iPeople, inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2013 and 2012
and Years Ended December 31, 2013, 2012 and 2011

and

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
iPeople, inc.
3rd Floor, Grepalife Building
219 Sen. Gil J. Puyat Avenue
Makati City

We have audited the accompanying consolidated financial statements of iPeople, inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2013, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of iPeople, inc. and its subsidiaries, as at December 31, 2013 and 2012, and their financial performance and their cash flows for the years ended December 31, 2013, 2012 and 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
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February 14, 2013, valid until February 13, 2016
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April 11, 2012, valid until April 10, 2015
PTR No. 4225155, January 2, 2014, Makati City

March 24, 2014

iPeople, inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31		January 1
	2013	2012 (As restated - Notes 3 and22)	2012 (As restated - Notes 3 and 22)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 6. 13 and 29)	**₱739,344,120**	₱738,826,838	₱569,269,249
Receivables (Notes 7 and 29)	**211,957,462**	161,306,094	124,061,853
Receivables from related parties (Notes 4 and 13)	**5,972,732**	8,709,968	7,386,155
Prepaid expenses and other current assets (Note 8)	**43,649,489**	47,967,340	36,412,930
Financial assets at fair value through profit and loss (FVPL) (Note 4)	**363,264,505**	–	–
Total Current Assets	**1,364,188,308**	956,810,240	737,130,187
Noncurrent Assets			
Available-for-sale (AFS) financial assets (Note 4)	**14,855,624**	16,719,430	14,389,673
Property and equipment (Notes 9 and 10)	**3,193,367,435**	3,078,243,091	3,040,639,807
Goodwill (Note 4)	**137,853,345**	137,853,345	137,853,345
Deferred tax assets (Note 22)	**8,293,056**	1,702,934	129,259
Other noncurrent assets (Notes 11 and 24)	**10,211,317**	11,186,142	7,687,081
Total Noncurrent Assets	**3,364,580,777**	3,245,704,942	3,200,699,165
	₱4,728,769,085	₱4,202,515,182	₱3,937,829,352

LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Notes 4 and 12)	**₱517,774,492**	₱269,026,385	₱262,712,498
Due to related parties (Notes 4 and 13)	**31,676,130**	29,864,396	35,901,332
Income tax payable (Notes 4 and 22)	**23,774,478**	20,530,071	20,747,175
Unearned tuition fees (Note 4)	**9,110,987**	63,621,615	167,724,182
Dividends payable (Note 4)	**68,213,731**	58,445,264	57,609,675
Current portion of lease liability (Notes 4 and 13)	**–**	941,995	1,243,820
Current portion of long-term debt (Notes 4, 13 and 14)	**164,547,745**	142,076,104	86,000,000
Total Current Liabilities	**815,097,563**	584,505,830	631,938,682
Noncurrent Liabilities			
Net pension liability (Notes 4 and 24)	**66,207,049**	141,217,107	130,627,134
Lease liability - net of current portion (Notes 4 and 13)	**–**	432,878	1,368,684
Long-term debt - net of current portion (Notes 4, 13 and 14)	**437,452,255**	602,000,000	722,807,018
Deferred tax liabilities - net (Notes 4 and 22)	**74,168,180**	67,382,130	65,685,725
Total Noncurrent Liabilities	**577,827,484**	811,032,115	920,488,561
Total Liabilities	**₱1,392,925,047**	₱1,395,537,945	₱1,552,427,243

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31		January 1
	2013	2012 (As restated - Notes 3 and 22)	2012 (As restated - Notes 3 and 22)
Equity			
Common stock (Notes 4 and 16)	**₱748,933,221**	₱748,933,221	₱748,933,221
Additional paid-in capital (Note 4)	**1,438,827**	1,438,827	1,438,827
Other Comprehensive Income			
Unrealized gain AFS financial assets (Note 4)	**2,495,929**	4,359,735	2,029,978
Revaluation increment on land (Notes 4 and 10)	**366,127,520**	306,911,195	288,819,757
Remeasurement losses on net pension liability (Notes 3 and 24)	**36,162,717**	3,317,547	2,665,922
Retained earnings (Note 15)	**1,979,535,008**	1,574,165,635	1,204,319,630
	3,134,693,222	2,639,126,160	2,248,207,335
Less: Treasury stock (Notes 4 and 15)	**209**	209	209
	3,134,693,013	2,639,125,951	2,248,207,126
Noncontrolling interest in consolidated subsidiaries (Note 26)	**201,151,025**	167,851,286	137,194,983
Total Equity	**3,335,844,038**	2,806,977,237	2,385,402,109
	₱4,728,769,085	₱4,202,515,182	₱3,937,829,352

See accompanying Notes to Consolidated Financial Statements.

iPeople, inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2013	2012	2011
REVENUES (Note 27)			
School and related operations (Note 18)	**₱1,893,856,394**	₱1,735,771,060	₱1,554,070,825
Sale of goods (Note 13)	**87,746,811**	93,475,571	107,544,222
Sale of services (Note 13)	**63,819,070**	57,280,672	53,938,786
	2,045,422,275	1,886,527,303	1,715,553,833
COSTS AND EXPENSES			
Cost of school and related operations (Note 19)	**961,978,398**	901,380,523	835,688,559
Cost of goods sold	**75,806,709**	84,419,957	85,817,749
Cost of services	**24,879,313**	29,360,354	19,706,350
	1,062,664,420	1,015,160,834	941,212,658
GROSS PROFIT	**982,757,855**	871,366,469	774,341,175
GENERAL AND ADMINISTRATIVE EXPENSES (Note 20)	**(291,407,598)**	(209,137,434)	(201,779,559)
INTEREST INCOME (Note 21)	**15,407,094**	17,243,719	11,906,526
INTEREST AND OTHER FINANCE CHARGES (Notes 14 and 21)	**(19,945,748)**	(26,512,050)	(35,424,893)
OTHER INCOME (Note 4)	**11,253,282**	–	21,911,436
INCOME BEFORE INCOME TAX	**698,064,885**	652,960,704	570,954,685
PROVISION FOR INCOME TAX (Note 22)	**66,383,893**	61,200,411	56,810,278
NET INCOME	**631,680,992**	591,760,293	514,144,407
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) on AFS financial assets (Note 4)	**(1,863,806)**	2,329,757	(2,192,712)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Revaluation increment on land - net of tax (Note 10)	**63,673,470**	19,461,781	6,495,050
Remeasurement gains on net pension liability - net of tax	**35,018,069**	1,277,270	2,920,580
	96,827,733	23,068,808	7,222,918
TOTAL COMPREHENSIVE INCOME	**₱728,508,725**	₱614,829,101	₱521,367,325
Net income attributable to:			
Equity holders of the parent	**₱585,113,347**	₱549,589,977	₱477,391,227
Non-controlling interest in consolidated subsidiaries	**46,567,648**	42,170,316	36,753,180
	₱631,680,995	₱591,760,293	₱514,144,407
Total comprehensive income attributable to:			
Equity holders of the parent (Note 25)	**₱675,311,037**	₱570,662,796	₱483,902,158
Non-controlling interest	**53,197,688**	44,166,305	37,465,167
	₱728,508,725	₱614,829,101	₱521,367,325

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 (Notes 4 and 16)	**Additional Paid-in Capital** (Note 4)	**Unrealized Gain on Available - for-Sale Financial Assets** (Note 4)	**Revaluation Increment On Land - net of tax** (Notes 4 and 10)	**Remeasurement Losses on Net Pension Liability**	**Treasury Stock** (Notes 4 and 15)	**Retained Earnings** (Notes 4 and 15)	**Total**	**Non - controlling Interest** (Note 26)	**Total**
2013										
Balances at January 1, 2013, as previously stated	**₱748,933,221**	**₱1,438,827**	**₱4,359,735**	**₱306,911,195**	**₱–**	**(₱209)**	**₱1,574,810,874**	**₱2,636,453,643**	**₱166,994,946**	**₱2,803,448,589**
Effect of change in accounting for employee benefits (Note 3)	–	–	–	–	**3,317,546**	–	**(645,239)**	**2,672,307**	**856,341**	**3,528,648**
Balances at January 1, 2013, as restated	**748,933,221**	**1,438,827**	**4,359,735**	**306,911,195**	**3,317,546**	**(209)**	**1,574,165,635**	**2,639,125,950**	**167,851,287**	**2,806,977,237**
Net income for the year	–	–	–	–	–	–	**585,113,345**	**585,113,345**	**46,567,647**	**631,680,992**
Other comprehensive income	–	–	**(1,863,806)**	**59,216,325**	**32,845,171**	–	**–**	**90,197,690**	**6,630,041**	**96,827,731**
Total comprehensive income (loss)	–	–	**(1,863,806)**	**59,216,325**	**32,845,171**	–	**585,113,345**	**675,311,035**	**53,197,688**	**728,508,723**
Dividends declared	–	–	–	–	–	–	**(179,743,972)**	**(179,743,972)**	**(19,897,950)**	**(199,641,922)**
Balances at the end of the year	**₱748,933,221**	**₱1,438,827**	**₱2,495,929**	**₱366,127,520**	**₱36,162,717**	**(₱209)**	**₱1,979,535,008**	**₱3,134,693,013**	**₱201,151,025**	**₱3,335,844,038**
2012										
Balances at January 1, 2012, as previously stated	₱748,933,221	₱1,438,827	₱2,029,978	₱288,819,757	₱–	(₱209)	₱1,204,129,471	₱2,245,351,045	₱136,940,325	₱2,382,291,370
Effect of change in accounting for employee benefits (Note 3)	–	–	–	–	2,665,922	–	190,159	2,856,081	254,658	3,110,739
Balances at January 1, 2012, as restated (Note 3)	748,933,221	1,438,827	2,029,978	288,819,757	2,665,922	(209)	1,204,319,630	2,248,207,126	137,194,983	2,385,402,109
Net income for the year	–	–	–	–	–	–	549,589,977	549,589,977	42,170,316	591,760,293
Other comprehensive income, as restated (Note 3)	–	–	2,329,757	18,091,438	651,625	–	–	21,072,820	1,995,988	23,068,808
Total comprehensive income (loss) (Note 3)	–	–	2,329,757	18,091,438	651,625	–	549,589,977	570,662,797	44,166,304	614,829,101
Dividends declared	–	–	–	–	–	–	(179,743,972)	(179,743,972)	–	(179,743,972)
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	(13,510,001)	(13,510,001)
Balances at end of year	₱748,933,221	₱1,438,827	₱4,359,735	₱306,911,195	₱3,317,547	(₱209)	₱1,574,165,635	₱2,639,125,951	₱167,851,286	₱2,806,977,237
2011										
Balances at beginning of year	₱748,933,221	₱2,037,972	₱4,222,690	₱282,782,036	₱–	(₱209)	₱906,482,216	₱1,944,457,926	₱118,104,831	₱2,062,562,757
Comprehensive income										
Net income	–	–	–	–	–	–	477,391,227	477,391,227	36,753,180	514,144,407
Other comprehensive income	–	–	(2,192,712)	6,037,721	–	–	–	3,845,009	457,329	4,302,338
Total comprehensive income	–	–	(2,192,712)	6,037,721	–	–	477,391,227	481,236,236	37,210,509	518,446,745
Purchase of noncontrolling interest (Note 2)	–	(599,145)	–	–	–	–	–	(599,145)	(5,700,855)	(6,300,000)
Dividends declared by Parent Company (Note 17)	–	–	–	–	–	–	(179,743,972)	(179,743,972)	–	(179,743,972)
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	(12,674,160)	(12,674,160)
Balances at end of year	₱748,933,221	₱1,438,827	₱2,029,978	₱288,819,757	₱–	(₱209)	₱1,204,129,471	₱2,245,351,045	₱136,940,325	₱2,382,291,370

