

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

- Preliminary Information Statement
 Definitive Information Statement

2. Name of Registrant as specified in its charter

iPeople, Inc.

3. Province, country or other jurisdiction of incorporation or organization

Makati City, Philippines

4. SEC Identification Number

166411

5. BIR Tax Identification Code

000-187-926-000

6. Address of principal office

3F Grepalife Building 219 Sen Gil Puyat Avenue, Makati City, Philippines

Postal Code

1200

7. Registrant's telephone number, including area code

815-9636

8. Date, time and place of the meeting of security holders

December 12, 2018 at 2:30 p.m. at the 47/F Executive Lounge Yuchengco Tower, RCBC Plaza, Ayala Avenue corner Sen. Gil Puyat Ave., Makati City Metro Manila Philippines

9. Approximate date on which the Information Statement is first to be sent or given to security holders

Nov 20, 2018

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

Atty. Samuel V. Torres

Address and Telephone No.

3F Grepalife Building 219 Sen Gil Puyat Avenue Makati City

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Php 1.00 per share	748,933,221

13. Are any or all of registrant's securities listed on a Stock Exchange?

Yes No

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

Philippine Stock Exchange, Inc.

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



iPeople, inc. IPO

PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules

Date of Stockholders' Meeting	Dec 12, 2018
Type (Annual or Special)	Special
Time	2:30 p.m.
Venue	47/F Executive Lounge Yuchengco Tower, RCBC Plaza, Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City, Metro Manila, Philippines
Record Date	Nov 12, 2018

Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	Nov 12, 2018

Other Relevant Information

Please see attached copy of Definitive 20-IS

Filed on behalf by:

Name	Ma. Esperanza Joven
Designation	Vice President

COVER SHEET

1 6 6 4 1 1

S.E.C. Registration Number

i P e o p l e , i n c .

(Company's Full Name)

3 r d F l r . G r e p a l i f e B u i l d i n g 2 1 9

S e n . G i l P u y a t A v e n u e M a k a t i

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

Atty. Lalaine P. Monserate

Contact Person

815-96-36

Company's Telephone Number/s

1 2

Month

3 1

Day

Fiscal Year

DEFINITIVE SEC FORM 20 - IS

FORM TYPE

1 2

Month

1 2

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. Of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks= pls. Use black ink for scanning purposes



NOTICE OF SPECIAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the Special Stockholders' Meeting of **iPeople, inc.** will be held on **Wednesday, December 12, 2018 at 2:30 p.m.** at the *47/F Executive Lounge, Yuchengco Tower, RCBC Plaza, Ayala Avenue Cor. Sen. Gil J. Puyat Avenue, Makati City, Philippines* to consider and act on the following:

1. Call to Order
2. Proof of Notice and Certification of a Quorum
3. Approval of the Plan of Merger
4. Such other business that may properly come before the meeting
5. Adjournment

Only stockholders of record at close of business on **November 12, 2018** shall be entitled to vote at this said meeting or any adjournment thereof.

Should you be unable to attend the meeting in person, you may execute the necessary proxy and file the same with the office of the Corporate Secretary at 3/F, Grepalife Bldg., 219 Sen. Gil Puyat Avenue, Makati City, Metro Manila Philippines on or before 10:00 A.M. of December 11, 2018.

For your convenience in registering your attendance, please have available some form of identification such as passport, driver's license or voter's I.D.

Makati City, November 6, 2018


ATTY. SAMUEL V. TORRES
Corporate Secretary

IPEOPLE, INC.

PROXY

I, the undersigned holder of shares of stock of iPeople, inc. ("Corporation"), do hereby constitute, name and appoint the **Chairman of the Meeting**, or in his absence, the **Secretary of the Meeting**, as my attorney and proxy, to represent me and to vote all the shares registered under my name in the Books of the Corporation at the Special Meeting of the Stockholders of the Corporation on **December 12, 2018** and any adjournment(s) thereof. In particular, I hereby direct my said proxy to vote on the matters set forth below as I have expressly indicated by marking the same with an "X". **If I fail to indicate my vote on the items specified below, I authorize my proxy full discretion to act and I understand that my proxy shall vote in accordance with the recommendation of the Management. Management recommends a "FOR" vote for the proposal.**

PROPOSAL	ACTION		
	FOR	AGAINST	ABSTAIN
Approval of the Plan of Merger			

THIS PROXY, SOLICITED ON BEHALF OF THE INCUMBENT BOARD OF DIRECTORS OF IPEOPLE, INC. SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE 10:00 A.M OF DECEMBER 11, 2018, THE DEADLINE FOR SUBMISSION OF PROXIES.

REVOCABILITY OF PROXY

THE SHAREHOLDER MAY REVOKE THE PROXY ISSUED BY HIM AT ANY TIME PRIOR TO ITS USE BY THE PARTY WHO IS THEREBY AUTHORIZED TO EXERCISE THE SAME. THE PERSON SIGNING THE PROXY HAS THE RIGHT TO REVOKE THE PROXY BY ATTENDING THE MEETING IN PERSON OR EXECUTION OF A PROXY AT A LATER DATE.

PERSONS MAKING THE SOLICITATION

THIS PROXY IS SOLICITED ON BEHALF OF THE MANAGEMENT. THE PROXY STATEMENT AND THE ENCLOSED PROXY SHALL BE SENT BY THE SECRETARY OF THE CORPORATION EITHER BY MAIL, POSTAGE PREPAID, OR BY PERSONAL DELIVERY TO EACH STOCKHOLDER AT HIS ADDRESS APPEARING IN THE RECORDS OF THE CORPORATION. DULY EXECUTED PROXIES MAY BE RETURNED BY MAIL, FAX, OR BY HAND TO THE OFFICE OF THE CORPORATE SECRETARY ON OR BEFORE 10:00 A.M. ON DECEMBER 11, 2018.

SOLICITATIONS OF PROXIES WILL BE MAINLY CONDUCTED THROUGH MAIL. IN ADDITION TO SOLICITATION OF THE PROXIES BY MAIL, OFFICERS AND EMPLOYEES OF THE COMPANY MAY ALSO SOLICIT PROXIES PERSONALLY OR BY TELEPHONE. THE COST OF SOLICITATION, APPROXIMATELY ₱ 115,000 WILL BE BORNE BY THE COMPANY.

THERE IS NO MATERIAL CONSIDERATION CONTRACT OR ARRANGEMENT FOR THE SOLICITATION. THE COMPANY IS NOT A PARTY TO ANY ARRANGEMENT OR UNDERSTANDING WITH ANY PERSON WITH RESPECT TO ANY MATTER TO BE ACTED UPON THE MEETING.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" THE APPROVAL OF THE PLAN OF MERGER, INCLUDING MATTERS WHICH THE SOLICITOR(S) DO NOT KNOW A REASONABLE TIME BEFORE THE SOLICITATION ARE TO BE PRESENTED AT THE MEETING, IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON:

1. No other current director or officer of the Company or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than the election to office.
2. No director has informed the Company in writing that he intends to oppose any action to be taken by the registrant at the meeting.

THIS PROXY SHALL CONFER DISCRETIONARY AUTHORITY TO VOTE WITH RESPECT TO ANY OF THE FOLLOWING MATTERS:

1. MATTERS WHICH THE COMPANY DOES NOT KNOW DURING A REASONABLE TIME BEFORE THIS SOLICITATION ARE TO BE PRESENTED AT THE MEETING.
2. MATTERS INCIDENT TO THE CONDUCT OF THE MEETING.

Signature of Stockholder

Printed Name

No. of Shares

Date

Address and Telephone Number

THIS PROXY IS BEING SOLICITED IN BEHALF OF THE MANAGEMENT OF IPEOPLE, INC.

Please mail this proxy form to :

ATTY. SAMUEL V. TORRES

CORPORATE SECRETARY

iPeople, Inc.

3/F Grepalife Bldg.

219 Sen. Gil Puyat Avenue

OR

FAX TO : 816-11-27 / 815-99-81

Makati City, Metro Manila
 SECURITIES AND EXCHANGE COMMISSION
 SEC FORM 20-IS
 INFORMATION STATEMENT PURSUANT TO SECTION 20
 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

- Preliminary Information Statement
 Definitive Information Statement

2. Name of Registrant as specified in its charter iPeople, inc.

3. Makati City, Philippines
 Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number 166411

5. BIR Tax Identification Code 000-187-926

6. 3F, Grepalife Bldg., 219 Sen. Gil J. Puyat Ave., Makati City, Metro Manila Phil. 1200
 Address of principal office Postal Code

7. Registrant's telephone number, including area code (632) 815-9636

8. December 12, 2018, 2:30PM, 47/F Executive Lounge, Yuchengco Tower, RCBC Plaza, Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City
 Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders
November 20, 2018.

