

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	1	6	6	4	1	1
---	---	---	---	---	---	---	---	---	---	---

Company Name

i	P	E	O	P	L	E	,		i	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S

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

3	r	d		F	l	o	o	r	,		G	r	e	p	a	l	i	f	e		B	u	i	l	d	i	n	g	,
2	1	9		S	e	n	.		G	i	l		J	.		P	u	y	a	t		A	v	e	n	u	e	,	
M	a	k	a	t	i		C	i	t	y																			

Form Type

1	7	-	Q
---	---	---	---

Department requiring the report

--	--	--	--

Secondary License Type, If Applicable

--	--	--	--

## COMPANY INFORMATION

Company's Email Address

N/A
-----

Company's Telephone Number/s

815-9636
----------

Mobile Number

N/A
-----

No. of Stockholders

2,078
-------

Annual Meeting  
Month/Day

July 3
--------

Fiscal Year  
Month/Day

June 30
---------

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Jose Ma. G. Castillo III
--------------------------

Email Address

jmgc3@hoi.com.ph
------------------

Telephone Number/s

815-9636
----------

Mobile Number

N/A
-----

Contact Person's Address

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

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

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

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

1. For the quarterly period ended June 30, 2015
2. SEC Identification Number 166411
3. BIR Tax Identification No. 000-187-926-000
4. Exact name of registrant as specified in its charter: iPeople, Inc.
5. Makati City, Philippines  
Province, Country or other jurisdiction of incorporation or organization
6. Industry Classification Code: / \_\_\_\_ / (SEC Use Only)
7. 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City 1200  
Address of issuer's principal office Postal Code
8. +63 (2) 815-9636; +63 (2) 891-0989  
Issuer's telephone number, including area code

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

Number of Shares of Common Stock	
<u>Title of Each Class</u>	<u>Outstanding Shares</u>
Common Stock, P1.00 par value	748,933,221

Amount of debt as of June 30, 2015 P1.520 billion

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

Yes (X) No ( )

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

Philippine Stock Exchange / Common Shares

11. Check whether the registrant:

- (a) has filled all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder of 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 that the registrant was required to file such reports):

Yes (X) No ( )

- (b) has been subject to such filing requirements for the past 90 days.

Yes (X) No ( )

## TABLE OF CONTENTS

	Page No.
<b>PART I – FINANCIAL STATEMENTS</b>	
Item 1. Financial Statements <ul style="list-style-type: none"> <li>• Consolidated Statements of Financial Position as of June 30, 2015 (unaudited) and December 31, 2014 (audited)</li> <li>• Unaudited Consolidated Statements of Income for the Quarters Ended June 30, 2015, 2014 and 2013</li> <li>• Unaudited Consolidated Statements of Comprehensive Income for the Quarters Ended June 30, 2015, 2014 and 2013</li> <li>• Unaudited Consolidated Statements of Changes in Stockholders' Equity for Quarters Ended June 30, 2015, 2014 and 2013</li> <li>• Unaudited Consolidated Statements of Cash Flows for the Quarters Ended June 30, 2015, 2014 and 2013</li> <li>• Notes to Consolidated Financial Statements</li> </ul>	Exhibit 1  (Pages 10-67)
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	1-6
<b>PART II – OTHER INFORMATION</b>	
Item 3. Q2 2015 Developments	7
Item 4. Other Notes to Financial Statements	7-8
Aging of Accounts Receivable	68
Signature	69

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

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

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

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

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

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

None

*(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.*

None

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

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

This redevelopment project has two major phases. First, was the renovation and update of the existing gym. This was completed and turned over in May 2014. Second, was the construction of the new

Research and Administration building that will house additional offices and laboratories, including the Admissions Office, the Placement Office, and the Corporate Communications Office. Construction commenced in May 2014 and was completed this year.

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

Construction of the Engineering Building of Malayan Colleges Laguna, Inc. is also ongoing. Expected completion of the project is in mid-Q3 2015.

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

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

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

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

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

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

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

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

None

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

### **Income Statement Variances**

For the quarter ending June 2015, IPO showed a consolidated net income after tax of P290.78 million against P266.31 million last year. Growth of 9% is attributable to steady stream of revenues from Mapua group.

Total revenues were up by 8%, from P991.11 million to P1,069.38 million this year. This was primarily driven by the strong results from school operations.

Revenues from school operations went up from P901.56 million to P992.57 million, due to continuous increase in the number of enrollees and number of units taken by the students.

Sale of goods was lower by P4.77 million, from P72.23 million of same quarter last year to P67.47 million this year. This pertains to reselling business of Pan Pacific Computer Center Inc. (PPCC), the IT Company of the Group. Last year was higher because of bulk orders on personal computers, laptops and servers.

Sale of services has significantly dropped from P17.31 million to P9.34 million. Last year includes income of PPCC from software implementation which was not present this year.

Cost of sales and services went up by 16% because of higher cost of school and related operations which went up by 19%. Increase was attributable to higher (a.) personnel expenses due to increase in number of teaching personnel; (b.) student-related expenses because of higher scholarship grants; (c.) depreciation cost due to completed renovation of school's gym and admission office; (d.) advertising cost as the schools intensify campaign for student enrolment; and (e.) accreditation cost as the schools renew its accreditation with different accrediting agencies which give formal recognition to an educational institution.

Administrative and general expenses decreased by 25% or P35.70 million lower from same period last year primarily because last year includes costs related to construction and renovation of school buildings.

Interest income was significantly up because of higher volume of placements as of the period.

Interest expense and other charges went up primarily because of increase in loan interest rate from 2.5081% in 2014 to 3.4146% for the quarter.

Other income pertains to income from investment in UITF of MCI and commission income of PPCC. It is lower than last year because of conversion of investment in UITF to money market placements.

### **Balance Sheet Variances**

Total consolidated assets stood at P5.67 billion as of the quarter ending June 30, 2015 compared to P5.33 billion as of December 2014.

Cash and cash equivalents increased by 3% or P32.88 million higher than last year as enrollment for the next school term started.

Receivables mainly pertain to school-related fees, which is 35% higher from December 2014. Due from related parties dropped to P1.48 million because of collection of receivables from rental of office space in Makati campus.

Prepaid expense and other current assets pertains mainly to unutilized input tax and creditable withholding taxes, unamortized local business taxes and increase in Fund for Engineering Development and Institution (FEDIL) and scholarships grants.

Financial assets at fair value through profit and loss pertains to investment of MCI in UITF (Unit Investment Trust Fund) in RCBC.

Property and equipment increased by 6%, representing capitalized costs related to renovation of school buildings. Other noncurrent assets pertain to computer software cost, at net of amortization, retirement asset and security deposits.

Total consolidated liabilities were higher by 7%, primarily because enrollment for school year 2015-2016 begun in June 2015. Collected advance matriculation fees for the term are temporarily recorded as a liability under unearned tuition fee account.

Accounts payable and accrued expenses pertain to outstanding obligations of MCI and MCL to its respective contractors relative to the renovation and construction of school buildings, and of PPCC to its suppliers. It also includes taxes payable to several government agencies.

Due to related parties pertains mainly to management fees, audit fees and contracted services payable to affiliates.

Dividends payable ending December 31, 2014 was settled in January 2015. The balance of P14.59M pertains to current dividend declaration.

Long term debt represents remaining loan of MCI to RCBC.

Total consolidated equity increased from P3.91 billion to P4.15 billion this quarter. Equity attributable to Parent is at P3.89 billion, from P3.67 billion last December 2014.

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

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

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

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

### Financial Soundness Indicators

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

Financial ratios		2015	2014
Current ratio <i>Indicates the Group's ability to pay short-term obligation</i>	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<b>1.53:1</b>	1.67:1
Solvency Ratio <i>Shows how likely a company will be to continue meeting its debt obligations</i>	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	<b>0.24:1</b>	0.63:1
Debt-to-equity ratio <i>Measures the Group's leverage</i>	$\frac{\text{Total Debt}}{\text{Equity}}$	<b>0.37:1</b>	0.36:1
Asset to Equity Ratio <i>Shows how the company's leverage (debt) was used to finance the firm</i>	$\frac{\text{Total Assets}}{\text{Equity}}$	<b>1.37:1</b>	1.36:1
Interest Rate Coverage <i>Shows how easily a company can pay interest on outstanding debt</i>	$\frac{\text{EBIT}}{\text{Interest Expense}}$	<b>33.59:1</b>	43.36:1
Return on Average Stockholders' Equity <i>Reflects how much the Group's has earned on the funds invested by the stockholders</i>	$\frac{\text{Net Income}}{\text{Average Equity}}$	<b>7.21%</b>	20.57%
Return on Assets <i>Measure the ability to utilize the Group's assets to create profits</i>	$\frac{\text{Net Income}}{\text{Total Assets}}$	<b>5.13%</b>	13.98%
Net Profit Margin <i>Shows how much profit is made for every peso of revenue</i>	$\frac{\text{Net Income}}{\text{Total Revenues}}$	<b>27.19%</b>	32.29%
Asset Turnover <i>Shows efficiency of asset used in operations</i>	$\frac{\text{Total Revenues}}{\text{Total Assets}}$	<b>19x</b>	43x
Return on Equity <i>Shows how much the business returns to the stockholders for every peso of equity capital invested</i>	$\frac{\text{Net Income}}{\text{Total Revenues}} \times \frac{\text{Total Revenues}}{\text{Total Assets}} \times \frac{\text{Total Assets}}{\text{Total Equity}}$	<b>7.00%</b>	19.05%



- The current ratio decreased to 1.53 as of June 2015 from 1.67 as of December 31, 2014. Due to increase in current liabilities as the unearned tuition fees for the first term of SY2015-2016 increased.
- Solvency ratio is at 0.24 which shows that the Group has a strong cash flow to meet its short-term and long-term liabilities.
- Debt-to-equity ratio slightly increased from 0.36 as at December 2014 to 0.37 this quarter as the Group continues to pay down its loan.
- Asset to equity ratio rose to 1.37 this quarter from 1.36 as at December 2014 because of acquisition of new office furniture.
- Interest rate coverage ratio improved from 43 times in 2014 to 33 times this quarter as the Group accelerated payment of its principal loan balance.
- Return on average stockholders' equity is at 7.21% this quarter. The Group is optimistic that this will improve in the next quarters of the year.
- Return on asset is at 5.13% against 13.98% last year on an average. This is attributable to higher revenues from school operations as the number of students increased by 10% from last year.
- Net profit margin is at 27.19% this period against 32.29% of full year last year.
- Asset turnover is 19 times as of the period against 43 times as of December 2014.
- Return on equity is at 7.00% as of the quarter. The Group is optimistic that this will improve at year end.

