**	**₱48,224**	**₱2,744,009**	**₱2,807,695**
At December 31, 2014	ï	17,670	–	47,156	1,007,731	1,072,557

16. **Other Noncurrent Assets**

This account consists of:

	Unaudited	Audited
	June 30, 2015	Dec. 31, 2014
	(In Thousands)	
Refundable deposits	**₱18,728**	₱18,841
Software licenses	**1,592**	-
Installment contract receivable	**-**	1,800
Others - net of allowance for doubtful advances of 51.5 million in June 2015 and December 2014	**36,836**	15,191
	₱57,156	₱35,832

17. **Notes Payable**

This account consists of notes payable of :

	Unaudited	Audited
	June 30, 2015	Dec. 31, 2014
	(In Thousands)	
PHN	**₱1,600,000**	₱-
UGC	**386,197**	390,054
UPANG	**50,000**	-
	₱2,036,197	₱390,054

18. **Trade and Other Payables**

This account consists of:

	Unaudited	Audited
	June 30, 2015	Dec. 31, 2014
	(In Thousands)	
Trade	**₱228,818**	₱128,688
Payable to third parties	**67,564**	98,454
Accruals for :		
Professional fees and others	**96,260**	33,777
Personnel costs	**49,915**	107,679
Interest	**7,218**	4,658
Freight, hauling and handling	**12,781**	16,406
Customersô deposits	**127,824**	94,714
Dividends	**53,539**	39,260
Others	**162,192**	38,333
	₱806,111	₱561,969

19. **Long-term Debts**

This account consists of long-term liabilities of the following subsidiaries:

	Unaudited	Audited
	June 30, 2015	Dec. 31, 2014
	(In Thousands)	
UGC	**₱487,500**	₱512,500
UPANG	**184,644**	187,500
AU	**136,250**	112,500
COC	**78,987**	84,101
SWU	**74,563**	-
	961,944	896,601
Less debt issuance cost	**5,574**	6,564
	956,370	890,037
PSHC	**128,198**	128,198
Fuld Philippines	**605**	676
	1,085,173	1,018,911
Less current portion - net of debt issuance cost	**119,738**	106,623
	₱965,435	₱912,288

UGC

On March 31, 2013, UGC obtained a five-year term loan from Security Bank Corporation (SBC) and Banco de Oro Unibank, Inc. (BDO) in the amount of ₱300 million each. The said loan is secured by a real estate mortgage on UGCôs land, plant site improvements, buildings and installation, and machinery and equipment in Calamba City and Davao City.

Below is a summary of the terms of the said loans:

Bank	BDO
Amount drawn	₱300.0 million
Tenure	Five (5) - year term loan
Repayment	Principal shall be payable in 19 equal quarterly repayment of ₱6.25 million and final quarter payment of ₱181.3 million
Prepayment	Allowed after third year without penalty
Drawdown date	March 31, 2013
Start of amortization payment	June 21, 2013
End of term loan	March 21, 2018
Interest rate	Interest shall be fixed at 4.5% for the first 5 years. Repricing on year 4 at lenderôs option at 2 year PDST-F +1.375% or 4.5% whichever is higher or repriced on year 5 at lenderôs option to 1 year PDST-F + 1.375% or 4.5% whichever is higher
Collateral	50% real estate mortgage on land, building and machinery in Calamba and Davao plants

Use of proceeds	Working capital requirements

Bank	SBC
Amount drawn	₱300.0 million
Tenure	Five (5) - year term loan
Repayment	Principal shall be payable in 19 equal quarterly repayment of ₱6.25 million and final quarter payment of ₱181.3 million
Drawdown date	March 25, 2013
Start of amortization payment	June 21, 2013
End of term loan	March 25, 2018
Interest rate	Interest shall be fixed at 5.0%
Collateral	50% real estate mortgage on land, building and machinery in Calamba and Davao plants
Use of proceeds	Working capital requirements

In March 2015, the banks approved the increase in the debt to equity ratio of the loan covenants from 1:75:1 to 2.0 :1. As of June 30, 2015, UGCôs debt to equity ratio is 1.58:1 , which is below the required debt to equity ratio.

As at December 31, 2014, UGCôs debt to equity ratio is 1.80:1, in excess of the maximum ratio of 1.75:1 under its loan covenant. UGC has obtained the necessary waivers from the Banks. UGC is in compliance with the other loan covenants.

