

# 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

N	/	A
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**COMPANY INFORMATION**

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	815-9636	N/A
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,042	June 30	June 30

**CONTACT PERSON INFORMATION**

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

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

**CONTACT PERSON'S ADDRESS**

<b>3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City</b>
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**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, 2017
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	748,932,949

Amount of debt as of June 30, 2017 P1.521 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, 2017 with comparative figures for the periods ended June 30, 2016 and December 31, 2016 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 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;*

There are no material commitments for capital expenditures other than the construction of a new campus on a 2.3-hectare property in Davao through its subsidiary, Malayan Colleges Mindanao (A Mapua School), Inc. (MCMI). Completion is expected in time for the Academic Year 2018-2019. The project is estimated to cost around P2 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 Department of Education (DepEd), which calls for the two extra years of basic education started in 2016. There will be two academic years where there will be no students moving on to tertiary studies starting 2016. This is expected to impact the profitability and cash flow of educational institutions during the transition period.

To address the effects during the transition period, Malayan Colleges, Inc. and Malayan Colleges Laguna, Inc. offered Senior High School and started to take in Grade 11 students in 2016 who will accelerate to Grade 12 in 2017. Also, as a strategic response to the K Plus 12 developments, iPeople is actively seeking opportunities to expand its current education portfolio.

Other than the K plus 12, there is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income of the Group from continuing operations.

*(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 first half of 2017, IPO showed a consolidated net income after tax of ₱181.87 million against ₱336.86 million last year. The 46% drop is primarily attributable to lower number of enrollees in the third and fourth term period due to K+12 program of the DepEd.

Total revenues this year is at ₱966 million, which is 16% lower compared to ₱1,153 million last year. Revenue from school operations, which is the primary source of revenue of the Group, has dropped by 15% due to reduced number of freshmen enrollees. This was softened by revenues generated from Senior High School offering.

Sale of goods was lower by ₱11.37 million, from ₱51.18 million of same quarter last year to ₱39.81 million this year. This is significantly lower because in June 2017, the Board of PPCC approved the cessation of its hardware reselling operations on July 5, 2017.

Sale of services pertains primarily to lease of office and parking space in schools, and technical services provided by PPCC.

Cost of sales and services went down by 2% primarily because of lower volume of units sold by

PPCC. The slight increase in the cost related to school operations is attributable to higher (a) depreciation due to acquisition of computer, laboratory and office equipment intended for senior high school students; (b) student related expenses relative to the increase in the number of scholars, student welfare activities and higher number of scholarship grants and educational aid; (c) management and professional fees relative to salary and wage increase mandated by the Department of Labor and Employment; (d) seminars and trainings due to timing factor; (e) tools and library books due to additional rooms and books intended for senior high school students; (f) periodicals due to acquisition of Science Direct and Scopus (a database access for science, technical and medical research); and (g) accreditation due to timing of requirements of different accreditation bodies.

General and administrative expenses decreased by 3% or ₱2.89 million lower from same period last year. Decrease is primarily attributable to lower (a) personnel expenses due to reduction in the number of casual employees brought about by lower freshmen intake; (b) seminar because last year includes costs related to faculty congress held by schools; and (c) advertising, last year includes billboards used for campaign to intensify senior high school offering;

Interest income was higher by 50% this year because of higher volume of placements as of the period compared to same period last year coupled with increase in average interest rate.

Interest expense and other charges dropped significantly due to full settlement of the long-term loan of the Group.

Other income (loss) pertains to Foreign Exchange gain and commission income from computer related services.

### **Balance Sheet Variances**

Total consolidated assets stood at ₱7.14 billion as of the quarter ending June 30, 2017 compared to ₱6.53 billion as of December 2016.

Cash and receivables increased from December 2016 due to timing of enrollment.

Receivables from related parties decreased by ₱2.82 million, which pertains mainly to receivables from an affiliate for the lease of space. Balance as of December 2016 was fully paid during the first quarter of 2017.

Prepaid expense and other current assets increased due to acquisition of academic publication, periodicals and magazines, manuals and research tools, audit and license fees from various sources of global intelligence on the higher education sector.

Available-for-sale securities which is presented at its fair market value, increased from ₱17.06 million to ₱29.19 million because of higher market value as of the period.

Property and equipment increased by 8% from December 2016 last year, representing capitalized cost relative to the construction of school building in Mindanao.

Other noncurrent assets pertain to computer software cost, at net of amortization, unutilized creditable withholding and input tax, and security deposits. Schools' acquisition of training software solutions and registration system contributed to the 7% increase.

Total consolidated liabilities were higher by 50%, primarily because of new loans acquired by the Group to finance the on-going construction of the school building in Mindanao. These are short-term loans due in September 2017, March and May 2018.

Accounts payable and accrued expenses increased by 15%, from P553 million last year to P636 million as of June 2017 due to the advance payments made by the students for the 1<sup>st</sup> term period of SY 2017-2018.

Payable to related parties went up by 53% relative to the on-going construction in Mindanao, in which supervision and management of the project is awarded to a related party.

Income tax payable in December 2016 was settled in April 2017. Tax liability for the quarter ending June 2017 is payable in August 2017.

Unearned tuition fees significantly increased, from P53 million in December 2016 to P155 million as of June 2017. This is due to the timing of enrollment for school year 2017-2018, which started in June 2017.

Dividends payable as of June 2017 is lower by 15% due to timing of payment. The balance of P54.79 million pertains to current dividend declaration, which is payable in August 2017.

Total consolidated equity increased from P5.52 billion to P5.62 billion this quarter. Equity attributable to Parent is at P5.26 billion, from P5.17 billion last December 2016.

*(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 50 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, 2017, June 30, 2016 and December 31, 2016 are as follows:

Financial ratios		Unaudited June 2017	Unaudited June 2016	Audited December 2016
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<b>1.00:1</b>	1.34:1	1.41:1
<i>Indicates the Group's ability to pay short-term obligation</i>				
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	<b>0.19:1</b>	0.36:1	0.84:1
<i>Shows how likely a company will be to continue meeting its debt obligations</i>				
Debt-to-equity ratio	$\frac{\text{Net Debt}}{\text{Equity}}$	<b>0.29:1</b>	0.26:1	0.20:1
<i>Measures the Group's leverage</i>				
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Equity}}$	<b>1.27:1</b>	1.24:1	1.18:1
<i>Shows how the company's leverage (debt) was used to finance the firm</i>				
Interest Rate Coverage	$\frac{\text{EBIT}}{\text{Interest Expense}}$	<b>73.91:1</b>	71.08:1	78.14:1
<i>Shows how easily a company can pay interest on outstanding debt</i>				
Return on Average Stockholders' Equity	$\frac{\text{Net Income}}{\text{Average Equity}}$	<b>3.41%</b>	6.38%	12.47%
<i>Reflects how much the Group's has earned on the funds invested by the stockholders</i>				
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	<b>2.55%</b>	5.38%	9.85%
<i>Measure the ability to utilize the Group's assets to create profits</i>				
Net Profit Margin	$\frac{\text{Net Income}}{\text{Total Revenues}}$	<b>18.83%</b>	29.21%	27.26%
<i>Shows how much profit is made for every peso of revenue</i>				
Asset Turnover	$\frac{\text{Total Revenues}}{\text{Total Assets}}$	<b>14x</b>	18x	36x
<i>Shows efficiency of asset used in Operations</i>				
Return on Equity	$\frac{(\text{Net Income} / \text{Total Revenues}) \times (\text{Total Revenues} / \text{Total Assets}) \times (\text{Total Assets} / \text{Total Equity})}{1}$	<b>3.24%</b>	6.67%	11.66%
<i>Shows how much the business returns to the stockholders for every peso of equity capital invested</i>				



- The current ratio is at 1.00 as of June 2017 compared to 1.34 as of June 2016 due to increase in the short-term loans of the Group to finance the on-going construction of school buildings in Davao.
- Solvency ratio is at 0.19 as of the period. This is lower compared to last year because of the effect of K+12 program of DepEd.
- Debt-to-equity ratio increased from 0.29 as at June 2016 to 0.28 as of this period due to additional loans drawn by the Group.
- Asset to equity ratio went up from 1.27 as at June 2016 to 1.26 this period because of increased cash collections from tuition fees and on-going construction of school buildings in Mindanao.
- Interest rate coverage ratio improved from 71 times as at June 2016 to 74 times this period as the Group fully paid its long-term debts.
- Return on average stockholders' equity dropped to 3.41% year on year, resulting from the reduced income due to the effects of K+12 transition.
- Return on asset is at 2.55% against 5.38% as of June 2016, because of the reduced income due to the effects of K+12 transition.
- Net profit margin decreased from 29.21% last year to 18.83% as of this period due to lower income from schools.
- Asset turnover is 14 times as of this period against 18 times as of June 2016. Decrease is due to lower revenues as a result of K+12 program coupled by higher asset base due to new property acquired by the Group.
- Return on equity dropped from 6.67% to 3.24% as of this period, resulting from lower margins due to lower average number of enrollees intake.

**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 2017 DEVELOPMENTS**

Significant developments during the second quarter of 2017 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.

#### **Risk Factors at the Holding Company Level**

The following covers the risk management policies at the holding company level. *For a discussion of risks faced by each portfolio company, please refer to the appropriate section in this report.*

a. Interest Rate Risk

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. When possible, IPO will use lower cost debt to pay down higher cost debt. 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. IPO does not have any borrowings that will directly expose it to interest rate risk.

b. Foreign Exchange Risk

Foreign exchange risk results primarily from movements in the prevailing exchange rate between the Philippine Peso (PHP) and the United States Dollar (USD). This risk does not materially affect the Company as the revenues and the operating expenses of IPO are denominated in PHP.

c. Liquidity Risk

This refers to the ability of the Company to service maturing debts, finance capital requirements, and pay for existing operations. IPO is dependent on dividends to finance its day-to-day operations. It maintains a consistent level of funding and 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.

- d. **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.
- e. **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 values because of specific factors related to these securities, or because of 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.
- f. **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 IPO management works together the management of the operating subsidiaries in ensuring that the business continuity plans of each operating subsidiary is in place and is up to date.
- g. **Competition**  
IPO faces competition in some cases when it is in the process of bidding on prospective deals. There are other holding companies or business groups that are very active in expanding their Philippine portfolio of earning assets, especially in the education sector. In some situations, IPO might find itself bidding against such competitors when prime assets of businesses are for sale.
- h. **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 Company. 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.

