COVER SHEET

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S.E.C. Registration Number

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

(Company's Full Name)

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

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

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

Atty. Lalaine P. Monserate
Contact Person

815-96-36
Company's Telephone Number/s

1 2 (Month) 3 1 (Day)
Fiscal Year

DEFINITIVE SEC FORM 20 – IS
FORM TYPE

0 6 (Month) 3 0 (Day)
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. Of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks= pls. Use black ink for scanning purposes

iPeople
A YGC Member

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of **iPeople, inc.** will be held on **Friday, June 30, 2017 at 2:30 p.m.** at the *Yuchengco Institute for Advanced Studies, 5th Floor, Tower II, RCBC Plaza, Ayala Avenue Cor. Sen. Gil J.Puyat Avenue, Makati City, Philippines* to consider and act on the following:

1. Call to Order
2. Proof of Notice and Certification of a Quorum
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on June 24, 2016
4. Approval of the Management Report and Audited Financial Statements for 2016
5. Ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, Executive Committee, Other Committees and the Officers of the Company during the year 2016
6. Election of Directors for 2017-2018
7. Appointment of External Auditors
8. Such other business that may properly come before the meeting
9. Adjournment

Only stockholders of record at close of business on **May 31, 2017** shall be entitled to vote at this said meeting or any adjournment thereof.

Should you be unable to attend the meeting in person, you may execute the necessary proxy and file the same with the office of the Corporate Secretary at 3/F, Grepalife Bldg., 219 Sen. Gil Puyat Avenue, Makati City, Metro Manila Philippines on or before 10:00 A.M. of June 29, 2017.

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

Makati City, April 20, 2017.

ATTY. SAMUEL V. TORRES
Corporate Secretary

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING
OF
iPEOPLE, INC.

Date	:	24 June 2016
Time	:	2:30 P. M.
Place	:	YIAS, 5th Floor, RCBC Plaza 6819 Ayala Avenue Makati City, Metro Manila

I. CALL TO ORDER.

The Chairman, Mr. Renato C. Valencia, called the meeting to order and asked the Corporate Secretary, Atty. Samuel V. Torres, whether proper notices of the meeting were sent to the stockholders entitled thereto to which Atty. Torres replied in the affirmative.

II. PROOF OF NOTICES.

As proof, the Corporate Secretary presented the Certification executed by Mr. Cal Joseph R. Cano, Executive Assistant, Varied Services, Incorporated, certifying to the sending out of notices of the meeting, and an Affidavit of Publication executed by Ms. Marissa V. Lapira, Manager-Display Advertising, Manila Bulletin, attesting to the publication of the notice in the Manila Bulletin on 25 May 2016.

III. DETERMINATION OF QUORUM.

The Chairman asked the Corporate Secretary if there is a quorum for the transaction of business, to which the Corporate Secretary certified as follows:

		No. of Common Shares
Total Number of Shares Present in Person or by Proxy	-	615,591,057 Shares
Outstanding No. of Shares Entitled to Vote	-	748,933,221 Shares
Percentage of Attendance	-	82 %

which was a majority of the outstanding number of shares entitled to vote. Whereupon, the Corporate Secretary certified the presence of a legal quorum, and the Chairman declared the agenda open for deliberation.

DIRECTORS PRESENT

1. Mr. Renato C. Valencia – Chairman/Independent Director
2. Ms. Yvonne S. Yuchengco
3. Ms. Milagros V. Reyes
4. Mr. Medel T. Nera
5. Dr. Reynaldo B. Vea
6. Mr. Cesar A. Buenaventura – Independent Director/Audit Committee, Chairman

IV. APPROVAL OF THE MINUTES OF THE PREVIOUS ANNUAL MEETING.

The Minutes of the last Annual Stockholders' Meeting held on 01 July 2015 were presented to the stockholders for approval. On motion duly made and seconded, the reading of the said Minutes was dispensed with, and there being no objection or correction to the same, the Minutes were confirmed and approved to be correct.

V. APPROVAL OF THE 2015 MANAGEMENT REPORT AND THE AUDITED FINANCIAL STATEMENTS.

The President, Dr. Reynaldo B. Vea, reported on the various activities and results of the operations of the Company, including that of its subsidiaries, for the period ended 31 December 2015. He commenced his President's Report with the financial highlights of the Company. Dr. Vea then proceeded to particularly update the stockholders on the activities and achievements of Malayan Colleges, Inc. (Operating under the name of Mapua Institute of Technology), Malayan Colleges Laguna, Inc., Malayan High School of Science, Inc., and Mapua Information Technology Center, Inc. Dr. Vea also advised the stockholders of Mapua's expansion in Davao City with Malayan Colleges Mindanao (A Mapua School), Inc. Thereafter, he presented an update on the operations of Pan Pacific Computer Center, Inc.

After Dr. Vea concluded his President's Report, Mr. Valencia informed the stockholders that the Board of Directors had earlier approved the declaration of a cash dividend of Six Centavos (Php0.06) per share, for a total amount of Forty Four Million Nine Hundred Thirty Five Thousand Nine Hundred Ninety Three Pesos and Twenty Six Centavos (Php 44,935,993.26), from the Company's unrestricted retained earnings as of 31 December 2015 to the Company's stockholders of record as of 22 July 2016. The payment date is on 16 August 2016.

Mr. Valencia noted that the Company's Management Report and the Audited Financial Statements of the Company for year ending 31 December 2015 were sent earlier to the stockholders by mail. He then inquired from the stockholders if there were any questions respecting the same.

There being no further comments, upon motion duly made and seconded, the stockholders present approved the 2015 Management Report and the Audited Financial Statements of the Company for the year ended 31 December 2015, as certified by Mr. Michael C. Sabado of SGV & Co.

VI. RATIFICATION AND CONFIRMATION OF THE ACTS, RESOLUTIONS AND PROCEEDINGS OF THE BOARD OF DIRECTORS, THE VARIOUS COMMITTEES AND OFFICERS OF THE COMPANY DURING THE YEAR IN REVIEW.

On motion made and duly seconded, the stockholders present ratified and confirmed all the acts, resolutions and proceedings of the Board of Directors, the various Committees and Officers of the Company during the year in review under the following resolution:

> "RESOLVED, that all acts, resolutions and proceedings of the Board of Directors, the various Committees and Officers of the Company during the preceding year be, as they are hereby affirmed and ratified."

VII. ELECTION OF DIRECTORS FOR 2016-2017.

Thereafter, the Chairman declared the table open for the election of directors for the ensuing year.

The Corporate Secretary presented and read the name of the following persons nominated, evaluated and found by the Nomination Committee to have all the qualifications and none of the disqualifications to compose the members of the Board of Directors of iPeople, Inc. for the year 2016-2017:

Regular Directors:

1. Ms. Helen Y. Dee
2. Dr. Reynaldo B. Vea
3. Mr. Medel T. Nera
4. Ms. Milagros V. Reyes
5. Ms. Yvonne S. Yuchengco
6. Mr. Ernest K. Cuyegkeng

Independent Directors:

7. Mr. Cesar A. Buenaventura
8. Mr. Renato C. Valencia
9. Mr. Joaquin E. Quintos IV

There being no further comment and no other nominees, the Corporate Secretary was requested by the Chairman to cast all votes equally among the above-named nominees. Thereafter, the Chairman declared the above-named nominees as the duly elected members of the Board of Directors of the Company for the ensuing year 2016-2017 and presented them to the stockholders.

VIII. APPOINTMENT OF EXTERNAL AUDITOR.

Upon an earlier recommendation by the Audit Committee, on motion duly made and seconded, Sycip Gorres Velayo & Co. (SGV) was reappointed as external auditor of the Company for the year ending 31 December 2016.

GMTIG

X. **ADJOURNMENT.**

There being no other business to transact and on motion duly made and seconded, the Annual Stockholders' Meeting was adjourned.

SAMUEL V. TORRES
Corporate Secretary

ATTEST:

RENATO C. VALENCIA
Chairman

IPEOPLE, INC.

PROXY

I, the undersigned holder of shares of stock of iPeople, inc. ("Corporation"), do hereby constitute, name and appoint the **Chairman of the Meeting**, or in his absence, **the Secretary of the Meeting**, as my attorney and proxy, to represent me and to vote all the shares registered under my name in the Books of the Corporation at the Annual Meeting of the Stockholders of the Corporation on **June 30, 2017** and any adjournment(s) thereof. In particular, I hereby direct my said proxy to vote on the matters set forth below as I have expressly indicated by marking the same with an "X". **If I fail to indicate my vote on the items specified below, I authorize my proxy full discretion to act and I understand that my proxy shall vote in accordance with the recommendation of the Management. Management recommends a "FOR ALL" vote for proposal 1 and a "FOR" for proposals 2 through 5.**

PROPOSAL	ACTION		
	FOR ALL	WITHHOLD FOR ALL	EXCEPTION
1. Election of Management's Nominees as Directors **Management Nominees are:** 1. Helen Y. Dee 2. Ernest K. Cuyegkeng 3. Medel T. Nera 4. Milagros V. Reyes 5. Reynaldo B. Vea 6. Yvonne S. Yuchengco **Independent Directors:** 7. Renato C. Valencia 8. Cesar A. Buenaventura 9. Joaquin E. Quintos, IV Above nominees are incumbent directors of the Company. **INSTRUCTIONS:** *To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list name(s) under.*			
	FOR	AGAINST	ABSTAIN
2. Approval of the Minutes of the Annual Stockholders' Meeting held on June 24, 2016.			
3. Approval of the Management Report and Audited Financial Statements for 2016.			
4. Ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, Executive Committee and the Officers of the Company during the year 2016.			
5. Appointment of SGV as External Auditors			

THIS PROXY, SOLICITED ON BEHALF OF THE INCUMBENT BOARD OF DIRECTORS OF IPEOPLE, INC. SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE 10:00 A.M OF JUNE 29, 2017, THE DEADLINE FOR SUBMISSION OF PROXIES.

REVOCABILITY OF PROXY

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

PERSONS MAKING THE SOLICITATION

THIS PROXY IS SOLICITED ON BEHALF OF THE MANAGEMENT. THE PROXY STATEMENT AND THE ENCLOSED PROXY SHALL BE SENT BY THE SECRETARY OF THE CORPORATION EITHER BY MAIL, POSTAGE PREPAID, OR BY PERSONAL DELIVERY TO EACH STOCKHOLDER AT HIS ADDRESS APPEARING IN THE RECORDS OF THE CORPORATION. DULY EXECUTED PROXIES MAY BE RETURNED BY MAIL, FAX, OR BY HAND TO THE OFFICE OF THE CORPORATE SECRETARY ON OR BEFORE 10:00 A.M. ON JUNE 29, 2017.

SOLICITATIONS OF PROXIES WILL BE MAINLY CONDUCTED THROUGH MAIL. IN ADDITION TO SOLICITATION OF THE PROXIES BY MAIL, OFFICERS AND EMPLOYEES OF THE COMPANY MAY ALSO SOLICIT PROXIES PERSONALLY OR BY TELEPHONE. THE COST OF SOLICITATION, APPROXIMATELY ₱ 110,000 WILL BE BORNE BY THE COMPANY.

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

THIS PROXY SHALL BE VALID FOR FIVE (5) YEARS FROM THE DATE HEREOF UNLESS OTHERWISE INDICATED IN THE BOX HEREIN PROVIDED: ☐

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

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

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

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

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

Signature of Stockholder	Printed Name	No. of Shares	Date

Address and Telephone Number

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

Please mail this proxy form to :

ATTY. SAMUEL V. TORRES
CORPORATE SECRETARY
iPeople, Inc.
3/F Grepalife Bldg.
219 Sen. Gil Puyat Avenue **OR** **FAX TO : 816-11-27 / 815-99-81**

Makati City, Metro Manila

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [√] Definitive Information Statement

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

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

4. SEC Identification Number **166411**

5. BIR Tax Identification Code **000-187-926**

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

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

8. **June 30. 2017, 2:30PM, Yuchengco Institute for Advanced Studies, 5th Floor Tower II, RCBC Plaza, Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **June 9, 2017**.

10. In case of Proxy Solicitations:
    Name of Person filing the Statement/Solicitor: **Atty. Samuel V. Torres**
    Address and Telephone No.: **3/f Grepalife Building, 219 Sen. Gil Puyat Avenue Makati City, Tel. No.: 815-9636**

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

Title of Each Class	**Authorized**	**Number of Shares Outstanding**
Common, P1.0 par value	2,000,000,000 shares	748,932,949
Total Debt Outstanding: ₱1.01 B		

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

    Yes (√) No _______ **Common Stock**

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

PART 1
INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

(a) The 2017 Annual Meeting of the Stockholders of iPeople, inc. (the "Company or Corporation") will be held at the Yuchengco Institute for Advanced Studies, 5^{th} Floor, Tower II, RCBC Plaza, Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City, Philippines on **June 30, 2017 at 2:30 p.m.** The complete mailing address of the principal office of the Company is 3/F, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Philippines, 1200.