UPANG

On December 21, 2012, a 7-year Term Loan Agreement was signed by the UPANG and China Banking Corporation (CBC) for a maximum principal amount of ₱275.0 million. The proceeds were used to refinance existing obligations and to fund the capital expenditures for the school year 2012-2013. The loan proceeds were drawn on February 1, 2013 and February 15, 2013 for ₱156.0 million and ₱94.0 million, respectively. The terms of the loan are as follows:

Amount drawn	₱156.0 million
Tenure	Seven (7) - year term loan
Repayment	Principal shall be payable in 28 equal quarterly repayment of ₱5.6 million
Funding/Interest rate	Interest shall be payable quarterly in arrears. Interest from (February 1, 2013 ï May 1, 2013) 89 days shall be at 5.7766% p.a. computed as 7-year PDSTF of 3.9688 plus spread of 175bps plus GRT of 1%. Starting May 2015, rate shall be at 6.0198%.
Security	The facility is secured by Real Estate Mortgage amounting to ₱300.0 million on the school assets covering land and land improvements.
Amount drawn	₱94.0 million
Tenure	Seven (7) - year term loan
Repayment	Principal shall be payable in 28 equal quarterly repayment of ₱3.4 million

Funding/Interest rate	Interest shall be payable quarterly in arrears. Interest from (February 15, 2013 - May 15, 2013) 89 days shall be at 5.5787% p.a. computed as 7-year PDSTF of 3.7729 plus spread of 175bps plus GRT of 1%. Starting May 2015, rate shall be at 5.8136%.
Security	The facility is secured by Real Estate Mortgage amounting to ₱300.0 million on the school assets covering land and land improvements.

The foregoing loan agreements include, among others, certain restrictions and requirements with respect to the following:

- No payment of dividends will be allowed in the first three (3) years of the loan. Dividends may be paid starting in the 4th year, provided the Current Ratio (defined as current assets over current liabilities) shall not be less than 1.25:1.00 and Debt-Service Coverage ratio (defined as EBITDA over principal and interest payment) shall be at least 1.50:1.00.

- Make or permit material change in the character of business; permit any material change in ownership of control of its stocks; participate in or enter into merger or consolidation which would result in a material change in control; voluntarily suspend its business operations or dissolve its affairs; amend its Articles of Incorporation and By-laws that would cause a material adverse change in financial ability and capacity of UPANG and; re-organize, undertake a quasi-reorganization, reduce its capital, change in its fiscal year, which would cause a material adverse change in the financial ability or capacity of the University.

As at June 30, 2015 and December 31, 2014 , UPANG was in compliance with the terms of the loan agreement.

In February 2013, UPANG pre-terminated its old Term Loan agreement. The pre-termination of the loan qualified as an extinguishment of debt. The old loan (drawn on July 31, 2009 and December 14, 2009) amounted to ₱180.0 million and ₱120.0 million, respectively.

COC

COC entered into a Ten (10)-year Term Loan Agreement with a local financial institution for ₱100.0 million of which ₱50.0 million had been drawn on March 27, 2013 and the other ₱50.0 million had been drawn on July 18, 2013. The loan is payable quarterly at ₱2.5 million with fixed interest rates for the first 7 years and subject to quarterly repricing afterwards.

The maturities of the long-term debt follow:

Year	10-Year Loan
	(Amounts in Thousands)
2014	₱10,128
2015	10,128
2016	10,128
2017	10,128
2018-2023	50,641
	₱91,153

COCôs land and building improvements in the main campus are mortgaged as collateral for its long-term debt.

AU

AUôs long-term debt consists of:

	2014	2013
	(Amounts in Thousands)	
Loan payable	**₱111,247**	₱124,380
Less current portion	**12,257**	-
	₱98,990	₱124,380

On December 11, 2013, a 10-year Term Loan Agreement was signed by the AU and Rizal Commercial Banking Corporation for a principal amount of ₱125.0 million. The proceeds will be used to refinance the short-term loans which was availed to finance the construction of the new campus and to refinance the existing term loan. The loan is payable quarterly at ₱3.1 million.

Interest is payable monthly in arrears based on variable pass-on rate plus spread.

As of June 30, 2015, the University did not meet the required current ratio in the loan covenant. However, the Universityôs management has obtained a waiver from the lender relating to the breach of contract.

PSHC

This represents interest-bearing loan obtained from United Pulp and Paper Co., Inc. (UPPC) amounting to ₱154.0 million arising from the acquisition of land from UPPC. UPPC was a former associate of the Company.

This loan is presented at amortized cost as of the end of the reporting period. The present value of the loan at initial recognition in 2006 was calculated using an effective interest rate of 11.0%. The effective interest rate used in computing for the present value of the loan payable was derived based on the rate inherent to the loan after considering the carrying value and the future value of the loan payable at the coupon rate of 9.1%.

