

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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### COMPANY NAME

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### PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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Form Type

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Department requiring the report

S	E	C
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Secondary License Type, If Applicable

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### COMPANY INFORMATION

Company's Email Address

N/A

Company's Telephone Number

815-9636

Mobile Number

N/A

No. of Stockholders

2,054

Annual Meeting (Month / Day)

7/3

Fiscal Year (Month / Day)

6/30

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Maria Teresa T. Bautista

Email Address

mtbautista@hoi.com.ph

Telephone Number/s

815-9636

Mobile Number

N/A

### CONTACT PERSON'S ADDRESS

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

**NOTE 1 :** 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.

**2 :** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

**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, 2016
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, 2016 P1.214 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 ( )

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## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

The interim consolidated financial statements of iPeople, Inc. and Subsidiaries as of June 30, 2016 with comparative figures for the periods ended June 30, 2015 and December 31, 2015 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 cash flow are from operations and dividends.

*(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;*

Malayan Colleges, Inc. (MCI) (operating under the name of Mapua Institute of Technology) (a subsidiary of iPeople, Inc., acquired a 2.3-hectare property in Davao through its newly incorporated school, Malayan Colleges Mindanao (A Mapua School), Inc. in the last quarter of 2015. Groundbreaking and construction will commence in third quarter of 2016. The project is estimated to cost around ₱2 billion and will be funded partially by debt.

*(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.*

The K Plus 12 program of the DepEd calls for the two extra years of basic education to be phased in starting in 2016. Starting 2016, there will be two years where there will be no students moving on to tertiary studies. This will severely impact the profit and cashflow of both for-profit and non-profit tertiary education institutions during the transition period.

Malayan Colleges, Inc. and Malayan Colleges Laguna, Inc. received approval from the DepEd to offer Senior High School. Starting in 2016, both campuses took in Grade 11 students and will also take in Grade 12 students starting 2017.

Also, as a strategic response to the K Plus 12 developments, iPeople is actively seeking opportunities to expand its current education portfolio.

*(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 2016, IPO showed a consolidated net income after tax of ₱336.86 million against ₱290.78 million last year. Growth of 16% is attributable to steady stream of revenues from Mapua group.

Total revenues were up by 8%, from ₱1.07 billion to ₱1.16 billion this year. This was primarily driven by the strong results from school operations.

Revenues from school operations went up from ₱975.80 million to ₱1.08 billion, due to continuous increase in the number of enrollees, number of units taken by the students and increase in tuition fees across all levels.

Sale of goods was lower by ₱16.29 million, from ₱67.47 million of same quarter last year to ₱51.18 million this year. This pertains to the hardware reselling business of our IT Company, Pan Pacific Computer Center, Inc. (PPCCI).

Sale of services pertains primarily to Oracle services provided by PPCCI which was not present last year. Last year pertains to lease of office spaces which ended in June 2015.

Cost of sales and services went up by 3% primarily attributable to higher cost of tuition and other fees, such as (a) student-related expenses because of higher student welfare activities, scholarship grants

and educational aid; (b) depreciation cost due to completed construction of new school building and renovation of school's gym and admission office; (c) management and other professional fees because of increase in average cost per personnel; (d) insurance due to new insurance coverage for the new building and renovated offices; and (e) personnel expenses due to increase in faculty headcount and rates.

Administrative and general expenses increased by 21% or ₱22.46 million higher from same period last year. Increase is primarily attributable to the following:

- Personnel expenses due to increase in the average salary and manpower to support the increase in the number of students;
- Professional fees due to increase in contracted services and higher audit fees;
- Depreciation for the new building which started on the 3<sup>rd</sup> quarter of 2015;
- Seminar because of additional trainings;
- Advertising due to intensified campaign for senior high school level;

Interest income was lower by 26% this year because of lower volume of placements as of the period.

Interest expense and other charges went down by 48% due to lower loan amount as the Group accelerated its principal payment last year.

Other income includes income from investment in Unit Investment Trust Fund (UITF). Increase is due to an accounting adjustment pertaining to correction of prior year's transaction.

### **Balance Sheet Variances**

Total consolidated assets stood at ₱6.26 billion as of the quarter ending June 30, 2016 compared to ₱5.90 billion as of December 2015.

Cash and cash equivalents increased by 53% or ₱316.97 million higher than year-end last year as the enrollment for the next school term started.

Receivables mainly pertain to school-related fees, which is 46% higher than December 2015 because of the timing of enrollment period.

Receivables from related parties decreased by ₱0.78 million, which pertains mainly to receivables from an affiliate for the lease of space.

Prepaid expense and other current assets increased due to increase in unapplied input tax and timing of purchase of office supplies.

Financial assets at fair value through profit and loss pertains to investment of MCI in UITF.

Available-for-sale securities increased from 14.39 million to 16.28 million because of higher market value.

Other noncurrent assets pertain to computer software cost, at net of amortization, and security deposits. Increase is due to school's acquisition of new receipting system.

Total consolidated liabilities were higher by 11%, primarily because of the timing of enrollment for the period which resulted to an increase in unearned tuition fees.

Accounts payable and accrued expenses pertains primarily to accrual of salaries and related costs, and obligations to local suppliers. Payables to related parties pertain mainly to several services extended to the Group. Income tax payable is lower due to payment made in May 2016 for the quarter ended March 2016. Unearned tuition fees significantly increased because of the timing of enrollment for 2016-2017, which started in June 2016. Dividends payable ending December 31, 2015 was settled in January 2016. The balance of ₱54.79 million pertains to current dividend declaration, which is due in August 2016.

Long-term debt represents remaining loan of MCI to RCBC, which will mature in May 2018.

Total consolidated equity increased from ₱4.80 billion to ₱5.05 billion this quarter. Equity attributable to Parent is at ₱4.72 billion, from ₱4.50 billion last December 2015.

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

Every summer quarter, the school operations undergo a material change. 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 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.

*Financial Soundness Indicator*

The company's top 10 key performance indicators as of the period ended June 30, 2016, June 30, 2015 and December 31, 2015 are as follows:

Financial ratios		Unaudited June 2016	Unaudited June 2015	Audited December 2015
Current ratio <i>Indicates the Group's ability to pay short-term obligation</i>	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<b>1.34:1</b>	1.53:1	1.11:1
Solvency Ratio <i>Shows how likely a company will be to continue meeting its debt obligations</i>	$\frac{\text{Net Income+Depreciation}}{\text{Total Liabilities}}$	<b>0.36:1</b>	0.24:1	0.89:1
Debt-to-equity ratio <i>Measures the Group's leverage</i>	$\frac{\text{Net Debt}}{\text{Equity}}$	<b>0.24:1</b>	0.37:1	0.23:1
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>1.24:1</b>	1.37:1	1.23:1
Interest Rate Coverage <i>Shows how easily a company can pay interest on outstanding debt</i>	$\frac{\text{EBIT}}{\text{Interest Expense}}$	<b>71.49:1</b>	32.94:1	46.84:1
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>7.32%</b>	7.58%	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>5.38%</b>	5.13%	13.55%
Net Profit Margin <i>Shows how much profit is made for every peso of revenue</i>	$\frac{\text{Net Income}}{\text{Total Revenues}}$	<b>29.13%</b>	27.19%	32.83%
Asset Turnover <i>Shows efficiency of asset used in Operations</i>	$\frac{\text{Total Revenues}}{\text{Total Assets}}$	<b>18x</b>	19x	41x

	6			
Return on Equity	Net Income/Total Revenues x	6.67%	7.00%	16.64%
<i>Shows how much the business returns to the stockholders for every peso of equity capital invested</i>	Total Revenues/Total Assets x Total Assets/Total Equity			

- The current ratio is at 1.34 as of June 2016 compared to 1.53 as of June 2015 due to decrease in cash to pay down its loan.
- Solvency ratio is at 0.36 which shows that the Group has a strong cash flow to meet its short-term and long-term liabilities.
- Debt-to-equity ratio improved from 0.37 as at June 2015 to 0.24 as of this period as the Group continues to pay down its loan.
- Asset to equity ratio went down from 1.37 as at June 2015 to 1.24 this period. The group was able to finance its business requirements through internally generated funds.
- Interest rate coverage ratio improved from 33 times as at June 2015 to 71 times this period as the Group accelerated payment of its principal loan balance.
- Return on average stockholders' equity is at 7.32% as of this period which shows the ability of the Group to generate profits from its investments.
- Return on asset is at 5.38% against 5.13% as of June 2015. The Group was able to utilize its asset to generate profits.
- Net profit margin increased from 27.19% last year to 29.13% as of this period.
- Asset turnover is 18 times as of this period against 19 times as of June 2015.
- Return on equity is at 6.67% as of this period.

**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: Second Quarter 2016 DEVELOPMENTS**

Significant developments during the second quarter of 2016 were briefly discussed in Part I Item 2: *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 does not have any borrowings that will directly expose it to interest rate risk.

When necessary, it is a company policy to use excess liquidity to pay down any 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. IPO does not have a practice of speculating 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 risk does not materially affect the Company as the revenues and the operating expenses of IPO are dominated in PHP.

***Liquidity Risk***

IPO seeks to manage its liquidity to be able to service maturing debts, finance capital requirements, or 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 management meetings that occur on a weekly basis. When major acquisitions are identified, 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. The Group's exposure to credit risk is very minimal because its receivables are mostly from related parties, which are being managed through close account monitoring and limit setting.