See accompanying Notes to Consolidated Financial Statements.

iPeople, inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2013	2012 (As restated - Notes 3 and 22)	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱698,064,885**	₱652,960,704	₱570,954,685
Adjustments for:			
Depreciation and amortization (Notes 9, 11, 19 and 20)	**151,960,745**	152,649,197	100,692,374
Interest expense and other finance charges (Note 21)	**19,945,748**	26,512,050	35,424,893
Interest income (Notes 13 and 21)	**(15,407,094)**	(17,243,719)	(11,906,526)
Loss on disposal of property and equipment	**–**	45,922	5,180,017
Unrealized foreign exchange loss (gain)	**1,508,365**	268,706	(203,755)
Operating income before working capital changes	**856,072,649**	815,192,860	700,141,688
Decrease (increase) in:			
Accounts receivable	**(51,132,133)**	(37,003,629)	(19,718,775)
Prepaid expenses and other current assets	**4,317,854**	(11,554,410)	(1,155,943)
Increase (decrease) in:			
Movement in net retirement asset and liability	**(37,774,187)**	10,901,312	(13,915,995)
Accounts payable and accrued expenses	**249,901,002**	7,363,156	(24,993,653)
Unearned tuition fees	**(54,510,628)**	(104,102,567)	30,409,033
Net cash generated from operations	**966,874,557**	680,796,722	670,766,355
Interest received	**15,887,859**	17,003,107	13,127,168
Interest paid	**(21,098,643)**	(27,561,319)	(35,533,181)
Income taxes paid	**(74,120,311)**	(63,057,900)	(48,683,985)
Net cash flows provided by operating activities	**887,543,462**	607,180,610	599,676,357
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment (Notes 9 and 27)	**(170,360,379)**	(74,735,839)	(129,905,687)
Additions to land (Note 10)	**(25,306,837)**	(90,768,000)	(2,340,312)
Acquisition of financial assets at FVPL	**(363,264,505)**	–	–
Payments made on lease liability	**(1,374,873)**	(1,237,631)	(1,796,155)
Purchase of noncontrolling interest (Notes 2 and 26)	**–**	–	(6,300,000)
Decrease (increase) in:			
Amounts receivables from related parties	**2,737,236**	(1,323,813)	1,821,156
Other noncurrent assets	**(4,440,671)**	(6,728,444)	(1,267,604)
Net cash flows used in investing activities	**(562,010,029)**	(174,793,727)	(139,788,602)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of long-term debt	**(142,076,104)**	(64,730,914)	(71,519,847)
Dividends paid to stockholders	**(183,243,416)**	(191,792,738)	(184,929,278)
Payments of loans payable	**–**	–	(50,000,000)
Increase (decrease) in amounts payables to related parties	**1,811,734**	(6,036,936)	2,677,510
Net cash flows used in financing activities	**(323,507,786)**	(262,560,588)	(303,771,615)

(Forward)

			Years Ended December 31
	2013	2012 (As restated - Notes 3 and 22)	2011
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(₱1,508,365)**	(₱268,706)	₱203,755
NET INCREASE IN CASH AND CASH EQUIVALENTS	**517,282**	169,557,589	156,319,895
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**738,826,838**	569,269,249	412,949,354
CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 6 and 27)	**₱739,344,120**	₱738,826,838	₱569,269,249

See accompanying Notes to Consolidated Financial Statements.

iPeople, inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

iPeople, inc. (the Parent Company) is a stock corporation incorporated on July 27, 1989 under the laws of the Philippines. The Parent Company, a subsidiary of House of Investments, Inc. (HI), is a holding and management company with principal office at 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City. iPeople, inc. and its subsidiaries (collectively referred to as "the Group") are involved in education, consulting development, and in installation and maintenance of information technology systems.

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

2. **Basis of Preparation**

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

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS also includes Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) interpretations. An additional consolidated statement of financial position as at January 1, 2012 is presented due to retrospective application of accounting policies as a result of the adoption of new accounting standards (Note 3).

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

Basis of Consolidation and Investments in Subsidiaries
The consolidated financial statements of the Group include the accounts of the Parent Company and the following companies that it controls as of December 31, 2013, 2012 and 2011. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

	Percentage of Ownership		
	2013	2012	2011
Malayan Colleges, Inc. (Operating Under the Name of Mapua Institute of Technology) (MCI) and subsidiaries	**93%**	93%	93%
Direct Ownership of MCI on its subsidiaries:			
Mapua Information Technology Center, Inc.	**100%**	100%	100%
Mapua Techserv, Inc.	**100%**	100%	100%
Mapua Techpower, Inc.	**75%**	75%	75%
Malayan High School of Science, Inc. (MHSSI)	**100%**	100%	100%
San Lorenzo Ruiz Institute of Health Sciences, Inc.	**100%**	100%	100%
Malayan Colleges Laguna, Inc. led by a Mapua School of Engineering	**100%**	100%	100%
People eServe Corporation (People eServe)	**100%**	100%	100%
Pan Pacific Computer Center, Incorporated (PPCCI)	**100%**	100%	100%

All subsidiaries were incorporated in the Philippines.

Prior to March 30, 2011, PPCCI is 70% owned by the Parent Company and 30% owned by Grepalife Financial, Inc. (Grepalife). On March 30, 2011, the Parent Company purchased 30% of Grepalife's share in PPCCI for ₱6.30 million, making it a wholly owned subsidiary. The transaction was accounted for as purchase of noncontrolling interest and the difference between the amount paid and the net asset received pertaining to the shares acquired was recorded as equity under Additional Paid-in Capital.

Control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital.

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

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

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

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

3. Changes in Accounting Policies

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the following new and amended PFRSs and PAS and Philippine Interpretations which became effective beginning January 1, 2013. Except as otherwise indicated, the adoption of these new and amended standards and Philippine Interpretations did not have any impact on the consolidated financial statements.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*
  The amendments to PAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and the Group's consolidated financial statements showed the grouping in the consolidated statement of comprehensive income.

- Amendments to PAS 19, *Employee Benefits*
  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact on the Group's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of the adoption of the Revised PAS 19 on the consolidated financial statements are as follows:

	As at December 31, 2012	As at December 31, 2011
Consolidated statement of financial position		
Increase (decrease) in:		
Net plan assets	(₱71,759)	₱46,573
Deferred tax assets	232,113	(206,838)
Pension liabilities	3,368,294	3,271,004
Other comprehensive income	4,197,850	2,920,580
Retained earnings	190,159	190,159
Noncontrolling interest	880,304	254,658
Consolidated statement of comprehensive income		
Increase (decrease) in:		
Net pension expense	₱899,007	₱–
Provision for income tax	(39,646)	–
Net income	(859,361)	–
Other comprehensive loss for the period, net of tax	1,277,270	2,920,580

There is no material impact on the consolidated statement of cash flow and to the basic and diluted earnings per share (EPS).

Restatement in Prior Year's Consolidated Financial Statements

The consolidated statements of financial position as at December 31, 2012 and January 1, 2012 and the Group's statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2012 have been restated to effect the retrospective application of Revised PAS 19.

The effects of the above restatements on the deferred tax assets, pension liabilities, retained earnings, net income and other comprehensive loss follow:

As at January 1, 2012

	Deferred tax assets (Note 26)	Pension liabilities (Note 24)	Retained earnings	Other comprehensive loss	NCI
As previously reported	₱65,478,887	₱133,898,138	₱1,204,129,471	₱–	₱136,940,325
Effect of change on accounting for employee benefits:					
Actuarial losses transferred to other comprehensive income	–	(3,271,004)	271,655	2,999,349	254,658
Deferred tax asset on the beginning balance of pension liability	125,342	–	–	(78,769)	–
Deferred tax asset on actuarial losses transferred to other comprehensive income	81,496	–	(81,496)	–	–
	206,838	(3,271,004)	190,159	2,920,580	254,658
As restated	₱65,685,725	₱130,627,134	₱1,204,319,630	₱2,920,580	₱137,194,9830

As at December 31, 2012

	Deferred tax assets (Note 26)	Pension liabilities (Note 24)	Retained earnings	Net income	Other comprehensive loss	NCI
As previously reported	₱67,614,243	₱144,585,401	₱1,574,810,874	₱592,619,654	₱–	₱166,994,946
Effect of change on accounting for employee benefits:						
Actuarial losses transferred to other comprehensive income	–	(3,995,646)	–	–	3,995,646	856,340
Actuarial losses recognized as part of pension expense	–	627,352	271,655	(899,007)	202,204	–
Deferred tax asset on adjustment to pension expense	41,849	–	(81,496)	39,646	–	–
Deferred tax asset on actuarial losses transferred to other comprehensive income	(273,962)	–	–	–	–	–
	(232,113)	(3,368,294)	190,159	(859,361)	4,197,850	856,340
As restated	₱67,382,130	₱141,217,107	₱1,575,001,033	₱591,760,293	₱4,197,850	₱167,851,286

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2013)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments - Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information.

  This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in Philippine Accounting Standards (PAS) 32 when determining the net amounts presented in the consolidated statement of financial position;
  c) The net amounts presented in the consolidated statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (c) from the amounts in (d) above.

  As the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements, the amendment did not have an impact on the Group.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, which addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, Consolidation - *Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The adoption of PFRS 10 had no impact on the financial statements of the Group.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adoption of PFRS 11 had no impact on the Group's financial position and performance as the Group has no interest in joint venture.

- PFRS 12, *Disclosures of Interests with Other Entities*
  This standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The Group provides these disclosures in Notes 2 and 14.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The amendments affect disclosures and the valuation of the Group's investments in AFS financial assets and preferred stock of Robinsons Bank Corporation. The changes in the valuation are reflected in the OCI (Notes 9 and 14).

- Amendments to PAS 27, *Separate Financial Statements*
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the entities in the Group.

- Amendments to PAS 28, *Investment in Associates and Joint Ventures*
  As a consequence of the issuance of the new PFRS 11, and PFRS 12, PAS 28 has been renamed PAS 28, and describes the application of the equity method to investments in joint ventures in addition to associates. The application of this new standard did not significantly impact the financial statements of the Group.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group.