Initially, the said loan is payable in two installments amounting to ₱44.0 million on July 15, 2008 and ₱110.0 million on July 15, 2013. On July 8, 2008, a Memorandum of Agreement was executed by UPPC and PSHC amending the maturity date of ₱44.0 million from July 15, 2008 to July 15, 2013. A recomputation of the effective interest rate of 10.52% was made in 2008 to reflect the change in the payment terms of the liability in 2013. On December 20, 2012, another Memorandum of Agreement was executed by UPPC and PSHC amending the payment term of the ₱154.0 million from July 15, 2013 to July 15, 2018. A recomputation of the effective interest rate of 9.28% was made to reflect the change in the payment terms in the liability. Additional interest expense resulting from the accretion of loan payable amounted to ₱1.82 million, ₱1.70 million and ₱1.5 million in 2013, 2012 and 2011, respectively (see Note 28). The details of the loan are as follows:

	2014	2013
	(Amounts in Thousands)	
Loan payable to UPPC	**₱154,000**	₱154,000
Less unamortized discount	**25,802**	963
	₱128,198	₱153,037

To secure the payment of the loan, PSHC constituted a mortgage over its land amounting to ₱220.0 million in favor of certain creditors of UPPC (see Note 15).

The payable of PSHC to UPPC incurs an annual interest at a rate subject to mutual agreement by UPPC and PSHC on each anniversary date. Interest expense on the amount payable to UPPC amounted to ₱13.41 million in 2014, and ₱14.01 million in 2013 and 2012 (see Note 28).

20. Equity

a. Capital Stock

The composition of the Parent Companyôs capital stock as of June 30, 2015 and December 31, 2014 is as follows:

	Number of Shares	
	Unaudited	Audited
	June 30, 2015	Dec. 31, 2014
Preferred - cumulative, nonparticipating, ₱10 par value		
Class AA		
Authorized	**50,000,000**	50,000,000
Class BB		
Authorized	**50,000,000**	50,000,000
Common - ₱10 par value		
Authorized	**420,000,000**	420,000,000
Common shares:		
Issued	**259,793,514**	260,400,814
Subscribed	**39,994**	39,994
Issued and subscribed	**259,833,508**	260,440,808

The issued and outstanding shares as of June 30, 2015 and December 31, 2014 are held by 1,249 and 1,254 equity holders, respectively.

Capital stock presented in the statements of financial position is net of subscription receivables amounting to ₱124 thousand as at June 30, 2015 and December 31, 2014.

The following summarizes the information on the Parent Companyôs track record of registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	No. of Shares Issued	Issue/Offer Price
March 12, 1957	1,200,000	172,298	₱10
June 30, 1959	ï	47,868	10

b. Retained Earnings

Appropriated

As approved by the BOD of PHN last March 4, 2015, the ₱1 billion appropriation of retained earnings shall be allocated as follows:

i. ₱700 million for investment in existing businesses of energy, education and property by 2016 ; and
ii. Buyback of Phinma Corporation shares in the amount of up to ₱300 million from 2015 to 2017.

The above shall be subject to specific terms and conditions as the BOD shall fix.

Unappropriated

On March 4, 2015, the BOD of Phinma Company declared a cash dividend of ₱0.40 a share or an equivalent of ₱104.2 million, to all common shareholders of record as at March 18, 2015. The cash dividends were paid on March 31, 2015.

On March 4, 2014, the BOD of Phinma Company declared a cash dividend of ₱0.40 a share or an equivalent of ₱104.1 million, to all common shareholders of record as at March 20, 2014. The cash dividends were paid on April 15, 2014.

The retained earnings is restricted for the payment of dividends to the extent of ₱345.5 million as at December 31, 2014 , representing the accumulated equity in net earnings of the subsidiaries and associates and unrealized asset revaluation reserve. The asset revaluation reserve amounted to ₱151.8 million as at December 31, 2014 . The accumulated equity in net earnings of the subsidiaries and associates is not available for dividend distribution until such time that the Parent Company receives the dividends from the subsidiaries and associates. The unrealized asset revaluation reserve will become available for dividend distribution upon sale or through depreciation of the related assets.

c. Stock Purchase Plan

Following are the salient features of the Parent Companyȏs Stock Purchase Plan:

Purpose	To motivate the Senior Officers to achieve the Parent Companyȏs goals, to help make the personal goals and corporate goals congruent and to reward the senior officers for the resulting increase in the value of PHN shares.
Prices of share	The officers shall purchase shares of stock of PHN from those set aside under the Stock Purchase Plan at the average closing price of PHN shares in the stock market for 20 trading days, in no case shall the price be lower than par value.
Tranches	1/3 of the maximum shares can be purchased upon date of first notice and 1/3 each every year thereafter provided that work performance is deemed acceptable.

