COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	6	6	4	1	1					

COMPANY NAME

iPEOPLE, iNC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	N/A

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)
2,032	June 29	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

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

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17 – Q

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

1. For the quarterly period ended June 30, 2018

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 Title of Each Class	Outstanding Shares
Common Stock, P1.00 par value	748,932,949

   Amount of debt as of June 30, 2018 P2.43 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, 2018 with comparative figures for the periods ended June 30, 2017 and December 31, 2017 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;

None

(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.

There are two factors that are expected to affect the enrolment, profitability and cash flows of iPeople, inc. and its subsidiary schools:

(1) The continuing effects of the K+12 transition will still be felt until normalization of enrolment is achieved in AY 2021-22.
(2) Universal Access to Quality Tertiary Education Act (RA10931) had its first-time implementation this AY 2018-19. There was a decline in college freshman intake in private schools as a result. A large portion of the incoming freshman had applied with SUC/LUCs to avail of the free education under the Act.

Other than the two listed above, there is no known trend, event or uncertainty that are expected to have a material impact on 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

As of June 30, 2018, IPO showed a consolidated net income after tax of ₱70.56 million against ₱181.87 million last year. The 61% drop is primarily attributable to lower number of freshmen and sophomore enrollees as a result of K plus 12 program of CHED.

Total revenues as of this quarter is at ₱832.08 million, which is 14% lower compared to ₱965.88 million last year. Revenues from school operation, which is the primary source of revenue of the Group, dropped by 10% due to reduced number of freshmen and sophomore (SY 2017-18) enrollees. This was, however, softened by revenues generated from offering Senior High School programs.

Revenues from hardware reselling and services and its corresponding cost of goods sold dropped significantly due to cessation of business of the Group's IT Company, PPCC, effective July 2017.

Sale of services pertains primarily to lease of office and parking space in schools. Last year includes income on technical services provided by PPCC.

Cost of tuition and other fees increased by 3%, primarily because of higher (a) personnel expense due to increase in number of faculty and non-teaching personnel for Senior High School; (b) student-related expenses due to increase in number of SHS scholars and graduation expenses; (c) advertising due to various promotional campaign for SHS and College freshman; (d) software license due to subscription of new licenses.

General and administrative expenses increased by 14%, from ₱104.98 last year to ₱119.16 this year. This year was relatively high because of the operating expenses incurred by Mindanao school which only started its operation in July 2018. Such expenses include management and professional fees, personnel expenses, depreciation, utilities, office supplies, insurance, transportation and advertising.

Interest expense and other finance charges pertain to interest on short-term loan and bank collection charges. Last year is higher by 25% because it includes interest on loan of Malayan Colleges, Laguna which was fully paid in September 2017. Interest expense of the remaining loan is being capitalized as part of the building cost.

Other income (loss) pertains to foreign exchange gain, income from investment in UITF and reversal of long outstanding payables.

Balance Sheet Variances

Total consolidated assets stood at ₱8.43 billion as of June 30, 2018 compared to ₱7.90 billion as of December 2017.

Cash and cash equivalents decreased by 12% due to settlement of the Group's obligations.

Receivables pertain mainly to tuition fees due from students, which includes Deped vouchers for Senior High. This years' receivable is higher by 8% because of the enrollment in the new school in Mindanao which started in May 2018.

Receivables from related parties pertain mainly to the lease of space. It also includes charges on fuel consumption and car plan advanced by Malayan Education System, Inc. (MESI) to House of Investments. This year is lower by 36% due to subsequent collections from last years' receivable.

Prepaid expense and other current assets decreased by 27% due to the withdrawal of funds invested in money market placements exclusively for use in National Service Training Program.

Available-for-sale securities which is presented at its fair market value, decreased from ₱25.08 million last year to ₱17.02 million this year because of the lower market price as of the period.

Property and equipment increased by 10% this year, from ₱6.49 billion to ₱7.13 billion because of the additional property acquired by the Group in Mindanao.

Other noncurrent assets pertain to computer software cost, at net of amortization, security deposits, unutilized creditable withholding and input taxes. It also includes reservation deposit paid by MESI to secure a space for the building project of House of Investments.

Total consolidated liabilities were higher by 30%, primarily because of additional short-term loans acquired by the Group to finance the on-going construction of the campus in Mindanao.

Accounts payable and accrued expenses are higher by 52% this year due to the advance payments made by the students for the 1st term period of SY 2018-2019 which will start in August 2018 and timing of payment to suppliers relative to the construction of Mindanao campus.

Payables to related parties pertain to different services provided by the Group's affiliates to support its operations and oversee the on-going construction of the campus in Mindanao. This year is lower by ₱5.88 million due to subsequent payments from last years' outstanding balance.

Income tax payable in December 2017 was settled in April 2018. The decrease in the income tax liability from last year is due to the net loss incurred by the Group for the second quarter of the year.

Unearned tuition is higher by 63% this year, from ₱89.16 million last year to ₱145.13 million as of June 2018. The increase pertains to unamortized tuition fee of senior and junior high in the Mindanao school.

Dividends payable as of June 2018 is due in August this year. The balance of ₱69.34 million in December 2017 has been paid in January 2018.

Pension liability is lower by 15% versus last year because of the additional contributions paid this year net of accruals.

Total consolidated equity decreased from ₱6.03 billion in December 2017 to ₱6.00 billion this quarter. Equity attributable to Parent is at ₱5.62 billion, from ₱5.65 billion last December 2017.

(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 term, 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 term. 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, 2018, June 30, 2017 and December 31, 2017 are as follows:

Financial ratios		**Unaudited June 2018**	Unaudited June 2017	Audited December 2017
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**0.37:1**	1.00:1	0.56:1
Solvency Ratio *Shows how likely a company will be to continue meeting its debt obligations*	Net Income+Depreciation / Total Liabilities	**0.07:1**	0.19:1	0.33:1
Debt-to-equity ratio *Measures the Group's leverage*	Net Debt / Equity	**0.43:1**	0.29:1	0.33:1
Asset to Equity Ratio *Shows how the company's leverage (debt) was used to finance the firm*	Total Assets / Equity	**1.41:1**	1.27:1	1.31:1
Interest Rate Coverage *Shows how easily a company can pay interest on outstanding debt*	EBIT / Interest Expense	**41.65:1**	76.43:1	106.07:1
Return on Average Stockholders' Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Equity	**1.21%**	3.41%	7.16%
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income / Total Assets	**0.84%**	2.55%	5.23%
Net Profit Margin *Shows how much profit is made for every peso of revenue*	Net Income / Total Revenues	**8.48%**	18.83%	20.85%
Asset Turnover *Shows efficiency of asset used in Operations*	Total Revenues / Total Assets	**10x**	14x	25x
Return on Equity *Shows how much the business returns to the stockholders for every peso of equity capital invested*	(Net Income/Total Revenues) x (Total Revenues/Total Assets) x (Total Assets/Total Equity)	**1.18%**	3.24%	6.86%

- The current ratio is at 0.37 as of June 2018 compared to 1.00 as of June 2017 due to increase in the short-term loans of the Group to finance the on-going construction of the campus in Davao.
- Solvency ratio is at 0.07 as of the period. This is lower compared to last year because of the effect of K+12 program of DepEd coupled with the increase in short-term loans of the Group.
- Debt-to-equity ratio increased from 0.29 as of June 2017 to 0.43 as of this period due to additional loans drawn by the Group.
- Asset to equity ratio went up from 1.27 as of June 2017 to 1.41 this period because of increased asset brought about by the newly constructed campus in Mindanao.
- Interest rate coverage ratio decreased from 76 times as at June 2017 to 42 times this period because of lower earnings of the Group this year compared to last year.
- Return on average stockholders’ equity dropped to 1.21% year on year, resulting from the reduced income due to the effects of the K+12 transition.
- Return on asset is at 0.84% against 2.55% as of June 2017, because of the reduced income due to the effects of K+12 transition and increase in assets because of the new property in Mindanao.
- Net profit margin decreased from 19% last year to 8% as of this period resulting from lower margins due to higher expenses from schools.
- Asset turnover is 10 times as of this period against 14 times as of 2017. 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 3.24% to 1.18% as of this period, resulting from lower income from schools due to low number of enrollees and low number of units enrolled.

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 2018 DEVELOPMENTS
Significant developments during the second quarter of 2018 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.

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. The Company does not speculate on the direction of interest rates. The main objective is to lower financing costs as much as possible. As of report date, the Company 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 iPeople 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. iPeople 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 close attention is paid to asset liability management.

d. Credit Risk
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. However, iPeople's holding of cash and short-term securities exposes the company to the credit risk of the counterparty.