10. In case of Proxy Solicitations:

Name of Person filing the Statement/Solicitor: Atty. Samuel V. Torres

Address and Telephone No.: 3/f Grepalife Building, 219 Sen. Gil Puyat Avenue Makati City, Tel. No.: 815-9636

11. Securities registered pursuant to Sections 8 and 12 of the Code (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Authorized	Number of Shares Outstanding
Common, P1.0 par value	2,000,000,000 shares	748,933,221
Total Debt Outstanding: P2.59 B		

12. Are any or all of registrant's securities listed on a Stock Exchange?

Yes No Common Stock

If so, disclose name of the Exchange: Philippine Stock Exchange, Inc.

PART 1
INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1: Date, Time and Place of Meeting of Security Holders:

- (a) The Special Meeting of the Stockholders of iPeople, inc. (the "Company or Corporation") will be held at the 47/F Executive Lounge, Yuchengco Tower, RCBC Plaza, Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City, Philippines on **December 12, 2018 at 2:30 p.m.** The complete mailing address of the principal office of the Company is 3/F, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Philippines, 1200.
- (b) Approximate date on which this Information Statement is first to be sent or given to security holders is on **November 20, 2018.**

Item 2: Dissenters' Right of Appraisal

A stockholder who shall have voted against a proposed corporate action may seek payment of the value of his shares, pursuant to Title X of Batas Pambansa Blg. 68 (Corporation Code of the Philippines). In this regard, a written demand must be made by the dissenting stockholder of the Corporation within thirty (30) days after the vote was taken. Failure to make such demand within said period shall be deemed as a waiver of the stockholder's appraisal right; Provided, that failure of the dissenting stockholder to submit his certificates of stock with the Corporation (for notation that such are dissenting shares) within ten (10) days after his written demand has been made, shall likewise be deemed as a waiver of his appraisal right. Upon payment of the value of his shares, the dissenting stockholder shall forthwith transfer his shares to the Corporation. However, no payment shall be made to any dissenting stockholder unless the Corporation has retained earnings in its books to cover such payment.

Item 3: Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- a) *No person, associate or any director or officer at any time since the beginning of the last fiscal year, has substantial interest, direct or indirect, by security holdings in any matter to be acted upon at the meeting other than election to office.*
- b) *No director of the Company has informed the registrant in writing that he intends to oppose any action to be taken by the registrant at the meeting.*

B. CONTROL AND COMPENSATION INFORMATION

Item 4: Voting Securities and Principal Holders Thereof

The Company's capital stocks are entitled to notice and vote at the Special Stockholders' Meeting. Each share is entitled to one (1) vote. The Company has 748,933,221 shares of Common Stocks outstanding as of October 31, 2018.

Only holders of the Company's stock of record at the close of business on November 12, 2018 are entitled to notice and to vote at the Special Meeting to be held on December 12, 2018.

Security Ownership of Certain Beneficial Owners and Management

As of October 31, 2018, IPO knows of no one who beneficially owns in excess of 5% of IPO's common stock except as set forth in the table below:

1. Owners of more than 5% of voting securities as of October 31, 2018.

The following table shows the beneficial owners directly or indirectly owning more than 5% of the Company's capital stock as of October 31, 2018:

SHARE CLASS	NAME AND ADDRESS OF RECORD OWNER	NAME OF BENEFICIAL OWNER & RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NUMBER OF SHARES BENEFICIALLY OWNED	% OF TOTAL
Common	HOUSE OF INVESTMENTS, INC. <i>Grepalife Bldg., Sen. Gil Puyat Ave., Makati City Metro Manila Principal Stockholder</i>	A holding and management company of the Yuchengco family. Ms. Helen Y. Dee <i>Chairperson is authorized to direct voting of the shares held by House of Investments, Inc.</i>	Filipino	503,098,749 ¹	67.18%
Common	A. SORIANO CORP. <i>7F Pacific Star Bldg., Makati Ave., cor. Sen. Gil J. Puyat Ext., Makati City</i>	A holding company of the Soriano family. Mr. Ernest K. Cuyegkeng <i>EVP and CFO is authorized to direct voting of the shares held by A. Soriano Corp.</i>	Filipino	91,945,934 ²	12.28%
Common	MALAYAN INSURANCE CO., INC. <i>4/F, Yuchengco Tower 500 Quintin Paredes St. Binondo, Manila</i>	A non-life insurance company of the Yuchengco family. Ms. Yvonne S. Yuchengco <i>President is authorized to direct voting of the shares held by Malayan Insurance & affiliates</i>	Filipino	40,199,076	5.37%

There are no arrangements that may result in change in control.

¹ Direct and indirect holdings of House of Investments, Inc.

² Direct and indirect holdings A. Soriano Corp.

2. Security Ownership of Management

Securities beneficially owned by the directors, nominees, officers, other than qualifying shares, as of October 31, 2018 according to the records of its stock and transfer agent, Rizal Commercial Banking Corporation (RCBC):

SHARE CLASS	NAME OF BENEFICIAL OWNER	CITIZENSHIP	NATURE OF OWNERSHIP	SHARES OWNED	% OF CLASS
Common	Renato C. Valencia	Filipino	Indirect	1,300	0.0002%
Common	Reynaldo B. Vea	Filipino	Direct	5	0.0000%
Common	Cesar A. Buenaventura	Filipino	Indirect	68,850	0.0092%
Common	Ernest K. Cuyegkeng	Filipino	Indirect	5	0.0000%
Common	Medel T. Nera	Filipino	Direct	100	0.0000%
Common	Milagros V. Reyes	Filipino	Direct	55,218	0.0074%
Common	Lorenzo V. Tan	Filipino	Direct	5	0.0000%
Common	Yvonne S. Yuchengco	Filipino	Direct	6,500	0.0009%
Common			Indirect	68,000	0.0091%
Common	Ermilando D. Napa	Filipino	Direct	5	0.0000%
Sub-Total				521,733	0.0697%
Total Common Shares				748,933,221	100.0000%

Changes in Control

There had been no change in control in the Company that had occurred since the beginning of last year.

Voting Trust Holders of 5% and more

There are no shareholdings holding any Voting Trust Agreement or any such similar agreement.

Foreign Ownership per Class

As of October 31, 2018, there are 381,824 shares or 0.05% that are held by foreigners.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 12: Mergers, Consolidations, Acquisitions and Similar Matters

Brief Description of the Merger

iPeople, inc. (iPeople) will merge with AC Education, Inc. (AC Education), a wholly-owned education subsidiary of Ayala Corporation. iPeople shall be the surviving corporation and its corporate existence shall continue.

The merger will bring together the seven (7) educational institutions of iPeople and AC Education, which together will offer quality education to students across all income segments, with campuses in Metro Manila, Calabarzon, the Bicol Region, and Mindanao. The merger will include iPeople and its significant subsidiary, Malayan Education System, Inc. (Operating under the name of Mapua University), one of the country's leading engineering and technical universities, a world ranked QS-3 star university and the school with the most CHED Centers of Excellence in Engineering, and its subsidiaries, Malayan Colleges Laguna, the best board exam performing private higher education institution in Calabarzon, Malayan Colleges Mindanao in Davao, and Malayan Science High School in Manila. It will also include AC Education and its subsidiaries, the University of Nueva Caceres, one of the oldest and largest universities in Bicol, National Teachers College, the country's pioneer private teachers' training tertiary education institution, and APEC Schools, the largest chain of private stand-alone high schools in the country.

Mechanics of the Merger (Subscription and Share Issuance)

iPeople shall issue 295,329,976 in exchange for 1,993,477,338 AC Education shares, inclusive of 132,789,395 AC Education shares to be subscribed by Ayala Corporation prior to filing of Merger application with the SEC. The resulting outstanding number of shares of iPeople will be 1,044,263,197 common shares.

Attached as Annex "A" is the Plan of Merger.

Names, Addresses and Telephone Numbers of the Principal Executive Offices of the Entities to the proposed merger:

iPeople, inc.
3rd Floor, Grepalife Building
219 Sen. Gil. Puyat Avenue, Makati City
Tel. No.: (632) 815-9636

AC Education, Inc.
33rd Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City
Tel. No.: (632) 908-3455

Item 19: Voting Procedures

The voting procedure for approval of corporate action in which Stockholders' approval will be required shall be by "viva voce" unless voting by ballot is decided upon during the meeting. The methods by which vote will be counted, except in cases where voting by ballots is applicable, voting and counting shall be by "viva voce". If by ballot, counting shall be supervised by external auditors.