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

## **PART II – OTHER INFORMATION**

### **Item 3: 2Q 2015 DEVELOPMENTS**

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

### **Item 4: OTHER NOTES TO FINANCIAL STATEMENTS**

#### *FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES*

The Group's principal financial instruments comprise cash and cash equivalents, receivables, due from related parties, AFS financial assets, loans payable, accounts payable and accrued expenses, due to related parties, dividends payable, lease liability and long-term debt. The main purpose of these financial instruments is to manage working capital for the Group's operations.

The main risks arising from the Group's financial instruments are liquidity risk, market risk, and credit risk. The BOD reviews and approves the policies for managing these risks. The Audit Committee and the Risk Management Committee of the Board meets regularly and exercises an oversight role in managing risks.

The following covers the risk management policies at the holding company (IPO) level.

#### ***Interest Rate Risk***

IPO is exposed to interest rate risk because it has borrowings from local banks. It is a company policy to use excess liquidity to pay down borrowings in order to decrease financing costs, and reduce exposure to rising interest rates.

It is also a company policy to actively discuss with lending banks on how to lower financing costs. When possible, IPO will use lower cost debt to pay down higher cost debt. IPO does not speculate on the direction of interest rates. The main objective is to lower financing costs as much as possible.

#### ***Foreign Exchange Risk***

IPO's foreign exchange risk results primarily from movements in the prevailing exchange rate between the Philippine Peso (PHP) and the United States Dollar (USD). The revenues and the operating expenses of IPO are primarily denominated in PHP.

IPO closely monitors the movements in the USD/PHP exchange rate and makes a regular assessment of future foreign exchange movements, based also, in part, on its analysis of other macroeconomics indicators. Where possible and when warranted, it is the company practice to pay dollar liabilities with its excess dollar funds. The company does not speculate on the direction of foreign exchange rates.

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

IPO seeks to manage its liquidity to be able to service maturing debts, finance capital requirements, and pay for existing operations. IPO maintains a consistent level of funding to be able to pay for its day to day operations. IPO constantly monitors its projected cash flows through risk meetings that occur on a weekly basis. When major acquisitions pop up on the radar screen, IPO assesses market conditions to be able to source the funding as inexpensively as possible.

#### ***Credit Risk***

IPO's holding of cash and short term securities exposes the company to the credit risk of the counterparty. It does not have a concentrated credit risk exposure.

IPO is also exposed to credit risk on its receivables. There may be cases where students who have signed notes are unable to settle fully the unpaid balance of tuition fees and other charges, which are owed to the Group based on installment payment schemes.

The Group manages its credit risk in accordance with its credit risk policies which requires evaluation of the creditworthiness of the students based on factors such as monthly net disposable income and residence. Also, students are not allowed to enroll in the following term unless the unpaid balance in the previous term has been paid. IPO withholds the academic records and clearance of the students with unpaid balances.

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

#### ***Price Risk***

Available for sale (AFS) financial instruments are held and are subject to price fluctuation. These securities are vulnerable to price risk due to changes in market factors related to the overall market for financial assets. These prices change depending on how market participants act in the market.

IPO has non-core holdings in its AFS investments. For its non-core holdings, IPO's investment policy is to monitor developments in the market and to monitor these securities very closely. The company regularly assesses the opportunity cost of holding these securities. When a more appropriate use of the funds is determined, it is IPO's intention to liquefy these investments and put the excess cash to work.

#### ***Business Continuity Risk***

IPO is acutely conscious of the risks posed by natural disasters, acts of God, or other man-made actions that can have an adverse impact on the continuity of regular operations. The Group works to make sure that its business continuity plans are up to date

#### ***Succession Risk***

The company knows that people are an important resource and that its executive management team is a significant contributor to the value-adding activities of the firm. In order to preserve the management chain of succession and institutional knowledge that comes with it, each member of executive management is accountable for putting a succession plan in place that includes the identification and development of his or her successor.

The respective company presidents, general managers, and chief risk officers of each portfolio company are accountable for making sure that their risk management policies line up with the risk management policies of the holding company. Group internal audit (GIA) provides valuable input to risk management support by conducting regular business unit audits that also incorporate the evaluation of risk management practices.

The Risk Management Committee of the Board meets regularly and exercises an oversight role on executive management who are accountable for managing the risks that arise out of regular business operations.

**EXHIBIT 1**

**iPEOPLE INC. and SUBSIDIARIES**

**Interim Condensed  
Unaudited Consolidated Financial Statements**

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

**iPeople, inc. and Subsidiaries****UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Unaudited 30-Jun-2015	Audited 31-Dec-2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 6 and 14)	<b>₱1,189,362,879</b>	₱1,156,486,981
Receivables (Note 7)	<b>247,487,268</b>	183,188,125
Receivables from related parties (Note 14)	<b>1,476,979</b>	2,485,905
Prepaid expenses and other current assets (Note 8)	<b>103,919,666</b>	67,846,896
Financial Assets at fair value through profit and loss (FVPL)	<b>8,021,630</b>	8,021,630
Total Current Assets	<b>1,550,268,422</b>	1,418,029,537
<b>Noncurrent Assets</b>		
Available-for-sale (AFS) financial assets	<b>17,678,741</b>	16,993,519
Property and equipment (Notes 9 and 10)	<b>3,953,983,112</b>	3,746,668,297
Goodwill (Note 11)	<b>137,853,345</b>	137,853,345
Deferred tax assets – net	<b>10,149,738</b>	10,149,738
Other noncurrent assets (Note 12)	<b>3,624,214</b>	5,183,864
Total Noncurrent Assets	<b>4,123,289,150</b>	3,916,848,763
	<b>₱5,673,557,572</b>	₱5,334,878,300
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Note 13)	<b>₱727,504,531</b>	₱578,498,809
Payable to related parties (Note 14)	<b>11,698,934</b>	21,198,102
Income tax payable	<b>15,704,662</b>	19,894,538
Unearned tuition fees	<b>144,239,878</b>	10,157,488
Dividends payable (Note 18)	<b>14,590,652</b>	123,813,181
Current portion of long-term debt (Notes 14 and 15)	<b>97,130,827</b>	96,250,715
Total Current Liabilities	<b>1,010,869,484</b>	849,812,833
<b>Noncurrent Liabilities</b>		
Pension liability - net	<b>60,126,545</b>	58,324,960
Long-term debt - net of current portion (Notes 14 and 15)	<b>365,500,000</b>	430,000,000
Deferred tax liabilities - net	<b>83,472,315</b>	83,682,319
Total Noncurrent Liabilities	<b>509,098,860</b>	572,007,279
Total Liabilities	<b>₱1,519,968,344</b>	₱1,421,820,112

(Forward)

**iPeople, inc. and Subsidiaries****UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30-Jun-2015</b>	<b>31-Dec-2014</b>
<b>Equity</b>		
Common stock (Note 17)	<b>₱748,933,221</b>	₱748,933,221
Additional paid-in capital	<b>1,438,827</b>	1,438,827
Other comprehensive income/(loss)		
Unrealized gain AFS financial assets	<b>(683,503)</b>	4,633,824
Revaluation increment on land (Note 10)	<b>448,763,360</b>	448,763,360
Remeasurement losses on defined benefit plans	<b>36,051,315</b>	36,051,315
Retained earnings (Note 16)	<b>2,657,990,941</b>	2,432,843,210
	<b>3,892,494,161</b>	3,672,663,757
Less: Treasury stock (Note 16)	<b>209</b>	209
	<b>3,892,493,952</b>	3,672,663,548
Noncontrolling interest in consolidated subsidiaries	<b>261,095,276</b>	240,394,640
<b>Total Equity</b>	<b>4,153,589,228</b>	3,913,058,188
	<b>₱5,673,557,572</b>	₱5,334,878,300

*See accompanying Notes to Consolidated Financial Statements.*

**iPeople, inc. and Subsidiaries****UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

	<b>April 1 to June 30</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>REVENUES</b>			
School and related operations	<b>₱443,350,192</b>	₱400,681,402	₱363,678,419
Sale of goods	<b>43,066,852</b>	42,189,842	23,049,202
Sale of services	<b>5,641,528</b>	7,178,716	9,355,174
	<b>492,058,572</b>	450,049,960	396,082,795
<b>COSTS AND EXPENSES</b>			
Cost of school and related operations	<b>288,081,848</b>	228,706,868	238,936,035
Cost of goods sold	<b>42,969,717</b>	37,698,139	22,545,966
Cost of services	<b>4,443,347</b>	4,697,021	9,397,396
	<b>335,494,912</b>	271,102,028	270,879,397
<b>GROSS PROFIT</b>	<b>156,563,660</b>	178,947,932	125,203,398
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>(47,585,550)</b>	(92,553,386)	(57,381,235)
<b>INTEREST EXPENSE AND OTHER FINANCE CHARGES</b>	<b>(5,472,971)</b>	(5,014,531)	(3,583,848)
<b>INTEREST INCOME</b>	<b>3,404,171</b>	1,574,680	4,951,243
<b>OTHER INCOME (LOSS)</b>	<b>71,030</b>	1,108,378	–
<b>INCOME BEFORE INCOME TAX</b>	<b>106,980,340</b>	84,063,073	69,189,558
<b>PROVISION FOR INCOME TAX</b>	<b>11,133,147</b>	8,398,708	8,906,139
<b>NET INCOME</b>	<b>95,847,193</b>	75,664,365	60,283,419
Net income attributable to:			
Equity holders of the parent	<b>₱89,043,892</b>	₱70,421,353	₱55,494,772
Non-controlling interest in consolidated subsidiaries	<b>6,803,301</b>	5,243,012	4,788,647
<b>NET INCOME</b>	<b>₱95,847,193</b>	₱75,664,365	₱60,283,419