***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, 2016 and 2015 (Unaudited)  
and  
December 31, 2015 (Audited)**

**IPEOPLE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Unaudited 30-Jun-2016	Audited 31-Dec-2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 6 and 14)	<b>₱916,038,330</b>	₱599,066,474
Receivables (Notes 7)	<b>217,225,910</b>	148,697,892
Receivables from related parties (Notes 14)	<b>698,494</b>	1,482,432
Prepaid expenses and other current assets (Note 8)	<b>130,440,527</b>	112,634,565
Financial assets at fair value through profit and loss (FVPL)	<b>8,271,831</b>	8,205,773
Total Current Assets	<b>1,272,675,092</b>	870,087,136
<b>Noncurrent Assets</b>		
Available-for-sale financial assets	<b>16,280,887</b>	14,389,673
Property and equipment (Notes 9 and 10)	<b>4,816,737,256</b>	4,860,161,041
Net pension asset	<b>834,920</b>	1,060,888
Goodwill (Note 11)	<b>137,853,345</b>	137,853,345
Deferred tax assets - net	<b>12,409,513</b>	12,409,513
Other noncurrent assets (Notes 12)	<b>5,577,012</b>	1,508,522
Total Noncurrent Assets	<b>4,989,692,933</b>	5,027,382,982
	<b>₱6,262,368,025</b>	₱5,897,470,118
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Notes 13)	<b>₱629,046,191</b>	₱584,658,132
Payable to related parties (Notes 14)	<b>15,944,567</b>	13,986,098
Income tax payable	<b>16,805,226</b>	24,108,059
Unearned tuition fees	<b>144,402,334</b>	12,453,843
Dividends payable (Notes 16)	<b>54,793,848</b>	64,414,232
Current portion of long-term debt (Notes 14, 15)	<b>86,000,000</b>	86,000,000
Total Current Liabilities	<b>946,992,166</b>	785,620,364
<b>Noncurrent Liabilities</b>		
Pension liability - net	<b>97,162,866</b>	92,547,626
Long-term debt - net of current portion (Notes 14 and 15)	<b>59,500,000</b>	102,500,000
Deferred tax liabilities - net	<b>110,441,817</b>	117,412,887
Total Noncurrent Liabilities	<b>267,104,683</b>	312,460,513
Total Liabilities	<b>₱1,214,096,849</b>	₱1,098,080,877

(Forward)

	<b>Unaudited</b>	<b>Audited</b>
	<b>30-Jun-2016</b>	<b>31-Dec-2015</b>
<b>Equity</b>		
Common stock (Note 16)	<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 (loss) on available-for-sale financial assets	<b>(2,081,357)</b>	(3,972,571)
Revaluation increment on land (Note 10)	<b>751,444,924</b>	751,444,924
Remeasurement gains on defined benefit plans	<b>6,331,596</b>	6,331,596
Retained earnings (Note 16)	<b>3,217,371,708</b>	2,994,028,061
	<b>4,723,438,919</b>	4,498,204,058
Less: Treasury stock (Note 16)	<b>209</b>	209
	<b>4,723,438,710</b>	4,498,203,849
Noncontrolling interest in consolidated subsidiaries	<b>324,832,466</b>	301,185,392
<b>Total Equity</b>	<b>5,048,271,176</b>	4,799,389,241
	<b>₱6,262,368,025</b>	₱5,897,470,118

*See accompanying Notes to Consolidated Financial Statements.*

**IPEOPLE, INC. AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

	<b>April 1 to June 30</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>REVENUES</b>			
Tuition and other fees	<b>₱487,318,026</b>	₱434,969,181	387,008,835
Sale of goods	<b>14,808,799</b>	43,066,852	42,189,842
Sale of services	<b>17,092,174</b>	14,022,538	20,851,283
	<b>519,218,999</b>	492,058,571	450,049,960
<b>COSTS AND EXPENSES</b>			
Cost of tuition and other fees	<b>304,105,689</b>	293,318,120	228,706,868
Cost of goods sold	<b>12,730,305</b>	37,733,444	37,698,138
Cost of services	<b>13,210,804</b>	4,443,348	4,697,021
	<b>330,046,798</b>	335,494,912	271,102,027
<b>GROSS PROFIT</b>	<b>189,172,201</b>	156,563,659	178,947,933
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>(69,444,692)</b>	(47,585,549)	(92,553,385)
<b>INTEREST AND OTHER FINANCE CHARGES</b>	<b>(922,831)</b>	(5,472,971)	(5,014,531)
<b>INTEREST INCOME</b>	<b>2,519,529</b>	3,404,171	3,566,045
<b>OTHER INCOME (LOSS)</b>	<b>3,413,578</b>	71,030	(882,987)
<b>INCOME BEFORE INCOME TAX</b>	<b>124,737,785</b>	106,980,340	84,063,074
<b>PROVISION FOR INCOME TAX</b>	<b>12,932,009</b>	11,133,147	8,398,708
<b>NET INCOME</b>	<b>111,805,776</b>	95,847,193	75,664,366
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Unrealized gain (loss) on available-for-sale financial assets	<b>986,720</b>	(3,508,340)	1,478,361
	<b>986,720</b>	(3,508,340)	1,478,361
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱112,792,496</b>	₱92,338,853	₱77,142,727
Net income attributable to:			
Equity holders of the parent	<b>₱103,988,134</b>	₱89,043,892	₱70,421,354
Non-controlling interest in consolidated subsidiaries	<b>7,817,642</b>	6,803,301	5,243,012
	<b>₱111,805,776</b>	₱95,847,193	₱75,664,366
Total comprehensive income attributable to:			
Equity holders of the parent	<b>₱104,974,854</b>	₱85,535,552	₱71,899,715
Non-controlling interest in consolidated subsidiaries	<b>7,817,642</b>	6,803,301	5,243,012
	<b>₱112,792,496</b>	₱92,338,853	₱77,142,727
<b>Basic Earnings Per Share</b>	<b>₱0.1388</b>	₱0.1189	₱0.0940

**IPEOPLE, INC. AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

	<b>January 1 to June 30</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>REVENUES</b>			
Tuition and other fees (Note 17)	<b>₱1,081,595,383</b>	₱975,802,481	₱887,890,180
Sale of goods	<b>51,176,366</b>	67,466,027	72,233,050
Sale of services	<b>23,837,332</b>	26,111,086	30,982,706
	<b>1,156,609,081</b>	1,069,379,594	991,105,936
<b>COSTS AND EXPENSES</b>			
Cost of tuition and other fees (Note 18)	<b>594,308,217</b>	568,469,253	474,043,105
Cost of goods sold	<b>46,273,907</b>	60,926,225	64,838,979
Cost of services	<b>15,853,318</b>	7,090,874	11,215,422
	<b>656,435,442</b>	636,486,352	550,097,506
<b>GROSS PROFIT</b>	<b>500,173,639</b>	432,893,242	441,008,430
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 19)	<b>(127,947,969)</b>	(105,491,348)	(141,192,083)
<b>INTEREST AND OTHER FINANCE CHARGES</b> (Notes 15 and 20)	<b>(5,207,034)</b>	(9,938,395)	(8,114,275)
<b>INTEREST INCOME</b> (Notes 6, 7, 14 and 20)	<b>4,172,608</b>	5,642,032	2,752,654
<b>OTHER INCOME (LOSS)</b>	<b>3,446,899</b>	746,193	1,991,365
<b>INCOME BEFORE INCOME TAX</b>	<b>374,638,143</b>	323,851,724	296,446,091
<b>PROVISION FOR INCOME TAX</b>	<b>37,775,435</b>	33,067,364	30,135,520
<b>NET INCOME</b>	<b>336,862,708</b>	290,784,360	266,310,571
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Unrealized gain (loss) on available-for-sale financial assets	<b>1,891,214</b>	(5,317,327)	4,467,651
	<b>1,891,213</b>	(5,317,327)	4,467,651
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱338,753,922</b>	₱285,467,033	₱270,778,222
Net income attributable to:			
Equity holders of the parent (Note 21)	<b>₱313,215,634</b>	₱270,083,723	₱247,372,949
Non-controlling interest in consolidated subsidiaries (Note 25)	<b>23,647,074</b>	20,700,637	18,937,622
	<b>₱336,862,708</b>	₱290,784,360	₱266,310,571
Total comprehensive income attributable to:			
Equity holders of the parent	<b>₱315,106,848</b>	₱264,766,396	₱251,840,600
Non-controlling interest in consolidated subsidiaries (Note 25)	<b>23,647,074</b>	20,700,637	18,937,622
	<b>₱338,753,922</b>	₱285,467,033	₱270,778,222
<b>Basic Earnings Per Share</b> (Note 21)	<b>₱0.4182</b>	₱ 0.3606	₱ 0.3303