### **Risk Factors at the Education Sector**

- a. **Regulatory, recognition of academic programs, and accreditations from government, and self-regulating private accreditation organizations.**
- **Accreditations**  
The schools are governed and regulated by the CHED and by the Department of Education (DepEd), depending on the program offerings. In addition, MCI and MCL are also accredited by PACUCOA, the leading accreditation body in the Philippines for colleges and universities. MCI is also accredited by the Accreditation Board of Engineering & Technology (ABET).

The failure of any of our schools to pass government standards, or to meet accreditation renewal standards, may negatively impact the perception of the quality of our academic programs and facilities. If this happens we might expect our enrolment to materially decrease, which would have an adverse impact to our profits and cash flow.

- **Tuition Fee.**

The Commission on Higher Education (CHED) and the Department of Education regulates tuition increases at the university level and the secondary level, respectively, and routinely sets maximum limits on percentage increases in tuition fees. MCI, MCLI, and MHSS are subject to maximum percentage increase guidelines issued by both the CHed and the DepEd, as applicable. The inability of MCI and MCL to increase tuition fees to cover higher operating costs may pose a risk to profits and cash flows over time.

- **Changes in regulations.**

The DepEd K+12 program increases the total number of years of education at the pre-university level from 10 years to 12 years. The addition of two extra years of schooling prior to the university level means universities and colleges will end up with two academic years of no entering freshman classes.

The reduction of the student population because of the K+12 program poses a serious short to medium-term risk to IPO profits and cash flows. MCI, MCL and MHSS is offering senior high school starting 2016 to cushion the effects of the K + 12 Program. However, these measures may not offset the entire impact of a loss of two freshman classes.

**b. Competition**

- **Faculty.**

The schools depend on high quality faculty to teach the educational programs. To the extent that they can, the schools at both the tertiary and secondary level recruit faculty with excellent academic credentials and teaching skills. The schools might not be able to recruit the desired faculty due to any number of factors, including mismatches between the desired compensation and offer; competing recruitment from other educational institutions; or candidates seeking opportunities abroad.

The schools also work to retain key faculty in certain academic disciplines in order to maintain continuity and reduce turnover. If recruitment and retention efforts suffer, the quality of teaching and the quality of academic programs might suffer.

- **Students.**

Competition among schools for greater student enrolment is fierce. The schools compete against an impressive array of non-profit and for-profit schools. The competitors in the elite school level bring a formidable set of resources to the battle: money, facilities, history, tradition, an active alumni base, a spirited student body, established brands, and large marketing budgets.

While Mapua is an established brand, it also has its own impressive set of resources. It continues to pursue accreditations from self-regulating private accreditation organizations in addition to the government accreditation bodies.

**c. Credit Risk**

As the schools increase their enrollment, the level of receivables also increases. Some of the students who cannot afford to make the full payment of tuition and miscellaneous fees during an academic quarter execute a Promissory Note and are expected to settle their accounts prior to the start of the next academic quarter. In certain cases, students who have signed promissory notes cannot pay these notes.

The schools do not aggressively pursue collection of defaulted student debt given that the default rate is small. Regardless, the schools face a risk that a rise in student defaults on promissory notes would impact profits and cash flows negatively.

**d. Operational Risk**

The operations of the Mapúa schools may be hampered by the following:

- **Transportation Strikes.** In the event of a transportation strike, students, faculty, and the admin staff are unable to come to the campuses affected. Classes are normally suspended during these events.
- **Natural calamities and disasters.** Our schools, like many other enterprises, are subject to adverse occurrences beyond our control, which include (but are not limited to) earthquakes, floods, and similar natural phenomena. We believe we carry enough insurance to hedge against the monetary damages caused by these events. In the event that the damage to our facilities arising from said events are severe and our insurance is not enough to cover it, our operations and ability to return to normal conditions might be severely affected.
- **Union.** MCI has two unions, Faculty Association of MIT (FAMIT) and MIT Labor Union (MITLU). A strike by any of the two unions would obstruct operations.

In the event of calamities, strikes, and the like that could hamper the operations of the schools, Mapúa has tested and instituted the use of Blackboard, its learning management system that is capable of conducting real-time online classes.

**e. Unions - Faculty Association of MIT (FAMIT) and MIT Labor Union (MITLU) of MCI**

MCI is bound by the collective bargaining agreement (CBA) signed between the institution and the two unions.

MCI negotiates with each union separately. The FAMIT represents the faculty members. The MITLU represents the non-teaching staff. To the extent that unions negotiate CBA's with higher increases over time, this would negatively impact the cost structure of MCI and lower the expected value of its profit and cash flows over time.

In the event that a CBA is not negotiated successfully or there is an issue that results in labor unrest, it could have a material adverse impact on the operations of MCI.

**f. Dilution Risk and Interest Rate Risk**

The schools need capital to grow. All of our schools pursue growth opportunities, which may involve any of the following actions: building new teaching and non-teaching facilities at existing campuses; building campuses at new locations; or even buying other schools.

In order to grow, the schools will need to raise funding. This fund raising can arise from the sale of equity, selling debt securities, borrowing from existing debt facilities, or borrowing from new debt facilities.

- If capital is raised through borrowings, the Mapúa schools will also be subject to interest rate risk. An increase in our negative carry will also adversely impact our profitability.
- If capital is raised through equity, there is a risk of diluting the interest of current shareholders if new investors infuse the capital.

**g. Market Risk and Political Risk**

- **Demographics**

In the event that adverse macro-economic or micro-economic factors hit the country that may force a subset of students to temporarily drop out and continue their education at a later time, permanently stop school, or they decide to transfer to another school, our enrolment may be negatively impacted and this will have a negative effect on our profitability.

- **International Relations**

A certain portion of the student population depends on family members who are Overseas Filipino Workers to pay for their tuition and miscellaneous fees. International relations of the Philippines with the employer countries is a key element to avoid any serious disruption in the size and frequency of inward-bound overseas remittances.

**EXHIBIT 1**

# **iPEOPLE INC. and SUBSIDIARIES**

## **Interim Condensed Unaudited Consolidated Financial Statements**

**June 30, 2017 and 2016 (Unaudited)  
and  
December 31, 2016 (Audited)**

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

	Unaudited 2017	Audited 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 6 and 14)	<b>₱1,003,213,183</b>	₱873,357,931
Receivables (Note 7)	<b>169,719,945</b>	144,753,882
Receivables from related parties (Note 14)	<b>896,138</b>	3,715,005
Prepaid expenses and other current assets (Note 8)	<b>116,204,406</b>	89,609,828
Financial assets at fair value through profit or loss	<b>8,402,193</b>	8,339,643
Total Current Assets	<b>1,298,435,865</b>	1,119,776,289
<b>Noncurrent Assets</b>		
Available-for-sale financial assets	<b>29,190,479</b>	17,062,041
Property and equipment (Notes 9 and 10)	<b>5,647,058,843</b>	5,227,443,117
Net pension asset	<b>1,575,170</b>	1,575,170
Goodwill (Note 11)	<b>137,853,345</b>	137,853,345
Deferred tax assets - net	<b>6,137,926</b>	6,137,926
Other noncurrent assets (Note 12)	<b>20,961,447</b>	19,623,657
Total Noncurrent Assets	<b>5,842,777,210</b>	5,409,695,256
	<b>₱7,141,213,075</b>	₱6,529,471,545
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Note 13)	<b>₱635,840,179</b>	₱553,353,893
Payables to related parties (Note 14)	<b>20,387,370</b>	13,288,486
Income tax payable	<b>5,466,555</b>	8,203,745
Unearned tuition fees	<b>154,776,728</b>	53,041,443
Dividends payable (Note 16)	<b>54,793,796</b>	64,412,064
Short-term loan (Note 15)	<b>425,000,000</b>	100,000,000
Total Current Liabilities	<b>1,296,264,628</b>	792,299,631
<b>Noncurrent Liabilities</b>		
Net pension liability	<b>80,270,408</b>	74,440,303
Deferred tax liabilities - net	<b>144,951,350</b>	147,127,296
Total Noncurrent Liabilities	<b>225,221,758</b>	221,567,599
Total Liabilities	<b>₱1,521,486,386</b>	₱1,013,867,230

(Forward)



	Unaudited	Audited
	2017	2016
<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 loss on available-for-sale financial assets	<b>10,828,235</b>	(1,300,203)
Revaluation increment on land - net (Note 10)	<b>984,985,652</b>	984,985,652
Remeasurement gains on defined benefit plans	<b>23,017,641</b>	23,017,641
Retained earnings (Note 16)	<b>3,488,839,255</b>	3,409,999,669
	<b>5,258,042,831</b>	5,167,074,807
Less: Treasury stock (Note 16)	<b>209</b>	209
	<b>5,258,042,622</b>	5,167,074,598
Non-controlling interest in consolidated subsidiaries	<b>361,684,067</b>	348,529,717
Total Equity	<b>5,619,726,689</b>	5,515,604,315
	<b>₱7,141,213,075</b>	₱6,529,471,545

*See accompanying Notes to Consolidated Financial Statements.*

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

	<b>April 1 to June 30</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>REVENUES</b>			
Tuition and other fees	<b>₱399,669,008</b>	₱490,486,313	₱442,998,200
Sale of goods	<b>21,005,872</b>	14,808,799	43,066,852
Sale of services	<b>2,475,517</b>	11,289,969	5,993,519
	<b>423,150,397</b>	516,585,081	492,058,571
<b>COSTS AND EXPENSES</b>			
Cost of tuition and other fees	<b>315,141,457</b>	314,467,103	296,019,126
Cost of goods sold	<b>18,958,051</b>	12,730,305	37,733,445
Cost of services	<b>1,113,991</b>	10,558,531	1,742,341
	<b>335,213,499</b>	337,755,939	335,494,912
<b>GROSS PROFIT</b>	<b>87,936,898</b>	178,829,142	156,563,659
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>(49,098,541)</b>	(59,437,724)	(47,585,549)
<b>INTEREST AND OTHER FINANCE CHARGES</b>	<b>(2,041,337)</b>	(944,610)	(5,472,971)
<b>INTEREST INCOME</b>	<b>3,309,929</b>	2,519,529	3,404,171
<b>OTHER INCOME (LOSS)</b>	<b>88,503</b>	3,771,448	71,030
<b>INCOME BEFORE INCOME TAX</b>	<b>40,195,452</b>	124,737,785	106,980,340
<b>PROVISION FOR INCOME TAX</b>	<b>4,858,539</b>	12,932,009	11,133,147
<b>NET INCOME</b>	<b>35,336,913</b>	111,805,776	95,847,193
<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>12,704,025</b>	986,721	(3,508,340)
	<b>12,704,025</b>	986,721	(3,508,340)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱48,040,938</b>	₱112,792,497	₱92,338,853
Net income attributable to:			
Equity holders of the parent	<b>₱32,666,792</b>	₱103,988,134	₱89,043,892
Non-controlling interest in consolidated subsidiaries	<b>2,670,121</b>	7,817,642	6,803,301
	<b>₱35,336,913</b>	₱111,805,776	₱95,847,193
Total comprehensive income attributable to:			
Equity holders of the parent	<b>₱45,370,817</b>	₱104,974,855	₱85,535,552
Non-controlling interest in consolidated subsidiaries	<b>2,670,121</b>	7,817,642	6,803,301
	<b>₱ 48,040,938</b>	₱112,792,497	₱92,338,853