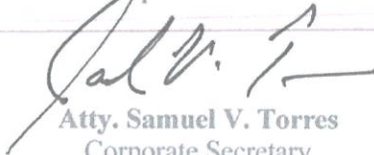
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SIGNATURE

After reasonable inquiry and to the best of our knowledge and belief, we certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on November 6, 2018.


iPeople, inc.
By: _____


Atty. Lalaine P. Monserate
Compliance Officer


Atty. Samuel V. Torres
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE
ME THIS DAY OF 06 NOV 2018 IN THE
CITY OF MAKATI (PANEL EXHIBITED HIS)
REAL PROPERTY TAX CERTIFICATE NO. _____
ISSUED ON _____ ISSUED AT _____

JOC. NO. 231
PAGE NO. 48
BOOK NO. 92
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 MCT-6614639, 01-03-2018/MAKATI CITY
MCLE Compliance No. Y-0009814/10.31-2014



ANNEX "A"

PLAN OF MERGER

PLAN OF MERGER

This Plan of Merger is executed by and between:

IPEOPLE, INC., a corporation organized and existing under the laws of the Republic of the Philippines, with principal office address at the 3rd Floor, Grepalife Building, 219 Sen. Gil. Puyat Avenue, Makati City;

and

AC EDUCATION, INC., a corporation organized and existing under the laws of the Republic of the Philippines, with principal office address at the 33rd Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City;

RECITALS

WHEREAS, AC Education, Inc. (the "**Absorbed Corporation**" or "**AEI**") is a duly registered corporation with the Securities and Exchange Commission ("**SEC**") with Company Registration No. CS201219454. The Absorbed Corporation has an authorized capital stock of Php2,150,000,000.00 divided into 2,150,000,000 common shares with a par value of Php1.00 per share, Php1,860,687,943.00 (comprising 1,860,687,943 common shares but exclusive of additional paid-in capital) of which has been fully paid, validly issued, and is outstanding as of the date of signing of this Plan of Merger.

WHEREAS, AEI will be issuing additional 132,789,395 common shares to be subscribed to and fully paid for by Ayala Corporation at a premium prior to the filing of the Merger (as hereafter defined) application with the SEC.

WHEREAS, iPeople, inc. ("**IPO**") is likewise a duly registered corporation with the SEC with Company Registration No. 166411. IPO has an authorized capital stock of Php2,000,000,000.00 divided into 2,000,000,000 shares with a par value of Php1.00 per share, Php748,933,221.00 (comprising 748,933,221 shares) of which has been fully paid, validly issued and is outstanding.

WHEREAS, a merger between the Absorbed Corporation and IPO, with the latter as the surviving corporation, is desirable and advantageous to both corporations and their respective common stockholders for the following business reasons:

- (a) To enable accelerated growth and provide stronger academic offerings and career prospects for the students of AEI's and IPO's schools;
- (b) To broaden the suite of program offerings and widen the geographic reach of the AEI's and IPO's schools; and
- (c) To unlock synergies between IPO and AEI to be able to deliver quality education.

WHEREAS, the parties desire to merge in accordance with Sections 76 to 80 of Batas Pambansa Blg. 68, otherwise known as the Corporation Code of the Philippines (the "**Corporation Code**"); and

For the reasons set forth above, and in consideration of the mutual covenants and premises hereto, the merger between IPO and AEI, with IPO as the surviving corporation (the "**Merger**") was approved by the respective Board of Directors and stockholders of IPO and AEI, as required under the provisions of Sections 76 to 80 of the Corporation Code.

The terms and conditions of the Merger and the method of carrying it into effect are prescribed hereunder:

TERMS OF THE MERGER

(1) The Merger shall take effect five (5) business days from and after the approval by the SEC of the Articles of Merger and the issuance of the Certificate of Filing of the Articles of Merger (the "Effective Merger Date").

(2) Mechanics of the Merger

(a) Upon the Effective Merger Date, the existing stockholders of AEI participating in the Merger (collectively, the "AEI Stockholders") shall transfer all of their respective shares of stock in AEI (the "AEI Shares") to IPO.

(b) Share Issuance

(i) Each AEI Stockholder shall receive common shares of stock of IPO ("IPO Common Shares"), in exchange for all their AEI Shares, using an exchange rate of one IPO Common Share for every 6.75 AEI Shares (the "Conversion Rate"), or such other exchange rate as may be approved by the SEC, as applicable (the "Conversion"):

No IPO Common Share shall be issued to the directors of AEI, each of whom holds only one (1) qualifying share in AEI, as a result of the Merger. Any fractional IPO Common Share resulting from the Conversion shall be rounded to the nearest whole number.

(ii) On the Effective Merger Date, IPO shall issue the following shares to the AEI Stockholders (and/or their respective assignees) in exchange for all of their respective shares of stock in AEI on the basis of the Conversion Rate:

AEI Stockholder	No. of AEI Shares ¹	No. of IPO Common Shares to be Issued by IPO
Ayala Corporation	1,993,477,338	295,329,976
TOTAL	1,993,477,338	295,329,976

All of the IPO Common Shares shall be issued out of the unissued portion of IPO's authorized capital stock.

(c) Each issued and outstanding share of stock of IPO prior to the Effective Merger Date shall remain issued and outstanding without any change or alteration in its rights or prerogatives as indicated in the Amended Articles of Incorporation of IPO.

(3) Effects of the Merger

Upon the Effective Merger Date, IPO shall be deemed to have acquired all the assets and assumed all the liabilities of AEI, as follows:

(i) all respective rights, businesses, assets and other properties of AEI including, but not limited to, all real and personal properties, contractual rights, and such other assets as shown in the audited balance sheet of AEI as of [Date of Long-form Audit], and up to the Effective Merger Date, shall, for all intents and purposes, be deemed conveyed and transferred to IPO, without need of any further act or deed.

Whatever assets that may not have been reflected in the balance sheet of AEI as of [Date of Long-form audit], or may have been omitted therefrom for any reason

¹ Inclusive of the 132,789,395 AEI Shares to be subscribed by Ayala Corporation prior to filing of the Merger application with the SEC.

whatsoever, as well as all other assets which may come into AEI's possession or to which AEI may be entitled after [Date of Long-form Audit], and up to the Effective Merger Date shall be deemed included in the conveyance, and transferred to IPO, without need of any further act or deed.

- (ii) IPO shall be the surviving corporation and its corporate existence shall continue. IPO shall assume all the debts and liabilities of AEI, as of the Effective Merger Date (including such debts and liabilities reflected in the audited balance sheet of AEI as of [Date of Long-form Audit], to the extent not fully discharged as of Effective Merger Date), in the same manner as though IPO itself incurred such liabilities and obligations and any such claim by or against AEI shall be prosecuted by or against IPO; provided, however, that IPO may avail of all defenses otherwise available to AEI.

The basis of the assets and properties transferred from AEI to IPO pursuant to the Merger shall be, in the hands of IPO, the same as it would have been in the hands of AEI.

- (4) The parties and their respective authorized officer(s) shall, from time to time, execute such documents and do such other or further acts, and take or cause to be taken such actions as may be necessary, to fully effect the Merger or otherwise carry out the full intent and purposes of the Merger.
- (5) The parties, by the action of their respective Board of Directors, may amend, modify or supplement this Plan of Merger in such manner as may be agreed upon by them in writing at any time before or after approval hereof by stockholders owning at least 2/3 of the outstanding capital stock of AEI and IPO; provided, however, that no such amendment, modification or supplement after approval of this Plan of Merger by the stockholders of IPO and AEI shall substantially change the terms of the merger.
- (6) The parties shall immediately take all necessary acts to implement this Merger, and shall cooperate with each other in obtaining all necessary regulatory filing consents and approvals, as well as in complying with all applicable regulatory rules and regulations.



ANNEX “B”

**Management Discussion and Analysis and
Consolidated Financial Statements**
as of September 30, 2018 and December 31, 2017
and
Nine Months Ended September 30, 2018, 2017 and 2016

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The interim consolidated financial statements of iPeople, Inc. and Subsidiaries as of September 30, 2018 with comparative figures for the periods ended September 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;*

Mapua University has signed a Deed of Absolute Sale to purchase a 5,114 sq. m. property along P. Ocampo Sr. Street, Makati City where it will construct a new campus. The total project cost is estimated at Php2.5Bn which will be funded through internal and external sources.

(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 September 30, 2018, IPO showed a consolidated net income of P132.31 million against P329.04 million in same period last year.

Total revenues as of the period is at P1,311.71 million, or 12% lower compared to P1,497.63 million last year. Revenues from school operations dropped by 10% due to continuing effect of the K + 12 transition, as well as the transition to a new school calendar for academic year 2018-2019. Also, compared to prior year, the number of freshman and sophomore enrollees is lower. This was softened, however, by higher intake from Senior High School program.

The sharp drop in revenues from hardware reselling and related services, as well as the corresponding cost of goods sold was due to the cessation of business of the Group's IT company, PPCC, effective July 2017.

Revenues from services as of the period pertain primarily to lease of office and parking space in schools. Last year includes income on technical services provided by PPCC.

Increase in cost of tuition and other fees was brought about by higher cost in software licenses, periodicals and repairs and maintenance, tempered by significant reduction in utility costs, seminars and research and development related expenses.