Holding period	One-third of the shares shall not be sold or transferred to a 3rd party for at least one year from the date of each purchase or until retirement whichever comes first. Another one-third of the shares shall not be sold or transferred to a 3rd party for at least two years from the date of each purchase or until retirement whichever comes first. The last one-third of the shares shall not be sold or transferred to a 3rd party for at least three years from the date of each purchase or until retirement whichever comes first. Any such sale or transfer shall be considered null and void.

On April 2, 2009 and April 20, 2010, the BOD and shareholders of PHN, respectively, approved the setting aside of 8.4 million shares from the unsubscribed portion of the Parent Company's 420 million authorized common shares for stock purchase by the Senior Officers of this Corporation. On January 26, 2012, the Philippine SEC approved the Parent Company's Stock Purchase Plan while the PSE approved for listing the 8.4 million shares last May 23, 2012.

Under the Stock Purchase Plan, officers of the Parent Company can purchase ₱30.5 million worth of shares over three years, subject to certain conditions. The shares can be purchased at the average closing price of PHN shares in the market 20 days prior to each notice, but in no case shall the price be less than par value.

As at June 30, 2015 and December 31, 2014, PHN issued 2,703,501 shares under the stock purchase plan .

Total cumulative expense recognized in relation to the stock purchase plan amounted to ₱44.8 million as at June 30, 2015 and December 31, 2014 . There were no unexercised vested shares as at June 30, 2015 and December 31, 2014.

21. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions and the parties are subject to common control. Related parties may be individual or corporate entities.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2013, 2012 and 2011, the Company has not recorded any impairment of receivables from related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The significant related party transactions entered into by the Company with its associates and entities under common control and the amounts included in the consolidated financial statements with respect to such transactions follow:

June 30, 2015						
Company	**Nature**	**Amount/ Volume**	**Amount Due to Related Parties**	**Amount Due from Related Parties** (see Note 10)	**Terms**	**Conditions**
		(Amounts in Thousands)				
Ultimate Parent	Share in expenses, management fees and bonus	**₱53,448**	**₱41,122**	**₱2,891**	Noninterest-bearing	Unsecured, no impairment
Associates	Share in expenses	**998**	**-**	614	Noninterest-bearing	Unsecured, no impairment
	Dividend income	**51,039**	ï	ï	Noninterest-bearing	Unsecured, no impairment
Other related parties	Grant of non-interest bearing advances				Noninterest-bearing	Unsecured, no impairment
	Share in expenses	**539**	**4,100**	46,176	Noninterest-bearing	Unsecured, no impairment
			₱45,222	**₱49,681**		

December 31, 2014						
Company	**Nature**	**Amount/ Volume**	**Amount Due to Related Parties**	**Amount Due from Related Parties** (see Note 10)	**Terms**	**Conditions**
		(Amounts in Thousands)				
Ultimate Parent	Share in expenses, management fees and bonus	**₱102,263**	**₱36,793**	**₱480**	Noninterest-bearing	Unsecured, no impairment
	Grant of interest bearing advances	**206,591**	ï	ï	1.1% for 1 day	Unsecured, no impairment
Associates	Grant of interest bearing advances	**209,538**	ï	ï	2.47%ï 3.125% for 1 day to 75 days	Unsecured, no impairment
	Share in expenses	**2,783**	ï	**608**	Noninterest-bearing	Unsecured, no impairment
	Dividend income	**51,037**	ï	ï	Noninterest-bearing	Unsecured, no impairment
Other related parties	Grant of interest bearing advances	**2,058**	ï	ï	1% for 1 day	Unsecured, no impairment
	Share in expenses	**9,410**	**7,984**	**46,035**	Noninterest-bearing	Unsecured, no impairment
			₱44,777	**₱47,123**		

PHINMA, Inc. The Parent Company has a 5-year management contract with PHINMA, Inc. up to June 30, 2019, renewable thereafter mutual agreement. Under this contract, PHINMA, Inc. has a general management authority with corresponding responsibility over all operations and personnel of the Parent Company including planning, direction, and supervision of all the operations, sales, marketing, distribution, finance and other business activities of the Parent Company. Under the existing management agreement, the Parent Company pays PHINMA, Inc. a fixed monthly management fee plus an annual incentive based on a certain percentage of the Parent Companyôs net income.

TA Oil and TA Power. TA Oil and TA Power are likewise controlled by PHINMA, Inc. through a management agreement. PHN bills TA Oil and TA Power for their share in expenses.