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.

iPeople has non-core holdings in its AFS investments. For its non-core holdings, the Company'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 iPeople's intention to liquefy these investments and put the excess cash to work.

f. Business Continuity Risk
The Company 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 iPeople Board through its Risk Oversight Committee and the management team ensures that the business continuity plans of each operating subsidiary is in place and is up to date.

g. Succession Risk
The company knows that people are an important resource and that its executive management team is a significant contributor to the continuing growth of iPeople, inc.'s investment portfolio. In order to preserve the management chain of succession and institutional knowledge that comes with it, the executive management works with the executives of the Company's Parent Company and the executives of the operating subsidiaries to ensure continues training and career development plans are in place.

The Chief Risk Officer works with each portfolio company management to ensure that their risk management policies line up with the risk management policies of the holding company. Group Internal Audit (GIA) provides valuable input to risk management support by conducting regular business unit audits that also incorporate the evaluation of risk management practices.

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

Risk Factors related to School Operations

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, MES and MCL are also accredited by PCUCOA, while the initial accreditation of MCM is ongoing. MES is also accredited by the ABET; MES and MCL are both accredited by PTC-ACBET and PICAB.

  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 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. MES, MCL, MCM, and MHSS are subject to maximum percentage increase guidelines issued by both the CHEd and the DepEd, as applicable. The inability of our higher education institutions 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 ended up with two academic years of no entering freshman classes.
  The reduction of the student population because of the K+12 program affected the Company's profits and cash flows in the medium term. MES and MCL offered SHS 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 batches.

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.
  The Universal Access to Quality Tertiary Education Act (RA10931) shifts the proportion of college students between SUCs/LUCs and private Universities and Colleges. This will affect the enrollment in private Universities and Colleges.
  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 following may hamper the operations of the Mapúa schools:

- 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.

- Labor unrest. Mapúa University has two unions, Faculty Association of MIT (FAMIT) and MIT Labor Union (MITLU). A strike by any of the two unions would obstruct operations.
  Mapúa University is bound by the collective bargaining agreement (CBA) signed between the institution and the two unions. Mapúa University 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 Mapúa University 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 Mapúa University.

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 across all campuses.

e. 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. The Company 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.

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.

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.

f. Market Risk and Political Risk

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.

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 are key elements 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, 2018 and 2017 (Unaudited)
and December 31, 2017 (Audited)

iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited 2018	Audited 2017
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 14)	**₱554,747,806**	₱632,811,619
Receivables (Notes 7)	**169,029,018**	156,402,797
Receivables from related parties (Notes 14)	**660,872**	1,035,882
Prepaid expenses and other current assets (Note 8)	**83,918,690**	115,546,510
Financial assets at fair value through profit or loss	**8,561,784**	8,461,820
Total Current Assets	**816,918,170**	914,258,628
Noncurrent Assets		
Available-for-sale financial assets	**17,020,927**	25,079,144
Property and equipment (Notes 9 and 10)	**7,126,207,635**	6,490,366,202
Net pension asset	**1,881,243**	1,881,243
Goodwill (Note 11)	**137,853,345**	137,853,345
Deferred tax assets	**5,987,596**	5,987,596
Other noncurrent assets (Note 12)	**321,814,504**	321,200,114
Total Noncurrent Assets	**7,610,765,250**	6,982,367,644
	₱8,427,683,420	₱7,896,626,272
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 13)	**₱958,587,462**	₱631,758,318
Payables to related parties (Notes 14)	**15,077,051**	20,957,655
Income tax payable	**425,387**	6,746,071
Unearned tuition fees	**145,125,994**	89,159,755
Dividends payable (Notes 16)	**44,698,791**	69,343,445
Short-term loans (Notes 15)	**1,034,323,836**	810,000,000
Total Current Liabilities	**2,198,238,521**	1,627,965,244
Noncurrent Liabilities		
Net pension liability	**56,517,640**	66,299,937
Deferred tax liabilities - net	**175,258,655**	177,270,677
Total Noncurrent Liabilities	**231,776,295**	243,570,614
Total Liabilities	**2,430,014,816**	1,871,535,858

(Forward)

	December 31	
	2017	2016
Equity		
Common stock (Note 16)	**₱748,933,221**	₱748,933,221
Additional paid-in capital	**1,438,827**	1,438,827
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale financial assets	**(1,341,317)**	6,716,900
Revaluation increment on land - net (Note 10)	**1,248,233,353**	1,248,233,353
Remeasurement gains on defined benefit plans	**31,626,143**	31,676,374
Retained earnings (Note 16)	**3,587,395,869**	3,611,840,138
	5,616,286,096	5,648,838,813
Less: Treasury stock (Note 16)	**209**	209
Attributable to Equity Holders of the Parent Company	**5,616,285,887**	5,648,838,604
Non-controlling Interest in Consolidated Subsidiaries	**381,382,717**	376,251,810
Total Equity	**5,997,668,604**	6,025,090,414
	₱8,427,683,420	₱7,896,626,272

See accompanying Notes to Consolidated Financial Statements.

IPEOPLE, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	April 1 to June 30		
	2018	2017	2016
REVENUES			
Tuition and other fees	**₱342,759,142**	₱399,669,008	₱490,486,313
Sale of goods	**14,825**	21,005,872	14,808,799
Sale of services	**1,683,762**	2,475,517	11,289,969
	344,457,729	423,150,397	516,585,081
COSTS AND EXPENSES			
Cost of tuition and other fees	**321,626,143**	315,141,457	314,467,103
Cost of goods sold	**12,112**	18,958,051	12,730,305
Cost of services	**552,486**	1,113,991	10,558,531
	322,190,741	335,213,499	337,755,939
GROSS PROFIT	**22,266,988**	87,936,898	178,829,142
GENERAL AND ADMINISTRATIVE EXPENSES	**(64,462,406)**	(49,098,541)	(59,437,724)
INTEREST AND OTHER FINANCE CHARGES	**(1,275,880)**	(2,041,337)	(944,610)
INTEREST INCOME	**4,099,094**	3,309,929	2,519,529
OTHER INCOME (LOSS)	**2,358,029**	88,503	3,771,448
INCOME(LOSS) BEFORE INCOME TAX	**(37,014,174)**	40,195,452	124,737,785
PROVISION FOR INCOME TAX	**(1,388,706)**	4,858,539	12,932,009
NET INCOME	**(35,625,469)**	35,336,913	111,805,776
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) on available-for-sale financial assets	**(3,165,728)**	12,704,025	986,721
	(3,165,728)	12,704,025	986,721
TOTAL COMPREHENSIVE INCOME	**(₱38,791,197)**	₱48,040,938	₱112,792,497
Net income attributable to:			
Equity holders of the parent	**(₱33,192,716)**	₱32,666,792	₱103,988,134
Non-controlling interest in consolidated subsidiaries	**(2,432,755)**	2,670,121	7,817,642
	(₱35,625,471)	₱35,336,913	₱111,805,776
Total comprehensive income attributable to:			
Equity holders of the parent	**(₱36,358,443)**	₱45,370,817	₱104,974,855
Non-controlling interest in consolidated subsidiaries	**(2,432,755)**	2,670,121	7,817,642
	(₱38,791,198)	₱48,040,938	₱112,792,497

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	January 1 to June 30		
	2018	2017	2016
REVENUE			
Tuition and other fees (Note 17)	**₱828,781,319**	₱921,120,866	₱1,087,332,171
Sale of goods	**37,062**	39,808,173	51,176,366
Sale of services (Note 17)	**3,261,755**	4,953,684	14,772,391
	832,080,136	965,882,723	1,153,280,928
COSTS AND EXPENSES			
Cost of tuition and other fees (Note 18)	**640,094,404**	623,684,152	615,316,109
Cost of goods sold (Note 18)	**30,280**	35,894,421	46,273,907
Cost of services	**1,218,605**	2,066,563	11,561,391
	641,343,289	661,645,136	673,151,407
GROSS PROFIT	**190,736,847**	304,237,587	480,129,521
GENERAL AND ADMINISTRATIVE EXPENSES (Note 19)	**(119,164,269)**	(104,983,810)	(107,870,599)
INTEREST AND OTHER FINANCE CHARGES (Note 20)	**(2,010,513)**	(2,695,731)	(5,237,325)
INTEREST INCOME (Note 20)	**6,545,158**	6,265,091	4,172,608
OTHER INCOME	**5,616,379**	519,796	3,443,938
INCOME BEFORE INCOME TAX	**81,723,602**	203,342,933	374,638,143
PROVISION FOR INCOME TAX	**11,164,993**	21,477,010	37,775,435
NET INCOME	**70,558,609**	181,865,923	336,862,708
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Unrealized gains (losses) on AFS financial assets	**(8,058,217)**	12,128,438	1,891,214
	(8,058,217)	12,128,438	1,891,214
TOTAL COMPREHENSIVE INCOME	**₱62,500,392**	₱193,994,361	₱338,753,922
Net income attributable to:			
Equity holders of the parent (Note 21)	**₱65,427,702**	₱168,711,573	₱313,215,634
Non-controlling interest in consolidated subsidiaries	**5,130,907**	13,154,350	23,647,074
	₱70,558,609	₱181,865,923	₱336,862,708
Total comprehensive income attributable to:			
Equity holders of the parent	**₱57,369,485**	₱180,840,011	₱315,106,848
Non-controlling interest in consolidated subsidiaries	**5,130,907**	13,154,350	23,647,074
	₱62,500,392	₱193,994,361	₱338,753,922
Basic Earnings Per Share (Note 21)	**₱0.0874**	₱0.2253	₱0.4182