Improvements to PFRS 2012
The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year. Except as otherwise indicated, the following new and amended PFRS and Philippine Interpretations did not have significant impact on the consolidated financial statements of the Group:

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening consolidated statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment is not relevant to the Group.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The Group adopted the new accounting standards effective beginning January 1, 2013 in the 2012 annual audited consolidated financial statements. A third balance sheet was presented in those consolidated financial statements in compliance with PAS 1.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The Group has no spare parts, stand-by equipment and servicing equipment.

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The adoption did not impact the consolidated financial statements.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The adoption did not have material impact in the consolidated financial statements.

Future Changes in Accounting Policies
The Group will adopt the following standards, interpretations and amendments to standards enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the Group's consolidated financial statements.

Effective in 2014

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)* (effective for annual periods beginning on or after January 1, 2014)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted,

provided PFRS 13 is also applied. The amendments will affect disclosures only and will have no impact on the Group's financial position or performance.

- Philippine Interpretation IFRIC 21, *Levies* (effective for annual periods beginning on or after January 1, 2014)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Group does not expect that IFRIC 21 will have material financial impact in the consolidated financial statements.

- Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities*(effective for annual periods beginning on or after January 1, 2014)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The Group does not expect that these amendments will have material financial impact in the consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)* (effective for annual periods beginning on or after January 1, 2014)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group does not expect that these amendments will have material financial impact in the consolidated financial statements.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2014)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments will affect presentation only and will have no impact on the Group's financial position or performance.

Effective 2015

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (effective for annual periods beginning on or after July 1, 2014)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be applied retrospectively.

Annual Improvements to PFRS (2010-2012 cycle)
The *Annual Improvements to PFRS* (2010-2012 cycle) contain non-urgent but necessary amendments to PFRS. The amendments are effective for annual periods beginning on or after July 1, 2014. Except as otherwise indicated, the Group does not expect the adoption of these new standards to have significant impact on the Group's consolidated financial statements.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. The amendment is to be applied prospectively. This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are to be applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are to be applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRS (2011-2013 cycle)
The *Annual Improvements to PFRS* (2011-2013 cycle) contain non-urgent but necessary amendments to PFRS. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied prospectively. Except as otherwise indicated, the Group does not expect the adoption of these new standards to have significant impact on the Group's consolidated financial statements.

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. The amendment has no significant impact on the Group's financial position or performance.

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

  On hedge accounting, PFRS 9 replaces the rules- based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology.

The Group will assess the impact of PFRS 9 in its financial statements upon completion of all phases of PFRS 9.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The interpretation is not relevant to the Group.

4. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

The Group's financial assets at FVPL amounted to ₱363.26 million and nil as of December 31, 2013 and 2012, respectively. This consists of peso-denominated investments in unit investment trust funds (UITFs) in Rizal Commercial Banking Corporation (RCBC). The mark to market gain on these assets amounted to ₱10.97 million in 2013.

b. *Loans and receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

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

c. *HTM investments.* HTM investments are nonderivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest method (EIR). Gains and losses are recognized in the consolidated statement of comprehensive income when the investments are derecognized or impaired, as well as through the amortization process.

   The Group has no HTM investments as at December 31, 2013 and 2012.

d. *AFS financial assets.* AFS financial assets are those nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognized in the consolidated statement of comprehensive income.

   The Group's AFS financial assets consist of investments in quoted common shares as at December 31, 2013 and 2012. The unrealized gain on AFS amounted to ₱2.50 million and ₱4.36 million as of December 31,2013 and 2012, respectively. There are no gains from the unrealized reported in the statement of comprehensive income.

e. *Derivative financial instruments.* Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in the consolidated statement of comprehensive income.

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

The Group has no derivative financial instruments as at December 31, 2013 and 2012.

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

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

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

   The Group has no financial liabilities at FVPL as at December 31, 2013 and 2012.

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

   Classified under this category are Group’s accounts payable and accrued expenses, due to related parties, dividends payable, lease liability and long-term debt.

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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 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 reporting period.

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

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

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

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

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

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

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

As of December 31, 2013 and 2012, the Group holds its quoted equity securities for trading purposes and classifies them as financial assets at FVPL.

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

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

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

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

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

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

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

Assets carried at amortized cost
For loans and receivables carried at amortized cost, the Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether

significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

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

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

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

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

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

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

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

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

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

	Number of 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.

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

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

Intangible Assets

The Group's intangible assets include goodwill and computer software as at December 31, 2013 and 2012.

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

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

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

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

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

Business Combination and Goodwill

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

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

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

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

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

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

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

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

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

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

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

Impairment of Property and Equipment, Computer Software and Goodwill

For property and equipment and computer software, the Group assesses at each reporting date whether there is any indication that an item of property and equipment and computer software may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. A previously recognized impairment loss is reversed by a credit to current operations to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined had no impairment loss been recognized for the asset in prior years.

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

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

Revenue Recognition

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

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

Costs and Expenses

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

Retirement Cost

Defined benefit plan

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

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

Defined benefit costs comprise the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on 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 OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

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

Income Taxes

Current tax

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

Deferred tax

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

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

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

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

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

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

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

Leases

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

Group as a lessee

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

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

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

Group as a lessor

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

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

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

The Parent Company's retained earnings declarable as dividends amounted to ₱871.86 million and ₱803.98 million as at December 31, 2013 and 2012, respectively. Dividends distribution is approved by the BOD of the Parent Company.

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

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

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

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

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 27 to the consolidated financial statements.

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

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

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

5. **Significant Accounting Judgments and Estimates**

The preparation of the accompanying consolidated financial statements requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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

Lease Commitments - Group as Lessee
The Group has entered into lease of furniture, fixtures and equipment with First Malayan Leasing and Finance Corporation (FMLFC). The Group has determined that it acquires all the significant risks and rewards of the ownership of the furniture, fixtures and equipment and therefore accounted for as finance lease.

As at December 31, 2013 and 2012, future minimum lease payments amounted to nil and ₱1.52 million, respectively. Present value of minimum lease payments amounted to nil and ₱0.43 million, respectively (Note 13).

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

Estimates

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

Estimating allowance for impairment of receivables

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

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

Allowance for impairment of receivables amounted to₱52.98 million and ₱48.52 million as of December 31, 2013 and 2012, respectively (Note 7). The carrying value of receivables as at December 31, 2013 and 2012 amounted to ₱211.78 million and ₱161.31 million, respectively (Note 6). The carrying value of due from related parties as at December 31, 2013 and 2012 amounted to ₱5.97 million and ₱8.71 million, respectively (Note 13).

Impairment of AFS financial assets

The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The Group treats 'significant' generally as 20% or more of the original cost of investment, and 'prolonged' as greater than six months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities. The Group's AFS financial assets carried at fair value amounted to ₱14.86 million and ₱16.72 million as at December 31, 2013 and 2012, respectively (see Note 4). The unrealized gain (loss) on AFS financial assets amounted to ₱1.86 million, ₱2.33 million and (₱2.19) million in 2013, 2012 and 2011, respectively. As at December 31, 2013 and 2012, no impairment loss was recognized pertaining to the Group's AFS financial assets.

EUL of property and equipment

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

As at December 31, 2013 and 2012, net book value of depreciable property and equipment amounted to ₱748.68 million and ₱729.61 million, respectively (Note 9).

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

Impairment of goodwill is assessed at least on an annual basis. The goodwill recognized in the consolidated statements of financial position pertains to the acquisition of MCI. In assessing the impairment on goodwill, the Group determines the recoverable amount using value in use which represents the present value of expected cash flows from the continuing operations of MCI which is in educational services. The value in use calculations used cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 8.94% in 2012 and 10.83% in 2011. The cash flow projections considered the impact of the Enhanced K+12 Basic Education Program on MCI's financial performance is effective in 2016. Cash flows beyond the five-year period are assumed to be without growth. There is no impairment loss recognized on goodwill in 2013 and 2012.

In 2013 and 2012, there are continuing indications of impairment in the property and equipment of MHSSI due to continuing losses of the school. Management assessed that the level of impairment is at the same level with 2009. In 2009, an impairment loss of ₱52 million was recognized to write-down certain assets of MHSSI. No additional impairment loss was recognized in 2013, 2012 and 2011

As at December 31, 2013 and 2012, the carrying value of goodwill amounted to ₱137.85 million. The carrying value of the Group's property and equipment and computer software amounted to ₱3.20 billion and ₱3.09 billion as at December 31, 2013 and 2012, respectively (Notes 9 and 11).

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

As at December 31, 2013 and 2012, the retirement liability amounted to ₱66.21 million and ₱141.22 million, respectively, (see Note 24) while retirement asset that is classified under other noncurrent assets amounted to ₱0.80 million and ₱0.69 million as of December 31, 2013 and 2012, respectively (Note 11).

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

Deferred tax assets recognized amounted to ₱8.29 million and ₱1.70 million as at December 31, 2013 and 2012, respectively (see Note 22). The temporary differences on which deferred tax assets were not recognized amounted to ₱73.52 million and ₱122.40 million, respectively (Note 22).

Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 12).

6. Cash and Cash Equivalents

This account consists of:

	2013	2012
Cash on hand and in banks (Note 13)	**₱181,266,839**	₱62,292,247
Short-term investments (Note 13)	**558,077,281**	676,534,591
	₱739,344,120	₱738,826,838

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments have terms with varying periods of up to three months and can be liquidated depending on the immediate cash requirements of the Group. These assets earn interest at the prevailing short-term investment rates. Interest income from cash in banks and short-term investments amounted to ₱15.41 million, ₱17.24 million and ₱11.91 million in 2013, 2012 and 2011, respectively (Note 21).

There is no restriction on the Group's cash balances as at December 31, 2013 and 2012.

7. Receivables

This account consists of:

	2013	2012
Tuition and other fees	**₱129,431,998**	₱104,578,693
Other receivables		
Trade	**34,220,165**	36,686,221
Due from Philippine Transmarine Carriers (PTC)	**70,145,768**	46,920,134
Advances to officers and employees	**7,653,743**	10,117,759
Others	**23,483,905**	11,524,888
	264,935,579	209,827,695
Less allowance for doubtful accounts	**(52,978,117)**	(48,521,601)
	₱211,957,462	₱161,306,094

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 are noninterest-bearing and are generally on forty-five (45)-day term.). Due from PTC pertains to student expenses advanced by the Company in behalf of PTC.

Advances to officers and employees represent receivables for the employees' share in 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.