On the other hand, the substantial increase in general and administrative expenses pertains to the operating costs incurred by the Mindanao campus, Malayan College of Mindanao ("MCM"), which started operations in July 2018.

Interest expense and other finance charges are higher primarily due to the loans obtained by MCM to finance the completion of its school building as well as its pre-operating costs.

Interest income earned is lower this year because of lower volume of money market placements coupled with lower interest rate.

Other income includes foreign exchange gain, income from UITF investment, cash dividend from available-for-sale securities and reversal of long outstanding payables.

Balance Sheet Variances

Total consolidated assets stood at ₱8.64 billion as of September 30, 2018, from ₱7.90 billion as of December 2017.

Cash and cash equivalents lower by 2% due to settlement of obligations.

Receivables pertain mainly to tuition fees due from students who enrolled in the first term of the academic year 2018-2019. It also includes receivables from DepEd pertaining to vouchers issued to selected Senior High School students.

Prepaid expense and other current assets decreased by 17% due to amortization of prepayments and utilization of VAT input and creditable withholding taxes.

Available-for-sale securities, which is presented at its fair market value, decreased from P25.08 million last year to P17.14 million this year because of lower market price as of the period. Accordingly, an unrealized loss has been recognized.

Property and equipment increased by 9% as of this period, from P6.49 billion to P7.07 billion, primarily because of the additional property acquired by the Group in Mindanao.

Reduction in retirement asset pertains to regular amortization of pension cost for the year.

Other noncurrent assets pertain to computer software cost, at net of amortization, security deposits, and unutilized VAT input and creditable withholding taxes.

Total consolidated liabilities rose to P2.59 billion from P1.87 billion, primarily because of the additional loans obtained by the Mindanao campus.

Accounts payable and accrued expenses are higher by 20% due to timing of payment to suppliers relative to the construction of Mindanao campus. Also, accrual related to 13th month pay and other employee benefits are normally released in the last quarter of the calendar year.

Unearned tuition fee is significantly higher mainly because of the timing of enrollment.

Total consolidated equity stood at P6.06 billion, with retained earnings of P3.64 billion.

(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 April 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 September 30, 2018, September 30, 2017 and December 31, 2017 are as follows:

Financial ratios		Unaudited September 2018	Unaudited September 2017	Audited December 2017
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.46:1	0.89:1	0.56:1
<i>Indicates the Group's ability to pay short-term obligation</i>				
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	0.12:1	0.26:1	0.33:1
<i>Shows how likely a company will be to continue meeting its debt obligations</i>				
Debt-to-equity ratio	$\frac{\text{Net Debt}}{\text{Equity}}$	0.46:1	0.35:1	0.33:1
<i>Measures the Group's leverage</i>				
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Equity}}$	1.43:1	1.32:1	1.31:1
<i>Shows how the company's leverage (debt) was used to finance the firm</i>				
Interest Rate Coverage	$\frac{\text{EBIT}}{\text{Interest Expense}}$	14.97:1	103.14:1	106.07:1
<i>Shows how easily a company can pay interest on outstanding debt</i>				
Return on Average Stockholders' Equity	$\frac{\text{Net Income}}{\text{Average Equity}}$	2.25%	6.02%	7.16%
<i>Reflects how much the Group's has earned on the funds invested by the stockholders</i>				
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	1.53%	4.34%	5.23%
<i>Measure the ability to utilize the Group's assets to create profits</i>				
Net Profit Margin	$\frac{\text{Net Income}}{\text{Total Revenues}}$	10.09%	21.97%	20.85%
<i>Shows how much profit is made for every peso of revenue</i>				
Asset Turnover	$\frac{\text{Total Revenues}}{\text{Total Assets}}$	15x	20x	25x
<i>Shows efficiency of asset used in Operations</i>				
Return on Equity	$\frac{(\text{Net Income} / \text{Total Revenues}) \times (\text{Total Revenues} / \text{Total Assets}) \times (\text{Total Assets} / \text{Total Equity})}{\text{Total Assets} / \text{Total Equity}}$	2.18%	5.75%	6.86%
<i>Shows how much the business returns to the stockholders for every peso of equity capital invested</i>				

- The current ratio is at 0.46 as of September 2018 compared to 0.56 as of December 2017 due to increase in the short-term loans of the Group to finance the completion of the Mindanao campus.
- Solvency ratio is at 0.12 as of the period. This is lower compared to last year because of the continuing effect of K+12 program of DepEd coupled with the increase in short-term loans of the Group.
- Debt-to-equity ratio increased from 0.33 as of December 2017 to 0.46 as of this period due to additional loans obtained by the Group.
- Asset to equity ratio went up from 1.31 as of December 2017 to 1.43 this period because of the newly constructed campus in Mindanao.
- Interest rate coverage ratio decreased from 103 times as at September 2017 to 15 times this period because of lower earnings of the Group this year coupled with higher interest expense due to additional loans.
- Return on average stockholders' equity dropped to 2.25% year on year, resulting from the reduced income due to the effects of the K+12 transition coupled with increase in expenses as the Mindanao campus started operations in July 2018.
- Return on asset is at 1.53% against 4.34% as of September 2017, because of the lower income as of the period and increase in assets due to the completion of the new campus in Mindanao.
- Net profit margin decreased from 22% last year to 10% as of this period resulting from lower margins due to lower number of freshman and sophomore enrollees coupled with increase in expenses.
- Asset turnover is 15 times as of this period against 20 times as of September 2017. Decrease is due to lower revenues coupled by higher asset base due to new campus in Mindanao.
- Return on equity dropped from 5.75% to 2.18% as of this period, resulting from lower income from schools due to low average number of enrollees and higher expenses incurred by the Group.

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: Third Quarter 2018 DEVELOPMENTS

Significant developments during the third 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

**September 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)	¥619,041,188	¥632,811,619
Receivables (Notes 7)	354,241,861	156,402,797
Receivables from related parties (Notes 14)	854,374	1,035,882
Prepaid expenses and other current assets (Note 8)	96,179,362	115,546,510
Financial assets at fair value through profit or loss	8,620,242	8,461,820
Total Current Assets	1,078,937,027	914,258,628
Noncurrent Assets		
Available-for-sale financial assets	17,144,267	25,079,144
Property and equipment (Notes 9 and 10)	7,069,973,853	6,490,366,202
Net pension asset	1,785,987	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)	333,071,479	321,200,114
Total Noncurrent Assets	7,565,816,527	6,982,367,644
	¥8,644,753,554	¥7,896,626,272
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 13)	¥759,320,295	¥631,758,318
Payables to related parties (Notes 14)	10,731,892	20,957,655
Income tax payable	6,559,282	6,746,071
Unearned tuition fees	369,601,170	89,159,755
Dividends payable (Notes 16)	-	69,343,445
Short-term loans (Notes 15)	1,210,000,000	810,000,000
Total Current Liabilities	2,356,212,639	1,627,965,244
Noncurrent Liabilities		
Net pension liability	54,190,037	66,299,937
Deferred tax liabilities - net	174,806,653	177,270,677
Total Noncurrent Liabilities	228,996,690	243,570,614
Total Liabilities	2,585,209,329	1,871,535,858

(Forward)

	Unaudited 2018	Audited 2017
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	(1,217,977)	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)	3,644,553,580	3,611,840,138
	<u>5,673,567,147</u>	<u>5,648,838,813</u>
Less: Treasury stock (Note 16)	209	209
Attributable to Equity Holders of the Parent Company	5,673,566,938	5,648,838,604
Non-controlling Interest in Consolidated Subsidiaries	385,977,287	376,251,810
Total Equity	<u>6,059,544,225</u>	<u>6,025,090,414</u>
	<u>₱8,644,753,554</u>	<u>₱7,896,626,272</u>

See accompanying Notes to Consolidated Financial Statements.