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, 2018										
Balances as at January 1, 2018	**₱748,933,221**	**₱1,438,827**	**₱6,716,900**	**₱1,248,233,353**	**31,676,374**	**₱3,611,840,138**	**(₱209)**	**₱5,648,838,604**	**₱376,251,810**	**₱6,025,090,414**
Net income	–	–	–	–	–	**65,427,702**	–	**65,427,702**	**5,130,907**	**70,558,609**
Other comprehensive income	–	–	**(8,058,217)**	–	–	–	–	**(8,058,217)**	–	**(8,058,217)**
Total comprehensive income	–	–	**(8,058,217)**	–	–	**65,427,702**	–	**57,369,485**	**5,130,907**	**62,500,392**
Adjustment on remeasurement losses					**(50,231)**			**(50,231)**	–	**(50,231)**
Dividends declared	–	–	–	–	–	**(89,871,971)**	–	**(89,871,971)**	–	**(89,871,971)**
Balances as at June 30, 2018	**₱748,933,221**	**₱1,438,827**	**(₱1,341,317)**	**₱1,248,233,353**	**₱31,626,143**	**₱3,587,395,869**	**(₱209)**	**₱5,616,285,887**	**₱381,382,717**	**₱5,997,668,604**
For the quarter ended June 30, 2017										
Balances as at January 1, 2017	₱748,933,221	₱1,438,827	(₱1,300,203)	₱984,985,652	₱23,017,641	₱3,409,999,669	(₱209)	₱5,167,074,598	₱348,529,717	₱5,515,604,315
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)
Balances as at June 30, 2017	₱748,933,221	₱1,438,827	₱10,828,235	₱984,985,652	₱23,017,641	₱3,488,839,255	(₱209)	₱5,258,042,622	₱361,684,067	₱5,619,726,689
For the quarter ended June 30, 2016										
Balances as at January 1, 2016	₱748,933,221	₱1,438,827	(₱3,972,571)	₱751,444,924	₱6,331,596	₱2,994,028,061	(₱209)	₱4,498,203,849	₱301,185,392	₱4,799,389,241
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	₱748,933,221	₱1,438,827	(₱2,081,357)	₱751,444,924	₱6,331,596	₱3,217,371,708	(₱209)	₱4,723,438,710	₱324,832,466	₱5,048,271,176

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	January 1 to June 30		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱81,723,602**	₱203,342,933	₱374,638,143
Adjustments for:			
Depreciation and amortization (Notes 9, 12, 18 and 19)	**106,491,283**	103,419,543	97,673,361
Interest income (Note 20)	**(6,545,158)**	(6,265,091)	(4,172,608)
Interest expense and other finance charges (Note 20)	**2,010,513**	2,695,731	5,207,034
Unrealized market gain on financial assets at FVPL	**(99,963)**	(62,550)	(66,058)
Recovery from provision for doubtful accounts	**(9,884)**	–	–
Unrealized foreign exchange gain	**(845,381)**	(202,741)	50,462
Operating income before working capital changes	**182,725,012**	302,927,825	473,330,334
Decrease (increase) in:			
Receivables	**(12,911,424)**	(24,966,063)	(68,793,081)
Prepaid expenses and other current assets	**31,627,820**	(26,594,578)	(18,143,211)
Increase (decrease) in:			
Accounts payable and accrued expenses	**326,829,148**	82,486,286	48,671,642
Unearned tuition fees	**55,966,239**	101,735,285	131,948,491
Net pension asset and liability	**(11,844,553)**	3,654,160	(2,129,864)
Net cash generated from operations	**572,392,242**	439,242,915	564,884,311
Interest received	**6,840,245**	6,265,091	4,437,670
Interest paid	**(2,010,513)**	(2,695,731)	(9,490,617)
Income taxes paid	**(17,485,678)**	(24,214,200)	(44,741,018)
Net cash flows from operating activities	**559,736,296**	418,598,075	515,090,346
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 9 and 23)	**(703,248,280)**	(521,745,443)	(53,757,163)
Land (Note 10)	**(38,819,621)**	–	–
Computer software (Note 12)	–	(1,110,600)	(4,985,281)
Decrease (increase) in:			
Receivables from related parties	**375,010**	2,818,867	783,938
Other noncurrent assets	**(879,206)**	(1,517,017)	424,379
Net cash flows used in investing activities	**(742,572,097)**	(521,554,193)	(57,534,127)

(Forward)

	January 1 to June 30		
	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans (Note 15 and 23)	**₱224,323,836**	₱–	(₱43,000,000)
Payments of short-term debts (Note 15)	–	325,000,000	–
Dividends paid to stockholders (Note 23)	**(114,516,625)**	(99,490,255)	(99,492,371)
Increase (decrease) in payables to related parties (Note 23)	**(5,880,604)**	7,098,884	1,958,469
Net cash flows from (used in) financing activities	**103,926,607**	232,608,629	(140,533,902)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**845,381**	202,741	(50,461)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(78,063,813)**	129,855,252	316,971,856
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**632,811,619**	873,357,931	599,066,474
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱554,747,806**	₱1,003,213,183	₱916,038,330

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

iPeople, inc. (the Parent Company) is a publicly-listed 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 and People eServe Corporation. The Parent Company also has 93% ownership in Malayan Education System, Inc. (formerly Malayan Colleges, Inc.), Malayan Colleges Laguna, Inc., Malayan Colleges Mindanao (A Mapua School), Inc., Malayan High School of Science, Inc., Mapua Information Technology Center, Inc., Mapua Techserv, Inc., and San Lorenzo Ruiz Institute of Health Science, Inc.; and 69.75% effective ownership in Mapua Techpower, Inc. (Note 2).

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 and information technology sector.

The Group is a member of the Yuchengco Group of Companies (YGC). The Group’s ultimate parent is Pan Malayan Management and Investment Corporation (PMMIC).

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 and presentation 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, 2018 and December 31, 2017, and for each of the three years in the period ended June 30, 2018.

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 as of June 30:

	Percentage of Ownership		
	2018	2017	2016
Malayan Education System, Inc. (MESI) (Operating Under the Name of Mapua University) and subsidiaries	**93%**	93%	93%
Direct ownership of MESI on its subsidiaries:			
Malayan Colleges Laguna Inc., Led by a Mapua School of Engineering (MCLI)	**100**	100	100
Malayan Colleges Mindanao (A Mapua School), Inc. (MCMI)	**100**	100	–
Malayan High School of Science, Inc. (MHSSI)	**100**	100	100
Mapua Information Technology Center, Inc. (MITC)	**100**	100	100
Mapua Techserv, Inc. (MTSI)	**100**	100	100
Mapua Techpower, Inc. (MTPI)	**75**	75	75
San Lorenzo Ruiz Institute of Health Sciences, Inc. (SLRIHSI)	**100**	100	100
People eServe Corporation (PEC)	**100**	100	100
Pan Pacific Computer Center, Incorporated (PPCCI)	**100**	100	100

PPCCI, the Group's IT business, ceased operations in July 2017.

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.

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 new accounting pronouncements starting January 1, 2017. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.

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

  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Group has provided the required information in Note 23. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

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 will 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, 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*
- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2015 - 2017 Cycle)
- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
- PFRS 9, *Financial Instruments*

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

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, including the impairment methodology for financial assets.

The Group is currently assessing the impact of adopting PFRS 9.

- 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
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- 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 consolidated 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 2017 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these new pronouncements will be included in the consolidated financial statements when these are adopted.