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

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

	2013			
	Tuition and other fees	**Advances to officers and employees**	**Others**	**Total**
Balance at beginning of year	**₱41,398,052**	**₱5,754,719**	**₱1,368,830**	**₱48,521,601**
Provisions (Notes 19 and 20)	**2,283,626**	–	**2,172,890**	**4,456,516**
Balance at end of year	**₱43,681,678**	**₱5,754,719**	**₱3,541,720**	**₱52,978,117**

	2012			
	Tuition and other fees	Advances to officers and employees	Others	Total
Balance at beginning of year	₱32,573,479	₱5,754,719	₱1,302,977	₱39,631,175
Provisions (Notes 19 and 20)	8,824,573	–	65,853	8,890,426
Balance at end of year	₱41,398,052	₱5,754,719	₱1,368,830	₱48,521,601

8. Prepaid Expenses and Other Current Assets

	2013	2012
Prepaid expenses	**₱22,829,896**	₱15,670,425
Input value added tax	**11,296,509**	13,842,031
Fund for Engineering Development and Institutional Linkages (FEDIL)	**6,241,800**	6,246,532
Refundable deposits	**1,123,133**	310,467
Office supplies	**684,747**	1,791,154
Creditable withholding tax	–	8,537,654
Others	**1,473,404**	1,569,077
	₱43,649,489	₱47,967,340

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

9. Property and Equipment

The rollforward analysis of this account follows:

	2013				
	Buildings and Improvements	**Office Furniture and Equipment**	**Transportation Equipment**	**Construction In Progress**	**Total**
Cost					
Balance at beginning of year	**₱1,033,621,853**	**₱785,581,424**	**₱17,401,370**	**₱6,659,257**	**₱1,843,263,904**
Acquisitions	**19,120,395**	**96,833,903**	**3,975,834**	**50,430,247**	**170,360,379**
Disposals	**–**	**–**	**(210,375)**	**–**	**(210,375)**
Reclassifications and adjustments	**11,828,211**	**(34,654,226)**	**–**	**(11,828,211)**	**(34,654,226)**
Balance at end of year	**1,064,570,459**	**847,761,101**	**21,166,829**	**45,261,293**	**1,978,759,682**
Accumulated depreciation and impairment loss					
Balance at beginning of year	**543,658,681**	**560,917,936**	**9,074,896**	**–**	**1,113,651,513**
Depreciation (Notes 18 and 19)	**60,091,213**	**83,313,592**	**3,140,444**	**–**	**146,545,249**
Disposals	**–**	**–**	**(210,375)**	**–**	**(210,375)**
Reclassification and adjustments	**–**	**(29,908,303)**	**–**	**–**	**(29,908,303)**
Balance at end of year	**603,749,894**	**614,323,225**	**12,004,965**	**–**	**1,230,078,084**
Net book value	**460,820,565**	**233,437,876**	**9,161,864**	**45,261,293**	**748,681,598**
Land at revalued amount (Notes 10)	**–**	**–**	**–**	**–**	**2,444,685,837**
Total	**₱460,820,565**	**₱233,437,876**	**₱9,161,864**	**₱45,261,293**	**₱3,193,367,435**

	2012				
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	Total
Cost					
Balance at beginning of year	₱1,024,140,070	₱753,791,869	₱17,653,384	₱2,585,140	₱1,798,170,463
Acquisitions	6,306,068	58,574,939	2,605,000	7,249,832	74,735,839
Disposals	–	(26,785,384)	(2,857,014)	–	(29,642,398)
Reclassifications and adjustments	3,175,715	–	–	(3,175,715)	–
Balance at end of year	1,033,621,853	785,581,424	17,401,370	6,659,257	1,843,263,904
Accumulated depreciation and impairment loss					
Balance at beginning of year	484,763,981	499,685,926	9,319,249	–	993,769,156
Depreciation (Notes 18 and 19)	58,894,700	87,971,477	2,612,656	–	149,478,833
Disposals	–	(26,739,467)	(2,857,009)	–	(29,596,476)
Balance at end of year	543,658,681	560,917,936	9,074,896	–	1,113,651,513
Net book value	489,963,172	224,663,488	8,326,474	6,659,257	729,612,391
Land at revalued amount (Notes 10)	–	–	–	–	2,348,630,700
Total	₱489,963,172	₱224,663,488	₱8,326,474	₱6,659,257	₱3,078,243,091

As of December 31, 2013 and 2012, depreciation and amortization amounting to ₱96.79 million and ₱128.97 million are included under cost of services.

10. Land at Revalued Amounts

This account consists of:

	2013	2012
Balance at beginning of year	**₱2,348,630,700**	₱2,236,238,500
Acquisition	**25,306,837**	90,768,000
Capitalizable costs directly related to land purchased	–	–
Appraisal increase	**70,748,300**	21,624,200
Balance at end of year	**₱2,444,685,837**	₱2,348,630,700

Land at cost amounted to ₱1.46 billion and ₱1.43 billion as at December 31, 2013 and 2012, respectively.

The revalued amounts in 2012 are based on the latest appraisal reports by an independent appraiser dated January 2012. In 2013, the land was revalued based on the latest appraisal report by an independent appraiser dated January 8, 2014. Fair value is determined through records of sales and offerings of similar parcels of land with similar location, size, shape, characteristics of the lots and present and prospective use.

11. Other Noncurrent Assets

This account consists of:

	2013	2012
Computer software	**₱9,093,008**	₱10,522,756
Retirement asset (Note 24)	**732,228**	613,896
Miscellaneous deposits	**386,081**	49,490
	₱10,211,317	₱11,186,142

Computer software is amortized over a period of three years. Amortization of computer software charged to operations in 2013 and 2012 amounted to ₱5.42 million and ₱3.17 million, respectively (see Note 19). There were no impairment recognized for computer software during the year and in prior periods.

The rollforward analysis of computer software follows:

	2013	2012
Cost		
Balance at the beginning of the year	**₱25,389,182**	₱18,710,228
Additions	**3,985,748**	6,678,954
Balance at the end of the year	**29,374,930**	25,389,182
Accumulated Amortization		
Balance at the beginning of the year	**14,866,426**	11,696,062
Amortization (Note 19)	**5,415,496**	3,170,364
Balance at the end of the year	**20,281,922**	14,866,426
Net Book Value	**₱9,093,008**	₱10,522,756

12. Accounts Payable and Accrued Expenses

This account consists of:

	2013	2012
Accrued expenses	**₱205,782,905**	₱123,074,434
Accounts payable	**185,905,079**	70,726,981
Funds payables	**68,751,195**	40,043,616
Other payables	**57,335,313**	35,181,354
	₱517,774,492	₱269,026,385

Accrued expenses include the Group's accrual associated with MCI's Faculty Association of Mapua Institute of Technology (FAMIT) reranking case. This case involves the faculty ranking and evaluation that was part of the 2001 Collective Bargaining Agreement negotiations with the

FAMIT. The Supreme Court reversed an earlier Court of Appeals decision in favor of management. An entry of judgment dated March 13, 2008 was made in the Supreme Court Book of Entries of Judgments, making the decision final and executory. A Memorandum of Agreement was entered into by management with FAMIT before the Voluntary Arbitrators wherein the parties agreed to continue the process of faculty ranking. The evaluation process was completed in December 2008.

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

In 2011, the MCI re-evaluated its level of accrual and has determined that ₱21.91 million is not expected to be settled anymore and was reversed. Reversal was charged to other income shown in the consolidated statements of income.

As at December 31, 2013 and 2012 total accumulated payments to faculty members amounted to ₱213.87 million and ₱214.01 million, respectively. Related accrual as at December 31, 2013 and 2012 amounted to ₱66.02 million and ₱66.87 million, respectively.

Accrued expenses consist of:

	2013	2012
Accrued salaries and wages	**₱100,017,564**	₱93,552,826
Withholding taxes and others	**5,848,996**	7,794,367
Accrued utilities	**4,924,266**	1,601,668
Accrued professional fees	**3,206,579**	3,155,560
SSS and other contributions	**2,934,179**	1,226,381
Accrued interest	**2,218,454**	2,485,901
Payable to suppliers	**1,166,934**	2,815,819
Accrued commission	–	4,461,697
Accrued communication expense	–	1,086,372
Others (Note 5)	**85,465,933**	4,893,843
	₱205,782,905	₱123,074,434

The accounts payable pertains to the Group’s obligation to local suppliers. The liability arises from purchases of various supplies which includes construction inputs in relation to the redevelopment plan of MCI which started during 2013.

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

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

13. Related Party Transactions

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

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

	2013			
	Amount / Volume	**Due from (Due to)**	**Terms**	**Conditions**
Parent Company				
a) Due to related parties	**₱-**	**(₱16,878,136)**	**Noninterest-bearing, due and demandable**	**Unsecured**
Management fee and other professional fees	**67,132,826**	**-**	**–**	**–**
Entities under common control of HI				
b) Due from related parties	**-**	**1,196,122**	**Noninterest-bearing, due and demandable**	**Unsecured, no impairment**
Rental income	**2,124,459**	**-**	**–**	
c) Due to related parties	**-**	**(12,366,717)**	**Noninterest-bearing, due and demandable**	**Unsecured**
Contracted services	**19,136,548**	**-**	**–**	
Entities under common control of PMMIC				
d) Cash and cash equivalents	**738,565,021**	**738,565,021**	**Interest at prevailing deposit and short-term rates**	**Unsecured, no impairment**
Interest income	**15,407,094**	**-**	**–**	**–**
e) Due from related parties	**-**	**4,776,610**	**Noninterest-bearing, due and demandable**	**Unsecured, no impairment**
Rental income	**23,280,576**	**-**	**–**	**–**
f) Due to related parties	**-**	**(2,431,277)**	**Noninterest-bearing, due and demandable**	**Unsecured**
Insurance expense	**5,664,564**	**-**	**–**	**–**
g) Long-term debt	**-**	**(516,000,000)**	**10-year, interest at 3-mo. PDST-F plus spread per quarter**	**Secured**
Interest expense	**16,265,896**	**-**	**–**	**–**
h) Lease liability	**-**	**-**	**3-year, noninterest-bearing**	**Secured**
Interest expense	**-**	**-**	**–**	**–**

	2012			
	Amount / Volume	Due from (Due to)	Terms	Conditions
Parent Company				
i) Due to related parties	-	(₱12,626,794)	Noninterest-bearing, due and demandable	Unsecured
Management fee and other professional fees	42,044,773	-	–	–
Entities under common control of HI				
j) Due from related parties	-	1,173,079	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income	1,801,389	-	–	
k) Due to related parties	-	(16,251,030)	Noninterest-bearing, due and demandable	Unsecured
Contracted services	94,837,273	-	–	
Entities under common control of PMMIC				
l) Cash and cash equivalents	738,086,366	738,086,366	Interest at prevailing deposit and short-term rates	Unsecured, no impairment
Interest income	17,083,022	-	–	–
m) Due from related parties	-	7,536,889	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income	21,584,496	-	–	–

n) Due to related parties	-	(986,572)	Noninterest-bearing, due and demandable	Unsecured
Insurance expense	3,028,333	-	–	–
o) Long-term debt	-	(688,000,000)	10-year, interest at 3-mo. PDST-F plus spread per quarter	Secured
Interest expense	26,142,249	-	–	–
p) Lease liability	-	(1,374,873)	3-year, noninterest-bearing	Secured
Interest expense	418,274		–	–

The Group's significant transactions with related parties follow. Outstanding balances are expected to be settled in cash. As at December 31, 2013 and 2012, there were no provisions for doubtful debts pertaining to related party balances.