IPEOPLE, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	July 1 to September 30		
	2018	2017	2016
REVENUES			
Tuition and other fees	P478,208,045	P529,613,621	P577,734,988
Sale of goods	-	738,879	29,422,450
Sale of services	1,423,686	1,397,476	15,711,925
	<u>479,631,731</u>	<u>531,749,976</u>	<u>622,869,363</u>
COSTS AND EXPENSES			
Cost of tuition and other fees	333,543,973	320,153,106	309,606,841
Cost of goods sold	-	867,601	26,384,670
Cost of services	750,596	1,137,027	5,587,076
	<u>334,294,569</u>	<u>322,157,734</u>	<u>341,578,587</u>
GROSS PROFIT	145,337,162	209,592,242	281,290,776
GENERAL AND ADMINISTRATIVE EXPENSES	(66,074,169)	(48,990,063)	(56,503,961)
INTEREST AND OTHER FINANCE CHARGES	(8,930,556)	(903,907)	(2,181,958)
INTEREST INCOME	759,262	3,896,128	3,370,847
OTHER INCOME (LOSS)	23,666	743,671	438,737
INCOME (LOSS) BEFORE INCOME TAX	71,115,365	164,338,071	226,414,441
PROVISION FOR INCOME TAX	9,363,084	17,161,920	22,656,681
NET INCOME	61,752,281	147,176,151	203,757,760
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Unrealized gain (loss) on available-for-sale financial assets	123,340	(1,233,400)	986,721
	<u>123,340</u>	<u>(1,233,400)</u>	<u>986,720</u>
TOTAL COMPREHENSIVE INCOME	P61,875,621	P145,942,751	P204,744,481
Net income attributable to:			
Equity holders of the parent	P57,157,711	P136,636,033	P189,348,781
Non-controlling interest in consolidated subsidiaries	4,594,570	10,540,118	14,408,979
	<u>P61,752,281</u>	<u>P147,176,151</u>	<u>P203,757,760</u>
Total comprehensive income attributable to:			
Equity holders of the parent	P57,281,051	P135,402,634	P190,335,502
Non-controlling interest in consolidated subsidiaries	4,594,570	10,540,117	14,408,979
	<u>P61,875,621</u>	<u>P145,942,751</u>	<u>P204,744,481</u>

iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	January 1 to September 30		
	2018	2017	2016
REVENUE			
Tuition and other fees (Note 17)	P1,306,989,364	P1,450,734,487	P1,665,067,159
Sale of goods	37,062	40,547,052	80,598,816
Sale of services (Note 17)	4,685,441	6,351,160	30,484,316
	<u>1,311,711,867</u>	<u>1,497,632,699</u>	<u>1,776,150,291</u>
COSTS AND EXPENSES			
Cost of tuition and other fees (Note 18)	973,638,377	943,837,258	924,922,950
Cost of goods sold (Note 18)	30,280	36,762,022	72,658,577
Cost of services	1,969,201	3,203,590	17,148,467
	<u>975,637,858</u>	<u>983,802,870</u>	<u>1,014,729,994</u>
GROSS PROFIT	336,074,009	513,829,829	761,420,297
GENERAL AND ADMINISTRATIVE EXPENSES (Note 19)	(185,238,438)	(153,973,873)	(164,374,560)
INTEREST AND OTHER FINANCE CHARGES (Note 20)	(10,941,069)	(3,599,638)	(7,419,283)
INTEREST INCOME (Note 20)	7,304,420	10,161,219	7,543,455
OTHER INCOME	5,640,045	1,263,467	3,882,675
INCOME BEFORE INCOME TAX	152,838,967	367,681,004	601,052,584
PROVISION FOR INCOME TAX	20,528,077	38,638,930	60,432,116
NET INCOME	132,310,890	329,042,074	540,620,468
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>			
Unrealized gains (losses) on AFS financial assets	(7,934,877)	10,895,038	2,877,935
	<u>(7,934,877)</u>	<u>10,895,038</u>	<u>2,877,935</u>
TOTAL COMPREHENSIVE INCOME	P124,376,013	P339,937,112	P543,498,403
Net income attributable to:			
Equity holders of the parent (Note 21)	P122,585,413	P305,347,606	P502,564,415
Non-controlling interest in consolidated subsidiaries	9,725,477	23,694,468	38,056,053
	<u>P132,310,890</u>	<u>P329,042,074</u>	<u>P540,620,468</u>
Total comprehensive income attributable to:			
Equity holders of the parent	P114,650,536	P316,242,644	P505,442,350
Non-controlling interest in consolidated subsidiaries	9,725,477	23,694,468	38,056,053
	<u>P124,376,013</u>	<u>P339,937,112</u>	<u>P543,498,403</u>
Basic Earnings Per Share (Note 21)	P0.1637	P0.4077	P0.6710

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	Available-for-Sale Financial Assets	Unrealized Gain on Revaluation Increment	Reinvestment on Land - Gains (Losses) net of tax (Note 10)	Remeasurement Benefit Plans	Retained Earnings (Note 16)	Treasury Stock (Note 16)	Total	Non-controlling Interest	Total
	For the quarter ended September 30, 2018										
Balances as at January 1, 2018	P748,933,221	P1,438,827	P6,716,900	P1,248,233,353	—	31,676,374	P3,611,840,138	(P209)	P5,648,838,604	P376,251,810	P6,025,090,414
Net income	—	—	—	—	—	—	122,585,413	—	122,585,413	9,725,477	132,310,890
Other comprehensive income	—	—	(7,934,877)	—	—	—	(7,934,877)	—	(7,934,877)	—	(7,934,877)
Total comprehensive income	—	—	(7,934,877)	—	—	—	114,650,536	—	114,650,536	9,725,477	124,376,013
Adjustment on remeasurement losses	—	—	—	—	(50,231)	—	(50,231)	—	(50,231)	—	(50,231)
Dividends declared	—	—	—	—	—	(89,871,971)	—	—	(89,871,971)	—	(89,871,971)
Balances as at September 30, 2018	P748,933,221	P1,438,827	(P1,217,977)	P1,248,233,353	P31,626,143	P3,644,553,580	(P209)	P5,673,566,938	P385,977,287	P6,059,544,225	
	For the quarter ended September 30, 2017										
Balances as at January 1, 2017	P748,933,221	P1,438,827	(P1,300,203)	P984,985,652	—	P23,017,641	P3,409,999,669	(P209)	P5,167,074,598	P348,529,717	P5,515,604,315
Net income	—	—	—	—	—	—	305,347,606	—	305,347,606	23,694,468	329,042,074
Other comprehensive income	—	—	10,895,038	—	—	—	10,895,038	—	10,895,038	—	10,895,038
Total comprehensive income	—	—	10,895,038	—	—	—	316,242,644	—	316,242,644	23,694,468	339,937,112
Dividends declared	—	—	—	—	—	(134,807,980)	—	—	(134,807,980)	—	(134,807,980)
Balances as at September 30, 2017	P748,933,221	P1,438,827	P9,594,835	P984,985,652	—	P23,017,641	P3,580,539,295	(P209)	P5,348,509,262	P372,224,185	P5,720,733,447
	For the quarter ended September 30, 2016										
Balances as at January 1, 2016	P748,933,221	P1,438,827	(P3,972,571)	P751,444,924	—	P6,331,596	P2,994,028,061	(P209)	P4,498,203,849	P301,185,392	P4,799,389,241
Net income	—	—	—	—	—	—	502,564,415	—	502,564,415	38,056,053	540,620,468
Other comprehensive income (loss)	—	—	2,877,935	—	—	—	(2,877,935)	—	(2,877,935)	—	(2,877,935)
Total comprehensive income (loss)	—	—	2,877,935	—	—	—	502,564,415	—	502,564,415	38,056,053	543,498,403
Dividends declared	—	—	—	—	—	(134,807,980)	—	—	(134,807,980)	—	(134,807,980)
Balances as at September 30, 2016	P748,933,221	P1,438,827	(P1,094,636)	P751,444,924	—	P6,331,596	P3,361,784,496	(P209)	P4,868,838,219	P339,241,445	P5,208,079,664

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	January 1 to September 30		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱152,838,966	₱367,681,004	₱601,052,584
Adjustments for:			
Depreciation and amortization (Notes 9, 12, 18 and 19)	170,206,451	154,468,058	147,247,746
Interest income (Note 20)	(7,304,420)	(10,161,219)	(7,543,455)
Interest expense and other finance charges (Note 20)	10,941,069	3,599,638	7,375,690
Unrealized market gain on financial assets at FVPL	(158,422)	(90,025)	(99,379)
Recovery from provision for doubtful accounts	(53,690)	-	-
Unrealized foreign exchange gain	(1,076,494)	(260,256)	(393,477)
Operating income before working capital changes	325,393,460	515,237,200	747,639,709
Decrease (increase) in:			
Receivables	(198,105,432)	(79,910,234)	(60,850,419)
Prepaid expenses and other current assets	19,367,148	(56,000,441)	(33,720,106)
Increase (decrease) in:			
Accounts payable and accrued expenses	127,561,980	181,536,541	66,348,673
Unearned tuition fees	280,441,415	227,920,208	183,218,201
Net pension asset and liability	(14,528,902)	7,069,643	3,585,468
Net cash generated from operations	540,129,669	795,852,917	906,221,526
Interest received	7,624,478	10,161,219	7,797,840
Interest paid	(10,941,069)	(3,599,638)	(8,357,161)
Income taxes paid	(20,714,866)	(30,367,184)	(61,309,856)
Net cash flows from operating activities	516,098,212	772,047,314	844,352,349
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 9)	(673,062,943)	(864,801,279)	(107,455,080)
Land (Note 10)	(76,353,936)	-	-
Computer software (Note 12)	-	(1,110,600)	(4,985,281)
Decrease (increase) in:			
Receivables from related parties	181,508	2,693,928	(185,502)
Other noncurrent assets	(12,268,588)	(1,368,145)	(117,086)
Net cash flows used in investing activities	(761,503,959)	(864,586,096)	(112,742,949)

(Forward)

January 1 to September 30

	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of long-term debt	P-	P-	(P188,500,000)
Short-term loan (Note 15)	400,000,000	430,000,000	100,000,000
Dividends paid to stockholders (Note 23)	(159,215,416)	(149,355,123)	(149,357,292)
Increase (decrease) in payables to related parties (Note 23)	(10,225,762)	5,266,109	8,911,010
Net cash flows from (used in) financing activities	230,558,822	285,910,986	(228,946,282)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	1,076,494	260,256	393,477
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(13,770,431)	193,632,460	503,056,595
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)			
	P619,041,188	P1,066,990,391	P1,102,123,069

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 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 September 30, 2018 and December 31, 2017, and for each of the three years in the period ended September 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 September 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. (MCMCI)	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 quoted in active market. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

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

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

Fair value measurement

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

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

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

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

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

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

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

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

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

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

'Day 1' difference

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

Financial assets at FVPL

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

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

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

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, designated as AFS or as financial assets at FVPL. Receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at cost or at amortized cost using the effective interest method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization, if any, is included in profit or loss. The losses arising from impairment of receivables are recognized in profit or loss. These financial assets are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

Classified under this category are the Group's cash and cash equivalents, receivables and receivables from related parties.