PPHC. The Parent Company grants interest-bearing advances to PPHC for a period of 30-60 days. The Parent Company also bills PPHC for their share in expenses.

PSHC. PSHC has outstanding long-term debt to UPPC arising from the acquisition of land from UPPC, then an associate of the Company (see Note 20). PSHC leases the land to UPPC for a period of 50 years, renewable for another 25 years upon the approval of the Philippine Department of Trade and Industry. Annual lease income during the entire lease term is initially fixed at ₱14.6 million. In connection with the lease, UPPC was required to make a lease deposit with PSHC of ₱55.5 million in July 2003 and an additional ₱2.9 million in April 2005, aggregated and reflected as part of ñOther noncurrent liabilitiesò at amortized cost at the end of the reporting period, and refundable to UPPC upon the expiration of the lease. The lease depositôs present value was calculated using an effective interest rate of 12.0% per annum. On August 2, 2006, PSHC and UPPC amended the lease agreement increasing the annual rent revenue from ₱14.6 million to ₱19.2 million effective January 1, 2006.

The difference between the face value of the lease deposit and its corresponding present value at inception was aggregated and reflected as unearned revenue that is being amortized as rent income simultaneous with the accretion of the lease deposit.

Retirement Fund. The Parent Company has established a retirement fund that is managed by a trustee. The Parent Company has a receivable from PHN Retirement amounting to ₱8.9 million as at December 31, 2014 and 2013.

<u>Management and Directorsô Compensation</u>
PHN, UGC, COC, AU, UPANG and UI are under common management of PHINMA, Inc. and pay PHINMA, Inc. a fixed annual management fee plus an annual bonus based on a certain percentage of the respective companiesô adjusted net income, as defined in the management contract between PHINMA, Inc. and the respective companies, pursuant to the provisions of the same contract.

Management fees and bonuses, presented as ñProfessional fees and outside servicesò under ñGeneral and administrative expensesò account, amounted to ₱85.2 million and ₱73.4 million in 2014 and 2013, respectively (see Note 24). The related unpaid amount, presented as ñAccruals for professional fees and othersò under ñTrade and other payablesò account in the consolidated statements of financial position, amounted to ₱53.6 million and ₱43.4 million as of December 31, 2014 and 2013, respectively (see Note 19).

PHN, UGC, AHC, UI and AU recognized bonus to directors computed based on net income with pre-agreed adjustments. Directorsô bonus, presented in ñPersonnel costsò under ñGeneral and administrative expensesò account, amounted to ₱37.9 million and ₱29.5 million in 2014 and 2013, respectively (see Note 24). The related unpaid amount, presented in ñAccruals for personnel costsò under ñTrade and other payablesò account in the consolidated statements of financial position, amounted to ₱34.9 million and ₱22.9 million as of December 31, 2014 and 2013, respectively (see Note 24).

The difference between the face value of the lease deposit and its corresponding present value at inception was aggregated and reflected as unearned revenue that is being amortized as rent income simultaneous with the accretion of the lease deposit.

Retirement Fund. The Parent Company has established a retirement fund that is managed by a trustee. The Parent Company has a receivable from PHN Retirement amounting to ₱8.9 million as at December 31, 2014 and 2013.

Management and Directorsô Compensation
PHN, UGC, COC, AU, UPANG and UI are under common management of PHINMA, Inc. and pay PHINMA, Inc. a fixed annual management fee plus an annual bonus based on a certain percentage of the respective companiesô adjusted net income, as defined in the management contract between PHINMA, Inc. and the respective companies, pursuant to the provisions of the same contract.

Management fees and bonuses, presented as ñProfessional fees and outside servicesò under ñGeneral and administrative expensesò account, amounted to ₱48.9 million and ₱85.2 million in June 2015 and December 2014, respectively (see Note 24). The related unpaid amount, presented as ñAccruals for professional fees and othersò under ñTrade and other payablesò account in the consolidated statements of financial position, amounted to ₱37.8 million and ₱53.6 million as of June 30, 2015 and December 31, 2014 , respectively (see Note 19).

PHN, UGC, AHC, UI and AU recognized bonus to directors computed based on net income with pre-agreed adjustments. Directorsô bonus, presented in ñPersonnel costsò under ñGeneral and administrative expensesò account, amounted to ₱20.1 million and ₱37.9 million in June 2015 and December 2014 , respectively (see Note 24). The related unpaid amount, presented in ñAccruals for personnel costsò under ñTrade and other payablesò account in the consolidated statements of financial position, amounted to ₱16.6 million and ₱34.9 million as of June 30, 2015 and December 31, 2014 , respectively .