**iPEOPLE, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>January 1 to June 30</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>REVENUE</b>			
Tuition and other fees (Note 17)	<b>₱921,120,866</b>	₱1,087,332,171	₱983,831,500
Sale of goods	<b>39,808,173</b>	51,176,366	67,466,027
Sale of services (Note 17)	<b>4,953,684</b>	14,772,391	18,082,067
	<b>965,882,723</b>	1,153,280,928	1,069,379,594
<b>COSTS AND EXPENSES</b>			
Cost of tuition and other fees (Note 18)	<b>623,684,152</b>	615,316,109	573,170,765
Cost of goods sold	<b>35,894,421</b>	46,273,907	60,926,226
Cost of services	<b>2,066,563</b>	11,561,391	2,389,361
	<b>661,645,136</b>	673,151,407	636,486,352
<b>GROSS PROFIT</b>	<b>304,237,587</b>	480,129,521	432,893,242
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 19)	<b>(104,983,810)</b>	(107,870,599)	(105,491,348)
<b>INTEREST AND OTHER FINANCE CHARGES</b> (Note 20)	<b>(2,695,731)</b>	(5,237,325)	(9,938,395)
<b>INTEREST INCOME</b> (Note 20)	<b>6,265,091</b>	4,172,608	5,642,032
<b>OTHER INCOME (LOSS)</b>	<b>519,796</b>	3,443,938	746,193
<b>INCOME BEFORE INCOME TAX</b>	<b>203,342,933</b>	374,638,143	323,851,724
<b>PROVISION FOR INCOME TAX</b>	<b>21,477,010</b>	37,775,435	33,067,364
<b>NET INCOME</b>	<b>181,865,923</b>	336,862,708	290,784,360
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>			
Unrealized gains (losses) on AFS financial assets	<b>12,128,438</b>	1,891,214	(5,317,327)
	<b>12,128,438</b>	1,891,214	(5,317,327)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱193,994,361</b>	₱338,753,922	₱285,467,033
Net income attributable to:			
Equity holders of the parent (Note 21)	<b>₱168,711,573</b>	₱313,215,634	₱270,083,723
Non-controlling interest in consolidated subsidiaries	<b>13,154,350</b>	23,647,074	20,700,637
	<b>₱181,865,923</b>	₱336,862,708	₱290,784,360
Total comprehensive income attributable to:			
Equity holders of the parent	<b>₱180,840,011</b>	₱315,106,848	₱264,766,396
Non-controlling interest in consolidated subsidiaries	<b>13,154,350</b>	23,647,074	20,700,637
	<b>₱193,994,361</b>	₱338,753,922	₱285,467,033
<b>Basic Earnings Per Share</b> (Note 21)	<b>₱0.2253</b>	₱0.4182	₱0.3606

*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	Revaluation Increment on Land - net of tax (Note 10)	Remeasurement Gains (Losses) on Net Defined Benefit Plans	Retained Earnings (Note 16)	Treasury Stock (Note 16)	Total	Non - controlling Interest	Total
For the quarter ended June 30, 2017										
<b>Balances as at January 1, 2017</b>	<b>P748,933,221</b>	<b>P1,438,827</b>	<b>(P1,300,203)</b>	<b>P984,985,652</b>	<b>P23,017,641</b>	<b>P3,409,999,669</b>	<b>(P209)</b>	<b>P5,167,074,598</b>	<b>P348,529,717</b>	<b>P5,515,604,315</b>
Net income	-	-	-	-	-	168,711,573	-	168,711,573	13,154,350	181,865,923
Other comprehensive income	-	-	12,128,438	-	-	-	-	12,128,438	-	12,128,438
Total comprehensive income	-	-	12,128,438	-	-	168,711,573	-	180,840,011	13,154,350	193,994,361
Dividends declared	-	-	-	-	-	(89,871,987)	-	(89,871,987)	-	(89,871,987)
<b>Balances as at June 30, 2017</b>	<b>P748,933,221</b>	<b>P1,438,827</b>	<b>P10,828,235</b>	<b>P984,985,652</b>	<b>P23,017,641</b>	<b>P3,488,839,255</b>	<b>(P209)</b>	<b>P5,258,042,622</b>	<b>P361,684,067</b>	<b>P5,619,726,689</b>
For the quarter ended June 30, 2016										
Balances as at January 1, 2016	P748,933,221	P1,438,827	(P3,972,571)	P751,444,924	P6,331,596	P2,994,028,061	(P209)	P4,498,203,849	P301,185,392	P4,799,389,241
Net income	-	-	-	-	-	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
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)
Balances as at June 30, 2016	P748,933,221	P1,438,827	(P2,081,357)	P751,444,924	P6,331,596	P3,217,371,708	(P209)	P4,723,438,710	P324,832,466	P5,048,271,176
For the quarter ended June 30, 2015										
Balances as at January 1, 2015	P748,933,221	P1,438,827	P4,633,824	P448,763,360	P36,051,315	P2,432,843,210	(P209)	P3,672,663,548	P240,394,640	P3,913,058,188
Net income	-	-	-	-	-	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)
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	P748,933,221	P1,438,827	(P683,503)	P448,763,360	P36,051,315	P2,657,990,940	(P209)	P3,892,493,951	P261,095,277	P4,153,589,228

See accompanying Notes to Consolidated Financial Statements.

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

	<b>January 1 to June 30</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱203,342,933</b>	₱374,638,143	₱323,851,724
Adjustments for:			
Depreciation and amortization (Notes 9, 12, 18 and 19)	<b>103,419,543</b>	97,673,361	80,576,841
Interest expense and other finance charges (Note 20)	<b>2,695,731</b>	5,207,034	9,938,395
Interest income (Notes 6, 7, 14 and 20)	<b>(6,265,091)</b>	(4,172,608)	(5,642,032)
Unrealized market gain on financial asset at FVPL	<b>(62,550)</b>	(66,058)	(61,966)
Unrealized foreign exchange loss (gain)	<b>(202,741)</b>	50,462	(205,428)
Operating income before working capital changes	<b>302,927,825</b>	473,330,334	408,457,534
Decrease (increase) in:			
Accounts receivable	<b>(24,966,063)</b>	(68,793,081)	(64,366,743)
Prepaid expenses and other current assets	<b>(26,594,578)</b>	(18,143,211)	(36,072,770)
Increase (decrease) in:			
Accounts payable and accrued expenses	<b>82,486,286</b>	48,671,642	1,801,585
Unearned tuition fees	<b>101,735,285</b>	131,948,491	148,413,969
Net pension asset and liability	<b>3,654,160</b>	(2,129,864)	134,082,390
Net cash generated from operations	<b>439,242,915</b>	564,884,311	592,315,965
Interest received	<b>6,265,091</b>	4,437,670	5,709,632
Interest paid	<b>(2,695,731)</b>	(9,490,617)	(9,346,643)
Income taxes paid	<b>(24,214,200)</b>	(44,741,018)	(37,257,239)
Net cash flows provided by operating activities	<b>418,598,075</b>	515,090,346	551,421,715
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of:			
Financial assets at FVPL	–	–	61,966
Acquisitions of:			
Property and equipment	<b>(521,745,443)</b>	(53,757,163)	(286,446,427)
Computer software (Note 12)	<b>(1,110,600)</b>	(4,985,281)	(95,583)
Available-for-sale securities	–	–	(6,002,549)
Decrease (increase) in:			
Receivables from related parties	<b>2,818,867</b>	783,938	1,008,926
Other noncurrent assets	<b>(1,517,017)</b>	424,379	–
Net cash flows used in investing activities	<b>(521,554,193)</b>	(57,534,127)	(291,473,667)

(Forward)

	<b>January 1 to June 30</b>		
	<b>2017</b>	2016	2015
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of long-term debt	<b>₱–</b>	(₱43,000,000)	(₱63,619,889)
Short-term loan (Note 15)	<b>325,000,000</b>	–	–
Dividends paid to stockholders	<b>(99,490,255)</b>	<b>(99,492,371)</b>	(154,158,521)
Increase (decrease) in payables to related parties	<b>7,098,884</b>	<b>1,958,469</b>	(9,499,168)
Net cash flows used in financing activities	<b>232,608,629</b>	<b>(140,533,902)</b>	(227,277,578)
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	<b>202,741</b>	<b>(50,461)</b>	205,428
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>129,855,252</b>	<b>316,971,856</b>	32,875,898
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>873,357,931</b>	<b>599,066,474</b>	1,156,486,981
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>₱1,003,213,183</b>	<b>₱916,038,330</b>	₱1,189,362,879

*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 registered and incorporated on July 27, 1989 under the laws of the Philippines and has two wholly-owned subsidiaries, namely: Pan Pacific Computer Center, Incorporated (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), and San Lorenzo Ruiz Institute of Health Science, Inc. (SLRIHSI). Mapua Techpower, Inc. is 75% owned by the Parent Company.

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 consolidated financial statements of the Group have been prepared under the historical cost basis, except for the land which is under revaluation model, financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets which are measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the Parent Company’s functional currency. Except as otherwise indicated, all amounts are rounded off to the nearest peso.

**Statement of Compliance**

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

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

**Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Group as of June 30, 2017 and December 31, 2016, and for each of the three quarters in the period ended June 30, 2017, 2016 and 2015.

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.

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

	Percentage of Ownership		
	2017	2016	2015
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	100	–
People eServe Corporation	100	100	100
Pan Pacific Computer Center, Incorporated	100	100	100

In October 2016, MCI subscribed to additional common shares of MCMI amounting P187.50 million.

All subsidiaries were incorporated in the Philippines.