AFS financial assets

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

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

This 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.

Jointly Controlled Operations

A jointly controlled operation involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations. 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. 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 22 to the consolidated financial statements.

Provisions

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

Contingencies

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

Events after the Financial Reporting Date

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

5. Significant Accounting Judgments and Estimates

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

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

Judgment

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

Allocation of costs and expenses

Management exercises judgment in determining the classification of costs and expenses as to whether cost of services or general and administrative expenses. In 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).

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the

reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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 September 30, 2018 and December 31, 2017, the carrying value of the Group's land amounted to ₱4,016.13 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.

Allowance for doubtful accounts on receivables amounted to ₱64.90 million and ₱69.22 million as of September 30, 2018 and December 31, 2017, respectively. The carrying value of receivables as of September 30, 2018 and December 31, 2017 amounted to ₱354.24 million and ₱156.40 million, respectively (Note 7). The carrying value of receivables from related parties as of September 30, 2018 and December 31, 2017 amounted to ₱0.85 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 September 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 September 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 September 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 September 30, 2018 and December 31, 2017, the net pension liability amounted to ₱54.19 million and ₱66.30 million, respectively, while net pension asset amounted to ₱1.79 million and ₱1.88 million, respectively.

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 September 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 September 2018	Audited December 2017
Cash on hand	₱1,003,000	₱995,454
Cash in banks (Note 14)	210,124,999	159,883,899
Cash equivalents (Note 14)	407,913,189	471,932,266
	<u>₱619,041,188</u>	<u>₱632,811,619</u>

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 ₱7.15 million, ₱10.07 million and ₱3.85 million in 2018, 2017 and 2016, respectively (Note 20).

7. Receivables

This account consists of:

	Unaudited September 2018	Audited December 2017
Tuition and other fees	₱316,418,261	₱153,016,719
Other receivables:		
Trade	3,418,484	7,830,758
Advances to officers and employees	10,370,036	10,508,242
Others	88,939,880	54,264,426
	419,146,661	225,620,145
Allowance for doubtful accounts	(64,904,800)	(69,217,348)
	₱354,241,861	₱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. There were no transactions made since July 2017 due to cessation of business, hence, balance pertains to prior year receivables.

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 ₱0.15 million, ₱0.10 million and ₱3.70 million in September 2018, 2017 and 2016, respectively (Note 20).

Other receivables mainly pertain to receivable from DepEd amounting to ₱66.99 million and ₱36.74 million as of September 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 September 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	(13,690)	(40,000)	-	(53,690)
Write-off	-	(4,258,858)	-	(4,258,858)
Balance at end of year	₱56,406,943	₱2,544,850	₱5,953,007	₱64,904,800
Gross receivables	₱316,418,261	₱3,418,484	₱99,309,916	₱419,146,661

	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	₱64,772,668	₱225,620,145

8. Prepaid Expenses and Other Current Assets

	Unaudited September 2018	Audited December 2017
Prepaid expenses	₱40,594,718	₱43,552,663
Deposits to real estate sellers	–	15,956,045
Restricted funds (Note 14)	39,616,974	40,770,732
CWT	8,788,934	8,537,180
Input VAT	528,894	630,444
Office supplies	72,647	97,163
Others	6,577,195	6,002,283
	₱96,179,362	₱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:

	September 2018				Total
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	
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	1,691,370,823	95,251,132	4,381,756	(1,118,256,793)	672,746,918
Reclassifications and adjustments	–	44,032,740	(4,999)	(45,374,054)	(1,346,313)
Balance at end of year	3,589,603,845	1,536,491,245	37,681,281	535,122	5,164,311,493
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)	76,692,571	89,346,260	3,770,398	–	169,809,229
Reclassifications and adjustments	(696,153)	(17,511)	(948,675)	–	(1,662,339)
Balance at end of year	953,496,267	1,136,465,037	20,503,872	–	2,110,465,176
Net book value	2,636,107,578	400,026,208	17,177,409	535,122	3,053,846,317
Land at revalued amounts (Note 10)	–	–	–	–	4,016,127,536
Total	₱2,636,107,578	₱400,026,208	₱17,177,409	₱535,122	₱7,069,973,853

	December 2017				Total
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	
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	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

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 September 2018 and December 2017, respectively (Note 15).

10. Land at Revalued Amounts

This account consists of:

	Unaudited September 2018	Audited December 2017
Land at cost:		
Balance at beginning of year	₱1,870,976,481	₱1,870,976,481
Acquisition cost	76,353,936	–
Balance at end of year	1,947,330,417	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
	₱4,016,127,536	₱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.

11. Goodwill

The goodwill recognized in the consolidated statement of financial position amounting to ₱137.85 million as of September 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.

12. Other Noncurrent Assets

This account consists of:

	Unaudited September 2018	Audited December 2017
Reservation deposit (Note 14)	₱300,000,000	₱300,000,000
Library books, periodicals and journals	10,785,847	–
Input VAT	9,249,753	7,946,013
Creditable withholding tax	6,705,426	6,705,426
Computer software	5,954,549	6,351,771
Miscellaneous deposits	375,904	196,904
	₱333,071,479	₱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. In October 2018, HI returned the reservation deposit when MESI signified intention to purchase instead the property in P. Ocampo, Makati City. On the same month, MESI signed the Deed of Absolute Sale.

Computer software is amortized over a period of three years.

The rollforward analysis of computer software follows:

	Unaudited September 2018	Audited December 2017
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)	397,222	634,916
Balance at the end of the year	31,193,421	30,796,199
Net Book Value	₱5,954,549	₱6,351,771

13. Accounts Payable and Accrued Expenses

This account consists of:

	Unaudited September 2018	Audited December 2017
Accounts payable (Note 9)	₱417,043,353	₱354,907,734
Accrued expenses	256,190,425	194,257,337
Funds payable	84,323,112	80,688,909
Other payables	1,763,405	1,904,338
	₱759,320,295	₱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 ₱2.27 million and ₱1.34 million as of September 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 nil and ₱1.11 million in 2018 and 2017, respectively.

Accrued expenses consist of:

	Unaudited September 2018	Audited December 2017
Provisions	₱153,558,082	₱142,976,418
Accrued salaries and wages	38,457,456	6,877,110
Payable to suppliers	20,166,888	8,795,454
Withholding taxes and others	8,529,776	9,416,724
Insurance	7,093,770	5,928,269
Accrued professional fees	8,397,420	3,879,705
Accrued utilities	5,391,730	3,613,796
SSS and other contributions	3,679,069	3,181,607
Accrued communication expense	1,666,361	2,073,406
Accrued interest	1,218,646	1,218,646
Output VAT payable	1,340,626	1,798,704
Accreditation cost	6,047	12,000
Others	6,684,554	4,485,498
	₱256,190,425	₱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.