22. **Income Tax**

The deferred tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	Unaudited	Audited
	June 30, 2015	Dec. 31, 2014
	(In Thousands)	
Deferred tax assets	**₱112,185**	₱129,060
Deferred tax liabilities	**(272,665)**	(297,081)
	(₱160,480)	(₱168,021)

Deferred tax assets amounting to ₱112.2 million and ₱129.1 million as at June 30, 2015 and December 31, 2014 , respectively, were not recognized since management believes that it is not probable that sufficient future taxable profit will be available to allow said deferred tax assets to be utilized.

AU, UPANG, UI and COC, as private educational institutions, are taxed based on the provisions of Republic Act (R.A.) No. 8424, which was passed into law effective January 1, 1998. Section 27(B) of R.A. No. 8424 defines and provides that: ñA Proprietary Educational Institution is any private school maintained and administered by private individuals or groups with an issued permit to operate from the Department of Education, Culture and Sports, or Commission on

Higher Education, or Technical Education and Skills Development Authority, as the case may be, in accordance with the existing laws and regulations - shall pay a tax of ten percent (10%) on their taxable income.ò

MCIT totaling ₱3.3 million can be deducted against RCIT due while NOLCO totaling ₱579.3 million can be claimed as deduction against taxable income, as follows:

		Amount		
			NOLCO	
Date Paid/Incurred	Expiry Date	MCIT	Fuld US	Others
		(Amounts in Thousands)		
December 31, 2011	December 31, 2031*	₱–	₱36,907	₱216,576
December 31, 2012	December 31, 2015/December 31, 2032*	1,865	42,551	128,631
December 31, 2013	December 31, 2016/December 31, 2033*	783	20,028	136,090
December 31, 2014	December 31, 2017/December 31, 2034*	606	–	104,966
		₱3,254	₱99,486	₱586,263

**Pertains to NOLCO of Fuld U.S. which has 20 carry forward period under U.S. Federal tax law.*

MCIT amounting to ₱1.9 million and ₱4.8 million expired in 2014 and 2013, respectively. No MCIT and NOLCO were claimed as deduction against regular taxable income in 2014 and 2013.

23. Pension and Other Post-employment Benefits

Pension and other post-employment benefits consist of:

	June 2015	December 2014
	In thousands	
Net pension liability	**₱213,609**	**₱181,723**
Vacation and sick leave	**36,134**	**36,134**
	₱249,743	**₱217,857**

Pension and other employee benefits expenses under ñCost of salesò, ñGeneral and administrative expensesò and ñSelling expensesò, consist of:

	June 2015	December 2014
	In thousands	
Net pension expense	**₱31,886**	**₱33,697**
Vacation and sick leave	**-**	**3,159**
	₱31,886	**₱36,856**

The following tables summarize the components of net pension expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the respective plans.

Net pension expense consists of:

	June 2015	December 2014
	In thousands	
Current service cost	**₱31,886**	**₱28,832**
Net interest cost	**-**	**4,865**

	June 2015	December 2014
	In thousands	
Past service cost	**-**	**-**
Net pension expense	**₱31,886**	**₱33,697**

Details of net pension liability are as follows:

	June 2015	December 2014
	In thousands	
Present value of defined benefit obligation	**₱402,932**	**₱371,046**
Fair value of plan assets	**(189,323)**	**(189,323)**
Pension liability	**₱213,609**	**₱181,723**

Changes in the present value of the defined benefit obligation are as follows:

	June 2015	December 2014
	In thousands	
Balance at beginning of year	**₱371,046**	**₱334,705**
Current service cost	**31,886**	**28,832**
Interest cost on defined benefit obligation	**-**	**13,888**
Benefits paid from plan assets	**-**	**(5,039)**
Benefits paid from operating funds	**-**	**(3,805)**
Actuarial (gains) losses :		
Experience adjustments	**-**	**(5,235)**
Changes in demographic assumptions	**-**	**-**
Changes in financial assumptions	**-**	**7,700**
Past service cost	**-**	**-**
Balance at end of year	**₱402,932**	**₱371,046**

Change in the fair value of plan assets are as follows:

	June 2015	December 2014
	In thousands	
Balance at beginning of year	**₱189,323**	**₱164,770**
Actual return excluding amount included in net interest cost	**-**	**(5,265)**
Actual contributions	**-**	**25,834**
Interest income included in net interest cost	**-**	**9,023**
Benefits paid	**-**	**(5,039)**
Balance at end of year	**₱189,323**	**₱189,323**
Actual return on plan assets	**₱3,758**	**₱3,758**

Change in net pension liability are as follows:

	June 2015	December 2014
	(Amounts in Thousands)	
Balance at beginning of year	**₱181,723**	₱169,935
Pension expense	**31,886**	33,697
Contributions	**–**	(25,834)
Remeasurements in OCI	**–**	7,730
Benefits paid from operating fund	**–**	(3,805)
Pension liability	**₱213,609**	₱181,723

Annual contribution to the retirement plans consists of a payment to cover the current service costs for the year plus a payment toward funding the actuarial accrued liability.