Subsidiaries are entities over which the Parent Company has control. Control is achieved when the Parent Company 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 Parent Company controls an investee if and only if the Parent Company 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 Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company 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 Parent Company's voting rights and potential voting rights.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

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.



Non-controlling interest represents interest in a subsidiary which is not owned, directly or indirectly, by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the Group's shareholders equity. Transactions with non-controlling interests are handled in the same way as transactions with external parties.

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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 the following amended standards and improved PFRSs which the Group has adopted starting January 1, 2016. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.

- Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

#### Standards Issued But Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

#### *Effective beginning January 1, 2017*

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

#### *Effective beginning January 1, 2018*

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

- PFRS 9, *Financial Instruments*
- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
- PFRS 15, *Revenue from Contracts with Customers*  
PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group is currently assessing the impact of adopting PFRS 15.

#### *Effective beginning January 1, 2019*

- PFRS 16, *Leases*  
Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on 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 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

#### *Deferred effectivity*

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2016 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

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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 less from date 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 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, AFS 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 classification depends on the purpose for which the investments were acquired and whether these are quoted in active market. 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.

The financial assets of the Group are of the nature of loans and receivables, financial assets at FVPL and AFS financial assets, while its financial liabilities are of the nature of other financial liabilities.

###### *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
- *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 profit or loss, 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 profit or loss 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 FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling them in the near term.

Financial assets at FVPL are recorded in the statement of financial position at fair value with unrealized mark-to-market gains and losses recognized in "Other income (loss)" account 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.

This consists of peso-denominated investment in unit investment trust fund (UITF) in Rizal Commercial Banking Corporation (RCBC).

#### *Loans and receivables*

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, designated as AFS or as financial assets at FVPL. 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.

#### *AFS financial assets*

AFS financial assets are those non-derivative financial assets that are designated as such or do not qualify as financial assets at FVPL, HTM or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. These include government securities, equity investments and other debt instruments.

After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in the consolidated statement of comprehensive income as "Unrealized gains (losses) in AFS financial assets." The losses arising from impairment of such investments are recognized as provision for impairment losses in profit or loss. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized as realized gain in profit or loss. Interest earned or paid on the investments is reported as interest income or expense using the effective interest method. Dividends earned on investments are recognized in profit or loss when the right to receive has been established.

This accounting policy relates to the consolidated statement of financial position caption "Available-for-sale financial assets" which pertain to investments in Petro Energy Resources Corporation shares.

#### *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 the Group's accounts payable and accrued expenses, payables to related parties, dividends payable, short-term loan 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 when:

- the rights to receive cash flows from the assets have expired;
- 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
- 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 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.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics as to the school terms.

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 Group reduces 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.

#### *AFS financial assets*

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

#### 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 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 Philippine Transmarine Carrier, Inc. (PTC) amounting ₱13.05 million as of June 30, 2017 and December 31, 2016, respectively, and included under "Accounts payable and accrued expenses" in the consolidated statements of financial position (Note 13).

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

#### 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 (CWT)

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 VAT 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.

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.

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

	Years
Buildings and improvements	10-20
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.



Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization are credited to or charged against current operations.

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.

Land is carried at its revalued amount. The appraised values used for revaluation were determined by an independent firm of appraisers.

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 - net" account under the equity section of the Group's consolidated statements of financial position and under the consolidated statements of changes in equity.

#### 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 other comprehensive income (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 the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

### Other Noncurrent Assets

Other noncurrent asset represents the Group's software cost for its financial systems which are carried at cost less amortization and impairment, if any. Software is amortized over a period of three (3) years.

### Impairment of Nonfinancial Assets

This accounting policy relates to impairment of nonfinancial assets such as property and equipment, goodwill and other noncurrent assets.

The Group assesses as of reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or CGU'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 assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An assessment is made at each financial reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase in OCI. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

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.

### Equity

The Group records common stock at par value for all shares issued and outstanding, and additional paid-in capital for the 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. 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.

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 ₱945.80 million and ₱1,037.54 million as at June 30, 2017 and December 31, 2016, 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 or BOT, as applicable.

#### 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 PPCCI, 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.

##### *Sale of goods*

Sale 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*

Sale 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.

##### *Seminar income*

Seminar income is recognized as income over the corresponding term.

##### *Interest income*

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

*Miscellaneous income*

Miscellaneous income is recognized when earned.

Costs and Expenses

The Group's costs and expenses constitute costs of operating 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 the school and related services have been provided to the students.

*Cost of goods sold*

Cost of goods sold includes all expenses associated with the sale of computer equipment and hardware. Such costs are recognized when the related sales have been recognized.

*Cost of services*

Cost of services includes all expenses associated with sale of computer and consultancy services. Such costs are recognized when the related services have been recognized.

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.

Interest and Financing Charges

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

Retirement Benefits

Retirement benefits cost is actuarially determined using the projected unit credit method. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Retirement benefits cost comprises the following:

- Service costs
- Net interest on the net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine 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 (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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 period reduced by the fair value of plan assets (if any), 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.

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).

### 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 balance sheet liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized when it 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.

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 future taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax that relates to items that are recognized: (a) in other comprehensive income shall be recognized in other comprehensive income; and (b) directly in equity shall be recognized directly in equity.

Deferred income tax assets and liabilities are offset if a legally enforceable right to offset current income tax against current income tax liabilities and the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current income tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously, on each future period in which significant amounts of deferred income tax assets and liabilities are expected to be settled or recovered. Subsidiaries operating in the Philippines file income tax returns on an individual basis. Thus, the deferred tax assets and deferred tax liabilities are offset on a per entity basis.

### 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 the assessment of whether the fulfillment of the

arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

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

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

#### *Group as a 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.

#### *Group as a lessee*

The Group entered into a lease agreement for office space where the Group has determined that it does not obtain the risks and rewards of ownership of these properties and therefore the agreement is accounted for as an operating lease.

#### 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 profit or loss.

#### Basic 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, 2017 and December 31, 2016, the Group has no potential dilutive common shares (Note 21).

#### 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 22 to the consolidated financial statements.

#### Provisions

Provisions are recognized when (a) the Group has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that an outflow of assets embodying economic benefits will

be required to settle the obligation and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are 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 an interest expense.

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

## **5. Significant Accounting Judgments and Estimates**

The preparation of the 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.

#### Judgment

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

##### *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 2017 and 2016, the Group specifically identified the 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, and all other student-related costs and expenses (Notes 18 and 19).

#### 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.

##### *Fair valuation of land*

The Group measures land at revalued amount with changes in fair value being recognized in other comprehensive income. The Group engaged an independent firm of appraisers to determine the fair value as at December 31, 2016. The key assumptions used to determine fair value are

disclosed in Note 10. As of June 30, 2017 and December 31, 2016, the fair value of the land amounted to ₱3,625.66 million and ₱3,625.12 million, respectively (Note 10).

*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.

Allowance for doubtful accounts on receivables amounted to ₱66.99 million and ₱67.08 million as of June 30, 2017 and December 31, 2016, respectively. The carrying value of receivables as of June 30, 2017 and December 31, 2016 amounted to ₱169.72 million and ₱144.75 million, respectively (Note 7). The carrying value of receivables from related parties as of June 30, 2017 and December 31, 2016 amounted to ₱0.90 million and ₱3.72 million, respectively (Note 14).

*Impairment of nonfinancial assets*

The Group assesses impairment on its property and equipment, noncurrent assets and goodwill whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for overall business, and significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

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 effective in 2016. A long-term growth rate is calculated and applied to projected future cash flows after the fifth year. There is no impairment loss recognized on goodwill in 2017, 2016 and 2015. As of June 30, 2017 and December 31, 2016, the carrying value of goodwill amounted to ₱137.85 million (Note 11).

As to the Group's property and equipment and noncurrent assets, no impairment loss was recognized for the period ended June 30, 2017 and for the year ended December 31, 2016 (Notes 9 and 12).

*Estimation of pension obligations and other retirement benefits*

The determination of the Group's pension cost and liabilities is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others,



discount rate and salary increase rate 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 related asset or liability.

As of June 30, 2017 and December 31, 2016, the net pension liability amounted to ₱80.27 million and ₱74.44 million, respectively, while net pension asset amounted to ₱1.58 million as of June 30, 2017 and December 31, 2016.

#### *Deferred tax assets*

The Group reviews the carrying amounts of deferred tax assets at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Where there is no absolute assurance that each legal entity in the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized, deferred tax assets are not recognized. Deferred tax assets recognized amounted to ₱6.14 million as at June 30, 2017 and December 31, 2016.

#### *Provisions and Contingencies*

The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the 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 the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Notes 13).

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## 6. Cash and Cash Equivalents

This account consists of:

	<b>Unaudited June 2017</b>	Audited December 2016
Cash on hand	<b>₱1,003,755</b>	₱1,003,756
Cash in banks (Note 14)	<b>232,807,528</b>	119,846,679
Cash equivalents (Note 14)	<b>769,401,900</b>	752,507,496
	<b>₱1,003,213,183</b>	₱873,357,931

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

Interest income from cash in banks and cash equivalents amounted to ₱6.21 million, ₱4.15 million and ₱4.46 million in 2017, 2016 and 2015, respectively (Note 20).

There is no restriction on the Group's cash and cash equivalents balances as of June 30, 2017 and December 31, 2016.

## 7. Receivables

This account consists of:

	<b>Unaudited June 2017</b>	Audited December 2016
Tuition and other fees	<b>₱181,841,747</b>	₱134,975,247
Other receivables:		
Trade	<b>21,709,214</b>	41,713,132
Advances to officers and employees	<b>8,851,579</b>	8,440,771
Others	<b>24,305,058</b>	26,703,512
	<b>236,707,598</b>	211,832,662
Allowance for doubtful accounts	<b>(66,987,653)</b>	(67,078,780)
	<b>₱169,719,945</b>	₱144,753,882

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. These 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 consist mostly of interest-bearing receivables pertaining to car loan and noninterest-bearing telephone charges, hospitalization bill and library and printing charges. Receivables from employees are settled through salary deductions. Interest income from advances to officers and employees amounted to ₱0.06 million, ₱0.03 million and ₱1.18 million in 2017, 2016 and 2015, respectively (Note 20).

Other receivables mainly pertain to receivables from canteen concessionaires, government funded research projects or assistance and legal claims from separated employees. These receivables are noninterest-bearing and are generally collectible within one year.