(b) Approximate date on which this Information Statement is first to be sent or given to security holders is on **June 9, 2017**.

Item 2: Dissenters' Right of Appraisal

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

There are no corporate matters or actions at the above annual meeting that will entitle dissenting stockholders to exercise their right of appraisal as provided in the Title X of the Corporation Code.

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

a) No person, nominee for election as a director, associate or any director or officer at any time since the beginning of the last fiscal year, has substantial interest, direct or indirect, by security holdings in any matter to be acted upon at the meeting other than election to office.

b) No director of the Company has informed the registrant in writing that he intends to oppose any action to be taken by the registrant at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4: Voting Securities and Principal Holders Thereof

The Company's capital stocks are entitled to notice and vote at the Annual Stockholders' Meeting. Each share is entitled to one (1) vote. The Company has 748,932,949 shares of Common Stocks outstanding as of March 31, 2017.

Only holders of the Company's stock of record at the close of business on May 31, 2017 are entitled to notice and to vote at the Annual Meeting to be held on June 30, 2017.

Cumulative voting for Directors - At all elections of Directors, each stockholder may vote the shares registered in his name in person or by proxy for as many persons as there are Directors or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, however, that the whole number of votes cast by him shall not exceed the number of shares owned by him as shown in the Company's stock transfer books multiplied by the total number of Directors elected.

Security Ownership of Certain Beneficial Owners and Management

As of April 30, 2017, IPO knows of no one who beneficially owns in excess of 5% of IPO's common stock except as set forth in the table below:

1. Owners of more than 5% of voting securities as of April 30, 2017.

The following table shows the beneficial owners directly or indirectly owning more than 5% of the Company's capital stock as of April 30, 2017:

SHARE CLASS	NAME AND ADDRESS OF RECORD OWNER	NAME OF BENEFICIAL OWNER & RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NUMBER OF SHARES BENEFICIALLY OWNED	% OF TOTAL
Common	**HOUSE OF INVESTMENTS, INC.** *Grepalife Bldg., Sen. Gil Puyat Ave., Makati City Metro Manila Principal Stockholder*	**Ms. Helen Y. Dee** *Chairperson is authorized to direct voting of the shares held by House of Investments, Inc.*	Filipino	503,098,749[1]	67.18%
Common	**A. SORIANO CORP.** *7F Pacific Star Bldg., Makati Ave., cor. Sen. Gil J. Puyat Ext., Makati City*	**Mr. Ernest K. Cuyegkeng** *EVP and CFO is authorized to direct voting of the shares held by A. Soriano Corp.*	Filipino	82,615,980[2]	11.02%
Common	**MALAYAN INSURANCE CO., INC.** *4/F, Yuchengco Tower 500 Quintin Paredes St. Binondo, Manila*	***Yvonne S. Yuchengco*** *President is authorized to direct voting of the shares held by Malayan Insurance & affiliates*	Filipino	40,199,076	5.37%
Common	**GPL HOLDINGS, INC.** *4F Grepalife Building,221 Sen. Gil J. Puyat Avenue, Makati City*	**Ms. Helen Y. Dee** *President is authorized to direct voting of the shares held by GPL Holdings, Inc.*	Filipino	38,767,752	5.18%

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

Among the above shareholders owning more than 5% of the Company's capital stock, only A. Soriano Corp. regularly purchased shares of the Company in the past two years using internally generated funds. The details of which are as follows:

Date	# of Shares Purchased	Price
December 21, 2015	8,910,530	11.22
February 04, 2016	6,350,000	11.247
March 08, 2017	60,000	12.31
March 21, 2017	100,000	12.38
March 31, 2017	76,000	12.46
April 11, 2017	1,000	12.80
April 11, 2017	30,000	12.26
April 12, 2017	30,000	12.78
April 19, 2017	12,000	12.68

[1] Direct and indirect holdings of House of Investments, Inc.
[2] Direct and indirect holdings A. Soriano Corp.

2. Security Ownership of Management

Securities beneficially owned by the directors, nominees, officers, other than qualifying shares, as of April 30, 2017 according to the records of its stock and transfer agent, Rizal Commercial Banking Corporation (RCBC):

SHARE CLASS	NAME OF BENEFICIAL OWNER	CITIZENSHIP	NATURE OF OWNERSHIP	SHARES OWNED	% OF CLASS
Common	Reynaldo B. Vea	Filipino	Direct	5	0.0000%
Common	Ernest K. Cuyegkeng	Filipino	Indirect	5	0.0000%
Common	Cesar A. Buenaventura	Filipino	Indirect	68,850	0.0092%
Common	Helen Y. Dee	Filipino	Direct Indirect	9,750 312,000	0.0013% 0.0417%
Common	Milagros V. Reyes	Filipino	Direct	55,218	0.0074%
Common	Joaquin E. Quintos IV	Filipino	Direct	5	0.0000%
Common	Medel T. Nera	Filipino	Direct	100	0.0000%
Common	Renato C. Valencia	Filipino	Indirect	1,300	0.0002%
Common	Yvonne S Yuchengco	Filipino	Direct Indirect	6,500 68,000	0.0009% 0.0091%
Sub-Total				**521,733**	**0.0697%**
Total Common Shares				**748,933,221**	**100.0000%**

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

Voting Trust Holders of 5% and more
There are no shareholdings holding any Voting Trust Agreement or any such similar agreement.

Foreign Ownership per Class
As of April 30, 2017, there are 306,640 shares or 0.04% that are held by foreigners.

Item 5: Directors and Executive Officers

Board of Directors & Executive Officers
The Company's board of directors is composed of nine (9) members elected by and from among the Company's stockholders. The board is responsible for providing overall management and direction of the Company. Board meetings are held on a regular basis or as often as required to discuss the Company's operations, business strategy, policies and other corporate matters. A brief background on each member of the board is provided:

DIRECTORS		
Name	**Position**	**Length of Service**
Mrs. Helen Y. Dee	Director	10 Years
Mr. Ernest K. Cuyegkeng	Director	1 Year
Mr. Medel T. Nera	Director	4 Years
Mrs. Milagros V. Reyes	Director	11 Years
Dr. Reynaldo B. Vea	President	1 year and 4 months
Ms. Yvonne S. Yuchengco	Director	4 Years

INDEPENDENT DIRECTORS		
Name	**Position**	**Length of Service**
Mr. Renato C. Valencia	Chairman	12 Years
Mr. Cesar A. Buenaventura, OBE	Director	26 Years
Mr. Joaquin E. Quintos IV	Director	6 Years

EXECUTIVE OFFICERS	
Name	**Position**
Dr. Reynaldo B. Vea	President
Ms. Gema O. Cheng	SVP – Finance and Treasurer
Mr. Joselito D. Estrella	Chief Information Officer
Ms. Ma. Esperanza F. Joven	VP – Finance

EXECUTIVE OFFICERS	
Name	**Position**
Ms. Maria Teresa T. Bautista	Controller
Mr. Jose A. Tanjangco, III	Chief Risk Officer
Atty. Lalaine P. Monserate	Legal and Compliance Officer
Atty. Samuel V. Torres	Corporate Secretary
Atty. Ma. Elvira Bernadette G. Gonzalez	Asst. Corporate Secretary

None of the above-mentioned Directors, Independent Directors, and Executive Officers of the Company is appointed or is an employee of any Government Agency in compliance with Article 9(B) Section 8 of the Philippine Constitutions Code.

<u>**Position and Background within the last 5 years**</u>

RENATO C. VALENCIA, 75, Filipino, is the **Chairman of the Board** from 2004 to present. He is also a **Director** of Anglo Philippine Holdings Corp., GT Capital Holdings, Inc., Malayan Insurance Co., Inc. Metropolitan Bank and Trust Co., Vulcan Industrial & Mining Corp.; **Member** of Financial Executives Institute of the Philippines and Management Association of the Philippines. ***His past experiences include:*** **Director, President and CEO** of Roxas Holdings, Inc.; **Director** of House of Investments, Inc. ***Educational Background:*** Master of Business Management from Asian Institute of Management, Philippines; Bachelor of Sciene in General Engineering from Philippine Military Academy.

REYNALDO B. VEA, PhD, 64, Filipino, is a **Director and President** from 2015 to present. He is also the **President & CEO** of Malayan Colleges, Inc. operating under the name Mapua Institute of Technology; **Director and President** of Malayan Colleges Laguna, Inc., Malayan Colleges Mindanao (A Mapua School), Inc., Malayan High School of Science, Inc., Mapua I.T. Center, Inc., Mapua Techserv; **Trustee** of AY Foundation, Yuchengco Center of De La Salle University, and Yuchengco Museum, **Director** of House of Investments, Inc., Maibarara Geothermal, Inc., Petrogreen, Inc. and Seafront Resources Corp., **Chairman** of the Engineering Science and Technology Division of the National Academy of Science and Technology and the Philippine Science High School Foundation. ***His past experiences include:*** **Director** of Grepalife Dollar Bond Fund, Grepalife Fixed Income Fund, , National Research Council of the Philippines, PetroWind, Inc., Rizal Commercial Banking Corp.,; **Member** of Philippine Fulbright Commission and UNESCO National Commission, **Trustee** of Philippine Association Colleges and University; **Chairman** of Committee on Science and Technology in UNESCO National Commission; **Dean** of UP College of Engineering. ***Educational Background:*** Ph.D. in Engineering from University of California, Berkley, USA; Master in Naval Architecture and Marine Engineering from Massachusettes Intitute of Technology, USA; and Bachelor of Science in Mechanical Engineering (magna cum laude) from University of the Philippines.

HELEN Y. DEE, 72, Filipino is a Director from 2006 to present. Mrs. Dee is also **Chairperson** of House of Investments, Inc., EEI Corp., Landev Corp., HI-Eisai Pharmaceuticals, Inc., Manila Memorial Park Cemetery, Inc., Mapua Information Technology Center, Inc., Rizal Commercial Banking Corp., Pan Malayan Realty Corp., RCBC Savings Bank, La Funeraria Paz-Sucat, Inc., Malayan Insurance Co., Inc., Xamdu Motors, Inc., National Reinsurance Corp. of the Phils., Seafront Resources Corp., PetroEnergy Resources Corp., RCBC Leasing and Finance Corp., PetroWind Energy, Inc., Malayan High School of Science, Inc.; **Chairperson & CEO** of Tameena Resources, Inc.; **Chairperson & President** of Hydee Management & Resources, Inc. and Mijo Holdings, Inc.; **Vice Chairperson** of Pan Malayan Management & Investment Corp. and West Spring Development Corp.; **Director** of Philippine Long Distance Telephone Co., MICO Equities, Inc., Honda Cars Philippines, Inc., Isuzu Philippines Corp., Luisita Industrial Park Corp., AY Holdings, Inc., RCBC Realty Corp., Pan Malayan Express, Inc., Honda Cars Kalookan, Inc., Sun Life Grepa Financial, Inc., Philippine Integrated Advertising Agency, Inc., iPeople, inc., Y Realty, Inc. and Luis Miguel Foods; Director & Chairperson of the EXCOM of RCBC Forex Brokers Corp.; Director & Vice President of Nth Millennium Foundation of the Phils, Inc.; President of Moira Management, Inc., YGC Corporate Services, Inc. and GPL Holdings; Vice President of A.T. Yuchengco, Inc.; **Member, Board of Trustees and Treasurer** of Philippine Philharmonic Society, Inc.; **Member, Board of Trustees** of Malayan Coleges, Inc. operating under the name Mapua Institute of Technology and Philippine Business for Education; **Trustee** of Malayan Colleges Laguna, Inc.; **Member, Advisory Board** of Asean Insurance Council; **Member** of Philippine Insurers Club and World Presidents' Organization; **Treasurer** of Business Harmony Realty, Inc. ***Her past experiences include:*** **Chairperson** of Merchants Bank; **Chairperson and President** of Grepalife Fixed Income Fund Corp. and Grepalife Asset Management Corp.; **President & CEO** of House of Investments, Inc.; **Vice Chairperson** of Zurich Insurance (Taipei), Ltd., KK Converter, Inc., and Chailease Finance Corp.; **Vice President & Director** of Hermoza

Ecozone Development Corp.; **President** of Equitas Insurance Brokers, Inc.; **Director** of South Western Cement Corp., La Funeraria Paz-Sucat, Inc., Great Pacific Life Assurance Corp., **Treasurer** of Business Harmony Realty, Inc. ***Educational Background:*** Master in Business Administration from De La Salle University, Philippines and Bachelor of Science in Commerce Major in Administration from Assumption College, Philippines.