*See accompanying Notes to Consolidated Financial Statements.*

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

	Attributable to Equity Holders of the Parent Company									
	Common Stock (Note 16)	Additional Paid-in Capital	Unrealized Gain on Available – for - Sale Financial Assets (Note 28)	Revaluation Increment on Land - net of tax (Note 10)	Remeasurement Gains on Net Pension Liability (Note 23)	Treasury Stock (Note 16)	Retained Earnings (Note 16)	Total	Non - controlling Interest (Note 27)	Total
For the quarter ended June 30, 2016										
<b>Balances as at January 1, 2016</b>	<b>₱748,933,221</b>	<b>₱1,438,827</b>	<b>(₱3,972,571)</b>	<b>₱751,444,924</b>	<b>₱6,331,596</b>	<b>(₱209)</b>	<b>₱2,994,028,061</b>	<b>₱4,498,203,849</b>	<b>₱301,185,392</b>	<b>₱4,799,389,241</b>
Net income for the year	-	-	-	-	-	-	313,215,634	313,215,634	23,647,074	336,862,708
Other comprehensive income (loss)	-	-	1,891,214	-	-	-	1,891,214	1,891,214	-	1,891,214
Total comprehensive income (loss)	-	-	1,891,214	-	-	-	313,215,634	315,106,848	23,647,074	338,753,922
Dividends declared	-	-	-	-	-	-	(89,871,987)	(89,871,987)	-	(89,871,987)
<b>Balances as at June 30, 2016</b>	<b>₱748,933,221</b>	<b>₱1,438,827</b>	<b>(₱2,081,357)</b>	<b>₱751,444,924</b>	<b>₱6,331,596</b>	<b>(₱209)</b>	<b>₱3,217,371,708</b>	<b>₱4,723,438,710</b>	<b>₱324,832,466</b>	<b>₱5,048,271,176</b>
For the quarter ended June 30, 2015										
Balances as at January 1, 2015	₱748,933,221	₱1,438,827	₱4,633,824	₱448,763,360	₱36,051,315	(₱209)	₱2,432,843,210	₱3,672,663,548	₱240,394,640	₱3,913,058,188
Net income for the year	-	-	-	-	-	-	270,083,723	270,083,723	20,700,637	290,784,360
Other comprehensive income (loss)	-	-	(5,317,327)	-	-	-	(5,317,327)	(5,317,327)	-	(5,317,327)
Total comprehensive income (loss)	-	-	(5,317,327)	-	-	-	270,083,723	264,766,396	20,700,637	285,467,033
Dividends declared	-	-	-	-	-	-	(44,935,993)	(44,935,993)	-	(44,935,993)
Balances as at June 30, 2015	₱748,933,221	₱1,438,827	(₱683,503)	₱448,763,360	₱36,051,315	(₱209)	₱2,657,990,940	₱3,892,493,951	₱261,095,277	₱4,153,589,228
For the quarter ended June 30, 2014										
Balances as at January 1, 2014	₱748,933,221	₱1,438,827	₱2,495,929	₱366,127,520	₱36,162,718	(₱209)	₱1,979,535,008	₱3,134,693,014	₱201,151,024	₱3,335,844,038
Net income for the year	-	-	-	-	-	-	247,372,949	247,372,949	18,937,622	266,310,571
Other comprehensive income (loss)	-	-	4,467,651	-	-	-	-	4,467,651	-	4,467,651
Total comprehensive income (loss)	-	-	4,467,651	-	-	-	247,372,949	251,840,601	18,937,622	270,778,222
Dividends declared	-	-	-	-	-	-	(89,871,986)	(89,871,986)	-	(89,871,986)
Balances as at June 30, 2014	₱748,933,221	₱1,438,827	₱6,963,580	₱366,127,520	₱36,162,718	(₱209)	₱2,137,035,971	₱3,296,661,627	₱220,088,647	₱3,516,750,273

See accompanying Notes to Consolidated Financial Statements.

**IPEOPLE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>January 1 to June 30</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱374,638,143</b>	₱323,851,724	₱296,446,091
Adjustments for:			
Depreciation and amortization (Notes 9, 12, 18 and 19)	<b>97,673,361</b>	80,576,841	67,256,614
Interest expense and other finance charges (Note 20)	<b>5,207,034</b>	9,938,395	8,114,275
Interest income (Notes 6, 7, 14 and 20)	<b>(4,172,608)</b>	(5,642,032)	(4,744,019)
Unrealized market gain on financial asset at FVPL	<b>(66,058)</b>	(61,966)	–
Realized loss on disposal of financial assets at FVPL	–	–	–
Unrealized foreign exchange loss (gain)	<b>50,462</b>	(205,428)	–
Operating income before working capital changes	<b>473,330,334</b>	408,457,534	367,072,961
Decrease (increase) in:			
Accounts receivable	<b>(68,793,081)</b>	(64,366,743)	(113,092,402)
Prepaid expenses and other current assets	<b>(18,143,211)</b>	(36,072,770)	(21,588,556)
Increase (decrease) in:			
Accounts payable and accrued expenses	<b>48,671,642</b>	1,801,585	141,200,156
Unearned tuition fees	<b>131,948,491</b>	148,413,969	120,887,956
Net pension asset and liability	<b>(2,129,864)</b>	134,082,390	3,602,677
Net cash generated from operations	<b>564,884,311</b>	592,315,966	498,082,791
Interest received	<b>4,437,670</b>	5,709,632	4,744,019
Interest paid	<b>(9,490,617)</b>	(9,346,643)	(8,114,275)
Income taxes paid	<b>(44,741,018)</b>	(37,257,241)	(44,223,329)
Net cash flows provided by operating activities	<b>515,090,346</b>	551,421,715	450,489,206
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of :			
Financial assets at FVPL	–	61,966	(4,716,624)
Acquisitions of:			
Property and equipment (Note 9)	<b>(53,757,163)</b>	(286,446,427)	(247,192,743)
Computer software (Note 12)	<b>(4,985,281)</b>	(95,583)	–
Available-for-sale securities	–	(6,002,549)	–
Financial assets at FVPL	–	–	–
Decrease (increase) in:			
Receivables from related parties	<b>783,938</b>	1,008,926	604,062
Other noncurrent assets	<b>424,379</b>	–	2,360,627
Net cash flows used in investing activities	<b>(57,534,127)</b>	(291,473,667)	(248,944,677)

(Forward)

## January 1 to June 30

	2016	2015	2014
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of long-term debt (Note 15)	(P43,000,000)	(P63,619,889)	P45,241,294
Dividends paid to stockholders	(99,492,371)	(154,158,521)	(98,300,915)
Increase (decrease) in payables to related parties	1,958,469	(9,499,168)	758,182
Net cash flows used in financing activities	(140,533,902)	(227,277,578)	(52,301,438)
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	(50,461)	205,428	–
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>316,971,856</b>	<b>32,875,898</b>	<b>149,243,090</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>599,066,474</b>	<b>1,156,486,981</b>	<b>739,344,120</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>P916,038,330</b>	<b>P1,189,362,879</b>	<b>P888,587,211</b>

*See accompanying Notes to Consolidated Financial Statements.*

**iPEOPLE, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**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 two wholly-owned subsidiaries, namely: Pan Pacific Computer Center, Inc. (PPCCI,) and People eServe Corporation (PEC). Parent Company has also 93% ownership in Malayan Colleges, Inc. (MCI) Malayan Colleges Laguna, Inc. (MCLI), Malayan Colleges Mindanao, Inc. (MCMI), Malayan High School of Science, Inc. (MHSSI), Mapua Information Technology Center, Inc. (MITC), Mapua Techserv, Inc. (MTI), Mapua Techpower, Inc. (MTpI), 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).

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**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 financial assets which are measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company’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, 2016 and December 31, 2015, and for each of the three years in the period ended June 30, 2016.

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

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

	Percentage of Ownership		
	2016	2015	2014
Malayan Colleges, Inc. (Operating Under the Name of Mapua Institute of Technology) and subsidiaries	93%	93%	93%
Direct ownership of MCI on its subsidiaries:			
Mapua Information Technology Center, Inc.	100	100	100
Mapua Techserv, Inc.	100	100	100
Mapua Techpower, Inc.	75	75	75
Malayan High School of Science, Inc.	100	100	100
San Lorenzo Ruiz Institute of Health Sciences, Inc.	100	100	100
Malayan Colleges Laguna Inc. led by a Mapua School of Engineering	100	100	100
Malayan Colleges Mindanao (A Mapua School), Inc.	100	–	–
People eServe Corporation	100	100	100
Pan Pacific Computer Center, Incorporated	100	100	100

On December 11, 2015, MCMI was incorporated under the Securities and Exchange Commission. MCI subscribed to 4,000,000 preferred shares and 624,993 common shares amounting ₱462.50 million resulting to 100% ownership.

All subsidiaries were incorporated in the Philippines. The functional currency of the subsidiaries is the Philippine Peso (₱).

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.

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### 3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended PFRS and Philippine Interpretations which became effective beginning January 1, 2015. Except as otherwise indicated, the adoption of amended PFRS and Philippine Interpretations did not have any effect on the consolidated financial statements of the Group.

- *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 had no impact on the Group's consolidated financial statements.

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

The Annual Improvements to PFRSs (2010-2012 cycle) became effective for annual periods beginning on or after January 1, 2015 and had no 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 had no impact on the Group's consolidated 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 had no impact on the Group's consolidated financial position or performance.

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

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

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

The Annual Improvements to PFRSs (2010-2012 cycle) became effective for annual periods beginning on or after January 1, 2015 and had no 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 had no impact on the Group's consolidated 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 had no significant impact on the Group's consolidated 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 had no significant impact on the Group's consolidated financial position or performance.

There are new PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2015 and these will be adopted on their effectivity dates in accordance with the transition provisions. Except as otherwise stated, these amendments and improvements to PFRS and new standards are not expected to have any significant impact on the Group's consolidated financial statements.

#### *Deferred*

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

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 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 Securities and Exchange Commission and the Financial Reporting Standards Council 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. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

#### *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 are not expected to have any impact to the Group given that the Group has not used a revenue-based method 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 are not expected to have any impact to the Group as the Group does not have any bearer plants.

- 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. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.
- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

*Effective January 1, 2018**PFRS 9, Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard (renamed as 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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

The Group did not early adopt PFRS 9. 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 requirements on the hedge accounting will not have any impact in the Group's consolidated financial statements.

*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 by the International Accounting Standards Board (IASB) 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, 2018. Early adoption is 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.

*Effective January 1, 2019**IFRS 16, Leases*

On January 13, 2016, the International Accounting Standards Board (IASB) issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases in their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of twelve (12) months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. 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.

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#### 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 from dates of placement and that are subject to an insignificant risk of changes in value.