The changes in individually and collectively assessed allowance for doubtful accounts as of June 30 and December 31, respectively follow:

	<b>2017</b>			
	<b>Tuition and other fees</b>	<b>Trade</b>	<b>Others</b>	<b>Total</b>
Balance at beginning of year	<b>₱52,010,269</b>	<b>₱9,115,504</b>	<b>₱5,953,007</b>	<b>₱67,078,780</b>
Recovery	<b>(21,127)</b>	<b>(70,000)</b>	–	<b>(91,127)</b>
Balance at end of year	<b>₱51,989,142</b>	<b>₱9,045,504</b>	<b>₱5,953,007</b>	<b>₱66,987,653</b>
Gross receivables*	<b>₱181,841,747</b>	<b>₱21,709,214</b>	<b>₱24,305,058</b>	<b>₱227,856,019</b>

	<b>2016</b>			
	<b>Tuition and other fees</b>	<b>Trade</b>	<b>Others</b>	<b>Total</b>
Balances at beginning of year	₱57,405,268	₱3,930,415	₱5,546,356	₱66,882,039
Provisions for the year (Note 20)	410,946	5,671,579	406,651	6,489,176
Recovery	–	(166,137)	–	(166,137)
Write-off	(5,805,945)	(320,353)	–	(6,126,298)
Balances at end of year	₱52,010,269	₱9,115,504	₱5,953,007	₱67,078,780
Gross receivables*	₱134,975,247	₱41,713,132	₱26,703,512	₱203,391,891

\*Gross amount of receivables individually and collectively determined to be impaired, before deducting any assessed impairment allowance

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

## 8. Prepaid Expenses and Other Current Assets

	Unaudited June 2017	Audited December 2016
Restricted funds	<b>₱48,809,279</b>	₱37,902,718
Prepaid expenses	<b>35,812,235</b>	20,319,508
Deposits to real estate sellers	<b>15,282,933</b>	15,282,933
CWT	<b>9,330,860</b>	7,890,124
Input VAT	<b>1,167,669</b>	2,603,971
Others	<b>5,801,430</b>	5,610,574
	<b>₱116,204,406</b>	₱89,609,828

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.

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

Deposits to real estate sellers pertains to deposit for future land acquisition to be used for school's area expansion.

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

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

Others relate to books inventory, office and other supplies.

## 9. Property and Equipment

The rollforward analysis of this account follows:

	June 2017				Total
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	
<b>Cost</b>					
Balance at beginning of year	₱1,854,287,331	₱1,311,626,463	₱25,618,551	₱146,770,038	₱3,338,302,383
Acquisitions	13,794,967	36,901,713	3,176,874	468,623,582	522,497,136
Disposals	-	-	-	-	-
Reclassifications and adjustments	-	-	-	-	-
<b>Balance at end of year</b>	<b>1,868,082,298</b>	<b>1,348,528,176</b>	<b>28,795,425</b>	<b>615,393,620</b>	<b>3,860,799,519</b>
<b>Accumulated depreciation, amortization and impairment loss</b>					
Balance at beginning of year	792,197,637	928,894,474	14,887,555	-	1,735,979,666
Depreciation (Notes 18 and 19)	42,375,448	58,887,726	2,156,369	-	103,419,543
Disposals	-	-	-	-	-
Reclassifications and adjustments	-	1,054	-	-	1,054
<b>Balance at end of year</b>	<b>834,573,085</b>	<b>987,783,254</b>	<b>17,043,924</b>	<b>-</b>	<b>1,839,400,263</b>
Net book value	1,033,509,213	360,744,922	11,751,501	615,393,620	2,021,399,256
<b>Land at revalued amounts (Note 10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,625,659,587</b>
<b>Total</b>	<b>₱1,033,509,213</b>	<b>₱360,744,922</b>	<b>₱11,751,501</b>	<b>₱615,393,620</b>	<b>₱5,647,058,843</b>

December 2016

	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	Total
<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	26,689,557	123,092,455	5,051,220	139,446,159	294,279,391
Disposals	–	(1,722,168)	(4,121,751)	–	(5,843,919)
Reclassifications and adjustments	(39,750,894)	47,797,972	–	(10,710,246)	(2,663,168)
<b>Balance at end of year</b>	<b>1,854,287,331</b>	<b>1,311,626,463</b>	<b>25,618,551</b>	<b>146,770,038</b>	<b>3,338,302,383</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)	82,758,815	118,127,845	5,210,059	–	206,096,719
Disposals	–	(1,720,936)	(4,024,213)	–	(5,745,149)
Reclassifications and adjustments	(1,490,400)	1,490,400	–	–	–
Balance at end of year	792,197,637	928,894,474	14,887,555	–	1,735,979,666
Net book value	1,062,089,694	382,731,989	10,730,996	146,770,038	1,602,322,717
Land at revalued amounts (Note 10)	–	–	–	–	3,625,120,400
<b>Total</b>	<b>₱1,062,089,694</b>	<b>₱382,731,989</b>	<b>₱10,730,996</b>	<b>₱146,770,038</b>	<b>₱5,227,443,117</b>

Construction in progress includes cost of board piling works and other direct costs for the school building construction of MCMI. Estimated liability to contractor for the board piling works amounted to ₱69.58 million and is presented as part of “Accounts payable and accrued expenses” in the consolidated statements of financial position as of March 2017. This was subsequently paid in the second quarter of 2017.

## 10. Land at Revalued Amounts

This account consists of:

	Unaudited June 2017	Audited December 2016
Land at cost:		
Balance at beginning of year	<b>₱1,870,976,481</b>	₱1,868,915,781
Acquisition	–	–
Capitalizable costs	<b>539,187</b>	2,060,700
Balance at end of year	<b>1,871,515,668</b>	1,870,976,481
Revaluation increment on land:		
Balance at beginning of year	<b>1,754,143,919</b>	1,474,343,277
Change in revaluation increment	–	279,800,642
Balance at end of year	<b>1,754,143,919</b>	1,754,143,919
	<b>₱3,625,659,587</b>	₱3,625,120,400

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

Capitalizable costs include taxes paid for purchase of land.

The parcels of land were appraised in January 2017 by an independent firm of appraisers to determine the revalued amounts as of December 31, 2016.

The valuation was derived through the market 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).

The parcels of land were valued in terms of their highest and best use which is categorized under

Level 3 of the fair value hierarchy.

Description of the valuation techniques used and key inputs to valuation of land follow:

Location	Valuation Techniques	Unobservable Inputs Used	2016
Chino Roces Avenue (Pasong Tamo Extension), Makati City	Market Approach	Price per square meter	<b>₱300,000 to ₱400,000</b> <b>(₱355,000)</b>
(Forward)			
Muralla Street, Intramuros, Manila	Market Approach	Price per square meter	<b>₱45,000 to ₱55,000</b> <b>(₱48,750)</b>
Paz Mendoza Guazon, Pandacan, Manila	Market Approach	Price per square meter	<b>₱37,000 to ₱55,000</b> <b>(₱45,250)</b>
Barangay Pulo, City of Cabuyao, Laguna	Market Approach	Price per square meter	<b>₱10,000 to ₱12,000</b> <b>(₱10,333)</b>
MacArthur Highway (Davao-Cotabato National Road), Brgy. Ma-a, Davao City	Market Approach	Price per square meter	<b>₱8,972 to ₱35,000</b> <b>(₱24,329)</b>

Net adjustment factors arising from external and internal factors (i.e. market conditions, competitiveness, size/shape/terrain, prospectively utility, and development) affecting the subject properties as compared to the market listing of comparable properties ranges from -30% to +10%.

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

The balance of the revaluation increment on land presented in equity in the statements of financial position as at June 30, 2017 and December 31, 2016 are as follows:

Appraisal increase	<b>₱1,754,143,919</b>
Less deferred tax liability	<b>175,414,392</b>
	<b>₱1,578,729,527</b>

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## 11. Goodwill

The goodwill recognized in the consolidated statement of financial position amounting ₱137.85 million as of June 30, 2017 and December 31, 2016 pertains to the excess of the acquisition cost over the fair values of the net assets of MCI acquired by iPeople in 1999.

## 12. Other Noncurrent Assets

This account consists of:

	<b>Unaudited June 2017</b>	Audited December 2016
Input VAT	<b>₱7,519,712</b>	₱7,113,296
Creditable withholding tax	<b>6,705,426</b>	6,705,426
Computer software	<b>5,887,442</b>	4,956,068
Miscellaneous deposits	<b>848,867</b>	848,867
	<b>₱20,961,447</b>	₱19,623,657

Computer software is amortized over a period of three years.

The rollforward analysis of computer software follows:

	<b>Unaudited June 2017</b>	Audited December 2016
<b>Cost</b>		
Balance at the beginning of the year	<b>₱35,117,351</b>	₱30,132,070
Additions	<b>1,110,600</b>	4,985,281
Balance at the end of the year	<b>36,227,951</b>	35,117,351
<b>Accumulated Amortization</b>		
Balance at the beginning of the year	<b>30,161,283</b>	29,521,908
Amortization (Notes 18 and 19)	<b>179,226</b>	639,375
Balance at the end of the year	<b>30,340,509</b>	30,161,283
<b>Net Book Value</b>	<b>₱5,887,442</b>	₱4,956,068

## 13. Accounts Payable and Accrued Expenses

This account consists of:

	<b>Unaudited June 2017</b>	Audited December 2016
Accounts payable	<b>₱275,938,554</b>	₱184,480,342
Accrued expenses	<b>234,201,439</b>	202,847,140
Funds payable	<b>64,926,150</b>	82,637,865
Payable to PTC	<b>13,052,017</b>	13,052,017
Other payables (Note 9)	<b>47,722,019</b>	70,336,529
	<b>₱635,840,179</b>	₱553,353,893

Accounts payable pertains to the Group's obligation to local suppliers. The normal trade credit terms of accounts payable and accrued expenses of the Group are expected to be settled within the next twelve (12) months.

Accrued expenses consist of:

	<b>Unaudited June 2017</b>	Audited December 2016
Provisions	<b>₱142,976,418</b>	₱142,976,418
Accrued salaries and wages	<b>26,382,093</b>	8,279,555
Payable to suppliers	<b>18,340,463</b>	7,917,401

Withholding taxes & others	<b>17,524,173</b>	9,151,065
Insurance	<b>4,284,569</b>	4,586,567
SSS and other contributions	<b>3,060,409</b>	3,222,776
Accrued utilities	<b>2,995,730</b>	3,608,160
Output & Deferred	<b>2,207,831</b>	3,926,127
Accrued professional fees	<b>2,207,581</b>	7,478,169
Accreditation cost	<b>2,120,273</b>	2,763,660
Accrued interest	<b>696,686</b>	25,935
Accrued communication expense	<b>28,977</b>	1,490,785
Others	<b>11,376,236</b>	7,420,522
	<b>P234,201,439</b>	P202,847,140

Provisions include the Groups' recognized payable associated with the Faculty Associations of Mapua Institute of Technology (FAMIT) reranking case. This case involves the faculty ranking and evaluation instrument 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 on December 2008.