MEDEL T. NERA, 61, Filipino, is a **Director** since 2012 to present. He is also a **Director** and the **President & CEO** of House of Investments, Inc.; **Chairman of the Board** of Hexagon Lounge, Greyhounds Security & Investigation Agency Corp., and Zamboanga Industrial Finance Corporation (ZIFC); **Director and President** of Honda Cars Kalookan, Inc. and RCBC Realty Corp.; **Director** of EEI Corp., EEI Realty Corp., iPeople, inc., HI-Eisai Pharmaceuticals, Inc., Investment Managers, Inc., Landev Corp., Malayan Colleges Laguna, Inc. Manila Memorial Cemetery Park, Inc., People eServe Corp., and YGC Corporate Services, Inc.; **Director and Treasurer** of Seafront Resources Corp. and CRIBS Foundation, Inc.; **Independent Director** of National Reinsurance Corp. of the Philippines; ***His past experiences include: Director and Chairman of Risk Committee of Rizal Commercial Banking Corp.; and*** **Senior Partner** at Sycip Gorres Velayo & Co. ***Educational Background:*** Master in Business Administration from Stern School of Business, New York University, USA and Bachelor of Science in Commerce from Far Eastern University, Philippines, International Management Program from Manchester Business School, UK, Pacific Rim Program from University of Washington, USA.

MILAGROS V. REYES, 75, Filipino, is a **Director** since 2005 to present. She is also a **Director and President** of PetroEnergy Resources Corp., PetroGreen Energy Corp., PetroSolar Corp., PetroWind Energy, Inc., Seafront Resources Corp.; **Director** of Maibarara Geothermal, Inc. and PNOC Exploration Corp.: **Director and Treasurer** of Hermosa Ecozone Development Corp.; **President** of Petrofields Corp. Oil Exploration; **Vice President** of Basic Consolidated, Inc. and Philippine Oil Development Co. ***Her past experiences include:*** **Executive Vice President** of Mapua Institute of Technology; **Exploration Coordinator** of Philippine Oil Development Co. ***Educational Background:*** Bachelor of Science in Geology and Bachelor of Science in Physical Sciences (double degree) from University of the Philippines.

YVONNE S. YUCHENGCO, 63, Filipino is a **Director** since 2013 to present. She is also the **Chairperson** of First Nationwide Assurance Corp., RCBC Capital Corp., XYZ Assets Corp.; **Chairperson and President** of Malayan Securities Corp., Royal Commons, Inc., Y Tower II Office Condominium Corp. and Yuchengco Tower Office Condominium Corp.; **Chairperson and Trustee** of The Malayan Plaza Condominium Owners Association Inc., **Vice Chairperson** of Yuchengco Museum Inc.; **Director and President** of Alto Pacific Corp. Malayan Insurance Co., Inc., Malayan Securities Corp., MICO Equities, Inc., Philippine Integrated Advertising Agency, Inc., RCBC Land, Inc.; **Director** of Asia-Pac Reinsurance Co., Ltd., AY Holdings, Inc., DS Realty, Inc., First Nationwide Assurance Corp., GPL Holdings, Inc., HYDee Management & Resource Corp., iPeople, inc., La Funenaria Paz Sucat, Inc., Luisita Industrial Park Corp., Malayan Colleges, Inc. operating under the name Malayan Colleges Laguna, Inc., Malayan Insurance (H.K.), Malayan International Insurance Corp., Manila Memorial Park Cemetery, Inc., National Reinsurance Corp. of the Phils., Pan Malayan Realty Corp., Pan Pacific Computer Center Inc., Pan Malayan Express, Inc., RCBC Capital Corp., Seafront Resources Corp., Shayamala Corp., YGC Corporate Services, Inc.; **Director, Vice President and Treasurer** of Pan Managers, Inc.; **Director and Corporate Secretary** of MPC Investment Corp., **Director and Treasurer** of Honda Cars Kalookan, Inc., Malayan High School of Science, Inc., Mona Lisa Development Corp., Petro Energy Resources Corp.; **Director, Treasurer and CFO** of Pan Malayan Management & Investment Corp.; **Assistant Treasurer** of Enrique T. Yuchengco Inc.; **Trustee** of AY Foundation, Inc., Mapua Institute of Technology, Phil-Asia Assistance Foundation, Inc., Yuchengco Center, Inc. and Yuchengco Museum Inc.; **Member, Advisory Board** of Rizal Commercial Banking Corp. ***Educational Background:*** Bachelor of Arts in Interdisciplinary Studies from Ateneo De Manila University, Philippines.

ERNEST K. CUYEGKENG, 70, Filipino, is a **Director** since 2016 to present. He is also the **Chairman** of ArthaLand, Inc.; **Director and President** of Anscor Holdings, Inc., Phelps Dodge Philippine Energy Products Corp.; **Director** of A. Soriano Corp., ArthaLand, Inc., Cirrus Global, Inc. (formerly IQMAN), KSA Realty Corp., Seven Seas Resorts & Leisure, Inc., Sumifru, Singapore, T-O Insurance; **Trustee** of The Andres Soriano Foundation, Inc.; **Executive Vice President & Chief Financial Officer** of A. Soriano Corp.; **Member** of Financial Executive Institute of the Philippines (FINEX), Makati Business Club. Management Association of the Philippines. ***His past experiences include:*** **Director** of Exquisite Form – UK, Int'l. Container Terminal Services, Inc., **Vice President** of Trans-Phils. Investment Corp., Group; **Vice President – Finance** of AGP Industrial Corp.; **Assistant to the Chairman** of Exquisite Forum Group; **Acting Finance Division Head** of AG&P Co. ***Educational Attainment:*** master of Business Administration from Columbia Graduate School of

Business, New York, USA; Bachelor of Arts in Major in Economics and Bachelor of Science in Business Administration from De La Salle University, Philippines.

CESAR A. BUENAVENTURA, OBE, 87, Filipino is an **Independent Director** since 1991 to present. He is also **Chairman** of Atlantic Gulf & Pacific Co., Buenaventura Echauz and Partners, Inc., Mitsubishi Hitachi Power Systems (Phils.); **Vice Chairman** of DMCI Holdings, Inc.; **Director** of Concepcion Industrial Corp., DM Consunji, Inc., PetroEnergy Resources Corp., Phil. American Life Insurance Co., Pilipinas Shell Petroleum Corp., Semirara Mining and Power Corp., **Founding Chairman** of Pilipinas Shell Foundation Inc.; ***His past experiences include:*** **Director** of AG & P Co. of Manila, Asian Bank, Ayala Corp., Benguet Corp., First Philippine Holdings Corp., Ma. Cristina Chemical Industries, Maibarara Geothermal Inc., Manila International Airport Authority, Montecito Properties Inc., Paysetter International Inc., Philippine Airlines, Philippine American Life Insurance Co., Philippine National Bank. ***Educational Background:*** Master of Civil Engineering Major in Structures from Lehigh University, USA; Bachelor of Science in Civil Engineering from University of the Philippines.

JOAQUIN E QUINTOS, IV, 57, Filipino is an **Independent Director** since 2011 to present. He is also **Vice Chairman** of Credit Information Corp.; **Senior Vice President** of First Philippine Holdings; **Director** of AB Capital, Energy Development Corp., Skycable, Inc., STI Education Services, Viscal Investments; **Trustee** of Knowledge Channel Foundation. ***His past experiences include:*** **Chairman** of IBM Philippines, Inc., IBM Solutions Delivery, Inc., IBM Business Services, Inc., IBM Services, Inc., ICT Panel of the Joint Congressional Committee on Science and Technology, De La Salle University, Operation Smile Philippines; **Co Chairman** of De La Salle Philippines; **Director** of IBM ASEAN Regional Headquarters; **President & CEO** of IBM Daksh, Philippines, Inc., Prople, Inc.; **Country General Manager** of IBM Philippines, Inc. ***Educational Background:*** Bachelor of Science in Industrial Engineering from the University of the Philippines.

GEMA O. CHENG, 52, Filipino, is the **Senior Vice President for Finance and Treasurer** since June 2016. She holds the following positions within the group: **Executive Vice President – Chief Operating Officer, Chief Finance Officer, and Treasurer** in House of Investments, Inc.; **Director, Chief Financial Officer and Treasurer** in Investment Managers, Inc.; **Director, Vice President for Finance and Treasurer** in Landev Corporation; **Director, Vice President for Finance and Treasurer** in People eServe Corporation; **Director** in Manila Memorial Park Cemetery, Inc., Treasurer in Xamdu Motors, Inc. ***Her past experiences include:*** **Senior Vice President – Finance** of SM Investments Corp. Property Group; **Chief Finance Officer** for SM Land Inc., SM Development Corp., Costa del Hamilo Inc., Prime Metroestate Inc., Summerhills Homes and Development Corp. and Pico de Loro Beach and Country Club in addition to oversight of other SMIC-owned property companies; **Treasury Head** for SM Prime and its various business segments (Malls, Hotels & Conventions, Residences, Leisure and Commercial Properties Group); **Operations Support Group Head** of Malayan Insurance Co., Inc. (MICO); **Chief Finance Officer and Treasurer** of the Malayan Group of Insurance Companies. ***Educational Background:*** Bachelor of Arts in Economics (Magna Cum Laude) from the University of the Philippines-Diliman, Philippines; Certificate of Special Studies in Administration and Management from Harvard University, USA.

JOSELITO D. ESTRELLA, 52, Filipino, is the **Chief Information Officer**. He is also a **Senior Vice President – Chief Information Officer** of House of Investments, Inc. and seconded as **President** of Pan Pacific Computer Center, Inc. ***His past experiences include:*** **Vice President for Sales & Marketing** of AGD Infotech Inc.; **Sales Manager, Business Development Manager and Product and Services Head** of Pan Pacific Computer Center Inc. ***Educational Background:*** Bachelor of Science in Commerce Major in Management from San Beda College; Master of Science in Information Technology from De La Salle University.

MA. ESPERANZA F. JOVEN, 46, Filipino, is the **Vice President for Finance**. She is also the **Vice President for Finance** in House of Investments, Inc.; **Vice President for Finance & Treasurer** in HI-Eisai Pharmaceuticals, Inc.; and **Director** in People eServe Corp. and Zamboanga Industrial Finance Corp., **Assistant Professional Lecturer** at De La Salle University. ***Her past experiences include:*** **Assistant Vice President for Financial Reporting** at J.P.Morgan Chase Bank N.A; **MSCF Program Coordinator** at De La Salle University; **General Securities Principal/Manager II** at E*TRADE Securities LLC holding the Series 7, 63, and 24 licenses with the Financial Industry Regulatory Authority (FINRA), The Nasdaq Stock Market, and 52 states and territories of the USA. ***Educational Background:*** Master of Science in Computational Finance and Bachelor of Science in Applied Mathematics from De La Salle University.

MARIA TERESA T. BAUTISTA, 44, Filipino, is the **Controller** since 2016. She is also the **Assistant Vice President and Corporate Controller** of House of Investments, Inc. ***Her past experiences include:*** **Group Finance Manager** of Prime Orion Philippines, Inc. She is a Certified Public Accountant, holds a Global Certification for Internal Auditors (CIA) and has completed the Six Sigma Green Belt Program. ***Educational Background:*** Bachelor of Science in Commerce, Major in Accounting, from St. Paul College of Manila, Philippines.

LALAINE P. MONSERATE, 52, Filipino, joined the Company in November, 2016 as **Assistant Vice President – Legal and Compliance Officer**. ***Her past experiences include:*** **Assistant Director** of the Investigation and Prosecution Division, Enforcement and Investor Protection Department of the Securities and Exchange Commission (SEC). She spent 12 years at the SEC, rising from the ranks, i.e. from Securities Investigator, Securities Counsel, Chief Counsel, Division Head and Assistant Director. ***Educational Background***: Bachelor of Laws and Bachelor of Arts in Political Science from University of Nueva Caseres. She passed the Bar Examinations in 1999.

JOSE A. TANJANGCO III, 55, Filipino, is the **Chief Risk Officer**. He is also the **Assistant Vice President and Chief Risk Officer** of House of Investments, Inc.; **Director** of Manila Memorial Park Cemetery, Inc. and Zamboanga Industrial Finance Corp. ***Educational Background:*** Master in Business Administration from IESE, Barcelona, Spain; Bachelor of Arts in Economics from Ateneo de Manila University, Philippines.

SAMUEL V. TORRES, 52, Filipino, is the **Corporate Secretary.** His other present positions include: **General Counsel & Corporate Secretary** of Pan Malayan Management & Investment Corp., and **Corporate Secretary** of RCBC Bankard Services, Inc., Sun Life Grepa Financial, Inc., PetroEnergy Resources Corp., Seafront Resources Corp., GPL Cebu Tower Office Condominium Corp., House of Investments, Inc., RCBC Land, Inc., RCBC Forex Brokers Corp., RCBC Realty Corp., RCBC Securities, Inc., RCBC Capital Corporation, Malayan High School of Science, Inc., Mapua Information Technology Center, Inc., Malayan Colleges, Inc., Malayan Colleges Mindanao (A Mapua School), Inc., GPL Holdings, Pan Pacific Computer Center, Inc., Honda Cars Kalookan, Inc., Hi-Eisai Pharmaceutical, Inc., People eServe Corp., La Funeraria Paz Sucat, Inc., Landev Corp., Pan Malayan Realty Corp., First Nationwide Assurance Corp., Malayan Insurance Co., Inc., Bankers Assurance Corp. and MICO Equities, Inc. ***His past experiences include:*** **International Counsel** of South Pacific for Federal Express Corp. ***Educational Background:*** Bachelor of Laws from Ateneo De Manila University School of Law, Philippines; Bachelor of Science in Business Economics from the University of the Philippines.