Parent Company	Year	Amount/—Receivables from		Terms and Conditions
		Volume	(Payables to)	
a) Payable to Parent Company (HI)	2018	¥—	(¥5,860,243)	Noninterest-bearing; unsecured; due and demandable
	2017	—	(16,236,214)	
Management fee and other professional fees (Notes 18 and 19)	2018	45,950,393	—	
	2017	59,932,921	—	
b) Receivable from Parent Company	2018	—	178,476	Noninterest-bearing; unsecured; due and demandable; no impairment
	2017	—	370,195	
Entities under common control of HI				
c) Receivables from related parties	2018	—	657,635	Noninterest-bearing; unsecured; due and demandable; no impairment
	2017	—	404,376	
Rental income (Note 17)	2018	(1,853,233)	—	
	2017	(2,447,168)	—	
d) Payables to related parties	2018	—	(4,871,649)	Noninterest-bearing; unsecured; due and demandable
	2017	—	(4,721,441)	
Contracted services (Notes 18 and 19)	2018	46,006,107	—	
	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	–	595,302,455	Interest at prevailing deposit and short-term rates; unsecured; no impairment
	2017	–	534,473,668	
Interest income (Note 20)	2018	7,150,925	–	
	2017	12,815,093	–	
g) Receivables from related parties	2018	–	18,263	Noninterest-bearing; unsecured; due and demandable; no impairment
	2017	–	261,311	
Rental income (Note 17)	2018	–	–	
	2017	257,143	–	
h) Insurance expense	2018	5,933,700	–	
	2017	7,745,431	–	
i) Financial asset at FVPL	2018	–	8,620,242	Carried at fair value; No impairment
	2017	–	8,461,820	
j) Available for sale financial assets	2018	–	17,144,267	Carried at fair value; No impairment
	2017	–	25,079,144	
k) Restricted funds (Note 8)	2018	–	39,616,974	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).
- 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.

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 ₱738.70 million and ₱940.00 million, respectively, with interest rates ranging from 3.00% to 5.00% p.a. As of September 2018, the Group paid a total of ₱338.70 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) while interest charged to expense in 2018 amounted to ₱8.09 million.

16. Equity

Capital Stock

Capital stock consists of 2,000,000,000 authorized and 748,933,221 issued common shares as of September 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 September 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	—	(14)
September 30, 2018	748,932,949	2,024

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 September 30, 2018 and December 31, 2017 amounted to ₱1,069.55 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 ₱3,216.55 million and ₱2,818.57 million as of September 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

On October 1, 2018, the BOD declared a ₱0.06 per common share or 6% cash dividend on the outstanding common shares of 748,933,221 for a total amount of ₱44,935,993 from the Company's unrestricted retained earnings as of December 31, 2017 to the iPeople, inc. stockholders of record as of October 26, 2018. Payment date is on November 21, 2018.

Treasury Stock

As of September 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 September 30, 2018 and for the year ended December 31, 2017. As at September 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:

	September		
	2018	2017	2016
Tuition fees and other matriculation fees	₱1,228,648,025	₱1,394,399,049	₱1,607,398,626
Seminar fee income	9,545,677	1,911,084	2,151,438
Bookstore income	8,161,836	6,723,040	8,602,704
Miscellaneous	60,633,826	47,701,314	46,914,391
	₱1,306,989,364	₱1,450,734,487	₱1,665,067,159

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:

	September		
	2018	2017	2016
Computer services	₱—	₱1,971,501	₱16,081,389
Rental income (Note 14)	4,155,187	4,379,659	13,243,097
Consultancy fees	530,254	—	1,159,830
	₱4,685,441	₱6,351,160	₱30,484,316

18. Cost of Tuition and Other Fees

Cost of tuition and other fees account consists of:

	September		
	2018	2017	2016
Personnel expenses	₱445,069,722	₱431,605,281	₱448,016,171
Depreciation and amortization (Notes 9 and 12)	146,993,265	142,598,423	139,297,086
Student-related expenses	111,479,417	106,959,454	107,521,017
Management and other professional fees (Note 14)	84,884,530	82,700,206	66,568,236
Utilities	62,124,515	63,814,519	63,151,680

	2018	2017	2016
IT expense - software license	25,333,168	18,152,703	17,146,985
Tools and library books (Note 9)	20,377,798	18,679,954	17,201,637
Periodicals and subscriptions	15,717,102	13,929,327	11,223,454
Repairs and maintenance	11,585,750	8,697,890	8,081,923
Seminar	11,622,838	14,186,323	9,823,268
Research and development fund	8,267,622	10,059,642	6,080,611
Accreditation cost	6,741,739	6,604,848	3,836,946
Advertising	6,041,224	6,537,009	9,531,816
Office supplies	5,888,716	5,126,713	3,533,949
Insurance	4,286,767	4,693,310	3,969,376
Laboratory supplies	3,126,133	4,884,000	6,081,221
Taxes and licenses	1,254,282	1,281,502	1,459,835
Transportation and travel	1,044,158	933,345	500,510
Entertainment, amusement and recreation	369,175	287,154	205,981
Rent (Note 24)	107,890	541,117	665,711
Miscellaneous	1,322,566	1,564,538	1,025,537
	₱973,638,377	₱943,837,258	₱924,922,950

a. Details of depreciation and amortization follows:

	September 2018	September 2017
Depreciation (Note 9)	₱169,809,229	₱154,466,476
Amortization (Note 12)	397,222	284,341
	₱170,206,451	₱154,750,817

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

	September 2018	September 2017
Cost of Tuition and Other Fees	₱146,993,265	₱142,598,423
General and Administrative Expenses (Note 19)	23,213,186	12,152,394
	₱170,206,451	₱154,750,817

19. General and Administrative Expenses

This account consists of:

	September		
	2018	2017	2016
Management and other professional fees (Note 14)	₱76,708,816	₱62,924,498	₱66,712,010
Personnel expenses	40,193,817	42,233,295	44,210,930
Depreciation and amortization (Notes 9 and 12)	23,213,186	12,152,394	11,625,056
Advertising	12,522,150	5,150,863	5,948,483
Utilities	6,917,115	4,811,074	4,158,347
Taxes and licenses	5,695,278	3,789,361	4,941,897
Donations	3,950,792	6,698,883	9,340,876
Transportation and travel	2,851,362	1,757,322	1,298,346
Repairs and maintenance	2,732,424	1,776,755	1,948,477

	September		
	2018	2017	2016
Office supplies	2,262,883	1,204,542	1,583,623
Insurance	1,646,933	964,372	1,239,564
Entertainment, amusement, and recreation	1,283,580	2,300,331	2,292,539
Seminar	810,572	620,703	2,574,703
IT expense - software license	434,426	419,620	649,114
Rent (Note 24)	592,127	1,564,371	1,634,737
Commission	477,073	575,773	502,921
Accreditation cost	35,000	-	-
Provision for (recovery of) impairment of receivables	(53,690)	1,649,783	-
Miscellaneous	2,964,594	3,379,933	3,712,937
	₱185,238,438	₱153,973,873	₱164,374,560

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)	₱7,150,925	₱10,065,469	₱3,847,733
Advances to officers and employees (Note 7)	153,495	95,750	3,695,722
	₱7,304,420	₱10,161,219	₱7,543,455

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

	2018	2017	2016
Long-term debt	₱-	₱-	₱4,515,928
Bank charges	2,848,906	2,429,499	2,405,047
Short-term loan (Note 15)	8,092,163	1,170,139	498,308
	₱10,941,069	₱3,599,638	₱7,419,283

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)	₱122,585,413	₱305,347,606	₱502,564,415
Weighted average number of outstanding shares - net of treasury shares (b)	748,932,949	748,932,949	748,932,949
<u>Earnings per share (a/b)</u>	<u>₱0.1637</u>	<u>₱0.4077</u>	<u>₱0.6710</u>

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	₱1,311	₱1,455	₱1,679	₱1	₱43	₱98	₱-	₱-	(₱1)	₱1,312	₱1,498	₱1,776
Total Revenues	₱1,311	₱1,455	₱1,679	₱1	₱43	₱98	₱-	₱-	(₱1)	₱1,312	₱1,498	₱1,776
Net Income attributable to Parent Company	₱139	₱338	₱545	(₱6)	(₱9)	(₱4)	(₱10)	(₱24)	(₱38)	₱123	₱305	₱503
Other Information												
Segment assets	₱10,010	₱8,801	₱7,470	₱1,858	₱1,752	₱1,765	(₱3,223)	(₱2,974)	(₱2,772)	₱8,645	₱7,579	₱6,463
Segment liabilities	3,160	2,048	1,343	38	110	194	(613)	(299)	(282)	2,585	1,859	1,255
Deferred tax assets	6	2	1	0	4	11	-	-	-	6	6	12
Deferred tax liabilities	175	144	114	-	-	1	-	-	-	175	144	115
Interest expense	15	4	11	0	0	0	(4)	-	(4)	11	4	7
Provision for income tax	21	39	60	0	0	0	-	-	-	21	39	60
Depreciation and amortization	169	154	150	1	1	1	-	-	-	170	155	151

23. Notes on Consolidated Statements of Cash Flows

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

	2017	Non-cash Changes		Cash Flows	2018
		Declaration of Cash Dividend	Non-controlling interest		
Short-term loan	₱810,000,000	₱-	₱-	₱400,000,000	₱1,210,000,000
Dividends payable	69,343,445	89,871,971	-	(159,215,416)	-
Payables to related parties	20,957,655	-	-	(10,225,763)	10,731,892
	₱900,301,100	₱89,871,971	₱-	₱230,558,821	₱1,220,731,892

- Noncash investing activities as of September 2018 and December 2017 pertain to liability for construction in progress amounting to ₱245.41 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, 2018 to December 31, 2018 with monthly rental of ₱0.03 million.