##### Financial Instruments

###### *Date of recognition*

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

###### *Initial recognition*

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale financial assets, and loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The financial assets of the Group are of the nature of loans and receivable, available-for-sale financial assets and HTM financial assets, while its financial liabilities are of the nature of other financial liabilities. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

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

###### *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*

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.

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;
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

The Group's financial assets at FVPL amounted to ₱8.27 million and ₱8.21 as of June 30, 2016 and December 31, 2015, respectively. This consists of peso-denominated investment in unit investment trust fund (UITF) in Rizal Commercial Banking Corporation (RCBC). The mark to market gain on these assets amounted to ₱0.07 million in 2016 and ₱0.18 million 2015.

#### *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 available-for-sale or as financial assets at FVPL. Receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at cost or at amortized cost using the effective interest method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization, if any, is included in profit or loss. The losses arising from impairment of receivables are recognized in profit or loss. These financial assets are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

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

#### *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 available-for-sale 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, 2016 and December 31, 2015.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are nonderivative financial assets that are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, available-for-sale financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of available-for-sale financial assets are excluded from reported earnings and are reported in OCI.

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as gain or loss on disposal in profit or loss. 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 available-for-sale financial assets are reported as interest income using the EIR. Dividends earned on holding available-for-sale financial assets are recognized in profit or loss as part of miscellaneous income when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as provisions for impairment losses in profit or loss.

When the fair value of available-for-sale equity financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any impairment losses.

The Group's available-for-sale financial assets consist of investments in quoted common shares which amounted to ₱16.28 million and ₱14.39 million as at June 30, 2016 and December 31, 2015, respectively. The unrealized loss on available-for-sale as of June 30, 2016 and December 31, 2015 amounted to ₱2.08 million and ₱3.97 million, respectively.

#### *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, 2016 and December 31, 2015.

#### *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, 2016 and December 31, 2015.

#### *Other financial liabilities*

Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized (redemption is a form of derecognition), as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

Classified under this category are Group's accounts payable and accrued expenses, payables to

related parties, dividends payable and long-term debt.

### Derecognition of Financial Assets and Financial Liabilities

#### *Financial asset*

A financial asset (or, where applicable, a part of a group of financial assets) is derecognized where: (a) the rights to receive cash flows from the assets have expired; (b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a “pass-through” arrangement; or (c) the Group has transferred its right to receive cash flows from the asset and either: (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

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

#### *Financial liability*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

### 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.

#### *Loans and receivables*

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. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost (i.e., loans and receivables or HTM investments) 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 discounted at the assets original EIR (excluding future credit losses that have not been incurred). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

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.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Financial assets carried at amortized costs, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

*Available-for-sale financial assets carried at fair value*

In case of equity investments classified as available-for-sale financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below their corresponding cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in OCI is removed from OCI and recognized in profit or loss. Reversals of impairment losses in respect of equity instruments classified as available-for-sale financial assets are not recognized in the profit or loss. Increases in fair value after impairment are recognized directly in OCI.

*Available-for-sale financial assets carried at cost*

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

Jointly Controlled Operations

A jointly controlled operation involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations.

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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

This accounting policy relates to the net payable to PTC amounting ₱14.09 million and

13.05 million as of June 30, 2016 and December 31, 2015, respectively, and included under “Accounts payable and accrued expenses” 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.

#### Business Combination and Goodwill

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

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.

For business combinations under common control an entity can choose to account for the combinations using the acquisition method or pooling of interest method.

Under the pooling of interest method, the assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. No goodwill is recognized. The adjustments made, if any, are only to the extent to harmonize accounting policies within the Group.

However, where an entity selects the acquisition method of accounting, the transaction must have substance from the perspective of the reporting entity. When evaluating whether the transaction has substance, the following factors are considered:

- (a) the purpose of the transaction;
- (b) the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- (c) whether or not the transaction is conducted at fair values;
- (d) the existing activities of the entities involved in the transactions;
- (e) whether or not it is bringing entities together into a "reporting entity" that didn't exist before; and
- (f) where a new company is established, whether it is undertaken as an integral part of an IPO or spin-off or other change in control and significant change in ownership.

Under acquisition method, the Group can either measure the consideration transferred at the acquisition-date fair value of the consideration actually given or elect to impute an additional equity contribution to recognise total consideration equivalent to the fair value of the business received. Whichever method is adopted should be applied consistently, and the entity should disclose its chosen accounting policy.

The goodwill recognized in the Group's consolidated statement of financial position pertains to the acquisition of MCI.

#### Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). NRV is the selling price in the ordinary course of the business, less costs of completion, marketing and distribution. Cost is determined using specific identification method for computer equipment and weighted and

simple average method for textbooks, printed materials and supplies intended for sale.

#### 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. This includes restricted funds invested in money market placements exclusively for use in Civic Welfare Training Service (CWTS), National Service Training Program (NSTP) and for financing of scholars of certain private entities.

#### Creditable Withholding Tax

This pertains to the tax withheld at source by the Group's customers and lessees and is creditable against its income tax liability.

#### 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.

#### 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:

	<u>Years</u>
Buildings and improvements	10-20
Office furniture and equipment	5-10
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. The appraised values used for revaluation were determined by an independent appraiser.

The initial cost of land consists of its purchase price and directly attributable costs of bringing the asset to its working condition and location for its intended use.

The appraisal increment (net of deferred tax) resulting from the revaluation is credited to the “revaluation increment on land” account under the equity section of the Group’s consolidated statement of financial position and under the consolidated statement of changes in 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, 2016 and December 31, 2015.

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.

#### 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.

#### 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 ₱870.51 million and ₱963.11 million as at June 30, 2016 and December 31, 2015, 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.

#### 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 tuition and other fees*

Revenues from tuition and other fees 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*

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*

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.

*Sale of services*

Sales of services are recognized when services are rendered.

*Bookstore income*

Bookstore income is recognized when the risk and reward of ownership of the goods have passed to the buyer.

*Rental income*

Rental income is recognized as revenue on a straight-line basis over the lease term.

*Interest income*

Interest income is recognized as it accrues taking into account the effective yield on the asset.

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 tuition and other fees*

Cost of tuition and other fees 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 tuition and other fees 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.

General and Administrative Expenses

These expenses constitute costs of administering the business. General and administrative expenses, except for rent expense, are recognized as incurred. Rent expenses are recognized on a straight-line basis over the lease term.

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 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.

#### Interest and Financing Charges

Interest and financing charges is recognized as expense in the period in which it is incurred.

#### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

*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.

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 2016 and 2015, the Group has no potential dilutive common shares (Note 24).

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 26 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.

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## 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:

*Revenue recognition*

Management exercises judgment in determining whether the Group is acting as a principal or an agent. The Group is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of services, otherwise it is acting as an agent. Except for certain arrangements of People eServe, the Group has assessed all its revenue arrangements and concluded that it is acting as a principal.

*Allocation of costs and expenses*

Management exercises judgment in determining the classification of costs and expenses as to whether cost of services or general and administrative expenses. In 2015, the Group identified the expenses directly related to the Group's school and related operations by floor area or manpower 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.

*Distinction between investment property and owner-occupied property*

As discussed in Note 10, a significant portion of the land is being used by the Group as owner-occupied property wherein school buildings and other facilities are located. The portion leased out under an operating lease to a third party cannot be sold or leased under a finance lease separately from the rest of the property. Under PAS 16, the entire land account is considered as an owner-occupied property and is accounted for as part of property and equipment.

*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.

#### *Going concern*

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

#### 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 collectability 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 ₱66.88 million for both periods June 30, 2016 and December 31, 2015 (Note 7). The carrying value of receivables as at June 30, 2016 and December 31, 2015 amounted to ₱217.23 million and ₱148.70 million, respectively (Note 7). The carrying value of receivables from related parties as at June 30, 2016 and December 31, 2015 amounted to ₱0.70 million and ₱1.48 million, respectively (Note 14).

#### *Impairment of available-for-sale financial assets*

The Group treats available-for-sale 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 available-for-sale financial assets carried at fair value amounted to ₱16.28 million and ₱14.39 million as at June 30, 2016 and December 31, 2015, respectively. The unrealized gain/(loss) on available-for-sale financial assets as of June 30, 2016, December 31, 2015 and December 31, 2014 amounted to (₱2.08) million, (₱3.97) million and ₱4.63 million, respectively. As at June 30, 2016, December 31, 2015 and 2014 no impairment loss was recognized pertaining to the Group's available-for-sale 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, 2016 and December 31, 2015, net book value of depreciable property and equipment amounted to ₱1,472.92 million and ₱1,516.90 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 statement 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. 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 2015, 2014 and 2013.

In 2016 and 2015, due to the continuing operating losses of MHSSI, this is a continuing indicator of impairment on the building of the school.

As of June 30, 2016 and December 31, 2015, 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 ₱4,816.74 million; ₱4,860.16 million and ₱5.10 million; ₱0.61 million as at June 30, 2016 and December 31, 2015, respectively (Notes 9 and 12).

#### *Estimation of pension obligations and other retirement benefits*

The determination of the Group's pension liabilities is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rate, expected return on plan assets and salary increase rate which were disclosed in Note 23 and to which the cash flows are most sensitive to. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the retirement expense and accrued retirement obligation.

As at June 30, 2016 and December 31, 2015, the net pension liability amounted to ₱97.16 million and ₱92.55 million, respectively, while net pension asset amounted to ₱0.83 million and ₱1.06 million as of June 30 2016 and December 31, 2015, respectively.

#### *Deferred tax assets*

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

*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.