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 ousted 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 consists of investments in PetroEnergy 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 and short-term loan.

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 was recognized in profit or loss.

<u>Jointly Controlled Operations</u>
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. The Group's jointly controlled operations pertain to the Mapua PTC-CMET effective up to 2015 (Note 13).

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.

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)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

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 properties 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. Included also under construction in progress are property and equipment acquired but are not yet installed and not yet ready for use. These are stated at cost and are 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 other 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 recognized directly to other comprehensive income and is presented as a separate line item under the equity section of the statement of financial position.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Borrowing costs not qualified for capitalization are expensed as incurred.

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 MESI.

Other Noncurrent Assets
Other noncurrent assets represent the Group's computer software cost which are carried at cost less amortization and impairment, if any, and other noncurrent assets that are not realizable within one year from the balance sheet date. Software cost 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 CGU, to which the goodwill relates. When the recoverable amount of the CGU 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.

Dividends distribution is approved by the Board of Directors (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 Board of Trustees (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. 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 matriculation fees
Revenues from tuition and other matriculation 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 fee income
Seminar fee 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 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 using the effective interest method.

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, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in 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.

Segment Reporting
The Group's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 26 to the consolidated financial statements.

Provisions
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.

<u>Judgment</u>
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 2018 and 2017, 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).

<u>Estimates</u>
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.

Valuation of land
The Group accounts for its land, where the school buildings and other facilities are located, using the revaluation model. The valuation of the land requires the assistance of an external appraiser whose calculations involve certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors. As of June 30, 2018 and December 31, 2017, the carrying value of the Group’s land amounted to ₱3,978.59 and ₱3,939.77 million, respectively. Refer to Note 10 for the disclosure about the Group’s land.

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 ₱64.95 million and ₱69.22 million as of June 30, 2018 and December 31, 2017, respectively. The carrying value of receivables as of June 30, 2018 and December 31, 2017 amounted to ₱169.03 million and ₱156.40 million, respectively (Note 7). The carrying value of receivables from related parties as of June 30, 2018 and December 31, 2017 amounted to ₱0.66 million and ₱1.04 million, respectively (Note 14).

Impairment of nonfinancial assets
The Group assesses impairment on its property and equipment and noncurrent assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable; and annually in the case of goodwill. 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 CGU to which the asset belongs.

Under PFRSs, the Group is required to annually test the amount of goodwill for impairment. As of June 30, 2018 and December 31, 2017, the Group's goodwill attributable to the acquisition of MESI amounted to ₱137.85 million. Management's assessment process involves judgments and is based on assumptions such as revenue from number of forecasted students and related tuition and other matriculation fees, profit margins, long-term growth rate and discount rate in estimating discounted cash flow projections.

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 MESI which is in educational services. The value in use calculations used discount rate and cash flow projections based on financial budgets approved by management covering a five-year period. The cash flow projections considered the impact of the K to 12 Basic Education Program on MESI'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 2018, 2017 and 2016. As of June 30, 2018 and December 31, 2017, 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, 2018 and for the year ended December 31, 2017 (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, 2018 and December 31, 2017, the net pension liability amounted to ₱56.52 million and ₱66.30 million, respectively, while net pension asset amounted to ₱1.88 million as of June 30, 2018 and December 31, 2017.

Recognition of 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 ₱5.99 million as at June 30, 2018 and December 31, 2017.

Provisions and Contingencies
The Group is currently involved in certain legal proceedings arising from the ordinary course of the business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external 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 and 24).

6. Cash and Cash Equivalents

This account consists of:

	Unaudited June 2018	Audited December 2017
Cash on hand	**₱1,033,000**	₱995,454
Cash in banks (Note 14)	**72,274,306**	159,883,899
Cash equivalents (Note 14)	**481,440,500**	471,932,266
	₱554,747,806	₱632,811,619

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 ₱4.37 million, ₱6.21 million and ₱4.15 million in 2018, 2017 and 2016, respectively (Note 20).

7. **Receivables**

This account consists of:

	Unaudited June 2018	Audited December 2017
Tuition and other fees	**₱166,353,146**	₱153,016,719
Other receivables:		
Trade	**3,531,923**	7,830,758
Advances to officers and employees	**9,640,704**	10,508,242
Others	**54,451,851**	54,264,426
	233,977,624	225,620,145
Allowance for doubtful accounts	**(64,948,606)**	(69,217,348)
	₱169,029,018	₱156,402,797

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, library and printing charges. Receivables from employees are settled through salary deductions. Interest income from advances to officers and employees amounted to ₱2.17 million, ₱0.06 million and ₱0.03 million in June 2018, 2017 and 2016, respectively (Note 20).

Other receivables mainly pertain to receivable from DepEd amounting to ₱26.25 million and ₱36.74 million as of June 30, 2018 and December 31, 2017, respectively, arising from the Senior High School (SHS) Voucher Program wherein qualified SHS students are given discount on tuition fees. These receivables are noninterest-bearing and are generally collectible within one year.

Provisions for impairment of receivables are determined based on collective assessments for tuition and other fees and principally on specific assessments for trade and other receivables.

The changes in allowance for doubtful accounts as of June 30 and December 31 follow:

	2018			
	Tuition and other fees	**Trade**	**Others**	**Total**
Balance at beginning of year	**₱56,420,633**	**₱6,843,708**	**₱5,953,007**	**₱69,217,348**
Recovery	**(9,884)**			**(9,884)**
Write-off	**–**	**(4,258,858)**	**–**	**(4,258,858)**
Balance at end of year	**₱56,410,749**	**₱2,584,850**	**₱5,953,007**	**₱64,948,606**
Gross receivables	**₱166,353,146**	**₱3,531,923**	**₱64,092,555**	**₱233,977,624**

	2017			
	Tuition and other fees	**Trade**	**Others**	**Total**
Balance at beginning of year	₱52,010,269	₱9,115,504	₱5,953,007	₱67,078,780
Provisions for the year (Note 19)	5,831,618	4,168,858		10,000,476
Write-off	(1,421,254)	(6,440,654)	–	(7,861,908)
Balance at end of year	₱56,420,633	₱6,843,708	₱5,953,007	₱69,217,348
Gross receivables	₱153,016,719	₱7,830,758	₱64,772,667	₱225,620,145

8. Prepaid Expenses and Other Current Assets

	Unaudited June 2018	Audited December 2017
Prepaid expenses	**₱40,930,196**	₱43,552,663
Deposits to real estate sellers	**–**	15,956,045
Restricted funds (Note 14)	**27,618,833**	40,770,732
CWT	**8,989,310**	8,537,180
Input VAT	**528,019**	630,444
Office supplies	**97,163**	97,163
Others	**5,755,169**	6,002,283
	₱83,918,690	₱115,546,510

Restricted funds significantly 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, subscriptions, rentals and insurance, among others.

Deposits to real estate sellers pertain to deposits for future land acquisition to be used for area expansion of Malayan Colleges Mindanao (MCM). Reclassification was made in June 2018 to recognize the ownership of the land (Note 10).

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

Others relate to books inventory and other supplies.

9. Property and Equipment

The rollforward analysis of this account follows:

	June 2018				
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	Total
Cost					
Balance at beginning of year	₱1,898,233,022	₱1,397,207,373	₱33,304,524	₱1,164,165,969	₱4,492,910,888
Acquisitions	1,720,943,326	98,507,026	2,396,531	(1,120,145,593)	701,701,290
Balance at end of year	3,619,176,348	1,495,714,399	35,701,055	44,020,376	5,194,612,178
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	877,499,849	1,047,136,288	17,682,149	–	1,942,318,286
Depreciation (Notes 18 and 19)	43,793,752	59,620,412	2,812,304	–	106,226,468
Reclassifications and adjustments	–	(1,546,990)	–	–	(1,546,990)
Balance at end of year	921,293,601	1,105,209,710	20,494,453	–	2,046,997,764
Net book value	2,697,882,747	390,504,689	15,206,602	44,020,376	3,147,614,414
Land at revalued amounts (Note 10)	–	–	–	–	3,978,593,221
Total	₱2,697,882,747	₱390,504,689	₱15,206,602	₱44,020,376	₱7,126,207,635

	December 2017				
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	Total
Cost					
Balance at beginning of year	₱1,854,287,331	₱1,311,626,463	₱25,618,551	₱146,770,038	₱3,338,302,383
Acquisitions (Note 24)	32,961,068	75,514,351	10,561,887	1,039,219,980	1,158,257,286
Disposals	–	(772,867)	(2,875,914)	–	(3,648,781)
Reclassifications and adjustments	10,984,623	10,839,426	–	(21,824,049)	–
Balance at end of year	1,898,233,022	1,397,207,373	33,304,524	1,164,165,969	4,492,910,888
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	792,197,637	928,894,474	14,887,555	–	1,735,979,666
Depreciation (Notes 18 and 19)	85,302,212	118,844,013	4,502,102	–	208,648,327
Disposals	–	(602,199)	(1,707,508)	–	(2,309,707)
Balance at end of year	877,499,849	1,047,136,288	17,682,149	–	1,942,318,286
Net book value	1,020,733,173	350,071,085	15,622,375	1,164,165,969	2,550,592,602
Land at revalued amounts (Note 10)	–	–	–	–	3,939,773,600
Total	₱1,020,733,173	₱350,071,085	₱15,622,375	₱1,164,165,969	₱6,490,366,202

Construction in progress mainly includes the general cost of construction of MCMI's school building in Davao City and other direct cost. MCMI will be in full school operations starting July 2018.