**iPeople, inc. and Subsidiaries****UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

	<b>January 1 to June 30</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>REVENUES</b> (Note 24)			
School and related operations (Note 19)	<b>₱992,569,269</b>	₱901,562,747	₱814,094,080
Sale of goods	<b>67,466,027</b>	72,233,050	39,895,334
Sale of services	<b>9,344,298</b>	17,310,139	19,525,431
	<b>1,069,379,594</b>	991,105,936	873,514,845
<b>COSTS AND EXPENSES</b>			
Cost of school and related operations (Note 20)	<b>563,232,981</b>	474,043,105	465,717,415
Cost of goods sold	<b>66,162,497</b>	64,838,979	36,109,993
Cost of services	<b>7,090,874</b>	11,215,422	14,319,510
	<b>636,486,352</b>	550,097,506	516,146,918
<b>GROSS PROFIT</b>	<b>432,893,242</b>	441,008,430	357,367,927
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 21)	<b>(105,491,348)</b>	(141,192,083)	(112,797,166)
<b>INTEREST EXPENSE AND OTHER FINANCE CHARGES</b> (Notes 15 and 22)	<b>(9,938,395)</b>	(8,114,275)	(8,528,636)
<b>INTEREST INCOME</b> (Notes 6, 7, 14 and 22)	<b>5,642,032</b>	2,752,654	9,672,119
<b>OTHER INCOME (LOSS)</b>	<b>746,193</b>	1,991,365	–
<b>INCOME BEFORE INCOME TAX</b>	<b>323,851,724</b>	296,446,091	245,714,244
<b>PROVISION FOR INCOME TAX</b>	<b>33,067,364</b>	30,135,520	27,062,698
<b>NET INCOME</b>	<b>290,784,360</b>	266,310,571	218,651,546
Net income attributable to:			
Equity holders of the parent	<b>₱270,083,723</b>	₱247,372,948	₱202,201,720
Non-controlling interest in consolidated subsidiaries (Note 23)	<b>20,700,637</b>	18,937,623	16,449,826
<b>NET INCOME</b>	<b>₱290,784,360</b>	₱266,310,571	₱218,651,546

*See accompanying Notes to Consolidated Financial Statements.*



**iPeople, inc. and Subsidiaries****UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>January 1 to June 30</b>		
	<b>2015</b>	2014	2013
<b>NET INCOME</b>	<b>₱290,784,360</b>	₱266,310,571	₱218,651,546
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>			
Unrealized gain (loss) on AFS financial assets	(5,317,327)	4,467,651	(274,089)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱285,467,033</b>	270,778,222	₱218,377,457
Total comprehensive income attributable to:			
Equity holders of the parent	<b>₱264,766,396</b>	₱251,840,598	₱201,927,630
Non-controlling interest (Note 23)	<b>20,700,637</b>	18,937,624	16,449,827
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱285,467,033</b>	₱270,778,222	₱ 218,377,457

**iPeople, inc. and Subsidiaries**
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

	Attributable to Equity Holders of the Parent Company								Non-controlling Interest (Note 23)	Total
	Common Stock (Note 17)	Additional Paid-in Capital	Unrealized Gain on Available for Sale Financial Assets	Revaluation Increment On Land-net of tax (Note 10)	Remeasurement Losses on Net Pension Liability	Treasury Stock (Note 16)	Retained Earnings (Note 16)	Total		
<b>2015</b>										
<b>Balances as at January 1, 2015</b>	<b>₱748,933,221</b>	<b>₱1,438,827</b>	<b>₱4,633,824</b>	<b>₱448,763,360</b>	<b>₱36,051,315</b>	<b>(₱209)</b>	<b>₱2,432,843,210</b>	<b>₱3,672,663,548</b>	<b>₱240,394,640</b>	<b>₱3,913,058,188</b>
Net income for the year	-	-	-	-	-	-	270,083,724	270,083,724	20,700,636	290,784,360
Other comprehensive income	-	-	(5,317,327)	-	-	-	-	(5,317,327)	-	(5,317,327)
Total comprehensive income (loss)	-	-	(5,317,327)	-	-	-	270,083,724	264,766,396	20,700,636	285,467,033
Dividends declared	-	-	-	-	-	-	(44,935,993)	(44,935,993)	-	(44,935,993)
<b>Balances as at June 30, 2015</b>	<b>₱748,933,221</b>	<b>₱1,438,827</b>	<b>(₱683,503)</b>	<b>₱448,763,360</b>	<b>₱36,051,315</b>	<b>(₱209)</b>	<b>₱2,657,990,941</b>	<b>₱3,892,493,952</b>	<b>₱261,095,276</b>	<b>₱ 4,153,589,228</b>
<b>2014</b>										
Balances as at January 1, 2014	₱748,933,221	₱1,438,827	₱2,495,929	₱366,127,520	₱ 36,162,717	(₱209)	₱1,979,535,008	₱3,134,693,013	₱201,151,025	₱3,335,844,038
Net income for the year	-	-	-	-	-	-	247,372,948	247,372,948	18,937,623	266,310,571
Other Comprehensive Income	-	-	4,467,651	-	-	-	-	4,467,651	-	4,467,651
Total comprehensive income (loss)	-	-	4,467,651	-	-	-	247,372,948	251,840,599	18,937,623	270,778,222
Dividends declared	-	-	-	-	-	-	(89,871,987)	(89,871,987)	-	(89,871,987)
<b>Balances as at June 30, 2014</b>	<b>₱748,933,221</b>	<b>₱1,438,827</b>	<b>₱6,963,580</b>	<b>₱366,127,520</b>	<b>₱36,162,717</b>	<b>(₱209)</b>	<b>₱2,137,035,969</b>	<b>₱3,296,661,625</b>	<b>₱220,088,648</b>	<b>₱3,516,750,273</b>
<b>2013</b>										
Balances as at January 1, 2013	₱748,933,221	₱1,438,827	₱4,359,735	₱306,911,195	₱-	(₱209)	₱1,574,810,874	₱2,636,453,643	₱166,994,946	₱2,803,448,589
Net income for the year	-	-	-	-	-	-	202,201,720	202,201,720	16,449,826	218,651,546
Other comprehensive income	-	-	(274,089)	-	-	-	-	(274,089)	-	(274,089)
Total comprehensive income	-	-	(274,089)	-	-	-	202,201,720	201,927,631	16,449,826	218,377,457
Dividends declared	-	-	-	-	-	-	(89,871,987)	(89,871,987)	-	(89,871,987)
<b>Balances as at June 30, 2013</b>	<b>₱748,933,221</b>	<b>₱1,438,827</b>	<b>₱4,085,646</b>	<b>₱306,911,195</b>	<b>₱-</b>	<b>(₱209)</b>	<b>₱1,687,140,607</b>	<b>₱2,748,509,287</b>	<b>₱183,444,772</b>	<b>₱2,931,954,059</b>

**iPeople, inc. and Subsidiaries****UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS****January 1 to June 30**

<i>(Php '000)</i>	<b>2015</b>	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱323,852</b>	₱296,446	₱245,714
Adjustments for:			
Depreciation and amortization (Notes 9, 12, 20 and 21)	<b>80,577</b>	67,257	26,114
Interest expense and other finance charges (Note 22)	<b>9,938</b>	8,114	8,529
Interest income (Notes 6, 7, 14 and 22)	<b>(5,642)</b>	(4,744)	(9,672)
Realized loss on disposal of financial asset at FVPL	–	–	–
Unrealized market gain on financial asset at FVPL	<b>(62)</b>	–	–
Unrealized foreign exchange loss	<b>(205)</b>	–	11
Operating income before working capital changes	<b>408,458</b>	367,073	270,696
Decrease (increase) in:			
Accounts receivable	<b>(64,367)</b>	(113,092)	(103,587)
Prepaid expenses and other current assets	<b>(36,073)</b>	(21,589)	34
Increase (decrease) in:			
Movement in net retirement asset and liability	<b>1,802</b>	3,603	(11,255)
Accounts payable and accrued expenses	<b>148,414</b>	141,200	362,631
Unearned tuition fees	<b>134,082</b>	120,888	71,770
Net cash generated from operations	<b>592,316</b>	498,083	590,289
Interest received	<b>5,710</b>	4,744	9,672
Interest paid	<b>(9,347)</b>	(8,114)	(8,529)
Income taxes paid	<b>(37,257)</b>	(44,223)	(37,520)
Net cash flows provided by operating activities	<b>551,422</b>	450,490	553,912
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of financial assets at FVPL	–	–	–
Acquisitions of:			
Property and equipment	<b>(286,446)</b>	(247,193)	(9,385)
Financial assets at FVPL	<b>62</b>	(4,717)	–
AFS Investments	<b>(6,003)</b>	–	–
Computer software	<b>(95)</b>	2,361	2,252
Payments made on lease liability	–	–	(534)
Decrease (increase) in amounts receivable from related parties	<b>1,009</b>	604	3,825
Net cash flows used in investing activities	<b>(291,473)</b>	(248,945)	(3,842)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of long-term debt	<b>(63,620)</b>	45,241	(99,076)
Dividends paid to stockholders	<b>(154,159)</b>	(98,301)	(96,667)
Increase (decrease) in amounts payables to related parties	<b>(9,499)</b>	758	(12,187)
Net cash flows used in financing activities	<b>(227,278)</b>	(52,302)	(207,930)

(Forward)

	<b>January 1 to June 30</b>		
	<b>2015</b>	2014	2013
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>₱205</b>	₱-	(₱11)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>32,876</b>	149,243	342,129
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,156,487</b>	739,344	738,827
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>₱1,189,363</b>	₱888,587	₱1,080,956

*See accompanying Notes to Consolidated Financial Statements.*

**iPeople, inc. and Subsidiaries****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

---

**1. Corporate Information**

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

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

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

**2. Basis of Preparation**

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

**Statement of Compliance**

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

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

**Basis of Consolidation and Investments in Subsidiaries**

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

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

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

	<b>Percentage of Ownership</b>		
	<b>2015</b>	2014	2013
Malayan Colleges, Inc. (Operating Under the Name of Mapua Institute of Technology) and subsidiaries	<b>93%</b>	93%	93%
Direct ownership of MCI on its subsidiaries:			
Mapua Information Technology Center, Inc.	<b>100</b>	100	100
Mapua Techserv, Inc.	<b>100</b>	100	100
Mapua Techpower, Inc.	<b>75</b>	75	75
Malayan High School of Science, Inc.	<b>100</b>	100	100
San Lorenzo Ruiz Institute of Health Sciences, Inc.	<b>100</b>	100	100
Malayan Colleges Laguna Inc. led by a Mapua School of Engineering	<b>100</b>	100	100
People eServe Corporation	<b>100</b>	100	100
Pan Pacific Computer Center, Incorporated	<b>100</b>	100	100

All subsidiaries were incorporated in the Philippines.