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## 6. Cash and Cash Equivalents

This account consists of:

	<b>Unaudited June 2016</b>	Audited December 2015
Cash on hand	<b>₱1,011,680</b>	₱933,839
Cash in banks (Note 14)	<b>142,660,292</b>	128,981,004
Cash equivalents (Notes 14 and 28)	<b>772,366,358</b>	469,151,631
	<b>₱916,038,330</b>	₱599,066,474

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

Interest income from cash in banks and short-term investments amounted to ₱1.48 million, ₱4.46 million and ₱2.58 million in 2016, 2015 and 2014, respectively (Note 20).

There is no restriction on the Group's cash balances as at June 30, 2016 and December 31, 2015.

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## 7. Receivables

This account consists of:

	<b>Unaudited June 2016</b>	Audited December 2015
Tuition and other fees	<b>₱215,958,800</b>	₱131,209,998
Other receivables		
Trade	<b>33,529,593</b>	54,831,837
Advances to officers and employees	<b>11,477,586</b>	10,135,215
Others	<b>23,141,970</b>	19,402,881
	<b>284,107,949</b>	215,579,931
Less allowance for doubtful accounts	<b>(66,882,039)</b>	(66,882,039)
	<b>₱217,225,910</b>	₱148,697,892

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.

Trade receivables represent amounts arising from the sale of computer equipment and computer services.

Trade receivables are noninterest-bearing and are generally on thirty (30) to sixty (60) days term

and are not used as collaterals to secure obligations.

Advances to officers and employees represent receivables for the employees' share in car plan agreements. Interest income from advances to officers and employees amounted to ₱2.70 million, ₱1.18 million and ₱0.18 million in 2016, 2015 and 2014, respectively (Note 20).

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

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

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

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

	June 2016			
	Tuition and other fees	Advances to officers and employees	Others	Total
Balances at beginning of year	₱54,536,880	₱5,341,028	₱7,004,131	₱66,882,039
Provisions for the year	-	-	-	-
Write-off	-	-	-	-
<b>Balances at end of year</b>	<b>₱54,536,880</b>	<b>₱5,341,028</b>	<b>₱7,004,131</b>	<b>₱66,882,039</b>

	December 2015			
	Tuition and other fees	Advances to officers and employees	Others	Total
Balances at beginning of year	₱49,180,963	₱5,754,719	₱7,004,131	₱61,939,813
Provisions for the year (Note 19)	5,355,917	-	-	5,355,917
Write-off	-	(413,691)	-	(413,691)
<b>Balances at end of year</b>	<b>₱54,536,880</b>	<b>₱5,341,028</b>	<b>₱7,004,131</b>	<b>₱66,882,039</b>

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

## 8. Prepaid Expenses and Other Current Assets

	Unaudited June 2016	Audited December 2015
Restricted funds	₱39,575,872	₱41,808,757
Input Value-Added Tax (VAT)	35,322,424	31,073,264
Prepaid expenses	32,735,633	26,738,777
Deferred Charges - Students	8,110,441	-
Creditable withholding tax	7,644,757	7,056,876
Inventories	3,419,400	3,011,564
Refundable deposits	2,093,429	1,600,557
Office supplies	790,767	791,572
Others	747,804	553,198
	<b>₱130,440,527</b>	<b>₱112,634,565</b>

Restricted funds pertain to funds invested in money market placements exclusively for use in CWTS, NSTP, for financing of scholars of certain private entities and 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.

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

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

Refundable deposits consist of rental deposits which are to be refunded at the end of the lease term. Others relate to books inventory and other supplies.

## 9. Property and Equipment

The rollforward analysis of this account follows:

	June 2016					Total
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress		
<b>Cost</b>						
Balance at beginning of year	₱1,867,348,668	₱1,142,458,204	₱24,689,082	₱18,034,125		₱3,052,530,079
Acquisitions	16,455,186	34,130,143	2,504,745	447,591		53,537,665
Reclassifications and adjustments		3,190,382		(3,863,550)		(673,168)
<b>Balance at end of year</b>	<b>1,883,803,854</b>	<b>1,179,778,729</b>	<b>27,193,827</b>	<b>14,618,166</b>		<b>3,105,394,576</b>
<b>Accumulated depreciation, amortization and impairment loss</b>						
Balance at beginning of year	710,929,222	810,997,165	13,701,709	–		1,535,628,096
Depreciation (Notes 18 and 19)	42,434,010	53,036,933	2,043,982	–		97,514,925
Disposals	(912,321)	70,326	168,827	–		(673,168)
<b>Balance at end of year</b>	<b>752,450,911</b>	<b>864,104,424</b>	<b>15,914,518</b>	<b>–</b>		<b>1,632,469,853</b>
<b>Net book value</b>	<b>1,131,352,943</b>	<b>315,674,305</b>	<b>11,279,309</b>	<b>14,618,166</b>		<b>1,472,924,723</b>
<b>Land at revalued amounts (Note 10)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>		<b>3,343,812,533</b>
<b>Total</b>	<b>₱1,131,352,943</b>	<b>₱315,674,305</b>	<b>₱11,279,309</b>	<b>₱14,618,166</b>		<b>₱ 4,816,737,256</b>
	December 2015					
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress		Total
<b>Cost</b>						
Balance at beginning of year	₱1,123,307,692	₱1,013,530,763	₱22,941,698	₱411,326,360		₱2,571,106,513
Acquisitions	234,813,342	103,962,815	5,946,014	144,651,411		489,373,582
Disposals	–	(1,220,000)	(4,198,630)	–		(5,418,630)
Reclassifications and adjustments	509,227,634	26,184,62	–	(537,943,646)		(2,531,386)
<b>Balance at end of year</b>	<b>1,867,348,668</b>	<b>1,142,458,204</b>	<b>24,689,082</b>	<b>18,034,125</b>		<b>3,052,530,079</b>
<b>Accumulated depreciation, amortization and impairment loss</b>						
Balance at beginning of year	645,331,401	709,004,656	14,499,978	–		1,368,836,035
Depreciation (Notes 18 and 19)	65,597,821	103,212,509	3,400,361	–		172,210,691
Disposals	–	(1,220,000)	(4,198,630)	–		(5,418,630)
<b>Balance at end of year</b>	<b>710,929,222</b>	<b>810,997,165</b>	<b>13,701,709</b>	<b>–</b>		<b>1,535,628,096</b>
<b>Net book value</b>	<b>1,156,419,446</b>	<b>331,461,039</b>	<b>10,987,373</b>	<b>18,034,125</b>		<b>1,516,901,983</b>
<b>Land at revalued amounts (Note 10)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>		<b>3,343,259,058</b>
<b>Total</b>	<b>₱1,156,419,446</b>	<b>₱331,461,039</b>	<b>₱10,987,373</b>	<b>₱18,034,125</b>		<b>₱4,860,161,041</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 ₱44.11 million which was completed in 2014.

The second phase is the construction of the new Research and Administration facility amounting ₱238.74 million. This started in May 2014 and was inaugurated in February 2015.

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

In 2015, the Research and Administration facilities and the new engineering building were transferred from construction in progress account to buildings and improvements account. Construction in progress amounting ₱14.62 million as of June 30, 2016 pertains to ongoing renovation of old libraries and buildings.

As of June 2016, 2015 and 2014, depreciation and amortization amounting ₱86.44 million, ₱71.53 million and ₱56.65 million are included under cost of tuition and other fees (Note 18). While depreciation and amortization charged to general and administrative expenses amounted to ₱11.24 million, ₱9.05 million and ₱10.61 million in June 2016, 2015 and 2014, respectively (Note 19).

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## 10. Land at Revalued Amounts

This account consists of:

	<b>Unaudited</b>	Audited
	<b>June 2016</b>	December 2015
Balance at beginning of year	<b>₱3,343,259,058</b>	₱2,544,397,819
Acquisition	-	425,500,000
Capitalizable costs	<b>533,475</b>	11,734,520
Appraisal increase	-	361,626,719
<b>Balance at end of year</b>	<b>₱3,343,812,533</b>	₱3,343,259,058

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

Land at cost amounted to ₱1,869.47 million and ₱1,868.92 million as at June 30, 2016 and December 31, 2015, respectively.

Capitalizable costs include taxes paid for purchase of land.

The land was last appraised in January 2016 by an independent firm of appraisers, Vitale Valuation Services, Inc.

The valuation was derived through the market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject properties adjusted based on certain elements of comparison (e.g. market conditions, location and physical condition).

Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of the land.

The land was valued in terms of their highest and best use which is categorized under Level 3 of the fair value hierarchy. There was no transfer between levels of fair value measurement as of

2016 and in 2015.

## 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 of MCI acquired by iPeople in 1999. The Group performed its annual impairment test on its goodwill as of December 31, 2015. The recoverable amount of goodwill was determined based on value in use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The cash flow projections considered the impact of the Enhanced K+12 Basic Education Program on MCI's financial performance effective in 2016. Cash flows beyond the five-year period are assumed to be without growth. There is no impairment loss recognized on goodwill in June 2016, 2015 and 2014.

## 12. Other Noncurrent Assets

This account consists of:

	<b>Unaudited June 2016</b>	Audited December 2015
Computer software	<b>₱5,103,031</b>	₱610,162
Expendable Instruments and Tool	<b>87,901</b>	-
Miscellaneous deposits	<b>386,080</b>	898,360
	<b>₱5,577,012</b>	₱1,508,522

Computer software is amortized over a period of three years. No impairment was recognized for computer software.