Interest expense on short-term loans obtained to finance the construction, which was included as part of the cost of the building amounted to ₱18.86 million ₱9.73 million as of June 2018 and December 2017, respectively (Note 15).

10. Land at Revalued Amounts

This account consists of:

	Unaudited June 2018	Audited December 2017
Land at cost:		
Balance at beginning of year	**₱1,870,976,481**	₱1,870,976,481
Acquisition cost	**38,819,621**	₱1,870,976,481
Balance at end of year	**1,909,796,102**	1,870,976,481
Revaluation increment on land:		
Balance at beginning of year	**2,068,797,119**	1,754,143,919
Change in revaluation increment	–	314,653,200
Balance at end of year	**2,068,797,119**	2,068,797,119
	₱3,978,593,221	₱3,939,773,600

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

Acquisition cost pertains to additional property of the Group in Mindanao.

The parcels of land were appraised in January 2018 and 2017 by an independent firm of appraisers to determine the revalued amounts as of December 31, 2017 and 2016, respectively.

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	Range (Weighted Average) **2017**	**2016**
Sen. Gil Puyat Avenue corners Nicanor Garcia and Jupiter Streets, Bel-Air, Makati City	Market Approach	Price per square meter	**₱300,000 to ₱400,000 (₱355,000)**	₱300,000 to ₱400,000 (₱355,000)
Muralla Street, Intramuros, Manila	Market Approach	Price per square meter	**₱45,000 to ₱65,000 (₱56,667)**	₱45,000 to ₱55,000 (₱48,750)
Paz Mendoza Guazon, Pandacan, Manila	Market Approach	Price per square meter	**₱75,000 to ₱91,806 (₱83,380)**	₱37,000 to ₱55,000 (₱45,250)
Barangay Pulo, City of Cabuyao, Laguna	Market Approach	Price per square meter	**₱25,000 to ₱28,840 (₱26,280)**	₱10,000 to ₱12,000 (₱10,333)
MacArthur Highway (Davao-Cotabato National Road), Brgy. Ma-a, Davao City	Market Approach	Price per square meter	**₱30,000 to ₱40,000 (₱36,667)**	₱8,972 to ₱35,000 (₱24,329)

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.

11. Goodwill

The goodwill recognized in the consolidated statement of financial position amounting to ₱137.85 million as of June 30, 2018 and December 31, 2017 pertains to the excess of the acquisition cost over the fair values of the net assets of MESI acquired by iPeople in 1999.

Impairment testing of Goodwill

For purposes of impairment testing of this asset, MESI was considered as the CGU. In 2017, 2016 and 2015, management assessed that no impairment losses should be recognized.

Key assumptions used in the value in use (VIU) calculation
As of December 31, 2017 and 2016, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU are most sensitive to the following:

- Future revenues and profit margins: Cash flow projections based on financial budgets approved by management covering a five-year period and considers the impact of the K to 12 Basic Education Program on MESI's financial performance effective 2016. Future revenues are estimated based on number of forecasted students and related tuition and other matriculation fees.
- Long-term growth rates (*5.25% for 2017 and 2016*): The long-term growth rate is the expected growth rate in the education industry sector.
- Discount rate (*9.06% for 2017 and 8.40% for 2016*): The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to comparable entities.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of goodwill to materially exceed its recoverable amount.

12. **Other Noncurrent Assets**

This account consists of:

	Unaudited June 2018	Audited December 2017
Reservation deposit (Note 14)	**₱300,000,000**	₱300,000,000
Input VAT	**8,825,218**	7,946,013
Creditable withholding tax	**6,705,426**	6,705,426
Computer software	**6,086,956**	6,351,771
Miscellaneous deposits	**196,904**	196,904
	₱321,814,504	₱321,200,114

Reservation deposit pertains to amount paid by MESI to HI in December 2017 to secure a space for the building project of HI located along P. Ocampo Ext., Makati City. The reservation deposit will be applied against the lease payments, any fit-out payments advanced by HI on behalf of MESI, and security deposit payment. The lease contract will commence in 2020.

Computer software is amortized over a period of three years.

The rollforward analysis of computer software follows:

	Unaudited June 2017	Audited December 2016
Cost		
Balance at the beginning of the year	**₱37,147,970**	₱35,117,351
Additions	–	2,030,619
Balance at the end of the year	**37,147,970**	37,147,970
Accumulated Amortization		
Balance at the beginning of the year	**30,796,199**	30,161,283
Amortization (Notes 18 and 19)	**264,815**	634,916
Balance at the end of the year	**31,061,014**	30,796,199
Net Book Value	**₱6,086,956**	₱6,351,771

13. **Accounts Payable and Accrued Expenses**

This account consists of:

	Unaudited June 2018	Audited December 2017
Accounts payable (Note 9)	**₱633,671,303**	₱354,907,734
Accrued expenses	**235,348,556**	194,257,337
Funds payable	**88,940,960**	80,688,909
Other payables	**626,643**	1,904,338
	₱958,587,462	₱631,758,318

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. This includes payable to PTC amounting to ₱2.32 million and ₱1.34 million as of June 30, 2018 and December 31, 2017, respectively, as a result of the agreement with PTC on Mapua PTC-CMET effective in 2016.

On January 12, 2016, a service agreement was executed between MCLI and PTC to support the services to be rendered by PTC related to Mapua-PTC CMET such as the provision of adequate facilities for the conduct of training requirements of the students, support in scholarship programs and ship-board trainings, and support in obtaining grants and donations from international shipping companies.

In consideration for the above services, PTC will bill MCLI a service fee commensurate to the services. PTC charged service fee amounting to ₱0.20 million and ₱1.11 million in 2018 and 2017, respectively.

Accrued expenses consist of:

	Unaudited June 2018	Audited December 2017
Provisions	**₱153,558,082**	₱142,976,418
Accrued salaries and wages	**31,689,848**	6,877,110
Payable to suppliers	**13,371,720**	8,795,454
Withholding taxes and others	**8,034,198**	9,416,724
Insurance	**6,982,608**	5,928,269
Accrued professional fees	**6,056,715**	3,879,705
Accrued utilities	**5,013,885**	3,613,796
SSS and other contributions	**3,474,122**	3,181,607
Accrued communication expense	**1,321,666**	2,073,406
Accrued interest	**1,218,646**	1,218,646
Output VAT payable	**1,143,760**	1,798,704
Accreditation cost	**6,047**	12,000
Others	**3,477,259**	4,485,498
	₱235,348,556	₱194,257,337

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, and NSTP and CWTS fees collected from students.

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

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

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.