MA. ELVIRA BERNADETTE C. GARCIA-GONZALEZ, 40, Filipino, is the **Assistant Corporate Secretary.** She is also the **Corporate Secretary** of Blackhounds Security and Investigation Agency, Inc. and the **Assistant Corporate Secretary** of House of Investments, Inc., Malayan Colleges Mindanao (A Mapua School), Inc., Yuchengco Tower Office Condominium Corp., Y Tower II Office Condominium Corp., and GPL Holdings, Inc. ***Her past experiences include:*** **Legal Counsel and Assistant Corporate Secretary** of Coca-Cola Bottlers Philippines, Inc.; **Assistant Corporate Secretary of** Philippine Bottlers, Inc. and Luzviminda Land Holdings, Inc. ***Educational Background:*** Juris Doctor from Ateneo De Manila University School of Law; Bachelor of Arts in Political Science from Ateneo De Manila University, Philippines.

Nominations for Independent Directors and Procedures for Nomination

Following rules and procedures shall apply to the nomination and election of Independent Directors.

a) There shall be at least two (2) independent directors. An independent director is one who is independent of management and free from business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as director, and must possess all of the qualifications, and none of the disqualifications as prescribed by the Bangko Sentral Ng Pilipinas, Securities and Exchange Commission and other regulatory authorities, from time to time.
b) A Nomination Committee composed of at least three (3) members, one of whom is an independent director, shall promulgate the guidelines or criteria to govern the conduct of the nominations:
c) Nomination of independent director shall be conducted by the Nomination Committee prior to the stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.
d) The Nomination Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors;

e) After the nomination, the Nominations Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required by existing and applicable rules, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee;
f) Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Directors. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
g) Election of Independent Directors
   - Subject to pertinent existing rules and regulation of SEC, the conduct of the election of independent directors shall be made in accordance with the standard election procedures of the By-laws.
   - It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the stockholders' meeting.
   - Specific slots for independent directors shall not be filled up by unqualified nominees.

In case of failure of elections for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

The following are nominated for Directors of the Registrant in 2017-2018.

Regular Directors:

1) Ms. Helen Y. Dee
2) Mr. Ernest K. Cuyegkeng
3) Mr. Medel T. Nera
4) Ms. Milagros V. Reyes
5) Dr. Reynaldo B. Vea
6) Ms. Yvonne S. Yuchengco

Independent Directors

1) Mr. Renato C. Valencia
2) Mr. Cesar A. Buenaventura
3) Mr. Joaquin E. Quintos IV

The above-mentioned nominees for the proposed election on June 30, 2017 Stockholders' Meeting are all incumbent members of the Board of Directors.

The nominees for independent directors are neither officers nor employees, consultants or retainers, legal or otherwise, of the Company or any of its affiliates, and do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The nomination committee passed upon their qualifications and found no disqualifications, as provided for in the by-laws and in accordance with SRC Rule 38.

The Company adopted the SEC mandatory Term Limits for Independent Directors of a maximum cumulative terms limit of nine (9) years from the reckoning year of 2012, then permanently barred from servicing as Independent Director of the Company. The nominees for independent directors are within the Term Limits of the SEC Memorandum Circular No. 4, Series of 2017, which took effect on March 9, 2017.

Daniel Francisco, a stockholder of the Company, who is not in any way related to the nominees, nominated to the Board the re-election of Messrs. Cesar A. Buenaventura, Joaquin E. Quintos, IV and Renato C. Valencia as Independent Directors.

The Nomination Committee composed of four members two of whom are independent directors who review and evaluate the qualifications of all persons to be nominated to the Board as well as those to be nominated to other positions requiring appointment by the Board of Directors.

With respect to the independent directors, their nomination and qualification by the nomination committee were in compliance with Company's By-laws, Manual of Corporate Governance, SRC Rule 38. The directors so nominated possess all the qualifications and none of the disqualifications for independent directors. (Attached as Annexes 1 to 3 are the Certifications of Independent Directors)

The Director shall hold office for one (1) year and until their successors are elected and qualified. The composition of the members of the Company's various committees for 2016-2017 are as follows:

COMMITTEE	EXECUTIVE	COMPENSATION	AUDIT	NOMINATION
Chairman	Renato C. Valencia	Medel T. Nera	Cesar A. Buenaventura	Cesar A. Buenaventura
Member	Medel T. Nera	Ernest K. Cuyegkeng	Medel T. Nera	Medel T. Nera
Member	Yvonne S. Yuchengco	Yvonne S. Yuchengco	Renato C. Valencia	Joaquin E Quintos
Member			Yvonne S. Yuchengco	Reynaldo B. Vea

COMMITTEE	INVESTMENTS	RISK MANAGEMENT	GOOD GOVERNANCE
Chairman	Renato C. Valencia	Renato C. Valencia	Renato C. Valencia
Member	Ernest K. Cuyegkeng	Cesar A. Buenaventura	Ernest K. Cuyegkeng
Member	Medel T. Nera	Medel T. Nera	Helen Y. Dee
Member		Yvonne S. Yuchengco	

Resignation of Directors
To date, no director has resigned or declined to stand for re-election for the Board of Directors due to any disagreement with the Corporation relative to the Corporation's operations, policies and practices.

Election of Directors

The Directors of HI are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting or until their respective successors have been elected and qualified.

Appointment and Resignation of Officers
Officers are appointed or elected annually by the Board of Directors at its first meeting following the Annual Meeting of Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected, appointed or shall have qualified.

Significant Employees
Other than the Directors and the Executive Officers identified in this Information Statement, there are no other significant employees.

Family Relationships
Mrs. Helen Y. Dee and Ms. Yvonne S. Yuchengco are siblings.

Interest on Certain Matters to be Acted Upon
No director or officer of the Company has substantial interest, direct or indirect, in any matter to be acted upon in the meeting.

Certain Relationships and Related Transactions
In the normal course of the business, iPeople, inc and its parent company, subsidiaries and affiliates enter into certain related-party transactions principally consisting of inter-company charges and loans.

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, rental and contracted services, car loans, insurance and management fees, 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.

Please refer to **Annex B, Note 14, pages 29-31**, of the Notes to the Financial Statements for the full details of the Group's related party transactions.

Involvement in Legal Proceedings
The Company is not aware of the following events during the past 5 years up to May 12, 2017:

(a) any bankruptcy petition filed by or against any business of which any of its director or executive officers was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior to that time.

(b) any conviction by final judgment of any director or senior executive in a criminal proceeding domestic or foreign or being subject to a pending criminal proceeding domestic or foreign, of any director, executive officer or person nominated to be a director

(c) any director or senior executive being subject to any order, judgment or decree not subsequently reversed suspended or vacated of any court of competent jurisdiction, domestic or foreign permanently or temporarily enjoining barring, suspending or otherwise limiting such directors' or executive officer's involvement in any type of business securities, commodities or banking activities

(d) any executive officer or director found by a domestic or foreign court of competent jurisdiction, the Commission or other foreign body or a domestic or foreign Exchange or other organized trading market or self-regulatory organization to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Item 6: Compensation of Directors and Executive Officers

NAME AND POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION
The top 5 executives of the Company are as follows: 1. Reynaldo B. Vea, President & CEO 2. Gema O. Cheng, SVP-Finance and Treasurer 3. Joselito D. Estrella, Chief Information Officer 4. Ma. Esperanza F. Joven, VP-Finance 5. Maria Teresa T. Bautista, Controller	2017	P0 (est)	P0 (est)	P0 (est)
	2016	P0	P0	P0
	2015	P0	P0	P0
All other officers and directors as group unnamed.	2017	P0 (est)	P0 (est)	P840,000 (est)
	2016	P0	P0	P370,000
	2015	P0	P0	P400,000
TOTALS	2017	P0 (est)	P0 (est)	P840,000 (est)
	2016	P0	P0	P370,000
	2015	P0	P0	P400,000

The table states the aggregate compensation of all directors as a group.

The Company does not pay any salary or bonus to any of its Executive Officers as there are no employment contracts with executive officers. Other Annual Compensation pertains to per diem allowances given to Directors as discussed below.

Directors are paid a per diem of P20,000 for attendance in a Board meeting. Board meetings are scheduled every quarter in a year. A director is also paid a per diem of P10,000 for participation in committee meetings

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, other than those stated on the above table during the Company's last completed fiscal year, and the ensuing year, for any service provided as an executive officer or member of the Board of Directors.

There is no director, executive officer, nominee for director, beneficial holder and family member involved in any business transaction of the Company.

Item 7: Independent Public Accountants

The Accounting firm of Sycip Gorres Velayo and Company (SGV & Co.), with office address at 6760 Ayala Avenue, SGV Building, Makati City, Philippines, has been the Company's Independent Auditors since the Company's incorporation, and has been recommended to serve as such for the current year.

Pursuant to SRC Rule 68, paragraph 3(b)(iv) and Memorandum Circular No. 8, series of 2003 (Five (5) Year Rotation of External Auditors), the Company has engaged Ms. Wenda Lynn M. Loyola, as the Engagement Partner of SGV & Co. effective 2016.

The engagement of the external auditors was favorably endorsed by the Audit Committee to the Board of Directors. The engagement is ultimately submitted for approval of the stockholders.

Disagreement with Accountants on Accounting and Financial Disclosure
There was no event for the last 5 years where SGV & Co. had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Attendance of Accountants at the Meeting
Representatives of SGV & Co. are expected to be present at the annual stockholders meeting with the opportunity to make any statement, if they so desire, and will be available to respond to appropriate questions on the Company's financial statements.

External Audit Fees and Services
The Company has engaged SGV & Co. as the external auditor, and is tasked to conduct the financial audit of the Company. For this service, SGV & Co. has billed the company the following amounts:

YEAR	AUDIT FEE BILLING
2016	P768,500
2015	P764,053
2014	P764,053

The Company has not engaged SGV & Co. for any other services aside from its annual audit for the last five (5) years.

Tax Fees
The Company has not engaged the services of the external auditor for tax accounting, compliance, advice, planning and any other form of tax services.

All Other Fees
There are no other fees billed in each of the last two years for the products and services provided by the external auditor, other than the services reported under the items mentioned above.

Item 8: Compensation Plans

No action shall be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9: Authorization or Issuance of Securities Other than for Exchange

No action is to be taken with respect to the following:

1. modification or exchange of securities
2. financial and other information
3. mergers, consolidation, acquisition and similar matters
4. restatement of accounts

Item 10. Modification or Exchange of Securities

No action is to be taken with respect to the modification of any class of securities of the registrant, or the issuance or authorization for issuance of one class of securities of the registrant in exchange for outstanding securities of another class.

Item 11: Financial and Other Information

The audited financial statements as of December 31, 2016, Management Discussion and Analysis, Market Price of Shares and Dividends and other date related to the Company's financial information are attached hereto as **Annex "B"** and **"Annex A"**, respectively.

Item 12: Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken with respect to any transaction involving the following:

1) the merger or consolidation of the registrant into or with any other person or of any other person into or with the registrant;
2) the acquisition by the registrant or any of its security holders of securities of another person;
3) the acquisition by the registrant of any other going business or of the assets thereof;
4) the sale or other transfer of all or any substantial part of the assets of the registrant; or
5) the liquidation or dissolution of the registrant.

Item 13: Acquisition or Disposition of Property

No action is to be taken with respect to the acquisition or disposition of any property.

Item 14: Restatement of Accounts

No action is to be taken with respect to restatement of any asset, capital, or surplus accounts.

D. OTHER MATTERS

Item 15: Action With Regard to Reports

The Minutes of the previous stockholders meeting held on June 24, 2016 and the Management Report as set forth in the Annual Report will be submitted for stockholders approval.

Approval of the June 24, 2016 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes of the events that transpired during the said meeting, such as (a) 2015 annual report and audited financial statements, (b) ratification of actions of the Board of Directors, different Committees and Management during the year 2015, (d) elections of directors, and (e) appointment of external auditors.

Approval of the Annual Report constitutes a ratification of the Company's performance during the previous calendar years as contained in the Annual Report.