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

As at June 30, 2017 and December 31, 2016, total accumulated payments to faculty members amounted to ₱230.78 million.

Other accruals pertain to contracted services and management fees.

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.

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, payable to PTC 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.

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#### 14. Related Party Transactions

Related party relationships exist when the entity has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the entity in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

Unaudited June 2017				
	Receivables from		Terms	Conditions
	Amount / Volume	(Payables to)		
<b>Parent Company</b>				
a) Payable to Parent Company (HI) Management fee and other professional fees (Notes 18 and 19)	P– 26,520,232	(P11,947,102) –	Noninterest-bearing, due and demandable –	Unsecured –
b) Receivable from Parent Company	–	7,893	Noninterest-bearing, due and demandable	Unsecured
<b>Entities under common control of HI</b>				
c) Receivables from related parties Rental income (Note 17)	– 1,223,584	632,813 –	Noninterest-bearing, due and demandable –	Unsecured, no impairment –
d) Payables to related parties Contracted services (Notes 18 and 19)	– 22,871,584	(8,440,268) –	Noninterest-bearing, due and demandable –	Unsecured –
<b>Entities under common control of PMMIC</b>				
e) Cash and cash equivalents Interest income (Note 20)	1,002,209,428 6,205,910	1,002,209,428 –	Interest at prevailing deposit and short-term rates –	Unsecured, no impairment –
f) Receivables from related parties Rental income (Note 17)	– 257,143	255,432 –	Noninterest-bearing, due and demandable –	Unsecured, no impairment –
g) Payables to related parties Insurance expense	– 3,910,464	– –	Noninterest-bearing, due and demandable –	Unsecured –
Audited December 2016				
	Receivables from		Terms	Conditions
	Amount / Volume	(Payables to)		
<b>Parent Company</b>				
a) Payable to Parent Company (HI) Management fee and other professional fees	P– 49,063,803	(P9,987,008) –	Noninterest-bearing, due and demandable –	Unsecured –
b) Receivable from Parent Company	–	32,348	Noninterest-bearing, due and demandable	Unsecured
<b>Entities under common control of HI</b>				
c) Receivables from related parties Rental income	– 2,447,168	667,732 –	Noninterest-bearing, due and demandable –	Unsecured, no impairment –
d) Payables to related parties Contracted services	– 44,507,486	(3,286,121) –	Noninterest-bearing, due and demandable –	Unsecured –
<b>Entities under common control of PMMIC</b>				
e) Cash and cash equivalents Interest income	872,354,175 11,966,814	872,354,175 –	Interest at prevailing deposit and short-term rates –	Unsecured, no impairment –
f) Receivables from related parties Rental income	– 10,975,046	3,014,925 –	Noninterest-bearing, due and demandable –	Unsecured, no impairment –
g) Payables to related parties Insurance expense	– 6,372,455	(15,357) –	Noninterest-bearing, due and demandable –	Unsecured –
h) Long-term debt Interest expense	188,500,000 4,515,928	– –	10-year, interest at 3-mo. PDST-F plus spread per quarter –	Secured –

The Group's significant transactions with related parties follow:

a) *Payable to Parent Company*

This account pertains to management and other professional fees charged by HI for administering the subsidiaries' operations.



- b) *Receivables from Parent Company*  
This account pertains to advances made relative to the fuel consumption for the quarter. These are non-interest bearing and are payable on demand.
- c) *Receivables from entities under common control of HI*  
Receivables from entities under common control of HI arise from HI 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.
- d) *Payable to entities under common control of HI*  
Payables to entities under common control of HI pertain to property management and janitorial and security services (contractual services).
- e) *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 bank deposit and short-term investments rates, respectively.
- f) *Receivables from entities under common control of PMMIC*  
Due from entities under common control of PMMIC arises from RCBC's rental of the Group's office spaces in its Makati property.

In 2016, RCBC terminated the remaining lease on the Group's office space effective May 31, 2016.

- g) *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.
- h) *Long-term debt*  
As disclosed in Note 16, this pertains to the Group's ₱860.00 million 10-year loan from RCBC which was collateralized by the Group's Makati and Manila properties. In 2015, payments made in relation to the principal amounted to ₱241.50 million. On September 2, 2016, the Group has fully paid the remaining balance of ₱188.50 million.

Interest expense recognized amounted to nil, ₱3.49 million and ₱9.36 million in 2017, 2016 and 2015, respectively (Note 20).

*Terms and conditions of transaction with related parties*

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. As of June 30, 2017 and December 31, 2016, the Group has not recorded any impairment losses on receivables relating to amounts owed by related parties. This assessment is undertaken each year through examining the financial position of the related party and the market in which the related party operates.

## 15. Short-term Loan

In September 2016, the Group obtained an unsecured short-term loan from Bank of the Philippine Islands (BPI) amounting ₱100.00 million, payable in September 2017 with an annual interest of 3.00%. As at June 30, 2017, payments made relative to above loan amounted to ₱75.00 million. Interest expense charged to operations in 2017 amounted to ₱1.06 million (Note 20).

In 2017, additional loans were obtained by the Group from BPI totaling to ₱400.00 million, payable in March and May 2018, with an annual interest of 3.125%.

## 16. Equity

### Capital Stock

Capital stock consists of 2,000,000,000 authorized and 748,932,949 issued and outstanding common shares as of June 30, 2017 and December 31, 2016, 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 ₱250.00 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, 2017:

Year	Number of shares registered	Number of holders of securities as at year end
January 1, 2016	748,932,949	2,057
Add (deduct) movement	–	(9)
December 31, 2016	748,932,949	2,048
Add (deduct) movement	–	(6)
June 30, 2017	748,932,949	2,042

*Note: Exclusive of 272 treasury shares.*

### Retained Earnings

In accordance with Securities Regulation Code (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, 2017 and December 31, 2016 amounted to ₱945.80 million and ₱1,037.54 million, respectively.

The Group's subsidiaries will declare dividends out of their retained earnings available for dividend declaration.

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

The BOD declared cash dividends as follows:

	2017	2016	2015
June 30, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 28, 2017, payable on August 23, 2017	<b>₱44,935,993</b>	₱–	₱–
March 24, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 21, 2017, paid on May 9, 2017	<b>44,935,993</b>	–	–
November 25, 2016, 6% cash dividends (₱0.06 per share) to stockholders of	–	44,935,993	–

	2017	2016	2015
record as of December 23, 2016, paid on January 18, 2017			
September 15, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 13, 2016, paid on November 8, 2016	–	44,935,993	–
June 24, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 22, 2016, paid on August 16, 2016,	–	44,935,993	–
March 17, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 14, 2016, paid on May 15, 2016	–	44,935,993	–
November 26, 2015, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 23, 2015, paid on 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 record as of July 29, 2015, paid on August 20, 2015	–	–	44,935,993
March 23, 2015, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 20, 2015, paid on May 8, 2015	–	–	44,935,993
	<b>₱89,871,986</b>	<b>₱179,743,972</b>	<b>₱179,743,972</b>

On June 30, 2017, the BOD declared ₱44,935,993 cash dividends (₱0.06 per share) to stockholders of record as of July 28, 2017, payable on August 23, 2017.

#### Treasury Stock

As of June 30, 2017 and December 31, 2016, there are 272 treasury shares amounting ₱209. The retained earnings is restricted for dividend declaration to the extent of the amount of ₱209 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 for the period ended June 30, 2017 and for the year ended December 31, 2016.

As at June 30, 2017 and December 31, 2016, 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. 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 2017	Audited December 2016
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	<b>₱635,840,179</b>	₱553,353,893
Payables to related parties	<b>20,387,370</b>	13,288,486
Income tax payable	<b>5,466,555</b>	8,203,745
Unearned tuition fees	<b>154,776,728</b>	53,041,443
Dividends payable	<b>54,793,796</b>	64,412,064
Short-term loan	<b>425,000,000</b>	100,000,000
Total current liabilities	<b>1,296,264,628</b>	792,299,631
<b>Noncurrent liabilities</b>		
Pension liability - net	<b>80,270,408</b>	74,440,303
Deferred tax liabilities - net	<b>144,951,350</b>	147,127,296
Total noncurrent liabilities	<b>225,221,758</b>	221,567,599
Total liabilities	<b>₱1,521,486,386</b>	₱1,013,867,230
<b>Equity</b>		
Capital stock	<b>₱748,933,221</b>	₱748,933,221
Additional paid-in capital	<b>1,438,827</b>	1,438,827
Unrealized loss on available-for-sale financial assets	<b>10,828,235</b>	(1,300,203)
Revaluation increment on land - net	<b>984,985,652</b>	984,985,652
Remeasurement gains on defined benefit plan	<b>23,017,641</b>	23,017,641
Retained earnings	<b>3,488,839,255</b>	3,409,999,669
Treasury stock	<b>(209)</b>	(209)
Equity attributable to equity holders of the Parent Company	<b>₱5,258,042,622</b>	₱5,167,074,598
<b>Debt-to-equity ratio</b>	<b>0.28:1.00</b>	0.20:1.00

## 17. Revenue from Tuition and Other Fees and Sale of Services

Revenue from tuition and other fees consists of:

	2017	2016	2015
Tuition fees and other			
matriculation fees	<b>₱883,860,548</b>	₱1,049,569,792	₱939,286,017
Bookstore income	<b>4,390,481</b>	5,337,093	10,999,888
Seminar fee income	<b>1,309,249</b>	1,541,781	1,289,734
Miscellaneous	<b>31,560,588</b>	30,883,505	32,255,861
Total	<b>₱921,120,866</b>	₱1,087,332,171	₱983,831,500

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.