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Parent Company				
a) Payable to Parent Company (HI)				
	2018	**₱–**	**(₱6,751,966)**	**Noninterest-bearing; unsecured; due and demandable**
	2017	–	(16,236,214)	
Management fee and other professional fees (Notes 18 and 19)	**2018**	**27,153,534**	**–**	
	2017	59,932,921	–	
b) Receivable from Parent Company				
	2018	**–**	**189,188**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2017	–	370,195	
Entities under common control of HI				
c) Receivables from related parties				
	2018	**–**	**453,420**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2017	–	404,376	
Rental income (Note 17)				
	2018	**(1,164,243)**	**–**	
	2017	(2,447,168)	–	
d) Payables to related parties				
	2018	**–**	**(8,325,085)**	**Noninterest-bearing; unsecured; due and demandable**
	2017	–	(4,721,441)	
Contracted services (Notes 18 and 19)				
	2018	**30,370,379**	**–**	
	2017	61,997,789	–	
e) Reservation deposit (Note 12)				
	2018	**–**	**300,000,000**	**To be applied against lease payments, fit-out expenses and security deposit**
	2017	–	300,000,000	

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Entities under common control of PMMIC				
f) Cash and cash equivalents (Note 6)				
	2018	**–**	**523,678,325**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2017	–	534,473,668	
Interest income (Note 20)				
	2018	**4,370,480**	**–**	
	2017	12,815,093	–	
g) Receivables from related parties				
	2018	**–**	**18,264**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2017	–	261,311	
Rental income (Note 17)				
	2018	**–**	**–**	
	2017	257,143	–	
h) Insurance expense				
	2018	**4,140,379**	**–**	
	2017	7,745,431	–	
i) Financial asset at FVPL				
	2018	**–**	**8,561,784**	**Carried at fair value; No impairment**
	2017	–	8,461,820	
j) Available for sale financial assets				
	2018	**–**	**17,020,927**	**Carried at fair value; No impairment**
	2017	–	25,079,144	
k) Restricted funds (Note 8)	**2018**	**–**	**27,618,833**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2017	–	40,770,732	

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 fuel consumption and car plan advanced by MESI to House of Investments. These are noninterest-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).

Accounts payable pertains to the general cost of construction of Mindanao campus and other facilities and professional fees related to the newly constructed Mindanao campus (Notes 9 and 13).

e) *Reservation deposit*

Refer to Note 12 for the disclosure.

f) *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.

g) *Receivables from entities under common control of PMMIC*
This pertains to the student insurance claim against Malayan Insurance Company.

h) *Expenses from 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.

i) *Financial Assets at FVPL*
This account consists of peso-denominated investment in UITF with RCBC which allow the pooling of funds from different investors with similar investment objectives.

j) *AFS financial asset*

This account pertains to equity investments in Petroenergy Resources Corporation classified as AFS securities.

k) *Restricted funds*

As disclosed in Note 8, restricted funds pertain to funds invested in money market placements maintained with an affiliated bank.

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15. Short-term Loans

- In 2017, the Group, through MCMI, obtained a short-term loan (STL) facility with BPI, which was earmarked from the long-term loan facility of the Group from same bank, to finance the construction of MCMI's school building. Each STL facility may be re-availed/renewed/extended within a period of one year provided that the sum of the terms of re-availments/renewal/extension will not exceed 360 days. The STL facility may be converted into a 10-year term loan facility which shall be partially secured by the real estate mortgage on the real property of MCMI. The STL facility is secured by the Continuing Suretyship Agreement of MESI.

Total STL drawdowns in 2018 and 2017 amounted to ₱338.70 million and ₱940.00 million, respectively, with interest rates ranging from 3.00% to 5.00% p.a. As of June 2018, the Group paid a total of ₱244.38 million. Interest expense in 2018 and 2017 amounting to ₱18.86 million and ₱9.73 million, respectively, was capitalized as part of the cost of the building and construction in progress, respectively (Note 9).

16. **Equity**

Capital Stock

Capital stock consists of 2,000,000,000 authorized and 748,933,221 issued common shares as of June 30, 2018 and December 31, 2017, with a par value of ₱1 per share. Issued and outstanding shares is 748,932,949 (excluding treasury shares of 272).

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, 2018:

Year	Number of shares registered	Number of holders of securities as at year end
January 1, 2017	748,932,949	2,048
Add (deduct) movement	–	(10)
December 31, 2017	748,932,949	2,038
Add (deduct) movement	–	(6)
June 30, 2018	748,932,949	2,032

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 Parent Company's retained earnings available for dividend declaration as of June 30, 2018 and December 31, 2017 amounted to ₱1,071.75 million and ₱1,167.11 million, respectively. The Parent Company and its subsidiaries will declare dividends out of their retained earnings available for dividend declaration.

The retained earnings account in the equity includes the accumulated equity in undistributed earnings of consolidated subsidiaries amounting to ₱2,912.54 million and ₱2,818.57 million as of June 30, 2018 and December 31, 2017, respectively. These are not available for dividends until declared by the subsidiaries.

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

The BOD declared cash dividends as follows:

	2018	2017	2016
June 29, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 26, 2018, payable on August 17, 2018	**₱44,935,976**	₱–	₱–
March 23, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 19, 2018, payable on May 16, 2018	**44,935,993**	₱–	₱–
November 24, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 21, 2017, paid on January 18, 2018	–	44,935,993	–
September 27, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of November 7, 2017, paid on November 29, 2017	–	44,935,993	–
June 30, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 28, 2017, paid on August 23, 2017,	–	44,935,993	–
March 24, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 21, 2017, paid on May 9, 2017	–	44,935,993	–
November 25, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 23, 2016, paid on January 18, 2017	–	–	44,935,993
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
	₱89,871,969	₱179,743,972	₱179,743,972

Treasury Stock

As of June 30, 2018 and December 31, 2017, 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, 2018 and for the year ended December 31, 2017. As at June 30, 2018 and December 31, 2017, the Group is not subject to externally imposed capital requirements.

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

Revenue from tuition and other fees consists of:

	2018	2017	2016
Tuition fees and other matriculation fees	**₱778,108,699**	₱883,860,548	₱1,049,569,792
Seminar fee income	**5,029,837**	1,309,249	1,541,781
Bookstore income	**3,861,346**	4,390,481	5,337,093
Miscellaneous	**41,781,437**	31,560,588	30,883,505
	₱828,781,319	₱921,120,866	₱1,087,332,171

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

Sale of services includes rental income of MES, MCL and MHSS and revenue from consultancy services of MTI:

	2018	2017	2016
Computer services	**₱–**	₱1,919,891	₱10,758,953
Rental income (Note 14)	**2,810,912**	3,033,793	3,066,837
Consultancy fees	**450,843**	–	946,601
	₱3,261,755	₱4,953,684	₱14,772,391

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

Cost of tuition and other fees account consists of:

	2018	2017	2016
Personnel expenses	**₱295,599,160**	₱289,744,445	₱305,433,762
Depreciation and amortization (Notes 9, 12 and 18)	**96,955,565**	95,558,616	89,942,421
Student-related expenses	**74,781,247**	70,298,349	65,224,165
Management and other professional fees (Note 14)	**54,219,850**	53,513,261	50,089,921
Utilities	**39,904,924**	41,449,696	41,532,939
IT expense - software license	**17,319,612**	12,143,817	11,231,911
Tools and library books (Note 9)	**14,883,620**	13,129,920	9,244,254
Periodicals and subscriptions	**9,078,913**	9,645,858	5,522,206
Seminar	**7,600,008**	8,870,046	6,368,887
Repairs and maintenance	**7,258,654**	5,728,628	5,386,689
Accreditation cost	**4,843,713**	4,035,560	2,483,285

	2018	2017	2016
Research and development fund	**3,807,005**	4,696,180	3,450,736
Office supplies	**3,522,405**	3,103,071	2,173,677
Advertising	**3,413,012**	2,019,917	7,885,249
Insurance	**2,864,215**	3,265,183	2,620,892
Laboratory supplies	**1,497,231**	3,369,715	4,143,772
Taxes and licenses	**926,401**	975,526	984,734
Transportation and travel	**474,860**	511,336	413,662
Entertainment, amusement and recreation	**204,840**	209,859	154,148
Rent (Note 24)	**75,227**	362,384	286,712
Miscellaneous	**863,942**	1,052,785	742,087
	₱640,094,404	₱623,684,152	₱615,316,109

a. Details of depreciation and amortization follows:

	2018	2017
Depreciation (Note 9)	**₱106,226,468**	₱103,419,542
Amortization (Note 12)	**264,815**	179,227
	₱106,491,283	₱103,598,769

b. Depreciation and amortization expenses as function of expense follows:

	2018	2017
Cost of Services	**₱96,955,565**	₱95,558,616
General and administrative Expenses (Note 19)	**9,535,718**	8,040,153
	₱106,491,283	₱103,598,769

Cost of goods sold pertains to the cost of computer equipment and hardware sold by PPCCI:

	2018	2017	2016
Merchandise inventory, beginning	**₱22,179**	₱15,804	₱358,268
Purchases	**30,280**	35,900,796	45,931,443
Reclassification	**(22,179)**	–	–
Less merchandise inventory, end	–	22,179	15,804
	₱30,280	₱35,894,421	₱46,273,907

19. **General and Administrative Expenses**

This account consists of:

	2018	2017	2016
Management and other professional fees (Note 14)	**₱47,163,787**	₱41,747,777	₱36,179,212
Personnel expenses	**29,018,012**	28,557,717	30,967,746
Depreciation and amortization (Note 9, 12 and 18)	**9,535,718**	8,040,153	7,723,130
Advertising	**8,329,235**	3,541,060	5,345,232
Utilities	**4,485,520**	3,001,089	3,030,796
Taxes and licenses	**4,464,296**	3,333,858	3,916,007

	2018	2017	2016
Donations	**3,950,792**	6,698,883	9,340,876
Transportation and travel	**2,937,055**	1,155,921	790,267
Office supplies	**1,443,960**	733,101	1,223,514
Repairs and maintenance	**1,284,412**	1,337,656	1,164,087
Insurance	**1,278,625**	645,281	575,114
Entertainment, amusement, and recreation	**913,716**	1,445,505	1,134,991
Seminar	**691,845**	509,667	2,241,439
Rent (Note 24)	**492,992**	1,100,020	1,111,609
Commission	**338,222**	406,206	319,582
IT expense - software license	**195,406**	384,841	458,693
Accreditation cost	**35,000**	–	–
Provision for impairment of receivables	**(9,884)**	(91,127)	–
Miscellaneous	**2,615,560**	2,436,202	2,348,304
	₱119,164,269	₱104,983,810	₱107,870,599

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, among others.