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

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

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

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

Noncontrolling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from the Group's shareholders' equity. Transactions with noncontrolling interests are handled in the same way as transactions with external parties.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. All intragroup balances, transactions, unrealized gains and losses resulting from intragroup transactions and dividends are eliminated in full.

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

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

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

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

---

### 3. Changes in Accounting Policies

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

- *Investment Entities (Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities, and PAS 27, Separate Financial Statements)*  
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments had no financial impact on the Group's consolidated financial statements.
- *PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*  
These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments had no impact on the Group as it has no offsetting arrangements.
- *PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*  
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and had no impact on the Group's financial position or performance.
- *PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*  
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments had no financial impact in the Group's consolidated financial statements.

- *Philippine Interpretation IFRIC 21, Levies*  
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. This interpretation has no impact on the Group as it has applied the recognition principle under PAS 37.

*Annual Improvements to PFRSs (2010-2012 cycle)*

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

*Annual Improvements to PFRSs (2011-2013 cycle)*

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

Standards Issued but not yet Effective

The Group has not applied the following PFRS and Philippine Interpretations which are not yet effective as of March 31, 2015. This list consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. The Group does not expect the adoption of these standards to have a significant impact in the consolidated financial statements, unless otherwise stated.

- *PFRS 9, Financial Instruments - Classification and Measurement (2010 version)*  
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9



was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

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

*Effective in January 1, 2015*

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

*Annual Improvements to PFRSs (2010-2012 cycle)*

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

- *PFRS 2, Share-based Payment - Definition of Vesting Condition*  
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition;
  - A performance target must be met while the counterparty is rendering service;
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
  - A performance condition may be a market or non-market condition; and
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

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

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

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

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

The amendments are applied retrospectively and clarify that:

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

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

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*

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

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

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment affects disclosures only and will have no impact on the Group's financial position or performance.

#### *Annual Improvements to PFRSs (2011-2013 cycle)*

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

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

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

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

- PFRS 13, *Fair Value Measurement - Portfolio Exception*

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

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

*Effective January 1, 2016*

- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*  
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will have no significant impact on the Group given that the Group has not used a revenue-based methods to depreciate its non-current assets.
- *PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants (Amendments)*  
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will have no significant impact on the Group's financial position or performance.
- *PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*  
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. These amendments are not expected to have any impact to the Group.
- *PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*  
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from

annual periods beginning on or after January 1, 2016. These amendments will have no significant impact on the Group's financial position or performance.

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

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

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

- PFRS 14, *Regulatory Deferral Accounts*

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

*Annual Improvements to PFRSs (2012-2014 cycle)*

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

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

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

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

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

- *PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*  
 This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendment will have no significant impact on the Group's financial position or performance.
- *PAS 19, Employee Benefits - regional market issue regarding discount rate*  
 This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment will have no significant impact on the Group's financial position or performance.
- *PAS 34, Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*  
 The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The amendment will have no significant impact on the Group's financial position or performance.

*Effective January 1, 2018*

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

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

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

compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

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

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

*IFRS 15, Revenue from Contracts with Customers*

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

---

#### 4. Summary of Significant Accounting Policies

##### Cash and Cash Equivalents

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

##### Financial Assets

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

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

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

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

- a. *Financial assets at FVPL.* This includes financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets at FVPL are recorded in the consolidated statement of financial position at fair value with unrealized mark-to-market gains and losses reported as part of the current year operations in the consolidated statement of comprehensive income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded in the consolidated statement of comprehensive income according to the terms of the contract, or when the right of payment has been established. Derivatives, including separated embedded derivatives are also classified as FVPL unless they are designated as effective hedging instruments or a financial guarantee contract.

The Group's financial assets at FVPL amounted to ₱8.02 million as of June 30, 2015 and December 31, 2014. This consists of peso-denominated investments in unit investment trust funds (UITFs) in Rizal Commercial Banking Corporation (RCBC). The mark to market loss and gain on these assets amounted to ₱0.06 million in 2015 and ₱1.99 million in 2014. In 2014, the Group disposed a significant portion of its financial assets at FVPL realizing a loss amounting ₱7.13 million.

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

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

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

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

- d. *AFS financial assets.* AFS financial assets are those non derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognized in the consolidated statement of comprehensive income.

The Group's AFS financial assets consist of investments in quoted common shares which amounted to ₱17.68 million and ₱16.99 million as at June 30, 2015 and December 31, 2014, respectively. The unrealized gain/(loss) on AFS amounted to (₱0.68) million and ₱4.63 million as of June 30, 2015 and December 31, 2014, respectively.

- e. *Derivative financial instruments.* Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in

the fair value of derivatives are included in the consolidated statement of comprehensive income.

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

The Group has no derivative financial instruments as at June 30, 2015 and December 31, 2014.

#### Financial Liabilities

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

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

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

The Group has no financial liabilities at FVPL as at June 30, 2015 and December 31, 2014.

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

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

#### *Fair value measurement*

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

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

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

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

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



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

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

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

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

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

#### *'Day 1' difference*

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

#### *Financial assets at FVPL*

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Changes in fair value relating to the held for trading positions are recognized in "Other income (loss)" account in the consolidated statement of comprehensive income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded when the right to receive payment has been established.

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

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

- The financial instrument contains an embedded derivative that would need to be separately recorded.

As of June 30, 2015 and December 31, 2014, the Group holds its quoted equity securities for trading purposes and classifies them as financial assets at FVPL.

#### *AFS financial assets*

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

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. These include government securities, equity investments and other debt instruments.

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

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

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

#### Offsetting Financial Instruments

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

This accounting policy relates to the net payable to PTC amounting ₱11.13 million and ₱10.25 million as of June 30, 2015 and December 31, 2014, respectively, and included under "Current portion of long-term debt" in the consolidated statements of financial position.

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

#### Impairment of Financial Assets

The Group assesses at each financial reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be

reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Assets carried at amortized cost*

For loans and receivables carried at amortized cost, the Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of comprehensive income. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as year-level of students.

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

*AFS financial assets*

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

Prepaid Expenses and Other Current Assets

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

Value-Added Tax (VAT)

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

Output VAT pertains to the 12% tax due on the local sale of goods or services by the Group.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts payables and accrued expenses" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Prepaid expenses and other current assets" account.

Property and Equipment

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

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

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

Depreciation is computed using the straight-line method over the estimated useful lives (EUL) of the related assets as follows:

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

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

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

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

Intangible Assets

The Group's intangible assets include goodwill and computer software as at June 30, 2015 and December 31, 2014.

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

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

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

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

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

#### Business Combination and Goodwill

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

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

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

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as bargain purchase gain.

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

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

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

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

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

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

#### Impairment of Property and Equipment, Computer Software and Goodwill

For property and equipment and computer software, the Group assesses at each reporting date whether there is any indication that an item of property and equipment and computer software may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the

asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. A previously recognized impairment loss is reversed by a credit to current operations to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined had no impairment loss been recognized for the asset in prior years.

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

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

#### Revenue Recognition

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

- Revenues from school and related operations are recognized as income over the corresponding school term. Unearned revenues are shown as unearned tuition fees in the consolidated statement of financial position and will be recognized as revenues when the educational service has been fulfilled in the applicable school term.
- Admission, examination and other fees are recognized as income when examination has been granted by the school and related services have been provided to the students.
- Sales of goods are recognized as revenue upon delivery of the goods and when the risks and rewards of ownership have passed to the buyer.
- Interest income is recognized as it accrues taking into account the effective yield on the asset.
- Rental income is recognized as revenue on a straight-line basis over the lease term.
- Maintenance, service and commission income are recognized when services are rendered.

#### Costs and Expenses

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

##### *Cost of school and related operations*

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

##### *Cost of goods sold*

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

the related sales have been recognized.

#### *Cost of services*

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

#### Retirement Cost

##### *Defined benefit plan*

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

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

Defined benefit costs comprise the following:

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

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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



## Income Taxes

### *Current tax*

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

### *Deferred tax*

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

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

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

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

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

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

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

## Leases

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

*Group as a lessee*

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

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

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

*Group as a lessor*

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

Equity

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

Retained earnings represent accumulated earnings less dividends declared and any adjustment arising from application of new accounting standards, policies or corrections of errors applied retroactively.

The Parent Company's retained earnings declarable as dividends amounted to ₱840.67 million and ₱889.21 million as at June 30, 2015 and December 31, 2014, respectively. Dividends distribution is approved by the BOD of the Parent Company.

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

Cost of Common Stock Held in Treasury

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

Foreign Currency-denominated Transactions and Translation

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

Basic and Diluted Earnings Per Share (EPS)

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

As of June 30, 2015 and December 31, 2014, the Group has no potential dilutive common shares.

Segment Reporting

The Group's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 24 to the consolidated financial statements.

Provisions

Provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense in profit or loss.