The future minimum rentals payable within one (1) year amounted to ₱0.35 million as of December 31, 2018 and 2017 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 September 30, 2018 and December 31, 2017, total accumulated payments to faculty members amounted to ₱230.78 million. Related accruals as at September 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.

**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
September 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 September 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	₱17,144,267	₱ 17,144,267	₱--

The basis in determining the value of equity securities is the market quotation as at September 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 September 30, 2018:

Name	As of December 31, 2017	Additions	Liquidations/ Collections	As of September 30, 2018
Uy, Francis Aldrine	₱46,141	₱396,500	₱56,054	₱386,587
Teodoro, Gloria	–	390,000	39,000	351,000
Tiongco, Danilo R.	417,099	–	69,517	347,582
Caparanga, Alvin	–	377,000	39,000	338,000
Camacho, Margarita	383,480	–	61,221	322,259
Robielos, Rex Aurelius	621,299	–	302,973	318,326
Hofilena, Joy	374,354	–	56,625	317,729
Kikuchi, Khristian	374,354	–	56,625	317,729
Medrano, Anthony H.	371,208	–	56,625	314,583
Salayo, John Vincent	371,190	–	56,607	314,583
Austria, Maria Rhodora	366,698	–	60,856	305,842
Costales, Aloysius Nathaniel	389,668	–	97,437	292,231
Lanuza, Dionisia	302,100	–	47,700	254,400
Sabino, Lilibeth	309,167	–	55,650	253,517
Agbulos, Erlin C.	312,827	–	67,030	245,797
Gochioco, Geraldine	297,584	–	57,117	240,467
Salvacion, Jonathan	286,362	–	55,425	230,937
Songsong, Maribel	272,800	–	55,800	217,000
Francisco, Ruth C.	232,373	–	61,652	170,721
Adanza, Carina Victoria T.	221,729	–	55,425	166,304
Sauquillo, Dante	211,888	–	56,925	154,963
Tablante, Dennis H.	175,933	–	28,275	147,658
Doma, Bonifacio T. Jr.	175,519	–	28,463	147,056
	₱6,513,773	₱1,163,500	₱1,522,002	₱6,155,271

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 September 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 September 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	-	(397,222)	5,954,549
	¥144,205,116	¥-	(¥397,222)	¥143,807,894

Schedule E. Long term debt

As of September 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

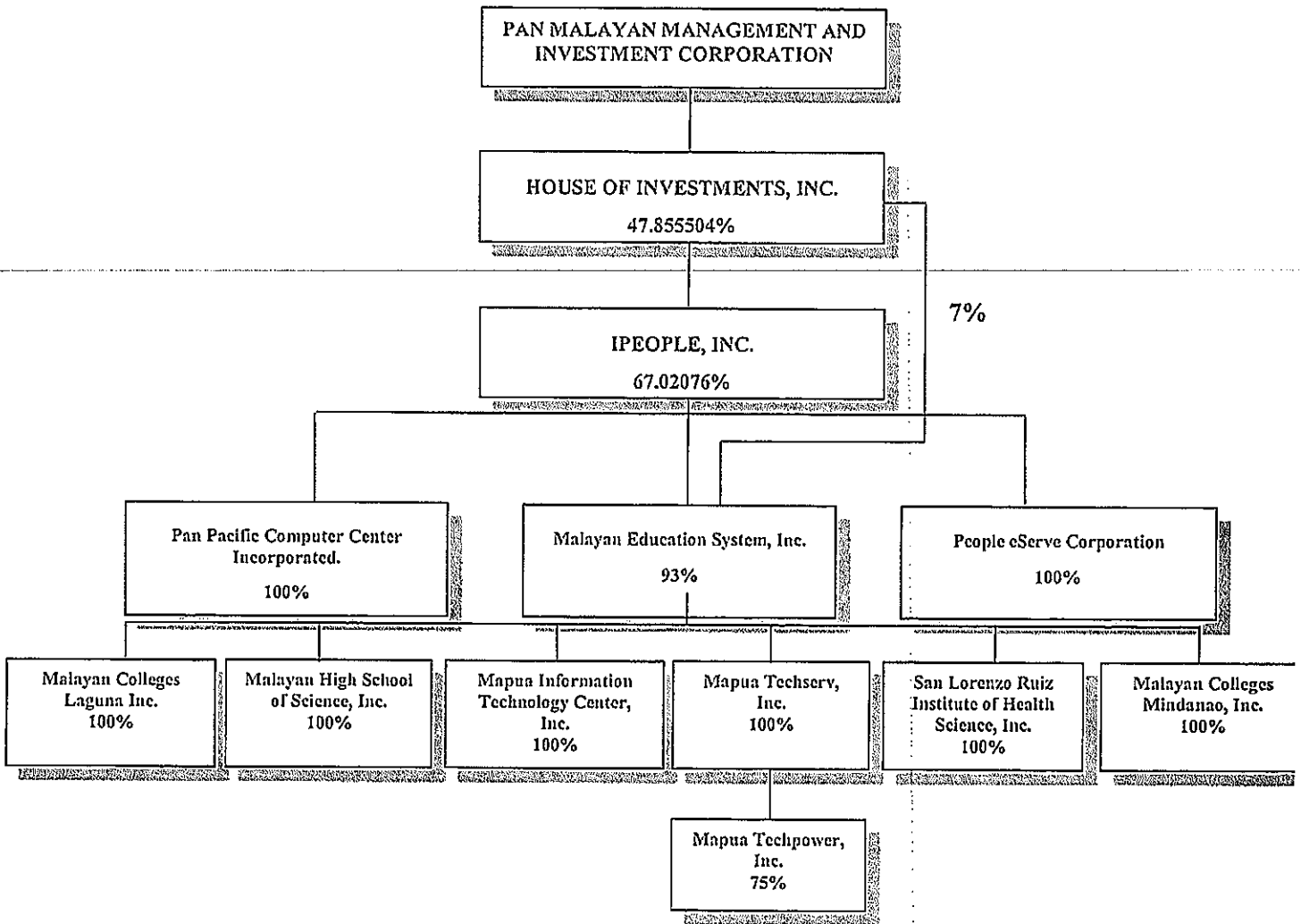
As at September 30, 2018, the Group does not guarantee any securities.

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	748,933,221	-	580,907,577	199,988	167,825,656

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company and subsidiaries as at September 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 September 30, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 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 September 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 September 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 September 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 September 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 September 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 September 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 September 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 September 30, 2018. The Group will adopt the Standards and Interpretations when these become effective.

iPeople, inc. and Subsidiaries**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
SEPTEMBER 30, 2018**

Items	Amount
Unappropriated retained earnings, <i>as adjusted to available for distribution, beginning</i>	₱1,167,109,906
Add: Net income actually earned/realized during the period	
Net income (loss) during the period closed to retained earnings	(₱7,690,900)
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 (loss) actually realized during the period	(7,690,900)
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	₱1,069,546,826

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

	No. of days due			Total
	0-30	31-60	Over 61 days	
Education	₱244,878,992	₱5,510,533	₱66,028,736	₱316,418,261
Information technology	-	-	3,418,484	3,418,484
Parent and others	44,442,583	7,577,480	47,289,853	99,309,916
Total	289,321,575	13,088,013	116,737,073	419,146,661
Less: Allowance for doubtful accounts	-	-	(64,904,800)	(64,904,800)
	₱289,321,575	₱13,088,013	₱51,832,273	₱354,241,861

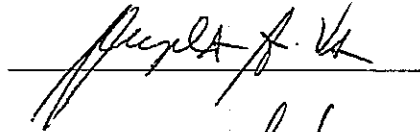
SIGNATURES

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.

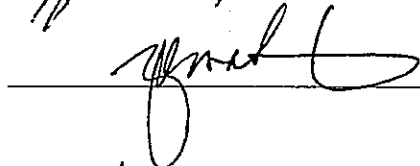
IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this 05 day of November, 2018 at Makati City.

By:

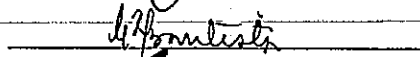
Reynaldo B. Vea
President



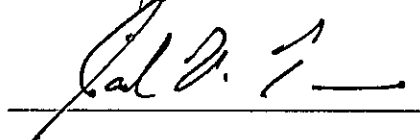
Gema O. Cheng
EVP -CFO & Treasurer



Maria Teresa T. Bautista
Controller




Atty. Samuel V. Torres
Corporate Secretary



SUBSCRIBED AND SWORN to before me this 05 day of NOV 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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Page No. 28 ;
Book No. 80 ;
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. 6217904-26-2013
 IBP NO. 022957/01-04-2018/Pasig City
 TR NO MKT-6614639, 01-03-2018/MAKATI CITY
 MCLB Compliance No. V-0904514/10-31-2014