The rollforward analysis of computer software follows:

	<b>Unaudited June 2016</b>	Audited December 2015
<b>Cost</b>		
Balance at the beginning of the year	<b>₱29,932,943</b>	₱29,837,359
Additions	<b>4,985,281</b>	95,584
Balance at the end of the year	<b>34,918,224</b>	29,932,943
<b>Accumulated Amortization</b>		
Balance at the beginning of the year	<b>29,322,781</b>	25,771,803
Amortization (Notes 18 and 19)	<b>492,412</b>	3,550,978
Balance at the end of the year	<b>29,815,193</b>	29,322,781
<b>Net Book Value</b>	<b>₱5,103,031</b>	₱610,162

Amortization charged to cost of tuition and other fees amounted to ₱0.30 million, ₱0.45 million and ₱0.55 million in 2016, 2015 and 2014, respectively (Note 18). Amortization charged to general and administrative expenses amounted to ₱0.17 million, ₱1.20 million and ₱2.11 million in 2016, 2015 and 2014, respectively (Note 19).

### 13. Accounts Payable and Accrued Expenses

This account consists of:

	<b>Unaudited June 2016</b>	Audited December 2015
Accounts payable	<b>₱277,847,018</b>	₱260,251,788
Accrued expenses	<b>263,490,350</b>	236,481,594
Funds payable	<b>70,589,528</b>	72,705,278
Payable to PTC	<b>14,092,643</b>	13,052,017
Other payables	<b>3,026,652</b>	2,167,455
	<b>₱629,046,191</b>	₱584,658,132

Accounts payable pertains to the Groups' obligation to its' local suppliers. The liability arises from the Groups' accumulated payables since December 2015 up to June 2016.

Accrued expenses consist of:

	<b>Unaudited June 2016</b>	Audited December 2015
Contingent liability	<b>₱142,976,418</b>	₱144,835,772
Output VAT payable	<b>33,151,526</b>	28,811,562
Accrued salaries and wages	<b>32,062,558</b>	8,574,477
Withholding taxes & others	<b>17,377,202</b>	8,317,680
Accrued professional fees	<b>9,750,908</b>	9,231,611
Payable to suppliers	<b>7,933,813</b>	8,717,721
Accrued utilities	<b>5,980,004</b>	5,392,652
Insurance	<b>4,500,454</b>	4,097,344
SSS and other contributions	<b>3,025,989</b>	3,228,999
Accrued communication expense	<b>1,341,330</b>	2,412,054
Accreditation cost	-	5,438,799
Others	<b>5,390,148</b>	7,422,923
	<b>₱263,490,350</b>	₱236,481,594

Accrued expenses pertaining to the Group's accrual associated with MCI's Faculty Association of Mapua Institute of Technology (FAMIT) reranking case is included in contingent liability. 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.

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

*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 Group 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 Group 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.

In 2015, the parties agreed that the above agreement shall continue for the next 5 years unless earlier terminated by either party evidenced by the Memorandum of Agreement executed on September 16, 2015.

As at June 30, 2016 and December 31, 2015, payable to PTC amounted to ₱14.09 million and ₱13.05 million, respectively, for its share in the income of tuition and other matriculation fees of students of the Malayan-PTC CMET.

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.

		June 2016			
		Amount / Volume	Receivables from (Payables to)	Terms	Conditions
<b>Parent Company</b>					
a.)	Payable to Parent Company Management fee and other professional fees	P– 25,850,932	(P6,251,619) –	Noninterest-bearing, due and demandable	Unsecured
<b>Entities under common control of HI</b>					
b.)	Receivables from related parties Rental income	– 1,223,584	418,434 –	Noninterest-bearing, due and demandable	Unsecured, no impairment
c.)	Payables to related parties Contracted services	– 23,288,844	(9,692,948) –	Noninterest-bearing, due and demandable	Unsecured
<b>Entities under common control of PMMIC</b>					
d.)	Cash and cash equivalents Interest income	915,026,650 1,477,034	915,026,650 –	Interest at prevailing deposit and short-term rates	Unsecured, no impairment
e.)	Receivables from related parties Rental income	– 149,307	248,108 –	Noninterest-bearing, due and demandable	Unsecured, no impairment
f.)	Payables to related parties Insurance expense	– 3,194,206	3,696 –	Noninterest-bearing, due and demandable	Unsecured
g.)	Long-term debt Interest expense	– 5,207,034	(145,500,000) –	10-year, interest at 3-mo. PDST-F plus spread per quarter	Secured
		December 2015			
		Amount / Volume	Receivables from (Payables to)	Terms	Conditions
<b>Parent Company</b>					
a.)	Payables to related parties Management fee and other professional fees	P– 49,297,525	(P6,844,612) –	Noninterest-bearing, due and demandable	Unsecured
	Advances from Parent Company Interest expense	12,000,000 35,000	– –	Interest at 1.75% per annum	Unsecured
<b>Entities under common control of HI</b>					
b.)	Receivables from related parties Rental income	– 2,447,168	907,166 –	Noninterest-bearing, due and demandable	Unsecured, no impairment
c.)	Payables to related parties Contracted services	– 35,693,003	(7,145,182) –	Noninterest-bearing, due and demandable	Unsecured
<b>Entities under common control of PMMIC</b>					
d.)	Cash and cash equivalents Interest income	598,132,635 10,875,225	598,132,635 –	Interest at prevailing deposit and short-term rates	Unsecured, no impairment
e.)	Receivables from related parties Rental income	– 25,365,178	575,266 –	Noninterest-bearing, due and demandable	Unsecured, no impairment
f.)	Payables to related parties Insurance expense	– 5,990,908	(3,696) –	Noninterest-bearing, due and demandable	Unsecured
g.)	Long-term debt Interest expense	– 19,043,085	(188,500,000) –	10-year, interest at 3-mo. PDST-F plus spread per quarter	Secured

The Group's significant transactions with related parties follow. Outstanding balances are expected to be settled in cash. As at June 30, 2016 and December 31, 2015, there were no provisions for doubtful receivables pertaining to related party balances.

a) *Payable to Parent Company*

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

Total management fee and other professional fees recognized amounted to P25.85 million, P20.24 million and P13.80 million in 2016, 2015 and 2014, respectively (Notes 18 and 19).

*Advances from Parent Company*

In 2015, the Group availed a 2-month loan from the Parent Company. The loan was fully paid in February 28, 2015.

Interest expense recognized amounted to ₱35,000 (Note 20).

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

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

Rental income recognized amounted to ₱1.22 million in 2016 and 2015, and ₱0.31 million in 2014.

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

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

Contracted services recognized amounted to ₱20.92 million, ₱18.51 million and ₱5.14 million in 2016, 2015 and 2014, respectively (Notes 18 and 19).

*d) Cash and cash equivalents*

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

Interest income earned amounted to ₱3.89 million, ₱4.46 million and ₱4.57 million in 2016, 2015 and 2014, respectively (Note 20).

*e) 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 property. The term of the lease is for three years and future minimum rental payments receivable under the aforementioned lease agreement follows:

	<b>2016</b>	<b>2015</b>
Within one (1) year	<b>₱407,039</b>	₱407,039
More than 1 year but not more than 5 years	<b>208,483</b>	208,483
	<b>₱615,522</b>	₱615,522

In 2015, RCBC preterminated a portion of lease on the Group's office space and parking spaces effective December 31, 2015.

Rental income earned amounted to ₱0.15 million, ₱13.82 million and ₱0.47 million in 2016, 2015 and 2014, respectively.

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

The Group 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.

*g) 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 Group's Makati and Manila properties. In 2015, the Group

made payments amounting ₱241.50 million which effectively shortened the term of the loan. The new maturity date of the loan is May 22, 2018. Total payments made in relation to the principal amount are ₱43.00 million and ₱327.50 million in 2016 and 2015, respectively.

Interest expense recognized amounted to ₱5.21 million, ₱9.90 million and ₱8.10 million in 2016, 2015 and 2014, respectively (Note 20).

## 15. Long-term Debt

This account consists of:

	<b>Unaudited June 2016</b>	Audited December 2015
Loans from financial institutions	<b>₱145,500,000</b>	₱188,500,000
Less current portion of long-term debt	<b>86,000,000</b>	86,000,000
	<b>₱59,500,000</b>	₱102,500,000

### A. *Loans from financial institutions*

These include loans obtained from local banks. Details are as follow:

	<b>Unaudited June 2016</b>	Audited December 2015
Peso-denominated syndicated bank loan payable after 7.5 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 May 22, 2018 in 2015 and November 22, 2020 in 2014.	<b>₱145,500,000</b>	₱188,500,000
Less current portion of long-term debt	<b>86,000,000</b>	86,000,000
	<b>₱59,500,000</b>	₱102,500,000

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 ₱2,220.37 million both in 2016 and 2015, respectively (Note 9). Interest expense charged to operations in 2016, 2015 and 2014 amounted to ₱5.21 million, ₱9.91 million and ₱8.10 million, respectively (Note 20).

In 2015, the Group made payments amounting ₱241.50 million which effectively shortened the term of the loan. The new maturity date of the loan is May 22, 2018.

The loan requires the Group to maintain debt-to equity ratio below 2.5:1 and current ratio not less than 1:1. In 2016 and 2015, the Group had complied with the loan covenants (Note 16).

## 16. Equity

### Capital Stock

Capital stock consists of 2,000,000,000 authorized and 748,932,949 issued and outstanding common shares as at June 30, 2016 and December 31, 2015 with a par value of ₱1 per share.

On September 15, 1989, SEC approved the registration of the Group's entire authorized capital stock with a Certificate of Permit to Sell Securities authorizing the sale of 25 billion shares worth ₱250 million. The Group'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 Group's outstanding number of shares and holders of securities as of June 30, 2016:

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	–	(13)
December 31, 2015	748,932,949	2,057
Add (deduct) movement	–	(3)
June 30, 2016	748,932,949	2,054

*Note: Exclusive of 272 treasury shares.*

### Retained Earnings

In accordance with SRC Rule No. 68, As Amended (2011), Annex 68-C, after reconciling items, the Group's retained earnings available for dividend declaration as of June 30, 2016 amounted to ₱870.51 million.