Contingencies

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

Events after the Financial Reporting Date

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

---

## 5. Significant Accounting Judgments and Estimates

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

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

#### Judgments

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

##### *Operating lease commitments - Group as a lessor*

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

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

##### *Contingencies*

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

#### Estimates

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

##### *Estimating allowance for impairment of receivables*

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

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

Allowance for impairment of receivables amounted to ₱63.70 million and ₱61.94 million as of June 30, 2015 and December 31, 2014, respectively (Note 7). The carrying value of receivables as at June 30, 2015 and December 31, 2014 amounted to ₱247.49 million and ₱183.19 million, respectively (Note 7). The carrying value of receivables from related parties as at June 30, 2015 and December 31, 2014 amounted to ₱1.48 million and ₱2.48 million, respectively (Note 14).

##### *Impairment of AFS financial assets*

The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The Group treats 'significant' generally as 20% or more of the original cost of investment, and 'prolonged' as greater than twelve months. In addition, the Group evaluates other factors, including

normal volatility in share price for quoted equities. The Group's AFS financial assets carried at fair value amounted to ₱17.68 million and ₱16.99 million as at June 30, 2015 and December 31, 2014, respectively. As at June 30, 2015 no impairment loss was recognized pertaining to the Group's AFS financial assets.

*Estimation of useful lives of property and equipment*

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

As at June 30, 2015 and December 31, 2014, net book value of depreciable property and equipment amounted to ₱1,409.59 million and ₱1,202.27 million, respectively (Note 9).

*Impairment of nonfinancial assets*

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

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

In 2014 and 2013, there are continuing indications of impairment in the property and equipment of MHSSI due to continuing losses of the school. Management assessed that the level of impairment is at the same level with 2009. In 2009, an impairment loss of ₱52.00 million was recognized to write-down certain assets of MHSSI. No additional impairment loss was recognized in 2015, 2014 and 2013.

As at June 30, 2015 and December 31, 2014, the carrying value of goodwill amounted to ₱137.85 million (Note 11).

The carrying value of the Group's property and equipment and computer software amounted to ₱3,953.98 million and 2.51 million, respectively as at June 30, 2015; and ₱3,746.67 million and ₱4.07 million, respectively as of December 31, 2014 (Notes 9 and 12).

---

## 6. Cash and Cash Equivalents

This account consists of:

	<b>Unaudited June 2015</b>	Audited December 2014
Cash on hand	<b>₱896,273</b>	₱889,100
Cash in banks	<b>163,887,932</b>	173,122,676
Cash equivalents	<b>1,024,578,674</b>	982,475,205
	<b>₱1,189,362,879</b>	₱1,156,486,981

---

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

Interest income from cash in banks and cash equivalents amounted to ₱4.46 million, ₱2.58 million and ₱9.23 million in June 2015, 2014 and 2013, respectively (Note 22).

There is no restriction on the Group's cash balances as at June 30, 2015 and December 31, 2014.

---

## 7. Receivables

This account consists of:

	<b>Unaudited June 2015</b>	Audited December 2014
Tuition and other fees	<b>₱229,952,388</b>	₱144,735,135
Other receivables		
Trade	<b>52,389,863</b>	65,905,314
Advances to officers and employees	<b>9,839,984</b>	10,354,357
Others	<b>19,001,336</b>	24,133,132
	<b>311,183,571</b>	245,127,938
Less allowance for impairment	<b>(63,696,303)</b>	(61,939,813)
	<b>₱247,487,268</b>	₱183,188,125

---

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

Advances to officers and employees represent receivables for the employees' share in car plan agreements. There were no amounts written-off during the year. Interest income from advances to officers and employees amounted to ₱1.18 million, ₱0.18 million and ₱0.45 million in June 2015, 2014 and 2013, respectively (Note 22).

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

The changes in collectively assessed allowance for doubtful accounts as at June 30 follow:

<b>June 2015</b>				
	<b>Tuition and other fees</b>	<b>Advances to officers and employees</b>	<b>Others</b>	<b>Total</b>
Balances at beginning of year	<b>₱49,180,963</b>	<b>₱5,754,719</b>	<b>₱7,004,131</b>	<b>₱61,939,813</b>
Provisions for the year (Note 21)	<b>1,756,490</b>	–	–	<b>1,756,490</b>
Balances at end of year	<b>₱50,937,453</b>	<b>₱5,754,719</b>	<b>₱7,004,131</b>	<b>₱63,696,303</b>

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

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

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

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

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

## 8. Prepaid Expenses and Other Current Assets

	<b>Unaudited June 2014</b>	<b>Audited December 2014</b>
Prepaid expenses	<b>₱32,403,780</b>	₱25,443,934
Fund for Engineering Development and Institutional Linkages (FEDIL)	<b>27,311,598</b>	14,294,289
Input value added tax	<b>25,850,843</b>	22,556,140
Refundable deposits	<b>2,462,885</b>	1,264,202
Office supplies	<b>938,268</b>	823,214
Creditable withholding tax	<b>488,947</b>	223,776
Others	<b>14,463,345</b>	3,241,341
	<b>₱103,919,666</b>	₱67,846,896

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

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

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

Refundable deposits pertain to advances on rentals.

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

Others relate to books inventory, deferred charges and other supplies.

## 9. Property and Equipment

The rollforward analysis of this account follows:

June 2015					
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	Total
<b>Cost</b>					
Balance at beginning of year	P1,123,307,692	P1,013,530,763	P22,941,698	P411,326,360	P2,571,106,513
Acquisitions	215,456,147	68,170,593	4,358,380	-	287,985,120
Reclassifications and adjustments	380,461,440	(839,369)	-	(380,461,440)	(839,369)
<b>Balance at end of year</b>	<b>1,719,225,279</b>	<b>1,080,861,987</b>	<b>27,300,078</b>	<b>30,864,920</b>	<b>2,858,252,264</b>
<b>Accumulated depreciation and amortization</b>					
Balance at beginning of year	645,331,401	709,004,656	14,499,978	-	1,368,836,035
Depreciation	29,000,095	48,217,807	1,713,880	-	78,931,782
Reclassifications and adjustments	(197,504)	1,019,708	76,950	-	899,154
<b>Balance at end of year</b>	<b>674,133,992</b>	<b>758,242,171</b>	<b>16,290,808</b>	<b>-</b>	<b>1,448,666,971</b>
<b>Net book value</b>	<b>1,045,091,287</b>	<b>322,619,816</b>	<b>11,009,270</b>	<b>30,864,920</b>	<b>1,409,585,293</b>
<b>Land at revalued amounts (Note 10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,544,397,819</b>
<b>Total</b>	<b>P 1,045,091,287</b>	<b>P 322,619,816</b>	<b>P 11,009,270</b>	<b>P30,864,920</b>	<b>P3,953,983,112</b>
December 2014					
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	Total
<b>Cost</b>					
Balance at beginning of year	P1,064,570,459	P847,761,101	P21,166,829	P45,261,293	P1,978,759,682
Acquisitions	14,629,484	166,606,905	1,774,869	410,172,816	593,184,074
Reclassifications and adjustments	44,107,749	(837,243)	-	(44,107,749)	(837,243)
<b>Balance at end of year</b>	<b>1,123,307,692</b>	<b>1,013,530,763</b>	<b>22,941,698</b>	<b>411,326,360</b>	<b>2,571,106,513</b>
<b>Accumulated depreciation and amortization</b>					
Balance at beginning of year	603,749,894	614,323,225	12,004,965	-	1,230,078,084
Depreciation (Notes 20 and 21)	41,581,507	93,844,190	2,495,013	-	137,920,710
Reclassification and adjustments	-	837,241	-	-	837,241
<b>Balance at end of year</b>	<b>645,331,401</b>	<b>709,004,656</b>	<b>14,499,978</b>	<b>-</b>	<b>1,368,836,035</b>
<b>Net book value</b>	<b>477,976,291</b>	<b>304,526,107</b>	<b>8,441,720</b>	<b>411,326,360</b>	<b>1,202,270,478</b>
<b>Land at revalued amounts (Note 10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,544,397,819</b>
<b>Total</b>	<b>P477,976,291</b>	<b>P304,526,107</b>	<b>P8,441,720</b>	<b>P411,326,360</b>	<b>P3,746,668,297</b>

In 2013, the Group entered into a contract with EEI Corporation for the construction of new school facilities in a bid to attract more students. This construction has two major phases. The first phase is the renovation and update of the existing gym amounting P44.11 million which was completed in 2014. The second phase is the construction of the new Research and Administration facility amounting P238.74 million. This started in May 2014 and was completed in January 2015.

On July 8, 2014, the Group also started the construction of the new engineering building in Laguna amounting P171.88 million which is expected to be completed in mid-Q3 2015. The building will be equipped with state-of-the-art facilities and interactive learning environment to aid the students in their advanced engineering studies.



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

Depreciation and amortization in June 2015, 2014 and 2013, amounting ₱71.53 million, ₱56.65 million and ₱46.86 million, respectively, are included under cost of school and related operations (Note 20). While depreciation and amortization charged to general and administrative expenses amounted to ₱9.05 million, ₱10.61 million and ₱26.11 million in June 2015, 2014 and 2013, respectively (Note 21).

---

## 10. Land at Revalued Amounts

This account consists of:

	<b>Unaudited June 2015</b>	Audited December 2014
Balance at beginning of year	<b>₱2,544,397,819</b>	₱2,444,685,837
Capitalizable costs	–	983,380
Appraisal increase	–	98,728,602
Balance at end of year	<b>₱2,544,397,819</b>	₱2,544,397,819

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

Land at cost amounted to ₱2.39 billion as at June 30, 2015 and December 31, 2014, respectively. Capitalizable costs include taxes paid for the purchase of land.

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

---

## 11. Goodwill

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

The Group performed its annual impairment test on its goodwill with indefinite useful lives as of December 31, 2014. The recoverable amount of goodwill was determined based on value in use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The cash flow projections considered the impact of the Enhanced K+12 Basic Education Program on MCI's financial performance effective in 2016. Cash flows beyond the five-year period are assumed to be without growth. There are no impairment loss recognized on goodwill in 2015, 2014 and 2013.