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

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

c) *Due to entities under common control of HI*
Due to entities under common control of HI pertains to property management and janitorial and security services.

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

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

	2013	2012
Within one year	**₱23,862,590**	₱23,862,590
More than one year but not more than 5 years	**11,640,288**	12,222,302
	₱35,502,878	₱36,084,892

f) *Due to entities under common control of PMMIC*
The Group's maintains property and personnel insurance with its affiliated insurance company, Malayan Insurance Company, Inc. (MICO). Insurance contract coverage pertains to the Group's fire, accident, group and other insurance policies. Insurance contracts with related parties amounted to ₱1,246 million, ₱47.27 million and ₱29.13 million in 2013, 2012 and 2011, respectively.

g) *Long-term Debt*
This pertains to the Group's ₱860.00 million long-term loan to refinance its previous loans with RCBC collateralized by the Company's Makati and Manila properties. In 2013 and 2012, payments made in relation to the principal amount totaled ₱86.00 million.

h) *Lease liability*
The Group entered into lease agreement with FMLFC for the lease of its furniture, fixtures and equipment.

The future minimum lease payments under the finance lease are as follows:

	2013	2012
Within one year	**₱–**	₱1,075,548
More than one year	–	448,145
	–	1,523,693
Less amount representing interest	–	148,820
Present value of minimum lease payments	**₱–**	₱1,374,873

The present value of minimum lease payments is computed using the imputed interest rate of 14%. The outstanding balance of the finance lease was paid during 2013.

Other related party transactions follow:

a) The Group maintains its retirement fund with RCBC trust division. As at December 31, 2013 and 2012, the fair value of the plan assets of the retirement fund amounted to ₱81.42 million and ₱70.04 million, respectively. Trust fees amounting to ₱0.38 million and ₱0.27 million were recognized by the retirement plan arising from its transactions with RCBC for the years ended December 31, 2013 and 2012, respectively.

b) Compensation of Key Management Personnel of the Group
The remuneration of directors and other members of key management are as follows:

	2013	2012	2011
Short -term benefits	**₱61,116,869**	₱52,315,482	₱36,535,548
Post-employment benefits	**5,191,729**	961,164	1,006,597
	₱66,308,598	₱53,276,646	₱37,542,145

Terms and conditions of transaction with related parties
For the years ended December 31, 2013 and 2012, the Group has not recorded any impairment losses on receivables relating to amounts owed by related parties. This assessment is undertaken each year through examining the financial position of the related party and the market in which the related party operates.

14. **Long-term Debt**

This account consists of:

	2013	2012
Loans from financial institutions	**₱516,000,000**	₱688,000,000
Payable to PTC	**86,000,000**	56,076,104
	602,000,000	744,076,104
Less current portion of long-term debt	**164,547,745**	142,076,104
	₱437,452,255	₱602,000,000

A. Loans from Financial Institutions

These include loans obtained from local banks. Details as at December 31 follow:

	2013	2012
Peso-denominated syndicated bank loan payable after 10 years starting November 2010 without grace period on principal payment, subject to floating rate equal to the 3-month Philippine Dealing System Treasury Reference Rates-Fixing (PDST-F) plus a per annum spread of 1.75% payable in accelerating amounts up to November 22, 2020.	**₱602,000,000**	₱688,000,000
Less current portion of long-term debt	**86,000,000**	86,000,000
	₱516,000,000	₱602,000,000

The Group acquired a loan from RCBC amounting to ₱860.00 million on November 22, 2010, payable within ten (10) years.

This loan is backed up by land properties in Manila and Makati owned by the Group. The unpaid principal amount is subject to floating rate equivalent to 3-month PDST-F plus a per annum spread of 1.75%. The carrying value of the collateral amounted to ₱1.40 billion both in 2013 and 2012.

B. Payable to PTC

As at December 31, 2013 and 2012, payable to PTC amounted to ₱78.58 million and ₱56.08 million, respectively, for its share in the income of tuition and other matriculation fees of students of the Malayan-PTC Center for Maritime Education and Training (CMET). The outstanding balance of ₱78.58 million is payable in 2013 and is recorded under current liabilities.

15. **Retained Earnings**

The Group's retained earnings is restricted to the extent of the cost of treasury stock amounting to ₱209. As of December 31, 2009, the Group had 3,551,844 treasury shares amounting to ₱2.73 million and which was reduced to 272 shares in 2010 due to re-issuance. Non-collectible receivables amounting to ₱2.22 million which are directly attributable to the treasury shares were written off in 2010.

The retained earnings account includes income from subsidiaries amounting ₱384.05 that are not available for dividend until declared.

16. Capital Stock

Capital stock consists of 2,000,000,000 authorized and 748,932,949 issued and outstanding common shares as at December 31, 2013 and 2012 with a par value of ₱1 per share.

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

Below is the summary of the Parent Company's outstanding number of shares and holders of securities as of December 31, 2013:

Year	Number of Shares Registered	Number of holders of securities as of year end
January 1, 2012	748,932,949	2,180
Add (deduct) movement	–	–
December 31, 2013	748,932,949	2,180
Add (deduct) movement	–	–
December 31, 2013	748,932,949	2,180

Note: Exclusive of 272 treasury shares.

17. Cash Dividends

The BOD declared cash dividends as follows:

	2013	2012	2011
December 20, 2013, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 13, 2012, paid on January 17, 2014	**₱44,935,993**	₱–	₱–
October 10, 2013, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 31, 2012, paid on November 5, 2013	**44,935,993**	–	–
July 26, 2013, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 31, 2012, paid on August 16, 2013	**44,935,993**	–	–
April 16, 2013, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 31, 2012, paid on May 10, 2013	**44,935,993**	–	–
November 15, 2012, 6% cash dividends (₱0.06 per share) to stockholders of	–	44,935,993	–

	2013	2012	2011
record as of December 13, 2012, paid on January 11, 2013			
September 13, 2012, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 11, 2012, paid on October 26, 2012	–	44,935,993	–
June 29, 2012, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 27, 2012, paid on August 9, 2012	–	44,935,993	–
March 20, 2012, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 17, 2012, paid on May 9, 2012	–	44,935,993	–
November 17, 2011, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 15, 2011, paid on January 10, 2012	–	–	44,935,993
September 15, 2011, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 13, 2011, paid on November 4, 2011	–	–	44,935,993
June 24, 2011, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 22, 2011, paid on August 12, 2011	–	–	44,935,993
March 24, 2011, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 20, 2011, paid on May 17, 2011	–	–	44,935,993
	₱179,743,972	₱179,743,972	₱179,743,972

18. Revenue from School and Related Operations

This account consists of:

	2013	2012	2011
Tuition fees and other matriculation fees	**₱1,830,727,062**	₱1,651,346,061	₱1,486,262,007
Bookstore income	**8,822,460**	10,692,285	6,152,585
Seminar fee income	**5,092,728**	32,386,703	24,296,470
Miscellaneous	**49,214,144**	41,346,011	37,359,763
	₱1,893,856,394	₱1,735,771,060	₱1,554,070,825

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

19. Cost of School and Related Operations

This account consists of:

	2013	2012	2011
Personnel expenses (Note 23)	**₱509,882,745**	₱462,104,336	₱439,888,199
Student-related expenses	**105,620,122**	83,566,759	82,368,690
Depreciation and amortization (Notes 9 and 11)	**96,794,226**	128,972,148	80,847,876
Utilities	**81,957,954**	71,254,794	70,411,623
Management and other professional fees (Note 13)	**77,754,398**	59,780,694	64,911,344
Seminar	**16,294,387**	12,342,439	11,262,133
Tools and library books	**11,453,742**	10,192,833	12,878,638
Repairs and maintenance	**10,132,197**	11,577,964	11,752,208
Advertising	**9,012,368**	19,222,390	15,264,461
Periodicals	**7,477,266**	5,879,741	9,210,935
Office supplies	**6,287,212**	5,960,859	7,617,389
Research and development fund	**6,182,896**	2,688,032	2,330,794
Laboratory supplies	**5,571,977**	4,909,899	5,236,755
Insurance	**4,983,208**	3,368,317	4,233,122
Accreditation cost	**2,812,803**	1,603,161	4,323,282
Transportation and travel	**2,384,600**	1,945,754	1,831,576
Rent	**1,217,284**	1,095,952	1,192,407
Taxes and licenses	**1,173,844**	1,056,687	1,449,402
Entertainment, amusement, and recreation	**1,051,090**	1,192,290	1,254,594
Provision for impairment of receivables (Note 7)	**–**	8,824,573	3,824,274
Miscellaneous	**3,934,079**	3,840,901	3,598,857
	₱961,978,398	₱901,380,523	₱835,688,559

20. General and Administrative Expenses

This account consists of:

	2013	2012	2011
Personnel expenses (Note 23)	**₱64,553,731**	₱83,899,014	₱76,111,874
Provision for expenses	**60,000,00**	–	–
Management and other professional fees (Note 13)	**59,117,283**	60,836,566	60,129,041
Depreciation and amortization (Notes 9 and 11)	**55,166,519**	20,938,018	18,851,324
Utilities	**11,362,246**	8,924,960	7,429,831
Taxes and licenses	**9,571,857**	5,982,647	6,030,189
Donations	**6,400,531**	5,576,574	4,510,857
Rent	**3,167,545**	2,905,998	2,132,790
Transportation and travel	**1,926,087**	2,009,286	3,184,946
Office supplies	**1,612,957**	1,883,875	1,457,737
Entertainment, amusement, and recreation	**2,285,897**	1,712,402	1,559,204
Repairs and maintenance	**5,722,824**	1,641,245	3,514,727
Advertising	**5,270,802**	383,620	420,233
Provision for impairment of receivables (Note 7)	**973,316**	65,853	271,311
Insurance	**681,356**	883,139	182,476
Seminar	**185,880**	835,615	4,822,632
Accreditation cost	**214,506**	–	–
Miscellaneous	**3,194,261**	10,658,622	11,170,387
	₱291,407,598	₱209,137,434	₱201,779,559

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

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

21. Interest Income, Interest and Other Finance Charges

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

	2013	2012	2011
Cash in banks and short-term investments	**₱13,102,438**	₱17,211,870	₱11,859,729
Advances to officers and employees	**2,304,656**	31,849	46,797
	₱15,407,094	₱17,243,719	₱11,906,526

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

	2013	2012	2011
Long-term debt (Note 14)	**₱19,945,748**	₱26,142,249	₱33,682,699
Loans payable (Note 14)	**–**	–	1,242,937
Lease liability	**–**	369,801	499,257
	₱19,945,748	₱26,512,050	₱35,424,893

22. Income Tax

Provision for income tax consists of:

	2013	2012	2011
Current	**₱77,364,717**	₱62,840,796	₱55,775,243
Deferred	**(10,980,824)**	(1,640,385)	1,035,035
	₱66,383,893	₱61,200,411	₱56,810,278

The Group's deferred tax assets and liabilities consist of the following:

	2013	2012
Deferred tax assets - net (Note 10)		
NOLCO	**₱7,221,900**	₱433,369
Retirement asset	**638,129**	962,637
MCIT	**299,632**	102,374
Provision for impairment losses	**86,554**	93,560
Allowance for impairment	**46,841**	46,841
Unrealized foreign exchange loss	**–**	64,153
	₱8,293,056	₱1,702,934
Deferred tax liabilities - net		
Revaluation increment on land	**₱98,398,795**	₱94,323,965
Allowance for inventory obsolescence	**(52,710)**	(52,710)
Others	**(3,692,186)**	889,655
Allowance for impairment	**(4,319,180)**	(4,180,899)
Accruals	**(6,602,031)**	(8,642,866)
Retirement liability	**(9,564,508)**	(14,955,015)
	₱74,168,180	₱67,382,130

The Group did not recognize deferred tax assets on the following temporary differences because the Group believes that it may not be probable that sufficient taxable income will be available in the near foreseeable future against which the tax benefit can be realized.