The Company expects to contribute ₱38.3 million to its defined benefit pension plans in 2015.

The ranges of principal assumptions used in determining pension benefits are as follows:

	June 2015	December 2014
Discount rates	**4–5%**	4ï 5%
Rates of salary increase	**5–6%**	5ï 6%
Turnover rate	**0–2%**	0ï 2%

The Company has established a retirement fund that is managed by a trustee. The carrying value and fair value of the retirement fund of the Company amounts to ₱189.3 million as at December 31, 2014 . The major assets as are as follows:

	June 2015	December 2014
Cash and short-term investments	₱166,564	₱166,564
Real Property	19,150	19,150
Marketable equity securities	3,609	3,609
	₱189,323	₱189,323

Cash and short-term investments include liquid investments in Special Deposit Accounts (SDAs), government securities and mutual funds and UITFs. Marketable equity securities can be sold through the Philippine Stock Exchange. The plan assets include shares of stock of the Parent Company with a fair value of ₱21 million as at December 31, 2014. Cumulative unrealized fair value gains on the shares amount to ₱0.5 million. The plan assets also include an investment in a unit in Island Palm Garden Condominium located in Quezon City.

The voting rights over the shares are exercised through the trustee by the retirement committee, the members of which are directors or officers of the Parent Company.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	December 31, 2014
	Increase (Decrease)
	(Amounts in Thousands)
Discount rate:	
Increase by 1%	(₱31,126)
Decrease by 1%	37,445
Salary increase rate:	
Increase by 1%	₱35,042
Decrease by 1%	(29,991)
Turnover rate:	
Increase by 2%	(14,714)
Decrease by 2%	16,626

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2014:

Year	Amount
	(Amounts in Thousands)
Within the next 12 months	₱95,921
Between 2 and 5 years	129,256
Between 5 and 10 years	156,966
Beyond 10 years	1,710,585

The average duration of the defined benefit obligation at the end of the year is between 14 to 22 years.

A. Vacation and Sick Leave

The following tables summarize the components of vacation and sick leave expense recognized in the consolidated statements of income and the amounts recognized in the consolidated statements of financial position.

Vacation and sick leave expense consists of:

	2014	2013	2012
		(Amounts in Thousands)	
Current service cost	**₱2,598**	₱3,453	₱8,550
Interest cost	**561**	352	1,415
Vacation and sick leave expense	**₱3,159**	₱3,805	₱9,965

Changes in the present value of the vacation and sick leave obligation are as follows:

	2014	2013
	(Amounts in Thousands)	
Balance at beginning of year	**₱37,758**	₱33,953
Current service cost	**2,598**	3,453
Interest cost	**561**	352
Balance at end of year	**₱40,917**	₱37,758

24. **EPS Computation**

	Unaudited	
	June 30, 2015	June 30, 2014
(a) Net income attributable to equity holders of the parent	**₱144,553**	₱106,406
(b) Number of shares outstanding at beginning of year	**259,834**	259,678
Basic/Diluted EPS attributable to equity holders of the parent (a/e)	**₱.56**	₱.41

25. **Segment Information** *(see page 46 for table presentation)*

For management purposes, the Companyôs operating businesses are organized and managed separately according to business activities and have five reportable operating segments as follows:

- Investment holdings ï The Parent Company and PSHC are engaged in investment holding activities of shares of stocks and other financial instruments.
- Property development ï API leases its real and personal properties.
- Steel ï UGC manufactures and trades iron and steel products.
- Educational services ï AU, COC, UPANG , UI and SWU offer graduate, tertiary, secondary and elementary education services.
- BPO ï Fuld U.S. and Fuld Philippines are engaged in intelligence research.

The Company has no geographical segment for segment reporting format as the Companyôs risks and rates of return are substantially in the same economic and political environment, with the companies incorporated and operated in the Philippines.

The BOD (Chief Operating Decision Maker) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Company financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an armôs length basis in a manner similar to transaction with third parties.