Ratification and confirmation of all the acts, resolutions and proceedings of the Board of Directors, Executive Committee and officers of the Company. This pertains to all acts resolutions, proceedings and approval made by the Board of Directors, Executive Committee and Officers of the Company from the last stockholders' meeting on June 24, 2016 for the period 2016 up to the date of meeting (June 30, 2017). This includes, among others, those that involve the day to day operations, administrations and management of the corporate affairs such as; a) opening of bank accounts/ bank signatories, b) approval of loans, c) declaration of cash dividends, and d) appointment of officers.

Copies of the minutes of stockholders' meeting shall be given to the stockholders at the meeting.

Item 16: Matters Not Required to be Submitted

No action is to be taken with respect to any matter, which is not required to be submitted to a vote of security holders.

Item 17: Amendment of Charter, Bylaws or Other Documents

No action is to be taken with respect to amendments to the Company's charter, bylaws or other documents.

Item 18: Other Proposed Action

The following matters will be submitted to a vote at the meeting:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on June 24, 2016
2. Approval of the Management Report and the Audited Financial Statements of the Company for the year ended December 31, 2016
3. Ratification and confirmation of all acts, resolutions and proceedings of the Board of Directors, Executive Committee and Officers of the Company during the year 2016.
4. Election of Directors for 2017-2018
5. Appointment of External Auditors

Item 19: Voting Procedures

At all elections of Directors, each stockholder may vote the shares registered in his name in person or by proxy for as many persons as there are Directors, or he may cumulate said shares and give one candidate as many votes, as the number of Directors to be elected multiplied by the number of his share, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, however, that the whole number of votes cast by him shall not exceed the number of shares owned by him as shown on the Company's stock transfer books multiplied by the number of Directors to be elected.

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

The Company will not declare stock dividends during the year.

CORPORATE GOVERNANCE

(a) Evaluation System to Measure Compliance with Manual on Corporate Governance

The Company has monitored its compliance with SEC Memorandum Circular No. 6 dated June 22, 2009 as well as all relevant Philippine Stock Exchange Circulars on Corporate Governance. The Company likewise submitted its revised corporate governance manual and complied with the leading practices and principles on good corporate governance. The Company also complied with the appropriate self-rating assessment and performance evaluation to determine and measure the compliance with the Manual.

In compliance with SEC Memorandum Circular No. 19 dated November 22, 2016, the Company will submit a New Manual on Corporate Governance on or before May 30, 2017.

In compliance with SEC Memorandum No. 20 dated December 8, 2016, the Company will submit the Annual Corporate Governance Report on or before May 30, 2017.

In compliance with SEC Memorandum No. 4 dated March 9, 2017, all Independent Directors are within the maximum cumulative terms limit of nine (9) years from the reckoning year of 2012.

(b) Measures Undertaken to Fully Comply with Leading Practices on Corporate Governance

The Company has exerted best efforts to comply with the provisions in its Manual on Corporate Governance. To ensure that leading practices on corporate governance are fully observed, the following steps have been undertaken:

1) Attendance of each Director on all the Board of Directors' Meeting are monitored and recorded.
2) All financial reports were reviewed by the Audit Committee before being finalized and thereafter endorsed to the Board of Directors for approval and submission to pertinent offices.
3) Other systems and measures have been undertaken such as observance of the Code of Ethics, Financial and Manpower Audit, providing seminars and conferences to comply with all relevant laws, regulations and codes of business practices. The Company maintains its system of check and balance.

(c) Deviation from the Manual on Corporate Governance

There is no known deviation from the Manual on Corporate Governance.

(d) Plans to Improve Corporate Governance

In order to improve Company's adherence to the leading practices in good corporate governance, the Company's Directors and Top Management attends the annual seminar on Corporate Governance conducted by an entity accredited with the Securities and Exchange Commission. Further, the Company continuously monitors all relevant PSE and SEC Circulars on Corporate Governance that maybe used to improve its Manual on Corporate Governance.

UNDERTAKING

UPON WRITTEN REQUEST OF STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH THE STOCKHOLDERS WITH A COPY OF THE COMPANY'S YEAR 2016 ANNUAL REPORT ON SEC FORM 17-A FREE OF CHARGE. ANY WRITTEN REQUEST FOR A COPY OF SEC 17-A SHALL BE ADDRESSED AS FOLLOWS:

iPeople, inc.
Attention: Office of the Corporate Secretary
Address: 3rd Flr. GPL Building
219 Sen. Gil Puyat Avenue
Makati City
Tel No.: (632) 815-96-36
Fax No.: (632) 816-11-27

SIGNATURE

After reasonable inquiry and to the best of our knowledge and belief, we certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on May 15, 2017.

iPeople, inc.
By:

Atty. Lalaine P. Monserate
Compliance Officer

Atty. Samuel V. Torres
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME THIS DAY OF 15 MAY 2017 IN THE CITY OF MAKATI AFFIANT EXHIBITED HIS/HER COMMUNITY TAX CERTIFICATE NO. ______ ISSUED ON ______ ISSUED AT ______

DOC NO. 271
PAGE NO. 72
BOOK NO. 562
SERIES OF 2017

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

ANNEX 1

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CESAR A. BUENAVENTURA,** Filipino, of legal age and a resident of 58 McKinley Road, Forbes Park, Makati City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of **iPEOPLE, INC.** and have been its independent director since 1991.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/ Relationship	Period of Service
Buenaventura, Echauz & Partners, Inc.	Chairman	2001 to Present
Bloomberry Cultural Foundation	Director	2015 to Present
Concepcion Industrial Corporation	Director	2014 to Present
D.M. Consunji, Inc.	Director	1995 to Present
DMCI Holdings, Inc.	Vice Chairman	1995 to Present
ICTSI Foundation	Director	2015 to Present
Mitsubishi Hitachi Power Systems Philippines, Inc.	Chairman	1996 to Present
Pilipinas Shell Foundation Inc.	Director	1983 to Present
Pilipinas Shell Petroleum Corporation	Independent Director	1970 to Present
Petroenergy Resources Corp.	Independent Director	1995 to Present
Semirara Mining and Power Corp.	Director	1997 to Present
The Country Club	Director	2016 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **iPEOPLE, INC.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of iPeople, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

Name of Director/ Officer/Substantial Shareholder	Company	Nature of Relationship
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **iPEOPLE, INC.** of any changes in the abovementioned information within five days from its occurrence.

Done this MAY 09 2017 day of April 2017, at Makati City, Metro Manila, Philippines.

CESAR A. BUENAVENTURA
Affiant

SUBSCRIBED AND SWORN to before me this MAY 09 2017 day of April 2017 at Makati City, affiant personally appeared before me and exhibited to me his Tax Identification (TIN) No. 121-507-656.

RUBEN T.M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2017
2734 M. AURORA ST., MAKATI CITY

Doc. No. 09;
Page No. 03;
Book No. 400;
Series of 2017.

ANNEX 2

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RENATO C. VALENCIA**, Filipino, of legal age and a resident of No. 331 Ma. Cristina Road, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of **iPEOPLE, INC.** and have been its independent director since 2003.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/ Relationship	Period of Service
Please see attached Annex "A"		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **iPEOPLE, INC.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of iPeople, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

Name of Director/ Officer/Substantial Shareholder	Company	Nature of Relationship
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **iPEOPLE, INC.** of any changes in the abovementioned information within five days from its occurrence.

Done this MAY 0 9 2017 day of May 2017, at Makati City, Metro Manila, Philippines.

RENATO C. VALENCIA
Affiant

SUBSCRIBED AND SWORN to before me this MAY 0 9 2017 day of May 2017 at Makati City, affiant personally appeared before me and exhibited to me his Tax Identification Card No. 118-457-420, and SSS ID No. 03-26735839.

Doc. No. 06;
Page No. 03;
Book No. [illegible];
Series of 2017.

RUBEN T.M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2017
2734 M. AURORA ST., MAKATI CITY
IBP NO. [illegible] / CY - 2017 APPT. NO. M-73
ROLL NO. [illegible] MCLE NO. [illegible] 02-19-12
PTR NO. MKT [illegible] / 01-03-17

CURRICULUM VITAE
RENATO C. VALENCIA

Professional Background (Present Positions)

Sep. 2, 2005 to date 2003 to date	Chairman Independent Director **i-People, Inc**
January, 2014 to date 2009 to date	Vice Chairman Director **Omnipay, Inc.**
Mar. 19, 2007 to date	Independent Director **Anglo Philippine Holdings Corporation**
Sep. 8, 2015 to date	Independent Director **EEI Corporation**
May 10, 2017 to date	Independent Director **GT Capital, Inc.**
Mar, 18, 2005 to date	Independent Director **Malayan Insurance Company, Inc.**
Nov. 2009 to date	Independent Director **Vulcan Industrial & Mining Corporation**

Professional Background (Past Positions)

February, 1990 to Jun. 30, 1998	President & CEO **Social Security System**
February, 1990 to Jun. 30, 1993 April, 1987 to February, 1990	Chairman & CEO President & COO **Union Bank of the Philippines**
October 27, 2011 to Oct. 19, 2015	President & CEO **Roxas Holdings, Inc.**
Jan. 27, 1994 to Jun. 30, 1998 April, 1990 to June 30, 1998	Vice Chairman Director **San Miguel Corporation**

April, 1993 to Jun. 30, 1998 April, 1990 to June 30, 1998	Chairman, Executive Committee Director **Phil. Long Distance Telephone Company**
Apr. 26, 1994 to Jun. 30, 1998	Director **Manila Electric Company**
December, 2004 to Apr. 28, 2011	Director **Bases Conversion Development Authority**
March, 2005 to 2008	Board Member **Civil Aeronautics Board**
May 2, 2007 to Nov. 2, 2011	Advisory Board Member **Philippines Coca-Cola System Council**
October 21, 1998 to April 30, 2017	Director **Metropolitan Bank and Trust Company**
Mar. 18, 2005 to Nov. 9, 2016	Director **House of Investments, Inc.**
September 29, 2010 to Oct. 19, 2015 Nov. 24, 2004 – Mar. 25, 2009	Director **Roxas Holdings, Inc.**
Oct. 7, 2010 to Oct. 19, 2015 Jun. 22, 2004 to Mar. 24, 2009	Director **Roxas and Company, Inc.**
Nov. 13, 2012 to Jun. 14, 2013 Jan. 17, 2005 to Nov. 13, 2012	Director Board Adviser **Philippine Veterans Bank**
January, 1999 to April, 2002	Chairman **Philippine Savings Bank**
2005 to Apr. 28, 2011	Director **Fort Bonifacio Development Corporation**
May 1992 to Jun. 30, 1998	Director **Philex Mining Corporation**
Feb. 14, 2012 to May 2013	Director **GT Capital Holdings, Inc.**

Mar. 27, 1995 to Jun. 30, 1998	Director **Far East Bank & Trust Company**
Apr. 8, 1994 to February 1995	Director **Makati Stock Exchange**
1983 to 1987 1982 to 1983	Executive Vice President Consultant, CBG & Corplan **The International Corporate Bank**
1979 to 1982	Senior Vice President **Family Bank & Trust Company**
1979 to 1981 1974 to 1979	Senior Vice President Vice President **Ayala Investment & Dev. Corporation**
1972 to 1973	Assistant Vice President **Makati Leasing & Finance Corporation**
1971	Personnel & General Services Manager **Solid Mills Incorporated**
1963 to 1969	Various Positions in the **Armed Forces of the Philippines**

Professional/Civic Affiliations

January, 1994 to Jun. 30, 1998	Vice Chairman **Philippine Cancer Society**
1993 to Jun. 30, 1998	General Campaign Co-Chairman **Heart Foundation of the Philippines**
1990 to Jun. 30, 1998	Trustee **Filipino Veterans Foundation**
Feb. 29, 1988 to date	Member **Management Association of the Philippines**
1987 to 1988 October, 1971 to date	President Member **Financial Executives Institute of the Phil.**

March, 1990 to Jun. 30, 1993 — Director
Bankers Association of the Philippines

Educational Background

1969 to 1971 — **Asian Institute of Management**
(Makati, Metro Manila)

Master of Business Management
Full Scholar, 1969 – 71, Dean's List, 1970 – 71
Special Citation for Academic Performance

1959 to 1963 — **Philippine Military Academy**
(Baguio City)

Bachelor of Science in General Engineering
Corps Commander (Baron), 1962 – 1963
Graduated No. 9 in a class of 73 cadets

Personal Background

Residence	:	331 Ma. Cristina Road Ayala Alabang Village, Muntinlupa City Philippines 1780
e-mail Address	:	rcv3313@gmail.com
Date of Birth	:	March 19, 1942
Birthplace	:	Malolos, Bulacan
Spouse	:	Marlene Avelino
Children	:	Jose Leonides (April 8, 1972) Maria Elena (November 19, 1974) Renato Leandro (August 21, 1976) Alexander (July 20, 1979)

May 6, 2017

ANNEX 3

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOAQUIN E. QUINTOS IV**, Filipino, of legal age and a resident of 24C North Tower, PacifiC Plaza Towers, Fourth Avenue, Fort Bonifacio, Taguig City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of **iPEOPLE, INC.** and have been its independent director since 2011.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/ Relationship	Period of Service
First Philippine Holdings, Inc.	Senior Vice President	2015 – Present
Energy Development Corporation	Director	2015 – Present
First Philippine Industrial Park	Director	2015 – Present
First Balfour, Inc.	Director	2015 – Present
ThermaPrime Drilling Corporation	Director	2015 – Present
First Philippine Electric Corp.	Director	2015 – Present
Philippine American Life and General Insurance Corporation	Independent Director	2015 – Present
AB Capital & Investment Corporation	Independent Director	2013 – Present
Credit Information Corporation	Director	2011 – Present
Skycable Corporation	Director	2011 – Present
Vicsal Investment Corporation	Independent Director	2010 – Present
Knowledge Channel Foundation	Trustee	2009 – Present
STI	Independent Director	2009 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **iPEOPLE, INC.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of iPeople, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

Name of Director/ Officer/Substantial Shareholder	Company	Nature of Relationship
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **iPEOPLE, INC.** of any changes in the abovementioned information within five days from its occurrence.