	2013	2012
Provision for retirement and others	**₱5,916,545**	₱6,072,256
NOLCO	**11,128,365**	55,199,005
Provision for impairment loss	**52,031,090**	52,031,090
Allowance for doubtful accounts	**9,650,802**	9,094,153
	₱78,726,802	₱122,396,504

The Group performs an assessment of the deferred tax assets and such is recognized whenever permissible.

The details of NOLCO and MCIT as of December 31, 2012 are as follows:

Taxable Year Incurred	NOLCO	MCIT	Expiry Year
2013	₱17,361,891	₱13	2016
2012	18,018,392	4,999	2015
2011	15,426,582	97,375	2014
	₱50,806,865	₱102,387	

The NOLCO in 2010 and 2009 amounting to ₱23,198,594 and ₱11,154,357 expired in 2013 and 2012, respectively.

The reconciliation of the provision for income tax computed at the statutory tax rate to the provision for income tax shown in the consolidated statements of income follows:

	2013	2012	2011
Income before income tax at statutory rate	**30.00%**	30.00%	30.00%
Deduct reconciling items:			
Income subject to lower tax rate	**(9.83)**	(8.00)	(2.59)
Others	**(10.66)**	(12.63)	(17.46)
	9.51%	9.37%	9.95%

MCI, MITC, MHSSI and MCLI are educational institutions, which are subject to a lower income tax rate of 10%.

23. Personnel Expenses

Details of personnel expenses are as follows:

	2013	2012	2011
Compensation	**₱544,820,393**	₱519,623,880	₱486,998,463
Retirement benefits (see Note 24)	**21,144,586**	24,731,033	23,193,592
Miscellaneous benefits	**8,819,177**	9,929,439	14,062,394
	₱574,436,476	₱554,284,352	₱524,254,449

Personnel expenses amounting to ₱11.12 million, ₱9.18 million and ₱8.25 million are lodged under cost of services as of December 31, 2013, 2012 and 2011.

24. **Retirement Plans**

The Group has a noncontributory and defined benefit retirement plan covering all of its regular employees. The benefits are based on the years of service and percentage of latest monthly salary. The retirement benefit is the only long term benefit given to employees. Short-term benefits are expensed outright.

The most recent actuarial valuation was carried out on January 21, 2014 for the retirement plan of the Group as of December 31, 2013.
The following tables summarize the components of the benefit expense recognized in the consolidated statements of comprehensive income and amounts recognized in the consolidated statements of financial position for the retirement plan.

Based on the actuarial valuation as of December 31, 2013 and 2012 computed using the PUC method, the Group's net pension liabilities and expenses are summarized as follows:

	December 31		January 1,
	2013	2012 (As restated)	2012 (As restated)
Net pension liability	**₱66,207,049**	₱141,217,107	₱133,627,134
Pension expense (Note 20)	**20,970,746**	23,223,451	23,247,486

Components of pension expense (included under "Cost of Goods Sold" and "General and Administrative Expense" accounts recognized in the consolidated statements of comprehensive income for the years ended December 31, 2013 and 2012) follow:

	2013	2012 (As restated)
Current service cost	**₱14,602,018**	₱14,762,972
Net interest cost on defined benefit obligation	**6,368,728**	7,776,114
Past service cost		684,365
Net pension expense	**₱20,970,746**	₱23,223,451

The net pension liability recognized in the consolidated statements of financial position as of December 31, 2013 and 2012 is as follows:

	December 31		January 1,
	2013	2012 (As restated)	2012 (As restated)
Fair value of plan assets	**₱131,312,453**	₱79,898,149	₱68,650,381
Present value of defined benefit obligation	**(197,519,502)**	(221,115,256)	(199,277,515)
	(₱66,207,049)	(₱141,217,107)	(₱130,627,134)

The movements in the net pension liability follow: 204,090,693

	December 31		January 1,
	2013	2012 (As restated)	2012 (As restated)
At beginning of year	**₱141,217,107**	₱133,033,723	144,627,577
Contribution paid during the year	**(55,200,363)**	(14,043,770)	(31,841,991)
Net pension expense	**20,970,746**	23,223,451	23,247,486
Amount to be recognized in OCI	**(40,780,441)**	(996,297)	(2,999,349)
At end of the year	**₱66,207,049**	₱141,217,107	₱133,033,723

The changes in the defined benefit obligation as a result of the retroactive application of Revised PAS 19 follow:

	December 31, 2012	January 1, 2012
As previously stated	₱144,585,401	₱136,304,727
Restatements (Note 3):		
Recognition of actuarial losses	(3,995,646)	(2,999,349)
Adjustment on actuarial losses recognized as part of pension expense	627,352	(271,655)
	(3,368,294)	(3,271,004)
As restated	₱141,217,107	₱133,033,723

Remeasurement losses recognized in OCI follow:

	2013	2012 (As restated)
Actuarial losses	**₱41,892,428**	(₱1,496,065)
Return on assets excluding amount included in net interest cost	**(1,111,987)**	2,492,362
Total remeasurements recognized in OCI	**₱40,780,441**	₱996,297

Movement of cumulative remeasurement effect recognized in OCI:

	2013	2012 (As restated)
Balance at beginning of year	**₱3,995,646**	₱2,999,349
Actuarial losses	**41,892,428**	(1,496,065)
Return on assets excluding amount included in net interest cost	**(1,111,987)**	2,492,362
Total amounts recognized in OCI	**₱44,776,087**	₱3,995,646

The reconciliation of the present value of defined benefit obligation is as follows:

	December 31		January 1,
		2012	2012
	2013	(As restated)	(As restated)
Beginning balance	**₱221,115,256**	₱201,684,104	₱180,496,920
Interest cost	**11,416,724**	11,759,938	12,963,680
Current service cost	**14,602,018**	14,762,972	13,048,452
Benefits paid	**(7,722,068)**	(9,272,188)	(7,231,537)
Actuarial losses on obligation:			
Experience adjustments	**(71,726,380)**	(994,852)	–
Changes in financial assumptions	**29,833,952**	3,175,282	–
Ending balance	**₱197,519,502**	₱221,115,256	₱199,277,515

The reconciliation of the fair value of plan assets is as follows:

	December 31		January 1,
		2012	2012
	2013	(As restated)	(As restated)
Beginning balance	**₱79,898,149**	₱68,650,381	₱39,492,913
Expected return	**5,047,996**	3,983,824	2,435,907
Contribution paid during the year	**55,200,363**	14,043,770	31,841,991
Benefits paid	**(7,722,068)**	(9,272,188)	(7,231,537)
Actuarial gains on plan assets	**(1,111,987)**	2,492,362	2,111,107
Ending balance	**₱131,312,453**	₱79,898,149	₱68,650,381

The distribution of plan assets as of December 31, 2013 and 2012 is as follows:

	2013		2012	
	Amount	**%**	Amount	%
Cash and cash equivalents	**₱44,831,429**	**34.14%**	₱20,137,416	25.20%
Investments in:				
Government securities	**71,190,666**	**54.21**	45,898,401	57.45
Equity instruments	**14,492,800**	**11.04**	13,428,737	16.81
Interest and other receivables	**929,023**	**0.71**	815,082	1.02
Accrued trust fees	**(131,465)**	**(0.10)**	(381,487)	(0.48)
	₱131,312,453	**100.00%**	₱79,898,149	100.00%

The Group does not expect to contribute to the Plan in 2014.

Amounts for the current and previous periods are as follow:

	2013	2012	2011	2010	2009
Defined benefit obligation	**₱330,027,390**	₱299,979,080	₱198,777,603	₱183,361,112	₱125,866,863
Plan assets	**181,921,897**	169,074,963	173,116,622	161,511,995	152,733,212
Surplus (deficit)	**(148,105,493)**	(130,904,117)	(25,660,981)	(21,849,117)	26,866,349
Experience adjustments on obligation	**(11,782,903)**	(92,915,134)	–	319,609	16,368,566
Experience adjustments on plan assets	**2,795,974**	1,163,901	9,088,112	6,960,106	(8,532,491)

The sensitivity analysis that follows has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of the end of reporting period, assuming all other assumptions were held constant.

			PVO
Discount rate	6.10%	+100bps	(₱27,293,234)
	4.10%	-100bps	31,299,314
Salary rate	11.00%	+100bps	29,522,337
	9.00%	-100bps	(26,378,003)

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. It is the policy of the Trustee that immediate and near-term retirement liabilities of the Group's Retirement Fund are adequately covered by its assets. As such, due considerations are given that portfolio maturities are matched in accordance with due benefit payments. The Retirement Fund's expected benefits payments are determined through the latest actuarial reports.

Amounts for the current and previous periods are as follows:

	2013	2012	2011	2010	2009
Present value of defined benefit obligation	**(₱197,519,502)**	(₱221,115,256)	(₱201,684,104)	(₱175,827,617)	(₱163,880,853)
Fair value of the plan assets	**131,312,453**	79,898,149	68,650,381	40,883,078	39,382,758
Deficit on the plan	**(₱66,207,049)**	(₱141,217,107)	(₱133,033,723)	(₱134,944,539)	(₱124,498,095)

25. Earnings Per Share

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

	2013	2012	2011
Net income attributable to equity holders of Parent Company (a)	**₱585,113,347**	₱549,589,977	₱477,391,227
Weighted average number of outstanding shares - net of treasury shares (b)	**748,932,949**	748,932,949	748,932,949
Earnings per share (a/b)	**₱0.7813**	₱0.7338	₱0.6374

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

26. Noncontrolling Interest

This represents shareholdings in subsidiaries not held by the Group.

As stated in Note 1, the Parent Company acquired the remaining 30% share in PPCC from Grepalife for a consideration of ₱6.30 million. This transaction resulted to a change in noncontrolling interest in 2011.