20. Interest Income, Interest and Other Finance Charges

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

	2018	2017	2016
Cash in banks and cash equivalents (Note 6)	**₱4,370,480**	₱6,205,910	₱4,145,373
Advances to officers and employees (Note 7)	**2,174,678**	59,181	27,235
	₱6,545,158	₱6,265,091	₱4,172,608

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

	2018	2017	2016
Long-term debt	**₱–**	₱–	₱ 3,493,099
Bank charges	**2,010,513**	1,631,928	1,466,753
Short-term loan (Note 15)	**–**	1,063,802	277,473
	₱2,010,513	₱2,695,731	₱5,237,325

21. Earnings Per Share

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

	2018	2017	2016
Net income attributable to equity holders of Parent Company (a)	**₱65,427,702**	₱168,711,573	₱313,215,634
Weighted average number of outstanding shares - net of treasury shares (b)	**748,932,949**	748,932,949	748,932,949
Earnings per share (a/b)	**₱0.0874**	₱0.2253	₱0.4182

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

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.

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:

Education - primarily consists of revenues of MESI, MCLI, MITC, MHSS and MCMI in education.

Information Technology and 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.

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		
	2018	2017	2016	**2018**	2017	2016	**2018**	2017	2016	**2018**	2017	2016
Revenues												
Income from external customers	**₱832**	₱924	₱1,091	**₱0**	₱42	₱62	**₱–**	₱–	₱–	**₱832**	₱966	₱1,153
Total Revenues	**₱832**	₱924	₱1,091	**₱0**	₱42	₱62	**₱–**	₱–	₱–	**₱832**	₱966	₱1,153
Net Income attributable to Parent Company	**₱75**	₱188	₱339	**(₱5)**	(₱6)	(₱2)	**(₱5)**	(₱13)	(₱24)	**₱65**	₱169	₱313
Other Information												
Segment assets	**₱9,863**	₱8,343	₱7,454	**₱1,908**	₱1,821	₱1,795	**(₱3,343)**	(₱3,023)	(₱2,987)	**₱8,428**	₱7,141	₱6,262
Segment liabilities	**3,078**	1,739	1,533	**86**	130	178	**(734)**	(348)	(497)	**2,430**	1,521	1,214
Deferred tax assets	**6**	3	1	**0**	3	11	**–**	–	–	**6**	6	12
Deferred tax liabilities	**175**	145	110	**–**	–	–	**–**	–	–	**175**	145	110
Interest expense	**2**	103	97	**0**	1	1	**0**	–	–	**2**	104	98
Provision for income tax	**11**	₱924	₱1,091	**0**	₱42	₱62	**–**	₱–	₱–	**11**	₱966	₱1,153
Depreciation and amortization	**106**	₱924	₱1,091	**0**	₱42	₱62	**–**	₱–	₱–	**106**	₱966	₱1,153

23. Notes on Consolidated Statements of Cash Flows

- Changes in the Group's liabilities arising from financing activities follow:

		Non-cash Changes			
	2017	Declaration of Cash Dividend	Non-controlling interest	Cash Flows	2018
Short-term loan	₱810,000,000	₱–	₱–	₱224,323,836	₱1,034,323,836
Dividends payable	69,343,445	89,871,971	–	(114,516,625)	44,698,791
Payables to related parties	20,957,655	–	–	(5,880,604)	15,077,051
	₱900,301,100	₱89,871,971	₱–	₱103,926,607	₱1,094,099,678

- Noncash investing activities as of June 2018 and December 2017 pertain to liability for construction in progress amounting to ₱335.60 million and ₱180.97 million, respectively (Notes 9 and 13).

24. Commitments and Contingencies

Lease Commitments

Operating lease - Group as a lessor

The Group's Intramuros and Makati campuses lease spaces to Digitel, Investment Managers, Inc. (IMI) 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 from January 1, 2017 to December 31, 2017 with monthly rental of ₱0.03 million. The lease agreement was renewed on December 4, 2017 for another one year until December 31, 2018.

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

Provisions and Contingencies

- Provisions include the Groups's 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 in December 2008.

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

  As at June 30, 2018 and December 31, 2017, total accumulated payments to faculty members amounted to ₱230.78 million. Related accruals as at June 30, 2018 and December 31, 2017 amounted to ₱10.58 million ₱64.09 million, respectively.

- 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.

25. **Subsequent Event and Other Matter**

- The Board of Directors of iPeople, inc. (iPeople) ratified on January 5, 2018 the execution of a Non-Binding term sheet for its proposed merger with AC Education, Inc. (AEI), the wholly owned education arm of Ayala Corporation. With the execution of such Non-Binding term sheet, the parties have agreed to an exclusivity period to complete due diligence, and to finalize the terms and conditions of the proposed merger within the third quarter of 2018. All terms and conditions of the proposed merger, including the involvement of House of Investments and Ayala Corporation in the management of the surviving entity, iPeople, shall be presented for approval by the parties' respective boards of directors and the merging parties' stockholders, and the transaction will be subject to the requisite regulatory approvals as well. The potential merger would bring together the educational arms of House of Investments and Ayala Corporation (iPeople and AEI, respectively).

- On December 20, 2017, HI formally notified MESI that its BOD has approved on December 8, 2017 to exercise the option to convert the 281,642 MESI preferred shares into MESI common shares. On April 24, 2018, the Securities and Exchange Commission (SEC) approved the conversion of 281,642 MESI preferred shares to common shares.

IPEOPLE, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

Schedule	Content
I	Supplementary Information and Disclosures Required on Securities Regulation Code (SRC) Rule 68 and 68.1, As Amended
II	Schedule of All Effective Standards and Interpretations under Philippine Financial Reporting Standards
III	Reconciliation of Retained Earnings Available for Dividend Declaration

SCHEDULE I

iPeople, inc. and Subsidiaries

Supplementary Information and Disclosures Required on Securities Regulation Code (SRC) Rule 68 and 68.1, As Amended
June 30, 2018

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, 2018:

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
Available-for-sale financial assets				
Quoted:				
PetroEnergy Resources Corporation	₱4,111,335	₱17,020,927	₱17,020,927	₱–

The basis in determining the value of equity securities is the market quotation as at June 30, 2018. 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 ₱100,000 as at June 30, 2018:

Name	**As of December 31, 2017**	**Additions**	**Liquidations/ Collections**	**As of June 30, 2018**
Tiongco, Danilo R.	₱417,099	₱–	₱46,344	₱370,755
Teodoro, Gloria	–	390,000	19,500	370,500
Caparanga, Alvin	–	377,000	19,500	357,500
Mercado, Julius Ceasar P.	398,200	–	46,399	351,801
Camacho, Margarita	383,480	–	35,453	348,027
Robielos, Rex Aurelius	621,299	–	284,249	337,050
Hofilena, Joy	374,354	–	37,750	336,604
Kikuchi, Khristian	374,354	–	37,750	336,604
Medrano, Anthony H.	371,208	–	37,750	333,458
Salayo, John Vincent	371,190	–	37,732	333,458
Costales, Aloysius Nathaniel	389,668	–	64,958	324,709
Austria, Maria Rhodora	366,698	–	42,131	324,567
Sabino, Lilibeth	309,167	–	37,100	272,067
Lanuza, Dionisia	302,100	–	31,800	270,300
Agbulos, Erlin C.	312,827	–	44,687	268,140
Gochioco, Geraldine	297,584	–	37,792	259,792
Salvacion, Jonathan	286,362	–	36,950	249,412
Songsong, Maribel	272,800	–	37,200	235,600
Francisco, Ruth C.	232,373	–	40,793	191,581
Adanza, Carina Victoria T.	221,729	–	36,950	184,779
Sauquillo, Dante	211,888	–	37,950	173,938
Tablante, Dennis H.	175,933	–	18,850	157,083
Doma, Bonifacio T. Jr.	175,519	–	18,975	156,544
Papas, Aileen Kate A.	155,494	–	44,427	111,067
Ballado, Alejandro Jr.	146,800	–	36,700	110,100
Balan, Ariel Kelly	143,742	–	36,700	107,042
	₱7,311,868	₱767,000	₱1,206,390	₱6,872,478

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, 2018:

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, 2018, 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 MESI. 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	6,351,771	–	(264,814)	6,086,957
	₱144,205,116	₱–	(₱264,814)	₱143,940,302

Schedule E. Long term debt

As of June 30, 2018, 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.