Sale of services includes rental income, sale of computer services from PPCCI and revenue from consultancy services of MTI:

	2017	2016	2015
Computer services	<b>₱1,919,891</b>	₱10,758,953	₱743,386
Rental income (Note 14)	<b>3,033,793</b>	3,066,837	16,766,788
Consultancy fees	–	946,601	571,893
	<b>₱4,953,684</b>	₱14,772,391	₱18,082,067

## 18. Cost of Tuition and Other Fees and Cost of Goods Sold

Cost of tuition and other fees account consists of:

	As at June 30		
	2017	2016	2015
Personnel expenses	<b>₱289,744,445</b>	₱305,433,762	₱286,103,432
Depreciation and amortization (Notes 9 and 12)	<b>95,558,616</b>	89,942,421	71,530,607
Student-related expenses	<b>70,298,349</b>	65,224,165	63,431,263
Management and other professional fees (Note 14)	<b>53,513,261</b>	50,089,921	35,211,353
Utilities	<b>41,449,696</b>	41,532,939	44,620,194
Tools and library books (Note 9)	<b>13,129,920</b>	9,244,254	14,054,798
IT Expense - Software License	<b>12,143,817</b>	11,231,911	6,419,605
Periodicals	<b>9,645,858</b>	5,522,206	6,873,118
Seminar	<b>8,870,046</b>	6,368,887	6,903,993
Repairs and maintenance	<b>5,728,628</b>	5,386,689	4,566,167
Research and development	<b>4,696,180</b>	3,450,736	3,459,844
Accreditation cost	<b>4,035,560</b>	2,483,285	6,228,248
Laboratory supplies	<b>3,369,715</b>	4,143,772	4,522,523
Insurance	<b>3,265,183</b>	2,620,892	1,906,229
Office supplies	<b>3,103,071</b>	2,173,677	3,106,417
Advertising	<b>2,019,917</b>	7,885,249	10,184,447
Taxes and licenses	<b>975,526</b>	984,734	1,065,010
Transportation and travel	<b>511,336</b>	413,662	968,153
Rent	<b>362,384</b>	286,712	1,137,727
Entertainment, amusement and recreation	<b>209,859</b>	154,148	176,947
Miscellaneous	<b>1,052,785</b>	742,087	700,690
	<b>₱623,684,152</b>	₱615,316,109	₱573,170,765

## 19. General and Administrative Expenses

This account consists of:

	As at June 30		
	2017	2016	2015
Management and other professional fees (Note 14)	<b>₱41,747,777</b>	₱36,179,212	₱42,644,057
Personnel expenses	<b>28,557,717</b>	30,967,746	32,074,095
Depreciation and amortization (Notes 9 and 12)	<b>8,040,153</b>	7,723,130	9,046,234
Donations	<b>6,698,883</b>	9,340,876	–

	As at June 30		
	2017	2016	2015
Advertising	<b>3,541,060</b>	5,345,232	2,504,771
Taxes and licenses	<b>3,333,858</b>	3,916,007	3,489,462
Utilities	<b>3,001,089</b>	3,030,796	2,569,005
Entertainment, amusement and recreation	<b>1,445,505</b>	1,134,991	1,307,240
Repairs and maintenance	<b>1,337,656</b>	1,164,087	1,847,435
Transportation and travel	<b>1,155,921</b>	790,267	742,046
Rent	<b>1,100,020</b>	1,111,609	1,179,008
Office supplies	<b>733,101</b>	1,223,514	816,140
Insurance	<b>645,281</b>	575,114	575,532
Seminar	<b>509,667</b>	2,241,439	637,324
Commission Expense	<b>406,206</b>	319,582	100,478
IT Expense - Software License	<b>384,841</b>	458,693	269,240
Accreditation cost	–	–	591,290
Provision for impairment of receivables	<b>(91,127)</b>	–	1,830,197
Miscellaneous	<b>2,436,202</b>	2,348,304	3,267,794
	<b>₱104,983,810</b>	₱107,870,599	₱105,491,348

Management and other professional fees consist of property management fees, janitorial and security service fees, lawyers, payroll specialists and other professional service fees (Note 14).

Miscellaneous expense includes dues and subscriptions, 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:

	2017	2016	2015
Cash in banks and cash equivalents (Note 6)	<b>₱6,205,910</b>	₱4,145,373	₱4,458,518
Advances to officers and employees (Note 7)	<b>59,181</b>	27,235	1,183,514
	<b>₱6,265,091</b>	₱4,172,608	₱5,642,032

The Group's interest and other financing charges consist of interest on the following:

	2017	2016	2015
Long-term debt	<b>₱–</b>	₱3,493,099	₱9,356,056
Bank charges	<b>1,631,929</b>	1,466,753	538,164
Loans payable	<b>1,063,802</b>	277,473	44,175
	<b>₱2,695,731</b>	₱5,237,325	₱9,938,395

## 21. Earnings Per Share

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

	2017	2016	2015
Net income attributable to equity holders of Parent Company (a)	<b>₱168,711,573</b>	₱313,215,634	₱270,083,723
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>₱0.2253</b>	₱0.4182	₱0.3606

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 resources 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 PFRSs.

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, MHSS and MCMI in education.

Others - represent support services which cannot be directly identified with the reportable segment mentioned above. These include sale of computer equipment, 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)

	Education			Information Technology and Others			Elimination			Consolidated		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
<b>Revenues</b>												
Income from external customers	<b>₱924</b>	₱1,091	₱1,001	<b>₱42</b>	₱62	₱68	<b>₱-</b>	₱-	₱-	<b>₱966</b>	₱1,153	₱1,069
<b>Total Revenues</b>	<b>₱924</b>	₱1,091	₱1,001	<b>₱42</b>	₱62	₱68	<b>₱-</b>	₱-	₱-	<b>₱966</b>	₱1,153	₱1,069
<b>Net Income attributable to Parent Company</b>	<b>₱188</b>	₱339	₱297	<b>(₱6)</b>	(₱2)	(₱6)	<b>(₱13)</b>	(₱24)	(₱21)	<b>₱169</b>	₱313	₱270
<b>Other Information</b>												
Segment assets	<b>₱8,343</b>	₱7,454	₱6,428	<b>₱1,821</b>	₱1,795	₱1,731	<b>(₱3,023)</b>	(₱2,987)	(₱2,485)	<b>₱7,141</b>	₱6,262	₱5,674
Segment liabilities	<b>1,739</b>	1,533	1,833	<b>130</b>	178	142	<b>(348)</b>	(497)	(455)	<b>1,521</b>	1,214	1,520
Deferred tax assets	<b>3</b>	1	1	<b>3</b>	11	9	-	-	-	<b>6</b>	12	10
Deferred tax liabilities	<b>145</b>	110	83	-	-	-	-	-	-	<b>145</b>	110	83
Depreciation and amortization	<b>103</b>	97	80	<b>1</b>	1	1	-	-	-	<b>104</b>	98	81



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## 23. Commitments and Contingencies

### Lease Commitments

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

The Group's Intramuros and Makati campuses lease spaces to RCBC, Digitel and Bell Telecommunication Philippines, Inc. The lease terms cover lease periods of between three (3) years to ten (10) years with escalation rates ranging from 3.00% to 10.00%.

#### *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 3rd floor of Grepalife Tower Building for a period of one (1) year with monthly rental of ₱0.03 million. The lease agreement was renewed last December 28, 2016 for the period January 1, 2017 to December 31, 2017.

The future minimum rentals payable within one (1) year amounted to ₱0.35 million as of June 30, 2017 and December 31, 2016 under the aforementioned lease agreement.

#### *Provisions and Contingencies*

The Group is involved in certain claims arising from 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 liabilities under these claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations.

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

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

### **Supplementary Information and Disclosures Required On SRC Rule 68 and 68.1, As Amended June 30, 2017**

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 amended SRC Rule No. 68 and 68.1 that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required parts 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, 2017:

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 year	Income Received and Accrued
<b>Available-for-sale financial assets</b>				
Quoted:				
Petro Energy Resources Corporation	4,111,335	P29,190,479	P29,190,479	P–

The basis in determining the value of equity securities is the market quotation as at June 30, 2017. The Group has no income received and accrued related to the equity securities during the year.

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

Below is the schedule of advances to officers and employees of the Group with balances above P100,000 as at June 30, 2017:

Name	As of December 31, 2016	Additions	Liquidations/ Collections	As of June 30, 2017
Tiongco, Danilo R.	P–	P463,444	P–	P463,444
Costales, Aloysius Nathaniel	519,584	–	64,958	454,626
Agbulos, Erlin C.	402,201	–	44,687	357,514
Sabino, Lilibeth	–	365,717	18,750	346,967
Gochioco, Geraldine	369,859	–	35,597	334,262
Salvacion, Jonathan	483,138	–	155,367	327,771
Songsong, Maribel	347,200	–	37,200	310,000
Judilla, Roel John	290,950	–	3,163	287,787
Adanza, Carina Victoria T.	297,154	–	18,475	278,679
Francisco, Ruth C.	310,387	–	38,423	271,964
Maestrecampo, Dodjie S.	292,875	–	31,950	260,925
Sauquillo, Dante	287,788	–	37,950	249,838
Apsay, Christopher	253,618	–	30,531	223,087
Geguiento, Edgardo P.	239,878	–	36,300	203,578
Papas, Aileen Kate A.	244,347	–	44,427	199,920

Ballado, Alejandro Jr.	220,200	–	36,700	183,500
Balan, Ariel Kelly	217,142	–	36,700	180,442
Cabanilla, Angela Celine	204,072	–	30,458	173,614
Camus, Rosette Eira	197,979	–	36,550	161,429
	<b>₱5,178,372</b>	<b>₱829,161</b>	<b>₱738,186</b>	<b>₱5,269,347</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, 2017:

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, 2017, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of MCI. Details of the Group's intangible assets are as follows:

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Ending balance
Goodwill	₱137,853,345	₱–	₱–	₱137,853,345
Computer software	4,956,068	1,110,600	(179,226)	5,887,442
	<b>₱142,809,413</b>	<b>₱1,110,600</b>	<b>(₱179,226)</b>	<b>₱143,740,787</b>

**Schedule E. Long term debt**

As of June 30, 2017, the Group has no outstanding long-term debt.