In 2011, the deposit for future stock subscription of noncontrolling interest was issued with shares upon SEC's approval of MCI's application for increase in authorized capital stock.

27. Operating Segment Information

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

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

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

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

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

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

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

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

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

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

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

Capital expenditures consist of additions to property and equipment.

(In million pesos)

	Information Technology and Education			Others			Elimination			Consolidated		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Revenues:												
Income from external customers	**₱1,956**	₱1,763	₱1,581	**96**	₱306	₱137	**(6)**	(₱182)	(₱2)	**2,046**	₱1,887	₱1,716
Inter-segment income	**-**	–	–	**260**	183	168	**(260)**	(183)	(168)	**-**	–	–
Total Revenues	**₱1,956**	₱1,763	₱1,581	**356**	₱489	₱305	**(266)**	(₱365)	(₱170)	**2,046**	₱1,887	₱1,716
Net Income (Loss) attributable to Parent Company	**₱664**	₱599	₱522	**₱231**	₱170	₱161	**(310)**	(₱219)	(₱206)	**₱585**	₱550	₱477
Other Information												
Segment assets	**₱5,470**	₱4,976	₱4,675	**₱1,765**	₱1,690	₱1,696	**(₱2,506)**	(₱2,465)	(₱2,433)	**₱4,728**	₱4,201	₱3,938
Segment liabilities	**1,730**	1,480	1,673	**139**	113	110	**(476)**	(262)	(293)	**1,392**	1,331	1,490
Deferred tax assets	**-**	–	–	**8**	2	–	**-**	–	–	**8**	2	–
Deferred tax liabilities	**74**	68	65	**-**	–	–	**-**	–	–	**74**	68	65
Cash flows arising from:												
Operating activities	**891**	566	582	**(77)**	(13)	(16)	**72**	55	34	**886**	608	600
Investing activities	**(565)**	(153)	(132)	**224**	168	199	**903**	(190)	(207)	**562**	(175)	(140)
Financing activities	**(326)**	(222)	(309)	**(131)**	(182)	(166)	**133**	141	171	**(324)**	(263)	(304)
Interest expense	**20**	27	38	**-**	–	–	**-**	–	–	**20**	27	38
Provision for income tax	**72**	61	56	**(6)**	–	1	**-**	–	–	**66**	61	57
Capital expenditures	**151**	163	120	**1**	1	8	**-**	1	2	**152**	165	130
Depreciation and amortization	**149**	148	97	**3**	4	3	**-**	–	1	**152**	152	101

28. **Note on Statements of Cash Flows**

Noncash investing activities in 2013 and 2012 pertain to the revaluation of parcel of land amounting ₱70.75 million and ₱21.62 million, respectively. (Note 10).

29. **Financial Instruments**

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, 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 raise finances for the Group's operations.

The main risks arising from the Group's financial instruments are liquidity risk, market risk (equity price risk, foreign currency risk and cash flow interest rate risk), and credit risk. The BOD reviews and approves the policies for managing these risks. The Audit Committee and the Risk Management Committee of the Board meets regularly and exercises an oversight role in managing risks.

The Group's risk management policies are summarized as follows:

Liquidity Risk

The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. As an inherent part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. The Treasury Department is responsible for monitoring the short-term loans and demand deposits of the Group. It assesses the status and maturity period of the loans and deposits to be able to determine the financial standing of the Group and whether the funds being maintained will be able to accommodate any maturing liabilities. Short-term and long-term funding is obtained to finance capital expenditures and working capital. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecasts approved by BOD. As at December 31, 2013 and 2012, the Group has available short-term credit facilities with banks aggregating to ₱.56 billion and ₱1.29 billion, respectively.

The table below summarizes the maturity profile of the Group's financial assets held for liquidity purposes. The maturity groupings are based on the remaining period from the end of the reporting period to the contractual maturity date.

		2013	
	On demand	**Less than 1 year**	**Total**
Loans and receivables:			
Cash on hand and in banks	**₱181,266,839**	**₱–**	**₱181,266,839**
Short-term investments	–	**558,077,281**	**558,077,281**
Receivables*	**62,002,085**	**142,301,634**	**204,303,719**
Due from related parties	–	**5,972,732**	**5,972,732**
AFS financial assets	–	**14,855,624**	**14,855,624**
	₱243,268,924	**₱721,207,271**	**₱964,476,195**

**excluding advances to officers and employees*

	2012		
	On demand	Less than 1 year	Total
Loans and receivables:			
Cash on hand and in banks	₱62,292,247	₱–	₱62,292,247
Short-term investments	–	676,534,591	676,534,591
Receivables*	68,100,921	88,842,133	156,943,054
Due from related parties	1,156,591	7,553,377	8,709,968
AFS financial assets	–	16,719,430	16,719,430
	₱131,549,759	₱789,649,531	₱921,199,290

**excluding advances to officers and employees*

The table below summarizes the maturity profile of the Group's other financial liabilities as of December 31 based on contractual undiscounted payments and contractual remaining maturities.

	2013					
	On demand	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**More than 3 years**	**Total**
Accounts payable and accrued expenses*	**₱401,240,301**	**₱116,534,191**	**₱–**	**₱–**	**₱–**	**₱517,774,492**
Due to related parties	**26,363,888**	**5,312,242**	**-**	**–**	**–**	**31,676,130**
Dividends payable	**44,935,992**	**11,638,869**	**11,638,869**	**–**	**–**	**68,213,731**
Long-term debt	**–**	**164,547,745**	**172,000,000**	**172,000,000**	**93,452,255**	**602,000,000**
Interest payable	**–**	**2,218,454**	**–**	**–**	**–**	**2,218,454**
	₱472,540,181	**₱300,251,501**	**₱183,638,869**	**₱172,000,000**	**₱93,452,255**	**₱1,221,882,807**

**excluding payable to regulatory bodies*

	2012					
	On demand	Less than 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
Accounts payable and accrued expenses*	₱201,486,828	₱58,518,809	₱–	₱–	₱–	₱260,005,637
Due to related parties	24,855,991	5,008,405	–	–	–	29,864,396
Dividends payable	44,935,992	6,754,636	6,754,636	–	–	58,445,264
Lease liability	–	941,995	432,878	–	–	1,374,873
Long-term debt	–	142,076,104	172,000,000	172,000,000	258,000,000	744,076,104
Interest payable	–	12,309,826	18,436,250	12,416,250	27,336,875	70,499,201
	₱271,278,811	₱225,609,775	₱197,623,764	₱184,416,250	₱285,336,875	₱1,164,265,475

**excluding payable to regulatory bodies*

Market risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, equity prices and other market changes.

a. *Equity Price Risk*

The Group's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, AFS financial assets. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, and limits on investment in each industry or sector.

The analysis below is performed for reasonably possible movements in the Philippine Stock Exchange index with all other variables held constant of quoted shares classified as AFS financial assets, showing the impact on equity:

	2013	
Market Index	**Change in variable**	**Effect on equity**
PSE	**+11%**	1,863,806
	-11%	(1,863,806)

	2012	
Market Index	Change in variable	Effect on equity
PSE	+32%	₱2,846,456
	-32%	(2,846,456)

The ±32% and ±4% were derived by getting the difference between the beginning and end of year composite index for 2013 and 2012, respectively and getting the percentage increase or decrease using the beginning of year as the base date. The percentage change in 2013 and 2012 are multiplied to the adjusted beta of the specific stocks and the fair value of the stocks as at December 31, 2013 and 2012, respectively.

Given the repricing position of the Group's AFS financial assets as of December 31, 2013 and 2012, if PSE index increased/decreased by 32% and 4%, respectively, the Group would expect unrealized gain on AFS financial assets to increase/(decrease) by ₱(1.86) million and ₱2.85 million, respectively.

b. *Foreign Currency Risk*
The Group's foreign currency risk results primarily from movements in the prevailing exchange rate between the Philippine Peso (PHP) and the United States Dollar (USD). The revenues and the operating expenses of the Group are denominated in PHP. However, the Group maintains certain deposits with banks which are denominated in USD, totaling to US$613,284 and US$573,142 as at December 31, 2013 and 2012, respectively.

The Group closely monitors the movements in the USD/PHP exchange rate and makes a regular assessment of future foreign exchange movements, based also, in part, on its analysis of other macroeconomic indicators. The Group then manages the balance of its USD-denominated deposits based on this assessment.

The Group's foreign currency denominated financial assets (translated in PHP) as of December 31 are as follows:

	Original currency	Peso equivalent
Cash and cash equivalents		
2013	**613,284**	**27,229,810**
2012	573,142	23,527,479

The following table demonstrates the sensitivity to a reasonably possible change in the USD rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets).

	2013	
	Percentage increase (decrease)	**Effect on profit before tax**
Cash and cash equivalents	**+1.45**	**₱394,788**
	-1.45	**(394,788)**

	2012	
	Percentage increase (decrease)	Effect on profit before tax
Cash and cash equivalents	+0.49%	₱115,285
	–0.49%	(115,285)

Percentage of increase and decrease is based by the Group on the percentage change on the foreign exchange rate as of the reporting date and the year-end forecasted closing rate for 2012 from an affiliated bank.

There are no other effects of the foreign currency sensitivity on the Group's equity other than those already affecting the consolidated statements of income.

c. *Cash flow Interest Rate Risk*

Cash flow interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market rate risk for changes in interest rates relates primarily to the Group's long-term obligations. The Group follows prudent policies in managing its exposures to interest rate fluctuations, and constantly monitors its assets and liabilities.

In order to effectively manage its interest rate risk and its financing costs, the Group closely monitors the movements of interest rates, as well as economic factors affecting the trends of these movements. In certain cases, depending on its assessment of future movements of interest rates, the Group would pre-terminate its debt and obtain a new loan facility which provides for either floating or fixed interest rates. This is intended to minimize its financing costs.

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

	2013						
	Below 1 Year	**1-2 Years**	**2-3 Years**	**3-4 Years**	**4-5 Years**	**Over 5 Years**	**Total**
Liabilities:							
Variable rate							
Long-term debt	₱86,000,000	₱86,000,000	₱86,000,000	₱86,000,000	₱86,000,000	₱86,000,000	₱516,000,000
Interest rate							
	₱86,000,000	₱86,000,000	₱86,000,000	₱86,000,000	₱86,000,000	₱258,000,000	₱516,000,000

	2012						
	Below 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	Total
Liabilities:							
Variable rate							
Long-term debt	₱86,000,000	₱86,000,000	₱86,000,000	₱86,000,000	₱86,000,000	₱258,000,000	₱688,000,000
Interest rate	3-month PDST-F rate plus 1.75%						
	₱86,000,000	₱86,000,000	₱86,000,000	₱86,000,000	₱86,000,000	₱258,000,000	₱688,000,000

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings).

	Increase/decrease in basis points	Effect on profit before tax
2013 Peso floating rate borrowings	**+11**	(₱595,860)
	-11	595,860
2012 Peso floating rate borrowings	+10	(₱666,672)
	-10	666,672

Percentage of increase and decrease is based by the Group on the average of forecasted rates.