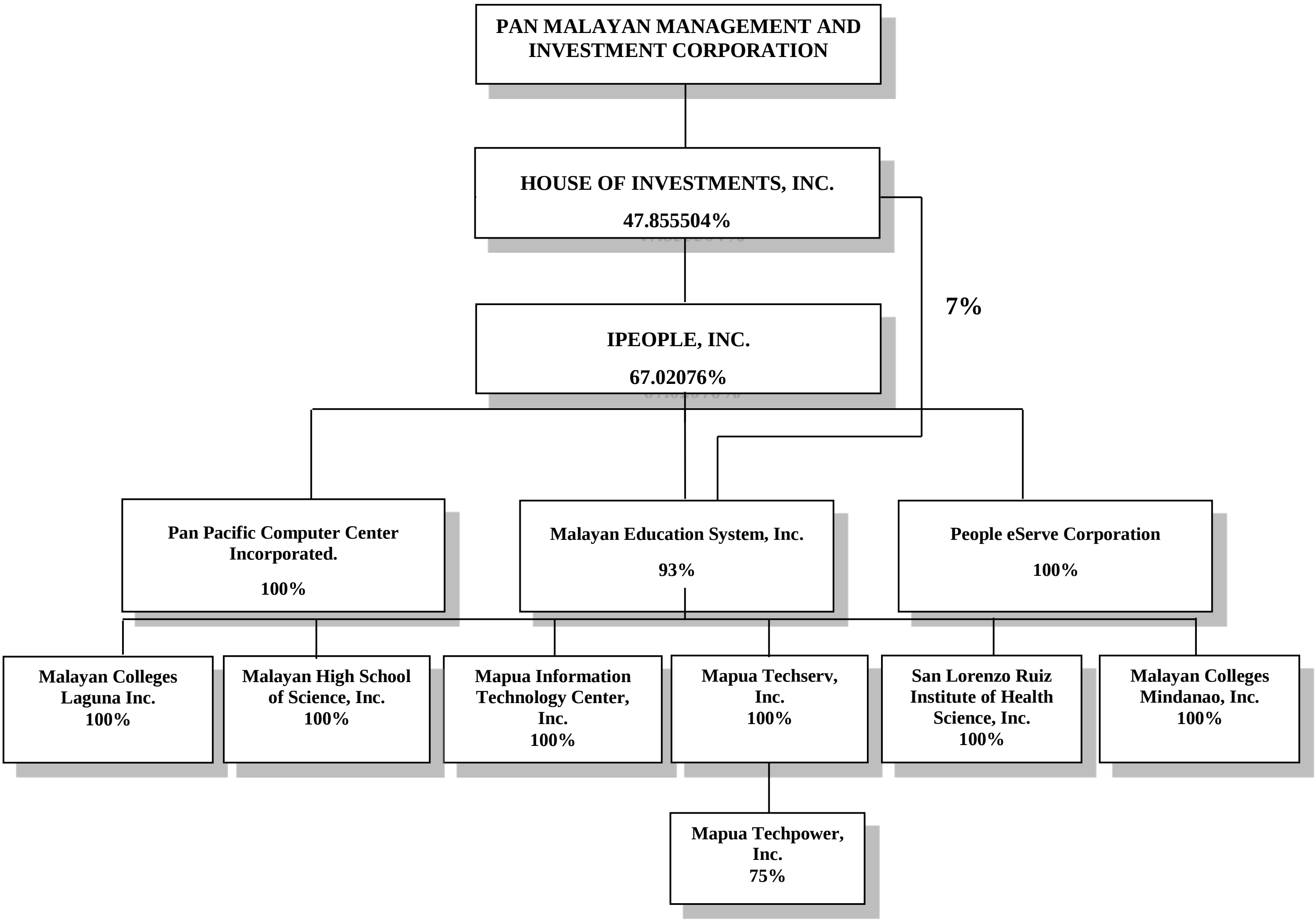
Schedule G. Guarantees of Securities of Other Issuers

As at June 30, 2018, 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	-	595,532,167	199,988	153,200,794

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, 2018:



SCHEDULE II

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 June30, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2018		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	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			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Improvement to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2018		Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	PFRS 7: Financial Instruments: Disclosures - Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2018		Adopted	Not Adopted	Not Applicable
	Interim Financial Statement			
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Amendments to PFRS 9, Prepayment Features with Negative Compensation		✓	
PFRS 10	Consolidated Financial Statements	✓		
	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: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS12: Clarification of Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
	Amendments to PFRS 15, Clarifications to PFRS 15		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2018		Adopted	Not Adopted	Not Applicable
PFRS 16	Leases		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	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	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16, Property, Plant and Equipment - Bearer Plant			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits			✓
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2018		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 19: Regional Market Issue Regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 8	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	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			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures		✓	
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2018		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	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			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2018		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property			✓
	Amendments to PAS 40: Transfers of Investment Property		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 41: Agriculture –Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	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			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓	
IFRIC 23	Uncertainty over Income Tax Treatments		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

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, 2018. The Group will adopt the Standards and Interpretations when these become effective.

SCHEDULE III

iPeople, inc. and Subsidiaries

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
JUNE 30, 2018

Items	Amount	
Unappropriated retained earnings, *as adjusted to available for distribution, beginning*		₱1,167,109,906
Add: Net income actually earned/realized during the period		
Net income during the period closed to retained earnings	(₱5,485,670)	
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	–	
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)	–	
Sub-total	–	
Net income actually realized during the period		(5,485,670)
Add (Less):		
Dividends declaration during the year	(89,871,971)	
Appropriations of retained earnings during the period	–	
Reversal of appropriations	–	
Effects of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	(209)	
		(89,872,180)
Total Retained Earnings, end, Available for Dividend		₱1,071,752,056

iPeople, inc. and Subsidiaries
Aging of Accounts Receivable
For the quarter ended June 30, 2018

	No. of days due			
	0-30	**31-60**	**Over 61 days**	**Total**
Education	**₱93,241,473**	**₱5,962,632**	**₱67,149,042**	**₱166,353,147**
Information technology	**–**	**–**	**3,531,923**	**3,531,923**
Parent and others	**17,442,525**	**1,500,715**	**45,149,314**	**64,092,554**
Total	**110,683,998**	**7,463,347**	**115,830,279**	**233,977,624**
Less: Allowance for doubtful accounts	**–**	**–**	**(64,948,606)**	**(64,948,606)**
	₱110,683,998	**₱7,463,347**	**₱50,881,673**	**₱169,029,018**

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 ___________, 2018.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this 13 AUG 2018 day of August, 2018 at Makati City.

By:

Reynaldo B. Vea
President

Gema O. Cheng
EVP -CFO & Treasurer

Maria Teresa T. Bautista
Controller

Atty. Samuel V. Torres
Corporate Secretary

13 AUG 2018

SUBSCRIBED AND SWORN to before me this ____ day of 2018 2018, 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	03-20-2018 Quezon City / 03-20-2023
Gema O. Cheng	DL#N06-84-036923	12-14-2017 Mandaluyong / 12-08-2022
Maria Teresa T. Bautista	DL#6-92-094899	11-23-2017 Makati / 11-23-2022
Atty. Samuel V. Torres	DL#13-83-001463	11-08-2017 Quezon City / 11-10-2022

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Book No. 69;
Series of 2018

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-277
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
NO. 15 J.P. RIZAL EXTN. COR. TANGUILE ST
COMEMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 022957/01-04-2018/Pasig City
PTR NO MKT-6614630, 01-03-2018/MAKATI CITY
MCLE Compliance No. V-0004514/10-31-2014