---

## 12. Other Noncurrent Assets

This account consists of:

	<b>Unaudited June 2015</b>	Audited December 2014
Computer software	<b>₱2,505,906</b>	₱4,065,556
Retirement asset	<b>732,228</b>	732,228
Miscellaneous deposits	<b>386,080</b>	386,080
	<b>₱3,624,214</b>	₱5,183,864

Computer software is amortized over a period of three years. Amortization of computer software charged to operations in June 2015, 2014 and 2013 amounted to ₱1.65 million ₱2.74 million, and ₱2.25 million, respectively (Notes 20 and 21). There was no impairment recognized for computer software during the year and in prior periods.

The rollforward analysis of computer software are as follows:

	<b>Unaudited June 2015</b>	Audited December 2014
<b>Cost</b>		
Balance at the beginning of the year	<b>₱29,837,359</b>	₱29,374,930
Additions	<b>95,584</b>	462,429
Balance at the end of the year	<b>29,932,943</b>	29,837,359
<b>Accumulated Amortization</b>		
Balance at the beginning of the year	<b>25,771,803</b>	20,281,922
Amortization (Notes 20 and 21)	<b>1,655,233</b>	5,489,881
Balance at the end of the year	<b>27,427,036</b>	25,771,803
<b>Net Book Value</b>	<b>₱2,505,907</b>	₱4,065,556

Amortization charged to cost of school and related operations amounted to ₱0.45 million, ₱0.50 million and ₱0.50 million in June 2015, 2014 and 2013, respectively (Note 20). While amortization charged to general and administrative expenses amounted to ₱1.20 million, ₱2.24 million and ₱1.75 million in June 2015, 2014 and 2013, respectively (Note 21).

### 13. Accounts Payable and Accrued Expenses

This account consists of:

	<b>Unaudited June 2015</b>	Audited December 2014
Accounts payable	<b>₱363,511,294</b>	₱276,787,116
Accrued expenses	<b>255,194,177</b>	217,056,760
Funds payables	<b>100,703,292</b>	80,588,606
Other payables	<b>8,095,768</b>	4,066,327
	<b>₱727,504,531</b>	₱578,498,809

Accounts payable pertains to the Group's obligation to local suppliers. The liability arises from purchases of various supplies which includes construction inputs in relation to the ongoing construction in MCL.

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

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

Accrued expenses consist of:

	<b>Unaudited June 2015</b>	Audited December 2014
Contingent liability (Note 25)	<b>₱144,835,772</b>	₱144,835,772
Accrued professional fees	<b>13,136,789</b>	15,730,590
Withholding taxes and others	<b>16,107,933</b>	9,392,303
Accrued salaries and wages	<b>31,718,446</b>	4,218,239
SSS and other contributions	<b>3,486,059</b>	2,553,806
Accrued interest	<b>2,441,970</b>	2,439,820
Payable to suppliers	<b>8,323,690</b>	4,817,926
Accrued utilities	<b>6,373,918</b>	2,373,995
Insurance	<b>2,842,765</b>	1,921,782
Accrued communication expense	<b>1,784,555</b>	1,791,626
Others	<b>24,142,280</b>	26,980,901
	<b>₱255,194,177</b>	₱217,056,760

Other accruals pertain to business taxes.

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

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

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

#### 14. Related Party Transactions

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

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

	<b>June 2015</b>			
	Amount / Volume	Receivables from (Payables to)	Terms	Conditions
<b>Parent Company</b>				
a) Receivables from related parties	<b>₱-</b>	<b>₱319,454</b>	<b>Noninterest-bearing, due and demandable</b>	<b>Unsecured</b>
Rental income	-	-		
b) Payables to related parties	-	<b>(6,311,216)</b>	<b>Noninterest-bearing, due and demandable</b>	<b>Unsecured</b>
Management fee and other professional	<b>20,237,276</b>	-		

June 2015				
	Amount / Volume	Receivables from (Payables to)	Terms	Conditions
fees				
<b>Entities under common control of HI</b>				
c) Receivables from related parties	–	478,904	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income	1,223,584	–	–	–
d) Payables to related parties	–	(P5,375,718)	Noninterest-bearing, due and demandable	Unsecured
Contracted services	18,513,155	–	–	–
<b>Entities under common control of PMMIC</b>				
e) Cash and cash equivalents	1,188,466,604	1,188,466,604	Interest at prevailing deposit and short-term rates	Unsecured, no impairment
Interest income	4,458,518	–	–	–
f) Receivables from related parties	–	678,621	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income	13,817,192	–	–	–
g) Payables to related parties	–	–	Noninterest-bearing, due and demandable	Unsecured
Insurance expense	1,806,512	–	–	–
h) Long-term debt	–	(365,500,000)	10-year, interest at 3- mo. PDST-F plus spread per quarter	Secured
Interest expense	9,903,120	–	–	–
December 2014				
	Amount / Volume	Receivables from (Payables to)	Terms	Conditions
Parent Company				
i) Receivables from related parties	P–	P319,454	Noninterest-bearing, due and demandable	Unsecured
Rental income	2,759,583	–	–	–
j) Payables to related parties	–	(5,287,933)	Noninterest-bearing, due and demandable	Unsecured
Management fee and other professional fees	45,879,047	–	–	–
Entities under common control of HI				
k) Receivables from related parties	–	449,077	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income	2,482,168	–	–	–
l) Payables to related parties	–	(15,898,172)	Noninterest-bearing, due and demandable	Unsecured
Contracted services	151,849,600	–	–	–
Entities under common control of PMMIC				
m) Cash and cash equivalents	1,155,597,881	1,155,597,881	Interest at prevailing deposit and short-term rates	Unsecured, no impairment
Interest income	6,943,136	–	–	–
n) Receivables from related parties	–	1,717,374	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income	24,425,101	–	–	–
o) Payables to related parties	–	(11,997)	Noninterest-bearing, due and demandable	Unsecured
Insurance expense	4,767,620	–	–	–
p) Long-term debt	–	(430,000,000)	10-year, interest at 3-mo. PDST-F plus spread per quarter	Secured
Interest expense	19,533,116	–	–	–

The Group's significant transactions with related parties follow. Outstanding balances are expected to be settled in cash. As at June 30, 2015 and December 31, 2014, there were no provisions for doubtful receivables pertaining to related party balances.

a) *Receivables from Parent Company*

This account pertains to services provided by PPCC to HI. These are non-interest bearing and are payable on demand.

b) *Payable to Parent Company*

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

c) *Receivables from entities under common control of HI*

Receivables from entities under common control of HI arise from lease of canteen spaces in Makati and Intramuros properties to one of the subsidiaries of the Parent Company. The term of the lease is for one year and renewable with uniform rental payments.

d) *Payable to entities under common control of HI*

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

e) *Cash and cash equivalents*

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

Interest income earned amounted to ₱4.46 million, ₱2.58 million and ₱9.23 million in June 2015, 2014 and 2013, respectively (Note 22).

f) *Receivables from entities under common control of PMMIC*

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

	2015	2014
Within one (1) year	<b>₱13,485,674</b>	₱13,485,674
More than 1 year but not more than 5 years	<b>67,428,372</b>	67,428,372
	<b>₱80,914,046</b>	₱80,914,046

g) *Payables to entities under common control of PMMIC*

The Group's maintains property and personnel insurance with its affiliated insurance company, Malayan Insurance Company, Inc. (MICO). Insurance contract coverage pertains to the Group's fire, accident, group and other insurance policies.

h) *Long-term debt*

This pertains to the Group's ₱860.00 million long-term loan to refinance its previous loans with RCBC, collateralized by the Company's Makati and Manila properties. In 2015 and 2014, payments made in relation to the principal amount totaled ₱64.50 million ₱86.00 million, respectively.

Interest expense recognized amounted to ₱9.90 million, ₱8.10 million and ₱8.53 million in June 2015, 2014 and 2013, respectively.

## 15. Long-term Debt

This account consists of:

	<b>Unaudited June 2015</b>	Audited December 2014
Loans from financial institutions	<b>₱451,500,000</b>	₱516,000,000
Payable to PTC - net	<b>11,130,827</b>	10,250,715
	<b>462,630,827</b>	526,250,715
Less current portion of long-term debt	<b>97,130,827</b>	96,250,715
	<b>₱365,500,000</b>	₱430,000,000

### A. *Loans from financial institutions*

These include loans obtained from local banks. Details as at June 30, 2015 follow:

	<b>Unaudited June 2015</b>	Audited December 2014
Peso-denominated syndicated bank loan payable after 10 years starting November 2010 without grace period on principal payment, subject to floating rate equal to the 3-month Philippine Dealing System Treasury Reference Rates-Fixing (PDST-F) plus a per annum spread of 1.75% payable in accelerating amounts up to November 22, 2020.	<b>₱451,500,000</b>	₱516,000,000
Less current portion of long-term debt	<b>86,000,000</b>	86,000,000
	<b>₱365,500,000</b>	₱430,000,000

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

This loan is backed up by land properties in Manila and Makati owned by the Group. The unpaid principal amount is subject to floating rate equivalent to 3-month PDST-F plus a per annum spread of 1.75%. The carrying value of the collateral amounted to ₱1,400.00 million both in 2015 and 2014. Interest expense charged to operations in June 2015, 2014 and 2013 amounted to ₱9.90 million, ₱8.10 million and ₱8.53 million, respectively (Note 22).

### B. *Payable to PTC*

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

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

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

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

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

As at June 30, 2015 and December 31, 2014, payable to PTC amounted to ₱11.13 million and ₱10.25 million, respectively, for its share in the income of tuition and other matriculation fees of students of the Malayan-PTC CMET. The outstanding balance of ₱11.13 million and ₱10.25 million are payable in 2015, and is recorded under current liabilities.

---

## 16. Retained Earnings

In accordance with SRC Rule No. 68, As Amended (2011), Annex 68-C, after reconciling items, the Parent Company's retained earnings available for dividend declaration as of June 30, 2015 amounted to ₱840.67 million.

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

---

## 17. Capital Stock

Capital stock consists of 2,000,000,000 authorized and 748,932,949 issued and outstanding common shares as at June 30, 2015 and December 31, 2014 with a par value of ₱1 per share.