The sensitivity analysis shown above is based on the assumption that interest rate movement will most likely be limited to a ten and one hundred thirty-five point basis upward and downward fluctuation on 2013 and 2012, respectively. Effect on the Group's income before tax is computed on the carrying amount of the Group's floating rate long-term debt as at December 31, 2013 and 2012.

There are no other impact on the Group's equity other than those already affecting the consolidated statements of income.

Credit Risk and Concentration of Assets and Liabilities

The Group's exposure to credit risk arising from its receivables relates primarily to the inability of the debtors and students to pay and to fully settle the unpaid balance of tuition fees and other charges, respectively, which are owed to the Group based on the installment payment schemes. The Group manages its credit risk in accordance with its credit policies by maintaining strict policies like not allowing students to enroll in the following term unless the unpaid balance in the previous term has been paid. The Group also withholds the academic records and clearance of the students with unpaid balance.

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

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Group does not have any significant exposure to any individual customer or counterparty. With respect to credit risk arising from cash and cash equivalents, receivables, amounts due from related parties and AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The analysis of receivables of the Group that are past due but not impaired follows:

	2013					
	Neither past due nor impaired	**Past due but not impaired**			**Impaired Financial Assets**	**Total**
		< 1 quarter	**1 - 2 quarters**	**2 - 3 quarters**		
Tuition and other fees	**₱50,590,598**	**₱11,245,820**	**₱4,249,549**	**₱12,109,662**	**₱51,236,370**	**₱129,431,998**

	2013						
	Neither past due nor impaired	**Past due but not impaired**				**Impaired Financial Assets**	**Total**
		< 30 days	**30 - 60 days**	**60 - 90 days**	**> 90 days**		
Related parties	**5,179,617**	**-**	**₱306,973**	**-**	**₱486,142**	**₱–**	**₱5,972,732**
Others	**64,462,802**	**8,343,217**	**16,966,194**	**1,444,518**	**34,891,359**	**1,741,747**	**127,849,837**
Total	**69,642,419**	**8,343,217**	**17,273,167**	**1,444,518**	**35,377,501**	**1,741,747**	**133,822,569**

	2012					
	Neither past due nor impaired	Past due but not impaired			Impaired Financial Assets	Total
		< 1 quarter	1 - 2 quarters	2 - 3 quarters		
Tuition and other fees	₱40,876,280	₱9,086,417	₱3,433,558	₱9,784,386	₱41,398,052	₱104,578,693

	2012						
	Neither past due nor impaired	Past due but not impaired				Impaired Financial Assets	Total
		< 30 days	30 - 60 days	60 - 90 days	> 90 days		
Related parties	₱7,553,377	₱–	₱447,656	₱–	₱708,935	₱–	₱8,709,968
Others	47,965,853	6,208,069	12,624,303	1,074,845	25,889,343	1,368,830	95,131,243
Total	₱55,519,230	₱6,208,069	₱13,071,959	₱1,074,845	₱26,598,278	₱1,368,830	₱103,841,211

As at December 31, 2013 and 2012, there are no collaterals held in relation to the Group's financial assets.

The table below summarizes the credit quality of the Group's neither past due nor impaired financial assets as follows:

	2013				
	Neither past due nor impaired			**Past due but not impaired**	**Total**
	High Grade	**Standard**	**Total**		
Cash in banks	**₱180,467,740**	**₱–**	**₱180,467,740**	**₱–**	**₱180,467,740**
Short-term investments	**558,077,281**	**–**	**558,077,281**	**–**	**558,077,281**
Receivables from:					
Tuition and other fees	**46,824,505**	**3,766,092**	**50,590,598**	**78,841,400**	**129,431,998**
Related parties	**5,179,617**	**–**	**5,179,617**	**793,115**	**5,972,732**
Others	**49,332,218**	**15,130,584**	**64,462,802**	**63,387,035**	**127,849,837**
AFS financial assets	**14,855,624**	**–**	**14,855,624**	**–**	**14,855,624**
	₱854,736,985	**₱18,896,676**	**₱873,633,662**	**₱143,021,550**	**₱1,016,655,212**

	2012				
	Neither past due nor impaired			Past due	
	High Grade	Standard	Total	and impaired	Total
Cash in banks	₱61,551,775	₱–	₱61,551,775	₱–	₱61,551,775
Short-term investments	676,534,591	–	676,534,591	–	676,534,591
Receivables from:					
Tuition and other fees	37,833,346	3,042,934	40,876,280	63,702,413	104,578,693
Related parties	7,553,377	–	7,553,377	1,156,591	8,709,968
Others	36,707,401	11,258,452	47,965,853	47,165,390	95,131,243
AFS financial assets	16,719,430	–	16,719,430	–	16,719,430
	₱836,899,920	₱14,301,386	₱851,201,306	₱112,024,394	₱963,225,700

The credit quality of the financial assets was determined as follows:

Cash in banks and short-term investments - are composed of bank deposits and money market placements maintained with reputable financial institutions duly approved by the BOD.

Receivables:

a. *Tuition and other fees and Others* - The Group categorizes their neither past due nor impaired receivables as follows:

High-grade - pertains to receivables with no default in payment.
Standard-grade - pertains to receivables with up to three (3) defaults in payment.
Low grade - pertains to receivables with more than 3 defaults in payments

b. *Related parties* - The Group categorizes their neither past due nor impaired receivables as follows:

High-grade - pertains to receivables from profitable related parties with good payment record with the Group and transactions were made during the year.
Standard-grade - pertains to receivables with up to three (3) defaults in payment.
Low grade - pertains to receivables with more than 3 defaults in payments.

AFS financial assets - The Group categorizes its AFS financial assets as high grade because it limits its exposure with a single or group of issuer.

Capital Management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2013 and 2012.

As at December 31, 2013 and 2012, the Group is not subject to externally imposed capital requirements other than the monitoring of the Group's debt to equity ratio and current ratio as a result of the availment of long-term debt with RCBC. Debt to equity ratio should not exceed 2.5:1 and current ratio should not be less than 1:1.

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

	2013	2012
Current Liabilities		
Accounts payable and accrued expenses	**₱517,774,492**	₱269,026,385
Due to related parties	**31,676,130**	29,864,396
Income tax payable	**23,774,478**	20,530,071
Unearned tuition fees	**9,110,987**	63,621,615
Dividends payable	**68,213,731**	58,445,264
Current portion of lease liability	**–**	941,995
Current portion of long-term debt	**164,547,745**	142,076,104
Total current liabilities	**815,097,563**	584,505,830
Noncurrent liabilities		
Retirement liability	**66,207,049**	144,585,401
Lease liability - net of current portion	**–**	432,878
Long-term debt - net of current portion	**437,452,255**	602,000,000
Deferred tax liabilities - net	**74,168,180**	67,614,243
Total noncurrent liabilities	**577,827,484**	814,632,522
Total liabilities	**₱1,392,925,047**	₱1,399,138,352
Equity		
Capital stock	**748,933,221**	₱748,933,221
Additional paid-in capital	**1,438,827**	1,438,827
Unrealized gain on AFS financial assets	**2,495,929**	4,359,735
Revaluation increment on land - net	**366,127,522**	306,911,195
Retained earnings	**1,979,535,006**	1,574,810,874
Treasury stock	**(209)**	(209)
Equity attributable to equity holders of the Parent Company	**₱3,098,530,296**	₱2,636,453,643
Debt-to-equity ratio	**0.44:1.00**	0.53:1.00

Fair Value of Financial Instruments

The table below presents a comparison by category of the carrying amounts and estimated fair values of all of the Group's financial instruments as at December 31:

	2013	
	Carrying Value	**Fair Value**
Financial Assets		
AFS financial assets	**₱14,855,624**	**₱14,855,624**
Loans and receivables:		
Cash in banks	**181,266,839**	**181,266,839**
Short-term investments	**558,077,281**	**558,077,281**
Receivables		
Tuition and other fees	**129,431,998**	**129,431,998**
Others	**127,849,837**	**127,849,837**
Due from related parties	**5,972,732**	**5,972,732**
	₱1,017,454,311	**₱1,017,454,311**

(Forward)

	2013	
	Carrying Value	**Fair Value**
Financial Liabilities		
Other financial liabilities:		
Accounts payable and accrued expenses*	**₱501,998,298**	**₱501,998,298**
Due to related parties	**31,676,130**	**31,676,130**
Dividends payable	**68,213,731**	**68,213,731**
Lease liability	**-**	**-**
Long-term debt (carrying value includes current portion amounting to ₱164,547,745)	**602,000,000**	**602,000,000**
	₱1,203,888,159	**₱1,203,888,159**

	2012	
	Carrying Value	Fair Value
Financial Assets		
AFS financial assets	₱16,719,430	₱16,719,430
Loans and receivables:		
Cash in banks	61,551,775	61,551,775
Short-term investments	676,534,591	676,534,591
Receivables		
Tuition and other fees	63,180,641	63,180,641
Others	93,762,413	93,762,413
Due from related parties	8,709,968	8,709,968
	₱920,458,818	₱920,458,818
Financial Liabilities		
Other financial liabilities:		
Accounts payable and accrued expenses*	₱260,005,637	₱260,005,637
Due to related parties	29,864,396	29,864,396
Dividends payable	58,445,264	58,445,264
Lease liability (carrying value includes current portion amounting to ₱941,995)	1,374,873	1,487,470
Long-term debt (carrying value includes current portion amounting to ₱142,076,104)	744,076,104	744,076,104
	₱1,093,766,274	₱1,093,878,871

**Excluding payables to regulatory bodies*

Current financial assets and liabilities
Due to the short-term nature of the current assets and liabilities, the carrying values of these accounts were assessed to approximate their fair values.

AFS financial assets
The fair values of quoted equity securities are based on quoted market prices. In the absence of a reliable basis of determining fair values, unquoted equity securities are carried at cost, net of impairment provision.

Noncurrent financial liabilities
For variable rate loans that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

For lease liability, the fair value is estimated as the present value of all cash flows discounted using the applicable rates.

Fair Value Hierarchy
As of December 31, 2013, financial assets at FVPL and AFS financial assets are measured at fair value amounting ₱363.26 million and ₱16.72 million, respectively. As of December 31, 2012, AFS financial assets are measured at fair value amounting ₱14.39 million. The fair value is based on level 1 source of valuation as outlined below:

Level 1: quoted (unadjusted) prices in active markets for identical assets.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The quoted financial assets at FVPL and AFS financial assets of the Group fall under level 1 as at December 31, 2013 and 2012. The Group has no financial assets that fall under levels 2 and 3 as at December 31, 2013 and 2012.

As at December 31, 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements. There are no financial assets and financial liabilities recognized at fair value based on Levels 3 and there are no transfers in and out of Level 3 categories in 2013 and 2012.

30. Approval of the Financial Statements

The consolidated financial statements of the Group as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011 were authorized for issue by the BOD on March 24, 2014.