Segment Information

Financial information on the operating segments are summarized as follows:

	Investment Holdings	Property Development	Steel	Educational Services	BPO	Eliminations	Total Operations
				(In Thousands)			
For the Period January – June 30, 2015							
Revenues							
Segment revenue	₱220,503	₱714	₱1,902,028	₱566,202	₱214,765	(₱222,608)	₱2,681,604
Investment income	4,640	2,201	-	551	-	-	7,392
Total revenues	₱225,143	₱2,915	₱1,902,028	₱566,753	₱214,765	(₱222,608)	₱2,688,996
Results							
Segment results	₱136,848	(₱141)	₱146,404	₱102,279	(₱4,161)	(₱249,410)	₱131,819
Investment income	4,640	2,201	-	551	-	-	7,392
Equity in net earnings of an associate	-	-	-	-	-	120,147	120,147
Interest expense and financing charges	(9,921)	-	(25,937)	(11,957)	(178)	-	(47,993)
Benefit from (provision for) income tax	(213)	(6)	(36,078)	(9,798)	(165)	4,033	(42,227)
Share of non-controlling interest	-	-	-	(61)	-	(24,524)	(24,585)
Net income attributable to equity holders of parent	₱131,354	₱2,054	₱84,389	₱81,014	(₱4,504)	(₱149,754)	₱144,553
As at June 30, 2015							
Assets and Liabilities							
Segment assets	₱918,155	₱355,475	₱2,241,874	₱4,099,644	₱175,498	₱2,216,194	₱10,006,840
Investment in associates	7,244,962	-	8,357	-	(1,665)	(4,644,340)	2,607,314
Deferred tax assets	-	-	22,101	13,491	40,391	36,202	112,185
Total assets	₱8,163,117	₱355,475	₱2,272,332	₱4,113,135	₱214,224	(₱2,391,944)	₱12,726,339
Segment liabilities	₱1,990,882	₱1,580	₱1,357,576	₱1,729,050	₱426,913	(₱535,822)	₱4,970,179
Income and other taxes payable	1,744	16	28,527	26,698	66	-	57,051
Deferred tax liabilities	-	-	-	124,597	3,201	144,867	272,665
Total liabilities	₱1,992,626	₱1,596	₱1,386,103	₱1,880,345	₱430,180	(₱390,955)	₱5,299,895
Other Segment Information							
Capital expenditures	₱2,579	₱-	₱69,182	₱172,298	₱79	₱-	₱244,138
Depreciation and amortization	7,042	333	36,369	43,399	3,190	7,402	97,735

	Investment Holdings	Property Development	Steel	Educational Services	BPO	Eliminations	Total Operations
				(In Thousands)			
January – June 2014							
Revenues							
Segment revenue	₱255,611	₱580	₱1,859,029	₱513,229	₱264,920	(₱247,642)	₱2,645,727
Investment income	7,454	8,538	-	25	2	-	16,019
Total revenues	₱263,065	₱9,118	₱1,859,029	₱513,254	₱264,922	(₱247,642)	₱2,661,746
Results							
Segment results	₱177,475	(₱342)	₱133,121	₱73,137	₱10,363	(₱254,279)	₱139,475
Investment income	7,454	8,538	-	25	2	-	16,019
Equity in net earnings of an associate	49,733	(5,792)	-	-	-	-	43,941
Interest expense and financing charges	(991)	-	(22,775)	(11,744)	(482)	-	(35,991)
Benefit from (provision for) income tax	(286)	(5)	(33,104)	(5,048)	(103)	1,991	(36,554)
Share of non-controlling interest	-	-	-	43	-	(20,525)	(20,482)
Net income attributable to equity holders of parent	₱233,386	₱2,399	₱77,242	₱56,413	₱9,780	(₱272,813)	₱106,406

As at December 31, 2014							
Results							
Segment results	(₱116,271)	(₱750)	₱246,816	₱238,533	(₱4,204)	(₱12,034)	₱352,090
Investment income	322,566	6,129	663	1,982	1,081	(303,625)	28,796
Equity in net earnings of an associate	-	-	-	-	3,108	60,279	63,387
Interest expense and financing charges	22,961	-	(41,963)	(22,958)	(7,882)	(2,455)	(52,297)
Benefit from (provision for) income tax	(1,483)	(10)	(60,353)	(24,803)	(7,334)	3,610	(90,373)
Share of non-controlling interest	-	-	-	(870)	-	(54,589)	(55,459)
Net income attributable to equity holders of parent	₱227,773	₱5,369	₱145,163	₱191,884	(₱15,231)	(₱308,814)	₱246,144

25. Events after the Reporting Period

On August 3, 2015, Phinma Corporation (PHN) acquired 3,214 shares equivalent to 10.62% in SWU for a total purchase price of P367.8 million.