On September 15, 1989, SEC approved the registration of the Company's entire authorized capital stock with a Certificate of Permit to Sell Securities authorizing the sale of 25 billion shares worth ₱250 million. The Company's capital stock was listed in both Manila and Makati Stock Exchanges on January 24, 1990. Actual number of shares initially listed is 15 billion at an offer price of ₱0.01 per share.

Below is the summary of the Parent Company's outstanding number of shares and holders of securities as of June 30, 2015:

Year	Number of Shares Registered	Number of holders of securities as of year end
January 1, 2015	748,932,949	2,070
Add (deduct) movement	–	–
June 30, 2015	748,932,949	2,070
Add (deduct) movement	–	–
June 30, 2015	748,932,949	2,070

*Note: Exclusive of 272 treasury shares.*

---

## 18. Cash Dividends

The BOD declared cash dividends as follows:

	2015	2014	2013
March 23, 2015, 8% cash dividends (₱0.06 per share) to stockholders of record as of April 20, 2015, paid on May 8, 2015	<b>₱44,935,993</b>	₱–	₱–
November 21, 2014, 8% cash dividends (₱0.08 per share) to stockholders of	–	59,914,661	–

record as of December 19, 2014, paid on January 21, 2015			
November 21, 2014, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 19, 2014, paid on January 21, 2015	–	44,935,993	–
September 18, 2014, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 16, 2014, paid on November 6, 2014	–	44,935,993	–
July 3, 2014, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 31, 2014, paid on August 22, 2014	–	44,935,993	–
March 24, 2014, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 21, 2014, paid on May 15, 2014	–	44,935,993	–
December 20, 2013, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 13, 2012, paid on January 17, 2014	–	–	44,935,993
October 10, 2013, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 31, 2012, paid on November 5, 2013	–	–	44,935,993
July 26, 2013, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 31, 2012, paid on August 16, 2013	–	–	44,935,993
April 16, 2013, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 31, 2012, paid on May 10, 2013	–	–	44,935,993
	<b>₱44,935,993</b>	<b>₱239,658,633</b>	<b>₱179,743,972</b>

## 19. Revenue from School and Related Operations

This account consists of:

	2015	2014	2013
Tuition fees and other matriculation fees	<b>₱931,256,998</b>	₱850,901,402	₱762,258,530
Bookstore income	<b>10,999,888</b>	6,336,880	7,676,202
Seminar fee income	<b>1,289,734</b>	1,476,374	12,920,303
Miscellaneous	<b>49,022,649</b>	42,848,091	31,239,045
	<b>₱992,569,269</b>	<b>₱901,562,747</b>	<b>₱814,094,080</b>

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



---

**20. Cost of School and Related Operations**

This account consists of:

	2015	2014	2013
Personnel expenses	<b>₱286,103,432</b>	₱248,524,445	₱254,998,992
Depreciation and amortization	<b>71,530,607</b>	56,646,695	46,858,778
Student-related expenses	<b>62,703,754</b>	46,279,093	54,582,658
Utilities	<b>44,530,443</b>	40,883,199	36,056,599
Management and other professional fees	<b>32,351,691</b>	34,422,069	40,275,806
Tools and library books	<b>14,054,798</b>	12,579,317	6,332,186
Advertising	<b>10,184,447</b>	4,541,999	3,880,290
Seminar	<b>6,903,993</b>	6,209,855	102,551
Periodicals	<b>6,873,118</b>	370,208	1,377,308
Accreditation cost	<b>6,228,248</b>	2,083,101	1,716,516
Repairs and maintenance	<b>4,566,167</b>	4,921,768	5,315,764
Laboratory supplies	<b>3,938,010</b>	2,403,876	855,918
Research and development	<b>3,459,844</b>	3,678,085	1,958,477
Office supplies	<b>3,050,481</b>	1,960,365	2,839,317
Insurance	<b>1,906,229</b>	1,528,609	2,106,416
Taxes and licenses	<b>1,065,010</b>	-	819,296
Transportation and travel	<b>968,153</b>	435,366	463,676
Rent	<b>762,025</b>	670,831	1,173,965
Entertainment, amusement and recreation	<b>176,947</b>	404,872	985,029
Miscellaneous	<b>1,875,584</b>	5,499,352	3,017,873
	<b>₱563,232,981</b>	₱474,043,105	₱ 465,717,415

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

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

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

Rent expense went up due to increase in photocopier rentals and classrooms outside campus to accommodate the increase in number of students enrolled.

---

**21. General and Administrative Expenses**

This account consists of:

	2015	2014	2013
Management and other professional fees	<b>₱42,644,057</b>	₱44,605,442	₱31,799,045
Personnel expenses	<b>32,074,095</b>	50,949,609	32,609,172
Depreciation and amortization	<b>9,046,234</b>	10,609,919	26,114,079
Taxes and licenses	<b>3,489,462</b>	3,107,081	2,174,971
Utilities	<b>2,569,005</b>	2,982,223	3,283,318
Advertising	<b>2,504,771</b>	4,009,017	2,609,085
Repairs and maintenance	<b>1,847,435</b>	4,254,044	1,087,534
Provision for impairment of receivables	<b>1,830,197</b>	-	-
Entertainment, amusement and recreation	<b>1,307,240</b>	1,357,077	1,232,859
Rent	<b>1,179,008</b>	873,520	1,277,291
Office supplies	<b>816,140</b>	1,761,733	637,385
Transportation and travel	<b>742,046</b>	1,390,178	640,271
Seminar	<b>637,324</b>	1,592,246	79,606
Accreditation cost	<b>591,290</b>	101,378	240,762
Insurance	<b>575,532</b>	607,676	371,711
Commission	<b>100,478</b>	34,183	-
Donations	-	6,812,079	6,170,931
*Miscellaneous	<b>3,537,034</b>	6,144,678	2,469,146
	<b>₱105,491,348</b>	₱141,192,083	₱112,797,166

Management and professional fees are lower compared to last year due to decrease in security and janitorial employees, management fee and legal fees. Personnel expense went down because of the decrease in non-teaching personnel.

Full depreciation of several laboratory equipments was the reason for lower depreciation and amortization. Significant dropped in advertising expenses is due to the changes in marketing plan and strategies of the group during the year.

Provision for impairment of receivables is due to the increase in back accounts.

Decrease in office supplies is related to the decrease in non-teaching personnel of schools. Increase in accreditation cost pertains to certification of MCLI with PTC ACBET.

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

---

**22. Interest Income, Interest and Other Finance Charges**

The Group's interest income consists of interest from the following sources as of June 30:

	2015	2014	2013
Cash in banks and cash equivalents (Note 6)	<b>₱4,458,518</b>	₱2,577,060	₱9,225,947
Advances to officers and employees (Note 7)	<b>1,183,514</b>	175,594	446,172
	<b>₱5,642,032</b>	₱2,752,654	₱9,672,119

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

	2015	2015	2014
Long-term debt (Note 15)	<b>₱9,903,395</b>	₱8,096,916	₱8,528,636
Loans payable	<b>35,000</b>	17,359	–
	<b>₱9,938,395</b>	₱8,114,275	₱8,528,636

---

### 23. Noncontrolling Interest

This represents shareholdings in subsidiaries not held by the Group.

---

### 24. Operating Segment Information

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

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

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

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

The Group does not report its results based on geographical segments because the Group operates only in the Philippines.

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

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

**SEGMENT REPORTING**  
**As of June 30, 2015, 2014 and 2013**  
*(In million pesos)*

	Information Technology and Education			Others			Elimination			Consolidated		
	<b>Jun-15</b>	Jun-14	Jun-13	<b>Jun-15</b>	Jun-14	Jun-13	<b>Jun-15</b>	Jun-14	Jun-13	<b>Jun-15</b>	Jun-14	Jun-13
<b>Revenues</b>	<b>P 1,001</b>	P909	P828	<b>P69</b>	P83	P47	<b>(P0.49)</b>	(P0.31)	(P1)	<b>P1,069</b>	P991	P874
<b>Net Income</b>	<b>297</b>	270	234	<b>(6)</b>	(4)	(15)	-	-	-	<b>291</b>	266	219
<b>Total Assets</b>	<b>6,428</b>	5,924	5,442	<b>1,730</b>	1,717	1,599	<b>(2,484)</b>	(2,442)	(2,416)	<b>5,674</b>	5,199	4,625
<b>Total Liabilities</b>	<b>1,833</b>	1,915	1,777	<b>141</b>	179	129	<b>(454)</b>	(412)	(212)	<b>1,520</b>	1,682	1,694

---

## 25. Commitments and Contingencies

### *Operating lease - Group as a lessor*

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

	<b>Unaudited</b>	Audited
	<b>June 2015</b>	December 2014
Within one (1) year	<b>₱13,485,674</b>	₱13,485,674
More than 1 year but not more than five (5) years	<b>67,428,372</b>	67,428,372
	<b>₱80,914,046</b>	₱80,914,046

### *Operating lease - Group as a lessee*

The Group entered into a lease agreement with Grepa Realty Holdings Corporation for the use of the premises located at the Third floor of Grepalife Tower Building for a period of one (1) year from January 1, 2015 to December 31, 2015 with a monthly rental of ₱29,544.

### *Contingencies*

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

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

## **iPeople, inc. and Subsidiaries**

### **Supplementary Information and Disclosures Required On SRC Rule 68 and 68.1, As Amended June 30, 2015**

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68 and 68.1 as amended that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

#### **Schedule A. Financial Assets in Equity Securities**

Below is the detailed schedule of financial assets in equity securities of the Group as of June 30, 2015:

Name of Issuing entity and association of each issue	Number of Shares	Amount Shown in the Statement of Financial Position	Value Based on Market Quotation at end of second quarter	Income Received and Accrued
<b>AFS financial assets</b>				
Quoted:				
Petro Energy Resources Corporation	2,740,890	₱17,678,741	₱4.30	(₱5,317,327)

The basis in determining the value of equity securities is the market quotation as at June 30, 2015.