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

### Cash Dividends

The BOD declared cash dividends as follows:

	2016	2015	2014
June 24, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 22, 2016 payable on or before August 16, 2016	<b>₱44,935,993</b>	₱–	₱–
March 17, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 14, 2016 payable on or before May 5, 2016	<b>₱44,935,993</b>	–	–
November 26, 2015, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 23, 2015 payable on or before January 20, 2016	–	44,935,993	–
September 17, 2015, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 15, 2015 paid on November 5, 2015	–	44,935,993	–
July 1, 2015, 6% cash dividends (₱0.06 per share) to stockholders of	–	44,935,993	–

	2016	2015	2014
record as of July 29, 2015 paid on August 20, 2015			
March 23, 2015, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 20, 2015 paid May 8, 2015	–	44,935,993	–
November 21, 2014, 8% cash dividends (₱0.08 per share) to stockholders of record as of December 19, 2014, paid on January 21, 2015	–	–	59,914,661
November 21, 2014, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 19, 2014, paid on January 21, 2015	–	–	44,935,993
September 18, 2014, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 16, 2014, paid on November 6, 2014	–	–	44,935,993
July 3, 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
	<b>₱89,871,986</b>	<b>₱179,743,972</b>	<b>₱239,658,633</b>

#### Treasury Stock

As of June 30, 2016, there are 272 treasury shares amounting ₱209. The retained earnings is restricted to dividend declaration to the extent of the amount of ₱209 representing cost of treasury shares.

#### Capital Management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2016 and 2015.

As at June 30, 2016 and December 31, 2015, the Group is not subject to externally imposed capital requirements other than the monitoring of the Group's debt to equity ratio and current ratio as a result of the availment of long-term debt with RCBC. Debt to equity ratio should not exceed 2.5:1 and current ratio should not be less than 1:1.

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

	Unaudited June 2016	Audited December 2015
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	P629,046,191	P584,658,132
Payables to related parties	15,944,567	13,986,098
Income tax payable	16,805,226	24,108,059
Unearned tuition fees	144,402,334	12,453,843
Dividends payable	54,793,848	64,414,232
Current portion of long-term debt	86,000,000	86,000,000
Total current liabilities	946,992,166	785,620,364
<b>Noncurrent liabilities</b>		
Pension liability - net	97,162,866	92,547,626
Long-term debt - net of current portion	59,500,000	102,500,000
Deferred tax liabilities - net	110,441,817	117,412,887
Total noncurrent liabilities	267,104,683	312,460,513
Total liabilities	P1,214,096,849	P1,098,080,877
<b>Equity</b>		
Capital stock	748,933,221	748,933,221
Additional paid-in capital	1,438,827	1,438,827
Unrealized gain on available-for-sale financial assets	(2,081,357)	(3,972,571)
Revaluation increment on land - net	751,444,924	751,444,924
Remeasurement losses on defined benefit plan	6,331,596	6,331,596
Retained earnings	3,217,371,708	2,994,028,061
Treasury stock	(209)	(209)
Equity attributable to equity holders of the Parent Company	P 4,723,438,710	P4,498,203,849
<b>Debt-to-equity ratio</b>	<b>0.24:1.00</b>	<b>0.24:1.00</b>

## 17. Revenue from Tuition and Other Fees

This account consists of:

	2016	2015	2014
Tuition fees and other matriculation fees	P1,039,968,653	P931,256,998	P850,901,402
Bookstore income	8,668,207	10,999,888	6,336,880
Seminar fee income	1,401,561	1,289,734	1,476,374
Miscellaneous	31,556,962	32,255,861	29,175,524
Total	P1,081,595,383	P975,802,481	P887,890,180

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 graduation fees, certification of grades, good moral and other school credentials.

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations. In second quarter of 2015, the Company concluded that it was appropriate to classify its rental to sale of services revenue. Previously, such revenue had been classified under tuition and other fees revenue. Accordingly, the Company had revised the classification to report this revenue under sale of services caption.

## 18. Cost of Tuition and Other Fees

This account consists of:

	2016	2015	2014
Personnel expenses	299,773,616	P286,103,432	P248,524,445
Depreciation and amortization	86,436,235	71,530,607	56,646,695
Student-related expenses	75,816,020	62,703,754	46,279,094
Utilities	41,574,596	44,530,443	40,883,199
Management and other professional fees	36,334,304	32,351,691	34,422,070
Tools and library books	9,244,254	14,054,798	12,579,317
Advertising	7,885,249	10,184,447	4,541,999
Seminar	6,340,719	6,903,993	6,209,855
Repairs and maintenance	5,178,994	4,566,167	4,921,768
Periodicals	5,093,064	6,873,118	370,208
Laboratory supplies	3,484,304	3,938,010	2,403,876
Research and development	3,311,864	3,459,844	3,678,085
Insurance	2,602,114	1,906,229	1,528,609
Accreditation cost	2,483,285	6,228,248	2,083,102
Office supplies	2,206,393	3,050,481	1,960,365
Taxes and licenses	984,734	1,065,010	-
Transportation and travel	574,596	968,153	435,366
Entertainment, amusement and recreation	154,148	176,947	404,872
Rent	93,904	762,025	670,831
Miscellaneous	4,735,824	7,111,856	5,499,352
	<b>594,308,217</b>	<b>P568,469,253</b>	<b>P474,043,105</b>

The cost of stock sales of school's bookstore was previously presented under Cost of Goods Sold. In December 2015, this was reclassified under Cost of Tuition and Other Fees "Miscellaneous" since the related revenue was categorized under Revenue from Tuition and Other Fees. The reclassification has no effect on the reported results of operations.

## 19. General and Administrative Expenses

This account consists of:

	2016	2015	2014
Management and other professional fees	P46,842,830	P42,644,057	P44,605,442
Personnel expenses	36,807,892	32,074,095	50,949,609
Depreciation and amortization	11,237,126	9,046,234	10,609,919
Donations	9,340,876	-	6,812,079
Advertising	5,345,232	2,504,771	4,009,017
Taxes and licenses	3,916,007	3,489,462	3,107,081
Utilities	2,854,459	2,569,005	2,982,223
Seminar	2,408,479	637,324	1,592,246
Repairs and maintenance	1,371,781	1,847,435	4,254,044
Entertainment, amusement and recreation	1,134,991	1,307,240	1,357,077
Office supplies	1,123,020	816,140	1,761,733
Rent	1,111,609	1,179,008	873,520
Transportation and travel	629,333	742,046	1,390,178
Insurance	592,092	575,532	607,676
Commission Expense	74,643	100,478	34,183

	2016	2015	2014
Provision for impairment of receivables	-	1,830,197	-
Accreditation cost	-	591,290	101,378
Miscellaneous	<b>3,157,599</b>	3,537,034	6,144,679
	<b>₱127,947,969</b>	₱105,491,348	₱141,192,083

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

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

## 20. Interest Income, Interest and Other Finance Charges

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

	2016	2015	2014
Cash in banks and cash equivalents (Note 6)	<b>₱1,477,034</b>	₱4,458,518	₱2,577,060
Advances to officers and employees (Note 7)	<b>2,695,574</b>	1,183,514	175,594
	<b>₱4,172,608</b>	₱5,642,032	₱2,752,654

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

	2016	2015	2014
Long-term debt (Note 15)	<b>₱5,207,034</b>	₱9,903,395	₱8,096,916
Loans payable (Note 14)	-	35,000	17,359
	<b>₱5,207,034</b>	₱9,938,395	₱8,114,275

## 21. Earnings Per Share

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

	2016	2015	2014
Net income attributable to equity holders of Parent Company (a)	<b>₱313,215,634</b>	₱270,083,723	₱247,372,949
Weighted average number of outstanding shares - net of treasury shares (b)	<b>748,932,949</b>	748,932,949	748,932,949
Earnings per share (a/b)	<b>₱0.4182</b>	₱0.3606	₱0.3303

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

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## 22. Operating Segment Information

### Business Segment

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

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

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

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

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

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

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

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

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

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

Capital expenditures consist of additions to property and equipment.

(In million pesos)

	Information Technology and Education			Others			Elimination			Consolidated		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
<b>Total Revenues</b>	<b>P1,094</b>	P1,001	P909	<b>P63</b>	P69	P83	<b>P–</b>	P–	P–	<b>P1,157</b>	P1,069	P991
<b>Net Income (Loss)</b>	<b>P340</b>	P297	P270	<b>(P3)</b>	(P6)	(P3)	–	–	–	<b>P337</b>	P291	P266
<b>Other Information</b>												
Segment assets	<b>P6,996</b>	P6,358	P5,924	<b>P2,254</b>	P1,800	P1,717	<b>(P2,987)</b>	(P2,485)	(P2,442)	<b>P6,262</b>	P5,674	P5,199
Segment liabilities	<b>1,533</b>	1,763	1,915	<b>179</b>	211	179	<b>(497)</b>	(455)	(412)	<b>1,214</b>	1,520	1,682
Deferred tax assets	<b>1</b>	1	–	<b>11</b>	9	8	–	–	–	<b>12</b>	10	8
Deferred tax liabilities	<b>110</b>	83	74	<b>1</b>	–	–	–	–	–	<b>110</b>	83	74
Depreciation and amortization	<b>97</b>	80	66	–	–	1	–	–	–	<b>98</b>	81	67

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## 23. Commitments and Contingencies

### Lease Commitments

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

The Company's Intramuros and Makati campuses lease spaces to RCBC, Digitel and Bell Telecommunication Philippines, Inc. The lease terms cover lease periods of between 3 years to 10 years with escalation rates ranging from 3.0% to 10.0%.