Done this MAY 11 2017 day of April 2017, at Makati City, Metro Manila, Philippines.

JOAQUIN E. QUINTOS IV
Affiant

SUBSCRIBED AND SWORN to before me this MAY 11 2017 day of April 2017 at Makati City, affiant personally appeared before me and exhibited to me his ________________, issued on __________, and valid until ____________.

Doc. No. 196;
Page No. 41;
Book No. 56;
Series of 2017.

RUBEN T.M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC 31, 2017
2734 M. AURORA ST., MAKATI CITY
IBP NO 1052369 / CY - 2017 APPT NO M-23
ROLL NO. 25917/MCLE-4 NO. 005324, 06-19-12
PTR NO MKT 5909562 / 01-03-17

ANNEX 4

iPeople
A YGC Member

18 April 2017

THE SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City, Metro Manila

Attention: MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation Department

Re: SEC Form 20-IS of iPeople, Inc. (SEC Reg. No. 166411)

Gentlemen:

In compliance with the requirements of the Securities Regulation Code relative to the filing of SEC Form 20-IS of iPeople, Inc. (the "Company"), we hereby certify that none of the Company's incumbent directors and executive officers or nominees for election to the Board of Directors during the Annual Stockholders' Meeting on 30 June 2017 are government employees.

We trust that the foregoing sufficiently complies with this Honorable Commission's requirements.

Very truly yours,

SAMUEL V. TORRES
Corporate Secretary

iPeople
A YGC Member

ANNEX "A"

MANAGEMENT REPORT

Financial and Other Information

Audited Financial Statements

The Statement of Management's Responsibility and Consolidated Audited Financial Statements of the Group as at December 31, 2016 are attached hereto as **Annex "B"**.

Changes in and Disagreements with Accountants in Accounting and Financial Disclosure

None

Management Discussion and Analysis of Financial Condition and Plan of Operations

1. Plan of Operations

<u>THE EDUCATION SECTOR</u>

MALAYAN COLLEGES INC. (OPERATING UNDER THE NAME OF MAPUA INSTITUTE OF TECHNOLOGY)

MCI is widely considered to be the leading and largest private engineering and I.T. school in the country.

Don Tomas Mapúa, the first registered Filipino architect, founded Mapúa Institute of Technology (MIT) on January 25, 1925. MIT has grown to be the Philippines' biggest engineering school, with 33 undergraduate and 22 graduate engineering programs.

Mapua now offers the following courses of study:

Engineering & Sciences

- *BS Biological Engineering*
- *BS Chemical Engineering*
- *BS Chemistry*
- *BS Civil Engineering*
- *BS Computer Engineering*
- *BS Electrical Engineering*
- *BS Electronics Engineering*
- *BS Environmental & Sanitary Engineering*
- *BS Geological Science & Engineering*
- *BS Geology*
- *BS Industrial Engineering*
- *BS Manufacturing Engineering*
- *BS Materials Science & Engineering*
- *BS Mechanical Engineering*

Engineering Management

- *BS Construction & Engineering Management*
- *BS Management Science and Engineering*
- *BS Service Engineering & Management*

Architecture & Design

- *BS Architecture*
- *BS Industrial Design*
- *BS Interior Design*

Information Technology

- *BS Computer Science*
- *BS Information Systems*
- *BS Information Technology*

Social Sciences

- *BS Educational Technology*
- *AB Psychology*
- *BS Psychology*
- *BS Technical Communication*

Business & Management

- *BS Accountancy*
- *BS Business Administration*
- *BS Entrepreneurship*
- *BS Hotel & Restaurant Management*

Graduate Studies

- *Graduate Programs*
- *Joint programs*
- *BS-MS Programs*

Multimedia Arts & Sciences

- *BS Multimedia Arts & Sciences*
- *BS Fine Arts in Digital Cinema*

New Programs

- *BS Physics*
- *BS Physical Education*
- *BS Entertainment and Media Computing*
- *Master in Information Technology*

Continuing Education

Mapúa has a student population of about 14,000 spread across its main campus in Intramuros, Manila, and in its Makati City extension. It is the first school in Southeast Asia that has received the prestigious accreditation from the Accreditation Board of Engineering and Technology (ABET) in the United States for 11 of its engineering programs and two of its computing programs. This means that the graduates from those degree programs are considered to have received education and training comparable to similar degree programs in the US and Europe that have also received the ABET accreditation.

Vision

Mapua shall be among the best universities in the world.

Mission

The Institute shall provide a learning environment in order for its students to acquire the attributes that will make them globally competitive.

The Institute shall engage in economically viable and/or publishable research, development, and innovation.

The Institute shall provide state-of-the-art solutions of the problems of industries and communities.

Core Values

Mapúa Institute of Technology aims at the empowerment of the youth by providing education grounded on academic excellence and strength of character. Students are expected to develop the passion for mental knowledge and meritorious performance as well as the recognition of moral values as essential to growth of character. The integration of humanities and the social sciences into the technical curriculum has paved the way to the achievement of this goal.

Mapúa upholds the reinforcement of time-honored values learned in school and at home directed towards the development in the student of a strong moral fiber that will contribute to his/her personal well-being as well as that of other members of society.

Mapúa emphasizes the importance of the following core values:

- DISCIPLINE
- EXCELLENCE
- COMMITMENT
- INTEGRITY
- RELEVANCE

By ensuring that these core values are learned in the classroom and outside, MAPÚA shall have done its share in producing men and women who lived fulfilled and meaningful lives.

Educational Philosophy

The Mapúa Institute of Technology offers its students professional and advanced scientific and engineering education with a healthy dose of the arts, letters, philosophy, and social sciences to form men and women who shall possess not only technological expertise but also the human values and perspective that promote moral development.

Mapúa upholds academic excellence and social responsibility as core values.

Mapúa provides quality academic curricula that are current in content and state-of-the-art in delivery.

Mapúa provides a learning environment that encourages the exercise of creativity and the experience of discovery.

Mapúa adheres to a learner-centered, outcomes-based education (OBE) system.

Mapúa captures the full synergy among instruction, research, and extension work to heighten the learning experience of its students.

Mapúa builds linkages with industry and government in order to maintain the relevance of its academic programs and to engage in collaborative research.

Integrated Management System Policy
Mapúa commits to continually improve the effectiveness of its management system in order to satisfy its clients' expectations as contained in our statement of program educational objectives and student outcomes.

Mapúa commits to have a quality management system that is compliant with all statutory, regulatory, and other requirements applicable to the organization's business and environmental dimensions of operations.

Mapúa commits to strategic initiatives on pollution prevention, energy conservation, and resource-use optimization.

Integrated Management System Policy

1. Enhance customer satisfaction by managing all related activities and resources efficiently and effectively.
2. Meet the organizational goals through improved teamwork and reinforced interfaces among different departments and functions.
3. Improve the processes for cost effectiveness.
4. Comply with all legal and statutory requirements with regard to the organization's environmental dimensions of operations.
5. Meet the set of goals on pollution prevention, energy conservation, and resource-use optimization.

Strategic Objectives

The Future Mapúa shall be a digital, research-driven, outcomes-based international domain (D.R.O.I.D.)

Strategic Objective 1: Implement Learner-Centered, Outcomes-Based Education (LC-OBE) to its full promise

Strategic Objective 2: Harness digital education to its full potential

Strategic Objective 3: Heighten research/development/innovation (RDI) and advisory/consultancy capabilities to be a credible international player

Strategic Objective 4: Broaden the international dimension of school operations to global norms

General Objectives
The Institute seeks to become an international Center of Excellence in integrated engineering, architecture, and IT education. It seeks to develop young Filipinos into highly competent engineers, architects, and IT professionals in order to meet local and global human resource requirements. It seeks to generate new knowledge to heighten the nation's competitiveness in today's knowledge-based and global economy. It seeks to apply knowledge in order to make the world a better place for Filipinos and humankind.

Special Objectives
Aside from the objectives stated above, the Institute declares the following for itself:

1. Develop in the student quality values and attitudes needed to produce moral and ethical professionals;
2. Provide opportunities to develop critical thinking and sound judgment essential in the practice of one's profession;
3. Foster strong ties among the faculty, students, and alumni;
4. Develop workable technologies that could tap the potentials of the country's resources.

Its enrollees account for at least 16% of the total student population in BS in Chemical (ChE), Civil (CE), Computer (CpE), Electrical (EE), Electronics (ECE), Environmental and Sanitary (EnSE), Industrial (IE), and Mechanical Engineering (ME) programs of the top 10 engineering schools in the country, based on Commission on Higher Education's (CHED) enrollment data.

Mapúa's program offerings in other fields of study have also expanded particularly in Architecture and Design, Information Technology (IT), Business and Management, Multimedia Arts and Sciences, Social Sciences, and Health Science.

Mapúa's efforts to continuously improve the quality of its education have been notable. For demonstrating high standards in classroom instruction, research, and extension service, CHED declared the Institute as National Center of Excellence for Chemical Engineering, Civil Engineering, Computer Engineering, Electrical Engineering, Electronics Engineering, Environmental and Sanitary Engineering, Information Technology, and Mechanical Engineering programs and Center of Development for Industrial Engineering program.

Industry partnerships have also been given more focus in the recent years by the Institute. Currently, it has tie-ups with hundreds of local and international educational institutions, organizations, and companies for its exchange programs, faculty development, collaborative researches, and student internships. Such efforts enabled Mapúa to consistently produce topnotchers in licensure examinations. On record, the Institute's board heroes have reached close to 287 since 2002.

Mapúa moves to fine-tune its teaching standards with a series of accreditations. The Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) affirmed the Institute's high standards in educational operations, granting Level IV accreditation to its CE program and Level III accreditation to its CpE, EE, ECE, EnSE, IE, and ME programs.

As a move towards realizing its vision to be among the best universities in the world, Mapúa has pursued international accreditation for its academic programs with ABET (Accreditation Board for Engineering and Technology), a non-governmental organization that accredits post-secondary education programs in applied science, computing, engineering, and engineering technology. To date, 13 Mapúa programs are now ABET-accredited, namely, ChE CpE, CE, EE, ECE, EnSE, ME, IE, BE, MSE, MfgE, CS, and IT.

Mapúa has also secured accreditation with the Philippine Technological Council-Accreditation and Certification Board for Engineering and Technology (PTC-ACBET), the sole organization recognized by the CHED and the body of engineering professionals in the country to be the sole signatory-applicant and representative of the Philippine jurisdiction to the Washington Accord. Mapúa's EE, ECE, IE, CE ChE, EnSE, CpE and ME programs have all been accorded full accreditation by the PTC-ACBET.

Further, Mapúa has adopted Blackboard Learn, a new learning management system (LMS) for all its schools and departments including its subsidiaries. Blackboard Learn is a tool that provides students and teachers an easy and effective way to access course materials. It gives the capability for asynchronous online collaboration and course delivery, advanced roles and rights management, including the capability to create customized communities of users, library integration, and a centralized content repository with granular control over content objects. This new technology will give way to the standardization of LMS across all programs and departments of the Institute and its subsidiaries.

Mapúa's strategic initiatives to keep up with the demands of the integration is bolstering its research capabilities and students' math and science and technology proficiency. On top of various local and international accreditations, it has put a prime in research and academic and local partnerships. The Institute recently opened a new research building, which houses laboratories, researchers' rooms, and a large working area. This state-of-the-art facility is also home to the Innovation and Technology Support Office, which is responsible for giving strategic direction to the Institute's R&D and to convert outputs into patents, designs, utility models, and even spinoff companies.

In terms of industry-academe linkages, Mapúa doubles its efforts to forge more partnerships intended to give students and professors a better understanding of what companies need and access to the latest technology and equipment.

To expose its engineering students to different technologies and processes employed in other Asian countries, Mapúa initiated international plant visits to Singapore, Taiwan, Thailand, Malaysia, Japan, South Korea, and Hong Kong. In 2016, the Institute was able to send about 255 students for international plant exposure.