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

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

Name	As of December 31, 2014	Additions	Liquidations/ Collections	As of June 30, 2015
Papas, Aileen Kate A.	₱360,787	₱61,268	₱44,427	₱377,628
Geguiento, Edgardo P.	395,323	—	46,545	348,778
Apsay, Christopher	379,504	—	31,929	347,575
Ballado, Alejandro Jr.	—	327,242	—	327,242
Balan, Ariel Kelly	363,942	—	42,817	321,125
Cabanilla, Angela Celine	347,226	—	39,596	307,630
Cinco, Arnold	347,226	—	39,596	307,630
Camus, Rosette Eira	341,133	—	39,596	301,537
Sabio, Maurice	297,557	—	41,800	255,757
Hofilena, Joy	288,830	—	41,800	247,030
Uy, Francis Aldrine	280,146	—	42,846	237,300
Arenillo, Denise Jordan	270,933	—	47,559	223,374
Kikuchi, Khristian	261,959	—	38,834	223,125
Macayan, Jonathan	264,365	—	41,911	222,454
Teodoro, Gloria	199,000	—	43,117	155,883
Bitor, Rolando	170,270	—	41,050	129,220
Tablante, Dennis H.	146,850	—	39,958	106,892
	<b>₱4,715,051</b>	<b>₱388,510</b>	<b>₱663,381</b>	<b>₱4,440,180</b>

These advances pertain to the officers and employees car plan agreements. Such advances are interest-bearing and shall be liquidated on a monthly basis. There were no amounts written off during the year.

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

Below is the schedule of receivables and payables with related parties, which are eliminated in the consolidated financial statements as at June 30, 2015:

Name	Volume of transactions	Receivables	Terms
Pan Pacific Computer Center, Inc.	Share in expenses	₱1,104,410	Non-interest bearing and to be settled within the year

Schedule D. Intangible Assets

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

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Ending balance
Goodwill	₱137,853,345	₱-	₱-	₱137,853,345
Computer software	4,065,556	95,584	(1,655,233)	2,505,907
	₱141,918,901	₱95,584	(₱1,655,233)	₱140,359,252

Schedule E. Long term debt

*Loan from Financial Institutions*

On November 22, 2010, the Group obtained a loan from RCBC amounting to ₱860.00 million, payable within ten (10) years. The loan is subject to floating rate equivalent to 3-month Philippine Dealing System Treasury Reference Rates-Fixing (PDST-F) plus a per annum spread of 1.75%. The loan is payable in forty (40) equal quarterly installments starting February 2011 until November 2020.

Details as of June 30, 2015 follow:

Type of Obligation	Amount	Current	Noncurrent
Syndicated bank loan	₱451,500,000	₱86,000,000	₱365,500,000

Schedule F. Indebtedness to Related Parties (Long Term Loans from Related Companies)

Please refer to Schedule E for the details of indebtedness to related parties.

Schedule G. Guarantees of Securities of Other Issuers

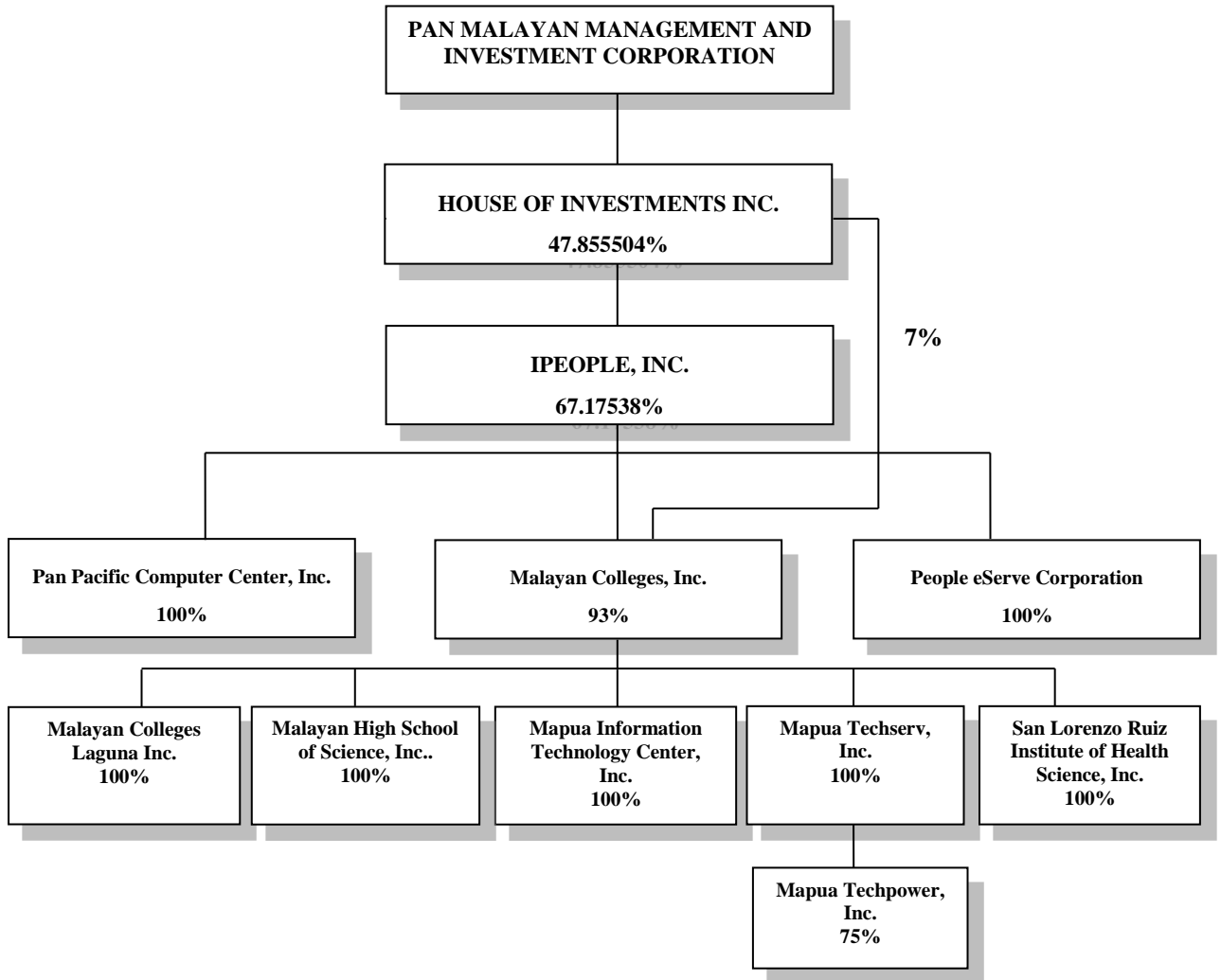
As at June 30, 2015, the Group does not guarantee any securities.

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	748,932,949	-	589,842,064	1,192,028	159,091,157

*Group Structure*

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





## **iPeople, inc. and Subsidiaries**

### **SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS**

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

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

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

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of June 30, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 17</b>	Leases	√		
<b>PAS 18</b>	Revenue	√		
<b>PAS 19</b>	Employee Benefits	√		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	√		
<b>PAS 19 (Amended)</b>	Employee Benefits		√	
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			√
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	√		
	Amendment: Net Investment in a Foreign Operation			√
<b>PAS 23 (Revised)</b>	Borrowing Costs	√		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	√		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			√
<b>PAS 27</b>	Consolidated and Separate Financial Statements	√		
<b>PAS 27 (Amended)</b>	Separate Financial Statements		√	
<b>PAS 28</b>	Investments in Associates	√		
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures			√
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			√
<b>PAS 31</b>	Interests in Joint Ventures	√		
<b>PAS 32</b>	Financial Instruments: Disclosure and Presentation	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendment to PAS 32: Classification of Rights Issues			√
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	√		
<b>PAS 33</b>	Earnings per Share	√		
<b>PAS 34</b>	Interim Financial Reporting			√
<b>PAS 36</b>	Impairment of Assets	√		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	√		
<b>PAS 38</b>	Intangible Assets	√		
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement			√
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			√

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

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

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

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

**iPeople, inc. and Subsidiaries****RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR  
DIVIDEND DECLARATION**

<b>Items</b>	<b>Amount</b>
Unappropriated Retained Earnings, beginning	<b>₱889,207,283</b>
Adjustments:	
(see adjustments in previous year's reconciliation)	-
Unappropriated retained earnings, as adjusted, beginning	<b>889,207,283</b>
Net income / (loss) as at the quarter	<b>(3,605,824)</b>
Less: Non-actual/unrealized Income net of tax	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain	-
Fair value adjustment (M2M gains)	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustments due to deviation from PFRS/GAAP - loss	-
Net Income Actual/Realized	<b>(3,605,824)</b>
Dividends declaration during the year	<b>(44,935,993)</b>
Treasury stock	<b>(209)</b>
Unappropriated Retained Earnings, as adjusted, ending	<b>₱840,665,257</b>

**iPeople, inc. and Subsidiaries**  
**Aging of Accounts Receivable**  
**For the quarter ended June 30, 2015**


	No. of days due			Total
	0-30	31-60	Over 61 days	
Education	<b>₱153,097,489</b>	<b>₱15,194,324</b>	<b>₱61,660,573</b>	<b>₱229,952,386</b>
Information technology	<b>10,755,962</b>	<b>14,534,334</b>	<b>27,099,567</b>	<b>52,389,863</b>
Parent and others	<b>8,550,915</b>	<b>6,789,392</b>	<b>13,501,015</b>	<b>28,841,322</b>
Total	<b>172,404,366</b>	<b>36,518,050</b>	<b>102,261,155</b>	<b>311,183,571</b>
Less: Allowance for doubtful accounts	<b>(23,529)</b>	<b>(47,126)</b>	<b>(63,625,648)</b>	<b>(63,696,303)</b>
	<b>₱172,380,837</b>	<b>₱36,470,924</b>	<b>₱38,635,507</b>	<b>₱247,487,268</b>

## SIGNATURES

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

**Issuer** : iPeople, inc.

**Signature and Title**

  
: **JOSE MARI G. CASTILLO III**  
SVP Finance, Treasurer & Compliance Officer

**Signature and Title**

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

**Date** : August 14, 2015