**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**

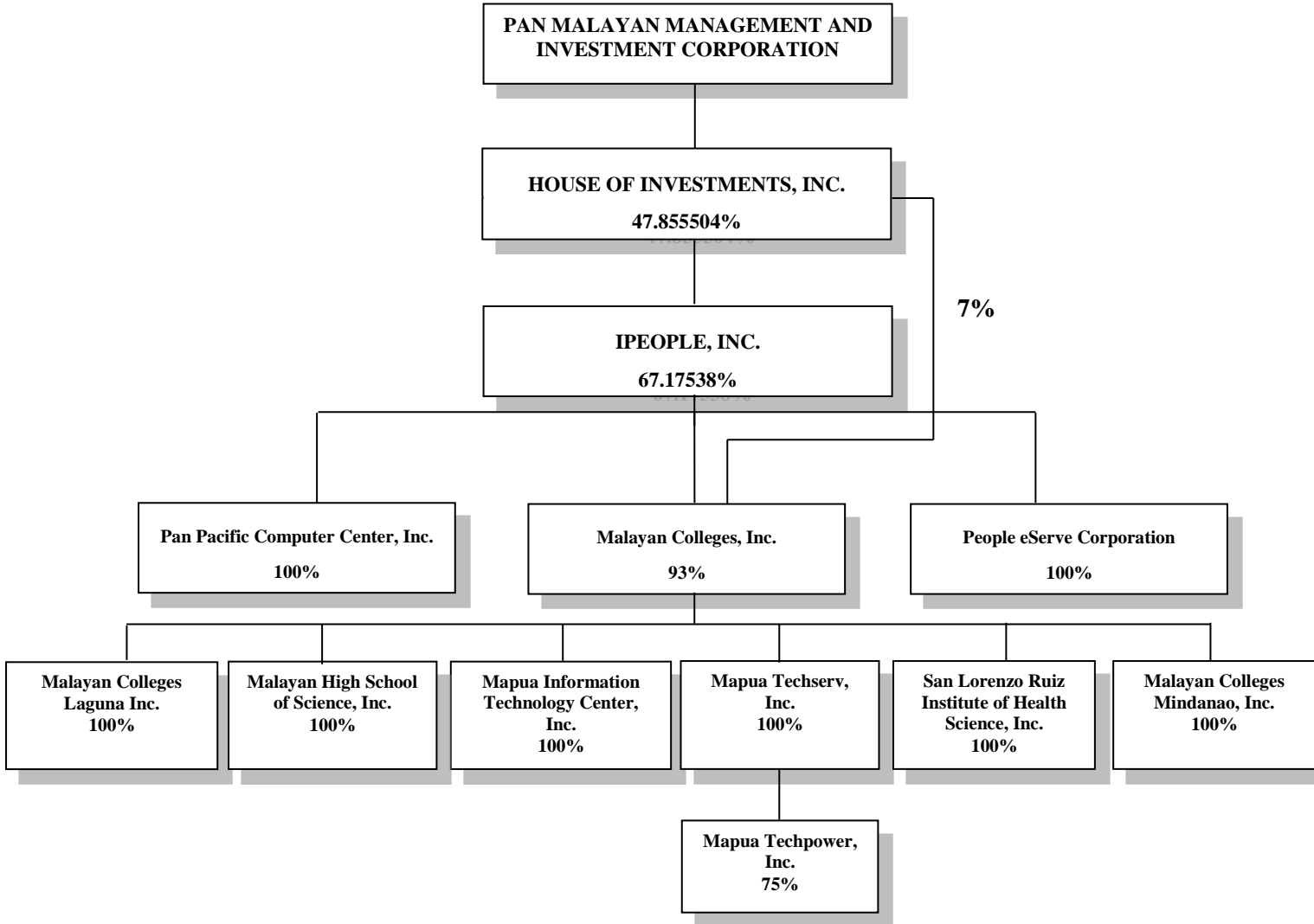
As at June 30, 2017, the Group does not guarantee any securities.

**Schedule H. Capital Stock**

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	748,932,949	–	586,129,213	521,733	162,282,003

*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, 2017:



**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, 2017:

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017</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			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		✓*	
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4:			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Financial Guarantee Contracts			
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance 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>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to 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		✓	
	Amendments to PFRS 7: Hedge Accounting			✓
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9 (final version)</b>	Financial Instruments		✓*	
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance		✓	
	Amendments to PFRS 10: Investment Entities		✓	
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓**	
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PFRS 11</b>	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance		✓	
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations		✓	
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 12: Investment Entities – Applying the Consolidation Exception	✓		
<b>PFRS 13</b>	Fair Value Measurement	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓
<b>PFRS 15</b>	Revenue from Contracts with Customers		✓*	
	Amendments to PFRS 15, Clarifications to PFRS 15		✓*	
<b>PFRS 16</b>	Leases		✓*	
<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	✓		
	Amendments to PAS 1, Disclosure Initiative	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative		✓*	

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		✓*	
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16: Agriculture - Bearer Plants			✓
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19 (Revised)</b>	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
<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 (Amended)</b>	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures			✓



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 28 (Amended)</b>	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓**	
	Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception			✓
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<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>	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
<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 Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
<b>PAS 39</b>	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Hedge Accounting			✓
<b>PAS 40</b>	Investment Property			✓
	Amendments to PAS 40: Transfers of Investment Property		✓*	
<b>PAS 41</b>	Agriculture			✓
	Amendments to PAS 41: Agriculture – Bearer Plants			✓
<b>Annual Improvements to PFRSs</b>				
	Improvements to PFRSs (2008)	✓		
	Improvements to PFRSs (2009)	✓		
	Improvements to PFRSs (2010)	✓		
	Annual Improvements to PFRSs (2009-2011 Cycle)	✓		
	Annual Improvements to PFRSs (2010-2012 Cycle)	✓		
	Annual Improvements to PFRSs (2011-2013 Cycle)	✓		
	Annual Improvements to PFRSs (2012-2014 Cycle)	✓		
	Annual Improvements to PFRSs (2014-2016 Cycle)		✓*	
<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>	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Environmental Rehabilitation Funds			
<b>IFRIC 6</b>	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
<b>IFRIC 7</b>	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
<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 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>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments	✓		
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies			✓
<b>IFRIC 22</b>	Foreign Currency Transactions and Advance Consideration		✓*	
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-15</b>	Operating Leases - Incentives			✓
<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			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	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			✓

*\*Not early adopted*

*\*\*Effectivity was deferred by the Financial Reporting Standards Council*

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions.

Standards tagged as “Not adopted” are standards issued but not yet effective as of June 30, 2017. The Group will adopt the Standards and Interpretations when these become effective.

**iPeople, inc. and Subsidiaries**


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**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR  
DIVIDEND DECLARATION  
JUNE 30, 2017**

<b>Items</b>	<b>Amount</b>
Unappropriated retained earnings, <i>as adjusted to available for distribution, beginning</i>	<b>₱1,037,535,551</b>
<b>Add: Net income actually earned/realized during the period</b>	
Net income (loss) during the period closed to retained earnings	<b>(₱1,867,298)</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)	–
Fair value adjustment of Investment Property resulting to gain	–
Adjustment due to deviation from PFRS/GAAP-gain	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–
Sub-total	<b>(1,867,298)</b>
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	–
Adjustments due to deviation from PFRS/GAAP - loss	–
Loss on fair value adjustment of investment property (after tax)	–
	<b>(1,867,298)</b>
<b>Net income actually realized during the period</b>	<b>(1,867,298)</b>
Add (Less):	
Dividends declaration during the year	<b>(89,871,987)</b>
Appropriations of retained earnings during the period	–
Reversal of appropriations	–
Effects of appropriations	–
Effects of prior period adjustments	–
Treasury shares	<b>(209)</b>
	<b>(89,872,196)</b>
<b>Total Retained Earnings, end, Available for Dividend</b>	<b>₱945,796,057</b>

**iPeople, inc. and Subsidiaries**  
**Aging of Accounts Receivable**  
**For the quarter ended June 30, 2017**

	No. of days due			Total
	0-30	31-60	Over 61 days	
Education	<b>₱105,265,159</b>	<b>₱7,633,112</b>	<b>₱68,943,476</b>	<b>₱181,841,747</b>
Information technology	<b>5,175,743</b>	<b>3,140,769</b>	<b>13,392,702</b>	<b>21,709,214</b>
Parent and others	<b>8,289,518</b>	<b>4,698,371</b>	<b>20,168,748</b>	<b>33,156,637</b>
Total	<b>118,730,420</b>	<b>15,472,252</b>	<b>102,504,926</b>	<b>236,707,598</b>
Less: Allowance for doubtful accounts	–	–	<b>(66,987,653)</b>	<b>(66,987,653)</b>
	<b>₱118,730,420</b>	<b>₱15,472,252</b>	<b>₱35,517,273</b>	<b>₱169,719,945</b>

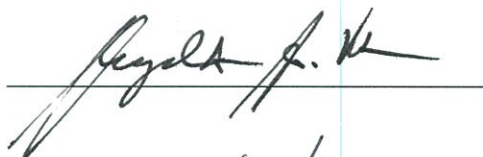
## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Makati on August 14, 2017.

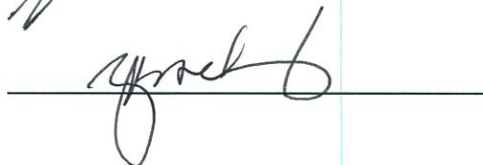
IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this 14<sup>th</sup> day of August, 2017 at Makati City.

By:

**Reynaldo B. Vea**  
President



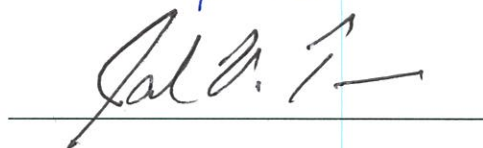
**Gema O. Cheng**  
SVP-Finance & Treasurer



**Maria Teresa T. Bautista**  
Controller




**Atty. Samuel V. Torres**  
Corporate Secretary



SUBSCRIBED AND SWORN to before me this 14 AUG 2017 day of 2017, at MAKATI CITY. Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

Names	Document No.	Date & Place of Issue/Expiration
Reynaldo B. Vea	DL#N20-84-003426	03-20-2017 Quezon City / 03-20-2018
Gema O. Cheng	DL#N06-84-036923	01-13-2015 Mandaluyong / 12-08-2017
Maria Teresa T. Bautista	DL#692094899	11-20-2014 Makati / 11-23-2017
Atty. Samuel V. Torres	DL#1383001463	1-6-2015 Quezon City / 11-10-2017

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Page No. 32 ;  
Book No. 6007 ;  
Series of 2017

  
**RUBEN T.M. RAMIREZ**  
 NOTARY PUBLIC  
 UNTIL DEC. 31, 2017  
 2734 M. AURORA ST., MAKATI CITY  
 IBP NO. 1052369 / CY - 2017 APPT. NO. M-23  
 ROLL NO. 28947 / MCLE-4 NO. 006324, 06-19-12  
 PTR NO. MKT. 5909552 / 01-03-17