Likewise, it has strongly promoted international on-the-job trainings and student exchange programs. To date, Mapúa has now over 281 partner companies for OJT (local and international). It has sent over 1,779 students to various universities and partner institutions abroad since the internationalization programs started in 2010.

Alongside its pursuit of academic excellence, Mapúa also endeavors to be part of the solution to the global issue of climate change. Mapúa has long been an advocate of environment conservation and engineering for the environment, beginning with the opening of its BS Environmental and Sanitary Engineering (EnSE) program in 1958, followed by the opening of its Master of Science in Environmental Engineering program in 2001 and Ph.D. in Environmental Engineering program in 2004. EnSE's curriculum currently includes 17 three-unit courses related to the protection and conservation of the environment and its engineering.

Furthermore, the Institute has also included environmental engineering and environmental science courses in all of its engineering and non-engineering programs, respectively. Mapúa believes that these courses are enough introductions for all the students to understand the real situation of the environment. It is also believed that these courses are sufficient to train them to be able to design, construct, and implement sustainable solutions to environmental problems.

To complement its instruction, Mapúa included in its 2010–2020 initiatives the reduction of its carbon footprint. To initiate an institutional effort of carbon footprint reduction (CFR), the Institute formed a core group led by the Subject Chairperson for Chemical Engineering (ChE) Dr. Alvin R. Caparanga.

Some ChE students were commissioned to conduct an initial study to compute the Institute's total carbon footprint. Upon the presentation of results, the CFR committee convened to come up with necessary actions to be taken by the Institute to reduce its carbon footprint, which is mainly produced by its consumption of energy, water, and paper.

Together with the different schools and offices, the CFR committee has gathered best practices for the conservation of its resources. Mapúa has started replacing all of its lamps with more energy-efficient ones. It has also started replacing its air-conditioning units with ones using inverter technology. The CFR group is currently in the process of setting targets and monitoring guidelines for this effort, aiming for full implementation in 2016.

Apart from its internal efforts, Mapúa also has extension services dedicated to address environmental concerns through education. Under its Social Orientation and Community Involvement Program (SOCIP), the Institute has conducted seminars on recycling, energy conservation, and use of renewable energy; information drive about global warming and pollution in the community; and tree-planting and clean-and-green projects in partnership with the government and non-government organizations.

Mapúa also has three other wholly owned operating subsidiaries, Malayan Colleges Laguna (MCL), Mapúa Information Technology Center (MITC), and the Malayan High School of Science (MHSS). MCI is expanding in Mindanao with the acquisition of a 2.3-hectare property in Davao through its newly incorporated school, Malayan Colleges Mindanao (A Mapúa School), Inc.
Mapúa is offering senior high school starting 2016. It has a total of 982 enrolled students at present.

MALAYAN COLLEGES LAGUNA, INC.
Located in Cabuyao, Laguna, alongside several science and industrial parks, Malayan Colleges Laguna was established to extend the brand of the Mapúa Institute of Technology to the south by offering programs in engineering, computer science, information technology, business, accountancy, and hotel and restaurant management to students who prefer to stay closer to home.

Driven by passion for knowledge, MCL seeks to meet the challenges of globalization in order to produce graduates who can exercise their skills in the global labor market. Given its excellent location, the MCL campus gives students the opportunity to train and apprentice with technology-driven companies during their academic years.

In November 2006, the Commission on Higher Education (CHED) gave the approval for MCL to offer eight programs of study in Engineering, Information Technology, and Business. This was after MCL's satisfactory compliance with the standards of the CHED's Regional Quality Assurance Team. To date, the campus offers 21 bachelor's degree programs and two diploma programs under five colleges and one institute: the Mapúa Institute of Technology at Laguna, the E.T. Yuchengco College of Business, the College of Computer and Information Science, the College of Arts and Science, the Mapúa-PTC College of Maritime Education, and the Institute for Excellence in Continuing Education and Lifelong Learning.

Last June 2016, MCL Senior High School was opened, welcoming more than a thousand Grade 11 students under the Academic and Technical-Vocational-Livelihood Tracks.

With its excellent facilities, technologically advanced and IT-integrated curricula, MCL was envisioned to be a Center of Excellence for science and technology education in Southern Luzon. A decade later, the institution finds itself succeeding, as proven by its graduates' and students' consistently excellent performance in licensure and certification exams, and in local and national competitions and quiz bowls. Just last 2016, it was marked as the number one private school in CALABARZON and the 10th best school in the Philippines by FindUniversity.ph.

The institution's community started with 854 students in its first year in the academe. Today, there are 5,079 students under both college and Senior High School.

Mission

1. To educate students to have the entry-level technical competencies, soft skills and global perspective as to be the most sought-after graduates by industry worldwide.
2. To produce social wealth from the generation of new knowledge.
3. To help solve industry's and society's problems by the expert application of existing knowledge.

Vision
Malayan Colleges Laguna shall be a global steeple of excellence in professional education and research.

Core Values
Excellence and Virtue

MALAYAN HIGH SCHOOL OF SCIENCE, INC.
MHSS is a science- and math-oriented high school located in Pandacan, Manila. Modeled after similar but publicly funded science high schools, MHSS offers a rigorous academic program geared towards graduating hard-working, mathematical and scientific-trained students that will excel in their university studies and beyond. The school is focused on optimizing student-to-teacher time and currently has 327 students. MHSS is offering senior high school starting 2016.

MHSS is envisioned to be a global Center of Excellence in secondary education with a special focus on science and technology, thus giving the same quality education that its parent school, Mapúa Institute of Technology, is known for. It has a top-notch faculty, state-of-the-art facilities, and a curriculum that will allow students to "fully express not only their scientific inclinations but also their artistic bent." At its young age, MHSS has already gained recognitions from numerous academic and non-academic events both here and abroad.

Mission & Vision
The Malayan High School of Science shall be a global Center of Excellence in secondary education especially in the area of science and technology

Program Outcomes
The Malayan High School of Science shall educate its students to have a very strong foundation in the natural sciences and the mathematics; excellent communications skills; a deep appreciation of the most important technologies of the day; an analytical mind and a creative, innovative spirit; awareness of social, global and environmental issues; love of country and humanity.

Core Values
- DISCIPLINE
- EXCELLENCE
- COMMITMENT
- INTEGRITY
- RESPONSIBILITY

MAPUA INFORMATION TECHNOLOY CENTER, INC. (MITC)
MITC caters to professionals, career entrants, and career shifters who are seeking to enhance their competencies in a short timeframe. MITC is envisioned to become a leader in non-university-type education.

MITC offers a wide range of choices to make participants skilled and completely up-to-date professionals. Learning tracks are pursued in cooperation with the best practices in the industry and are geared towards developing skills with high industry demands and certifications in technologies like Cisco, Linux or Java.

Vision

To be the preferred provider of continuing and alternative learning in the Philippines and in the Southeast Asia Region.

Mission

Empower individuals by developing their talents and competencies using innovative teaching-learning methodologies and technologies.

Enhance work quality and engender optimum performance in organizations thru continuing education and lifelong learning.

The faculty and trainers are duly-accredited and certified by global industry partners to assure clients of the finest quality training possible. They are industry practitioners to enable them to know the current trends and practices in the industry.

MITC provides high quality training to the following:
- Corporations
- Non-IT related graduates (Post-graduates) / Career Shifters
- Executives / Professionals

The center offers the following training modules:
- JAVA
- Oracle
- . NET
- Web Development
- Comptia A+
- IT Essentials
- SDLC
- Unix/Linux
- Cisco
- Office Productivity
- Project Management
- SAAD
- Business Analysis
- English in the Workplace
- Other Customized Program

THE INFORMATION TECHNOLOGY SECTOR

PAN PACIFIC COMPUTER CENTER, INC. (PPCC)
IPO owns PPCC. PPCC services the I.T. related requirements of the YGC and selected clients.

PPCC operates in the following businesses:

- reselling computer hardware and peripherals
- reselling software licenses and packages; and
- providing value-added I.T. services.

2. Management Discussion and Analysis of Financial Condition and Results of Operations

CONSOLIDATED RESULTS - Year 2016 vs. Year 2015

Financial Position

Total consolidated assets increased from ₱5.90 billion to ₱6.53 billion, or a 11% growth compared to last year.

Consolidated current assets increased by 31% primarily because of higher cash levels as of the period. This is attributable to the timing of enrollment for the next term in December 2016. Last year was lower due to the acquisition of property in Mindanao and the settlement of obligations related to construction and renovation of school buildings in Manila. Receivables from related parties are higher due to timing of collection of lease income from an affiliate. Prepaid expenses and other current assets dropped due to utilization of input VAT.

Consolidated non-current assets grew by 7% mainly due to the on-going construction of a school building in Mindanao, and increase in land due to revaluation gain. Acquisition of new furniture and equipment for the newly constructed school buildings in Luzon. Available-for-sale financial assets, which are carried at its market value as of the same period increased by 19%. The acquisition of a new learning management system also contributed to the increase in other non-current assets.

Total consolidated liabilities dropped by 8%, from P1.10 billion to P1.01 billion this year primarily due to the full settlement of the long-term bank loan of the school. Unearned tuition fees are higher this year because of the effect of Senior High School offering, which started in June 2016. Both schools, Malayan Colleges Inc. and Malayan Colleges of Laguna, offered Senior High School last year.

Total equity of the Group rose by 15%, primarily driven by increase in other comprehensive income, revaluation increment on land and remeasurement gains on defined benefit plans.

Results of Operations

The Group posted a consolidated net income of ₱643.27 million, which is 19% lower as against ₱798.85 million of last year.

Consolidated revenues decreased by 3%, from ₱2.42 billion to ₱2.36 billion, primarily because of lower revenues from schools as a result of the K plus 12 program of the Department of Education (DepEd). As a result the number of freshmen enrollees dropped significantly in the AY 2016-2017. This was, however, softened by enrollees for Senior High School. Income from office space rental has also dropped due to pre-termination of lease agreement between School and an affiliate bringing sale of services lower by 13% compared to last year.

Consolidated cost and expenses increased by P83.68 million from ₱1.34 billion to ₱1.43 billion this year because of higher cost related to school operations. The increase is attributable to (a) personnel cost due to hiring of new teachers for Senior High School, and increase in the salary rate of faculty and non-faculty; (b) depreciation of newly constructed and renovated school buildings and offices; (c) student related expenses, and (d) professional fees due to new consultants to support Senior High.

General and administrative expenses increased by 18% from ₱189.27 million to ₱223.40 million, primarily because of (a) higher advertising cost due to intensive campaign for Senior High School offering; (b) increased management and professional fees relative to higher cost in security and other contracted services; and (c) higher personnel cost relative to mandated salary and wage increases.

Interest expense and other finance charges dropped from ₱19.29 million to ₱9.09 million due to full settlement of long-term loan of the Group.

Interest income was higher by ₱1.16 million, from ₱10.93 million to ₱12.08 million because of higher volume of placements during the year.

Other income (loss) includes income on UITF, FOREX gains, and write off of long outstanding payables.

CONSOLIDATED RESULTS - Year 2015 vs. Year 2014

Financial Position

Total consolidated assets increased from ₱5.33 billion to ₱5.90 billion, or a 11% growth compared to last year.

Consolidated current assets went down by 39% because of (a) significant drop in cash due to acquisition of property in Mindanao and settlement of obligations related to construction and renovation of school buildings; and (b) lower receivables due to collection. Prepaid expenses, however, increased due to higher volume of restricted funds and increase in creditable withholding taxes.

Total consolidated liabilities decreased from P1.42 billion to P1.10 billion, or 23% lower than last year.

Consolidated current liabilities are lower by 8%, from P850 million to P786 million mainly because (a) accounts payable and accrued expenses and payable to related parties dropped due to settlement of obligations to suppliers, contractors and related parties, respectively; and (b) lower dividends payable because last year includes special dividend declaration which was paid in January 2015. Unearned tuition fees are higher this year because of increase in the average number of enrollees.

Non-current liabilities dropped from P572 million to P312 million, primarily because of increased loan repayments which resulted to earlier maturity date of the loan. Deferred tax liability increased because of higher revaluation increment on land reported by an independent appraiser.

Total equity of the Group rose by 23%, primarily driven by continued strong results in school operations.

Results of Operations

The Group posted a consolidated net income of ₱798.85 million, which is 7% higher as against ₱745.59 million of last year.

Consolidated revenues grew by 5%, from ₱2.31 billion to ₱2.43 billion, primarily because of higher revenues from schools. Increase in revenues from schools is attributable to higher number of students who enrolled for the year, coupled by slight increase in fees. Sale of goods pertains to the revenues from the Group's IT Company (Pan Pacific Computer Center Inc or "PPCC") which showed lower volume of goods sold. Last year includes a one-time big-time sale to one of its major customers.