The future minimum rentals receivable under the aforementioned lease agreements follows:

	<b>2016</b>	2015
Within one (1) year	<b>₱2,051,879</b>	₱2,051,879
More than 1 year but not more than five (5) years	<b>6,683,573</b>	6,683,573
Later than five years	<b>4,512,253</b>	4,512,253
	<b>₱13,247,705</b>	₱13,247,705

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

The Group entered into a renewable 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, 2016 to December 31, 2016 with monthly rental of ₱0.03 million. The lease agreement was renewed on December 28, 2015.

#### *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.

For other contingent liabilities, 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, 2016**

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, 2016:

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 quarter	Income Received and Accrued
<b>Available-for-sale financial assets</b>				
Quoted:				
Petro Energy Resources Corporation	4,111,335	₱16,280,887	₱16,280,887	₱1,891,213

The basis in determining the value of equity securities is the market quotation as at June 30, 2016.

#### 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, 2016:

Name	As of December 31, 2015	Additions	Liquidations/ Collections	As of June 30, 2016
Costales, Aloysius Nathaniel	₱559,918	₱89,582	₱64,958	₱584,542
Agbulos, Erlin C.		446,888	–	446,888
Adanza, Carina Victoria T.	538,500	–	185,950	352,550
Francisco, Ruth C.	383,868	–	44,067	339,801
Judilla, Roel John	366,850	–	44,275	322,575
Sauquillo, Dante	363,688	–	44,275	319,413
Papas, Aileen Kate A.	333,201	–	44,427	288,774
Apsay, Christopher	326,193	–	43,306	282,887
Geguiento, Edgardo P.	312,478	–	36,300	276,178
Ballado, Alejandro Jr.	293,600	–	42,817	250,783
Balan, Ariel Kelly	290,542	–	42,817	247,725
Cabanilla, Angela Celine	277,172	–	42,642	234,530
Cinco, Arnold	277,172	–	42,642	234,530
Camus, Rosette Eira	271,079	–	42,642	228,437
Sabio, Maurice	213,957	–	41,800	172,157
Arenillo, Denise Jordan	209,008	–	37,221	171,786

Name	As of December 31, 2015	Additions	Liquidations/ Collections	As of June 30, 2016
Kikuchi, Khristian	184,291	–	19,417	164,874
Hofilena, Joy	205,229	–	41,800	163,429
Uy, Francis Aldrine	204,341	–	46,142	158,200
Macayan, Jonathan	190,213	–	45,135	145,078
	<b>₱5,801,299</b>	<b>₱536,470</b>	<b>₱952,632</b>	<b>₱5,385,137</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, 2016:

Name	Volume of transactions	Receivables	Terms
Pan Pacific Computer Center, Inc.	Share in expenses	₱1,475,320	Non-interest bearing and to be settled within the year

#### Schedule D. Intangible Assets

As at June 30, 2016, 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	610,162	4,985,281	(492,412)	5,103,031
	<b>₱138,463,507</b>	<b>₱4,985,281</b>	<b>(₱492,412)</b>	<b>₱142,956,376</b>

#### 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.

In 2015, the Group made accelerated payments amounting ₱241.50 million which effectively shortened the term and will be fully paid on May 22, 2018.

Details as of June 30, 2016 follow:

Type of Obligation	Amount	Current	Noncurrent
Syndicated bank loan	₱145,500,000	₱86,000,000	₱59,500,000

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

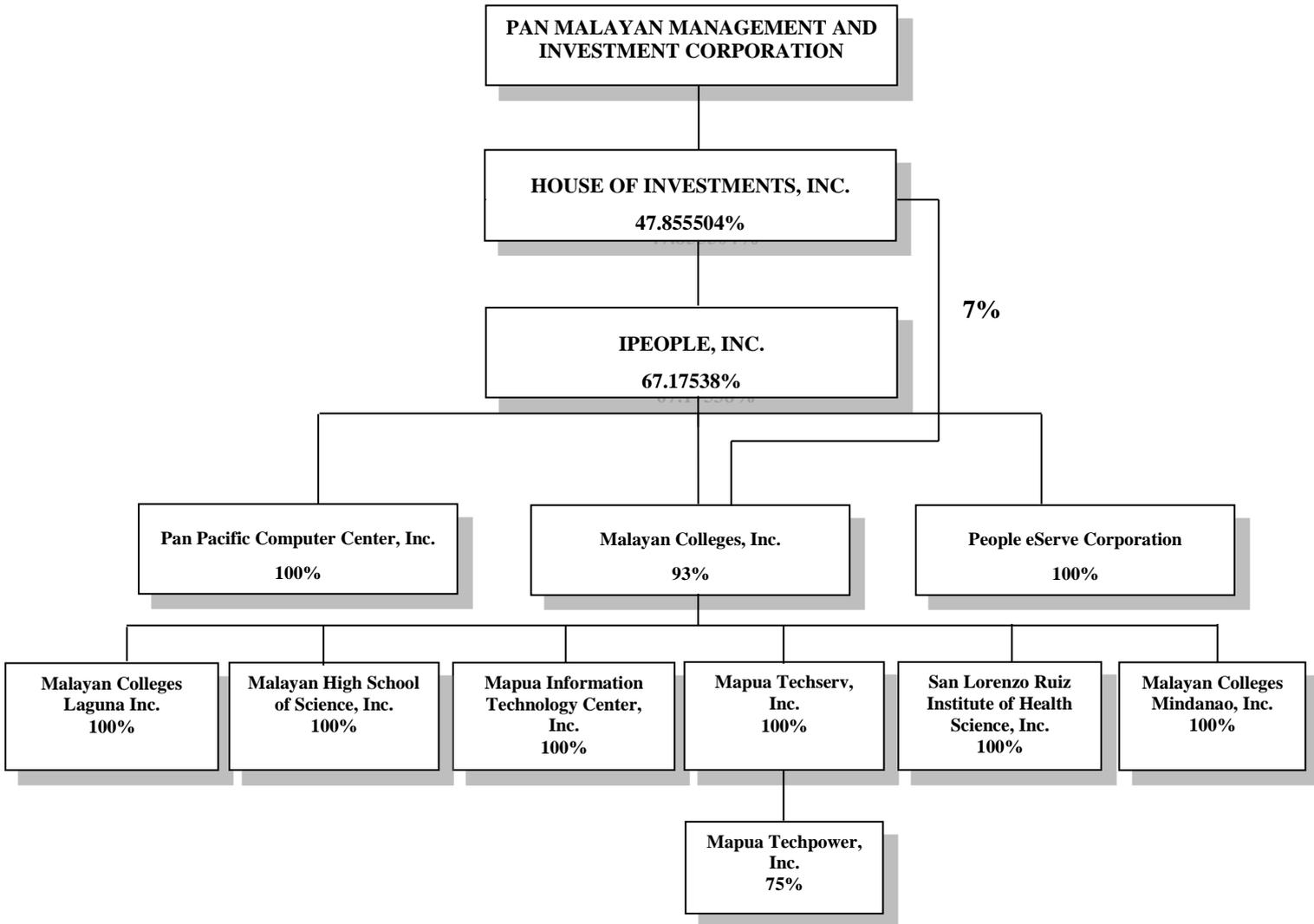
As at June 30, 2016, the Group does not guarantee any securities.

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	748,932,949	—	589,826,564	1,176,528	159,106,657

*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, 2016:



**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, 2016:

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2016</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> Effective as of June 30, 2016		<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		√	
	New Hedge Accounting Requirements		√	
<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> Effective as of June 30, 2016		<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			√
	Amendments to PAS 39: Cash Flow Hedge Accounting of			√

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of June 30, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	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>IFRIC 18</b>	Transfers of Assets from Customers			√

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of June 30, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<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, 2016.

Standards tagged as “Not adopted” are standards issued but not yet effective as of June 30, 2016. 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>₱963,111,729</b>
Adjustments:	
(see adjustments in previous year's reconciliation)	-
Unappropriated retained earnings, as adjusted, beginning	<b>963,111,729</b>
Net income(loss) based on the face of available-for-sale	<b>(2,730,820)</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(Loss) Actual/Realized	<b>(2,730,820)</b>
Dividends declaration during the year	<b>(89,871,987)</b>
Treasury stock	<b>(209)</b>
Unappropriated Retained Earnings, as adjusted, ending	<b>₱870,508,714</b>

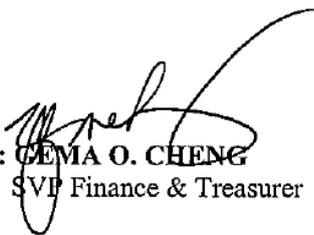
**iPeople, inc. and Subsidiaries**  
**Aging of Accounts Receivable**  
**For the quarter ended June 30, 2016**

	No. of days due			Total
	0-30	31-60	Over 61 days	
Education	<b>₱131,680,941</b>	<b>₱10,692,963</b>	<b>₱73,584,895</b>	<b>₱215,958,800</b>
Information technology	<b>10,559,106</b>	<b>5,243,807</b>	<b>17,726,679</b>	<b>33,529,593</b>
Parent and others	<b>12,726,513</b>	<b>7,303,700</b>	<b>14,589,343</b>	<b>34,619,557</b>
Total	<b>154,966,561</b>	<b>23,240,471</b>	<b>105,900,918</b>	<b>284,107,949</b>
Less: Allowance for doubtful accounts	–	–	<b>(66,882,039)</b>	<b>(66,882,039)</b>
	<b>₱154,966,561</b>	<b>₱23,240,471</b>	<b>₱39,018,878</b>	<b>₱217,225,910</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** :   
: **GEMMA O. CHENG**  
SVP Finance & Treasurer

**Signature and Title** :   
: **MARIA TERESA T. BAUTISTA**  
Controller

**Date** : August 15, 2016