Consolidated cost of sales and services went up from ₱1.23 billion to ₱1.30 billion, or 6% higher than last year because of increased cost of school and related operations.

Cost of school and related operations increased by 10% because of increase in personnel and student related expenses. Increase is also attributable to higher accreditation costs as the schools renew its accreditation with different accrediting agencies which gives formal recognition to an educational institution.

Decrease in cost of goods sold is attributable to decrease in sales volume of PPCC.

General and administrative expenses are slightly higher to last year, from ₱235.36 million to ₱237.88 million.

Interest expense and other finance charges dropped from ₱19.55 million to ₱19.08 million.

Interest income was higher by P3.93 million, from ₱7.00 million to ₱10.93 million because of higher volume of placements during the year.

Other income (loss) pertains primarily to investment income (losses) in UITF investment.

CONSOLIDATED RESULTS - Year 2014 vs. Year 2013

Financial Position

Total consolidated assets increased from P4.66 billion to P5.33 billion, or a 14% growth compared to last year.

Current assets grew by 10% because of increase in receivables as a result of higher revenues from school operations. Last year's investment in UITF was transferred to money market placements resulting to significant drop in financial asset – FVPL and increase in cash and cash equivalents.

Non-current assets up by 16%, primarily attributable to construction and renovation of school buildings.

Total consolidated liabilities increased from P1.32 billion to P1.42 billion, a 7% higher than last year.

Current liabilities are higher by 27%, from P667 million to P850 million mainly because of increase in Group's obligation to its local suppliers. Purchases from various suppliers are largely attributable to construction and renovation of the Group's schools. The increase in dividends payable was a result of special dividend declaration in the last quarter of the year.

Non-current liabilities dropped from P656 million to P572 million, as the Group accelerated settlement of its obligations. Also, no additional loans were availed of for the year.

Total equity of the Group rose by 17%, primarily driven by continued strong results in school operations.

Results of Operations

The Group posted a consolidated net income of ₱745.59 million as against ₱631.68 million of last year.

Consolidated revenues grew by 13%, from ₱2.05 billion to ₱2.31 billion, as revenues from schools and I.T. Company showed better results. Increase in revenues from schools is attributable to higher number of students who enrolled for the year, coupled by slight increase in fees. The Group's I.T. Company also showed strong results as its reselling business picked up last year.

Cost of sales and services went up from ₱1.06 billion to ₱1.23 billion, or 15% higher than last year.

Cost of school and related operations increased by 10% because of increase in personnel and student related expenses. Increase is also attributable to higher accreditation costs as the schools renew its accreditation with different accrediting agencies which gives formal recognition to an educational institution.

Increase in cost of goods sold is attributable to increase in sales volume.

General and administrative expenses are lower by 19% compared to last year, from ₱291.41 million to ₱235.36 million.

Interest expense and other finance charges dropped by 2% compared to last year, from ₱19.95 million to ₱19.55 million.

Interest income dropped from ₱15.41 million to ₱7.00 million as a result of lower interest rates.

Other income (loss) pertains primarily to investment income (losses) in UITF investment.

Financial Ratios

Below are the financial ratios that are relevant to the Group's for the year ended December 31, 2016:

Financial ratios		**2016**	2015
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**1.41:1**	1.09:1
Solvency Ratio *Shows how likely a company will be to continue meeting its debt obligations*	Net Income + Depreciation / Total Liabilities	**0.84:1**	0.89:1
Debt-to-equity ratio *Measures the Group's leverage*	Total Debt / Equity	**0.20:1**	0.24:1
Asset to Equity Ratio *Shows how the company's leverage (debt) was used to finance the firm*	Total Assets / Equity	**1.18:1**	1.23:1
Interest Rate Coverage *Shows how easily a company can pay interest on outstanding debt*	EBIT / Interest Expense	**78.14:1**	46.28:1
Return on Average Stockholders' Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Equity	**12.47%**	18.34%
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income / Total Assets	**9.85%**	13.55%

Current ratio provides the liquidity position of the business by comparing current assets to current liabilities. The current ratio increased from 1:09:1 in 2015 to 1.41:1 in 2016. Cash was significantly higher this year because of the timing of enrollment. Last year, there were payments for acquisition of a property in Mindanao and settlement of obligations relative to construction of new school buildings.

Solvency ratio decreased from 0.89:1 in 2015 to 0.84:1 in 2016 due to lower net income for the year as the Schools' revenues dropped due to the effect of the K plus 12 program of DepEd.

Debt-to-Equity ratio measures the Group's leverage. The total debt-to-equity ratio of the Group is 0.20:1 for 2016 and 0.24:1 for 2015. This has improved because of the full settlement of its long-term debt.

Asset to Equity ratio increased from 1.23:1 in 2015 to 1.18:1 in 2016 because of increase in asset base relative to acquisition of a new property and construction of a new school building in Mindanao.

Interest Rate Coverage shows how easily a company can pay interest on outstanding debt. With the full settlement of the Group's long-term debt, interest rate coverage ratio improved from 46.28:1 in 2015 to 78.14:1 in 2016.

Return on Average Stockholders' Equity (ROAE) measures the profitability of the Company in relation to the average stockholders' equity. The ROAE for 2016 was dropped to 12% from 18% in 2015 because of lower net income for the period.

Return on Assets measures the ability to utilize the Group's assets to create profits. The Group's return on assets for year 2016 decreased to 9.85%, from 13.55% in 2015. The decrease in Group's net income and the increase in total assets due to acquisition of new property in Mindanao are the primary reasons for the decline in ratio.

The above-mentioned ratios are applicable to the Group as a whole.

MATERIAL EVENT/S AND UNCERTAINTIES

a) Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

Uncertainties remain as to whether the country will continue to be affected by regional trends in the coming months. The financial statements do not include any adjustments that might result from these uncertainties. Related effects will be reported in the financial statements, as they become known and estimable.

Due to the Company's sound financial condition, there is no foreseeable trend, event or uncertainty, which may have material impact on the short-term and long-term liquidity.

b) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

There is no foreseeable event that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

c) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

There is no material off-balance sheet transaction, arrangement, obligation (including contingent obligation), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

d) Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

iPeople, inc.'s subsidiary Malayan Colleges, Inc. (MCI) (operating under the name of Mapua Institute of Technology) is constructing a new campus on a 2.3-hectare property in Davao through its subsidiary, Malayan Colleges Mindanao (A Mapua School), Inc. (MCMI) and completion is expected in time for the Academic Year 2018-2019. The project is estimated to cost around P2 billion and will be funded partially by debt.

Except for the construction for MCMI, there is no material commitment on capital expenditures other than those performed in ordinary course of trade of business.

e) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

The K plus 12 program of the DepEd, which calls for the two extra years of basic education started in 2016. There will be two academic years where there will be no students moving on to tertiary studies in starting 2016. This is expected to severely impact the profit and cash flow of both for-profit and non-profit tertiary education institutions during the transition period.

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

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

There is no known trend, event, or uncertainty, which may have material impact on revenues.

f) Any significant elements of income or loss that did not arise from the issuer's continuing operations.

There is no significant element of income arising from continuing operations.

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

There has not been any seasonal aspect from period to period that had a material effect on the financial condition or results of the Group's operations.

Other Items
- Future financial condition and the results of operations will depend on the ability of Malayan Colleges Inc. and its operating subsidiaries to maintain and increase enrollment, control operating expenses, and keep financing charges to a minimum.

- Sources of liquidity will depend on the dividend declaration of MCI and bank loans. Funding will be sourced from internally generated funds and borrowings.

- Earnings per share attributable to equity holders of the parent company amounted to P0.7954 in December 2016 compared to P0.9893 and P0.9253 in December 2015 and 2014, respectively.

Brief Description of the General Nature and Scope of Business of the Company including its significant subsidiaries

Description of Business

iPeople, inc. (IPO/the Company) is the holding company within the Yuchengco Group of Companies (YGC) that drives investment in the education and technology sector. IPO is incorporated in the Republic of the Philippines and is a publicly listed company on the Philippine Stock Exchange (PSE).

IPO has a focused portfolio. It has two main operating subsidiaries: the Malayan Colleges, Inc. (MCI – operating under the name of Mapua Institute of Technology); and the Pan Pacific Computer Center, Inc. (PPCC). IPO and its subsidiaries comprise the Group.

Using funding raised through various sources (internally generated cash, equity, debt, or a combination), IPO seeks to buy entire businesses (or take majority control in a friendly transaction) with a view towards increasing the returns from such enterprises. By taking control of high return businesses, management seeks to increase the enterprise value of the Company as the earnings stream and cash flows from such investments grow.

These returns are then channeled to stockholders primarily through dividends.

IPO does have the alternative of exiting investments via sale of such assets. This is also a tool for leaving low-return businesses with the objective of investing additional capital in higher return businesses.

IPO's portfolio is organized into two verticals:

EDUCATION: IPO owns a majority stake (93%) in MCI. MCI is widely considered to be the leading engineering and I.T. school in the country.

MCI also has two other wholly-owned subsidiaries, the Malayan Colleges Laguna, Inc. (MCL) and the Malayan High School of Science, Inc. (MHSS).

These three companies form the core of the education portfolio.

INFORMATION TECHNOLOGY: PPCC services the I.T. related requirements of the YGC and selected clients. These I.T. requirements include hardware, software, and I.T.-related services.

THE HOLDING COMPANY

Executive management monitors the business performance of companies in the portfolio very closely. Through regular review of actual results compared to budgets and previous year performances, IPO is able to determine if the Group is able to perform as expected.

In particular, management watches operating metrics very closely and how these impact the financial metrics. By monitoring operating metrics and financial metrics, executive management can always determine whether the capital deployed to various businesses within the portfolio is being used efficiently, and generating returns that meet hurdle rates.

Executive management also engages in a continuous business development program. These business development activities range from assisting portfolio companies in identifying growth opportunities in existing businesses; assisting portfolio businesses by helping them develop new products and services that increase organic growth; or buying entire companies or controlling stakes in companies which show high growth potential and the returns of which meet hurdle rates.

Risk Factors at the Holding Company Level

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

a. Interest Rate Risk
It is a company policy to use excess liquidity to pay down any borrowings in order to decrease financing costs, and reduce exposure to rising interest rates. It is also a company policy to actively discuss with lending banks on how to lower financing costs. When possible, IPO will use lower cost debt to pay down higher cost debt. IPO does not have a practice of speculating on the direction of interest rates. The main objective is to lower financing costs as much as possible. IPO does not have any borrowings that will directly expose it to interest rate risk.

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

c. Liquidity Risk
This refers to the ability of the Company to service maturing debts, finance capital requirements, and pay for existing operations. IPO is dependent on dividends to finance its day-to-day operations. It maintains a consistent level of funding and constantly monitors its projected cash flows through management meetings that occur on a weekly basis. When major acquisitions are identified, IPO assesses market conditions to be able to source the funding as inexpensively as possible.

d. Credit Risk
IPO's holding of cash and short-term securities exposes the company to the credit risk of the counterparty. It does not have a concentrated credit risk exposure. The Group's exposure to credit risk is very minimal because its receivables are mostly from related parties, which are being managed through close account monitoring and limit setting.

e. Price Risk
Available for sale (AFS) financial instruments are held and are subject to price fluctuation. These securities are vulnerable to price risk due to changes in market values because of specific factors related to these securities, or because of factors related to the overall market for financial assets. These prices change depending on how market participants act in the market.

IPO has non-core holdings in its AFS investments. For its non-core holdings, IPO's investment policy is to monitor developments in the market and to monitor these securities very closely. The company regularly assesses the opportunity cost of holding these securities. When a more appropriate use of the funds is determined, it is IPO's intention to liquefy these investments and put the excess cash to work.

f. Business Continuity Risk
IPO is acutely conscious of the risks posed by natural disasters, acts of God, or other man-made actions that can have an adverse impact on the continuity of regular operations. The IPO management works together the management of the operating subsidiaries in ensuring that the business continuity plans of each operating subsidiary is in place and is up to date.

g. Competition
IPO faces competition in some cases when it is in the process of bidding on prospective deals. There are other holding companies or business groups that are very active in expanding their Philippine portfolio of earning assets, especially in the education sector. In some situations, IPO might find itself bidding against such competitors when prime assets of businesses are for sale.

h. Succession Risk
The company knows that people are an important resource and that its executive management team is a significant contributor to the value-adding activities of the Company. In order to preserve the management chain of succession and institutional knowledge that comes with it, each member of executive management is accountable for putting a succession plan in place that includes the identification and development of his or her successor.

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

MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS' MATTERS

a. Market for Issuer's common equity and related stockholder matters
The common stock (PSE: IPO) of the Company is traded on the Philippine Stock Exchange. The market price of IPO's common stock as of May 11, 2017 (**latest practicable trading date**) is P12.64 for high and P12.04 for low.

PERIOD	STOCK PRICE HIGH	LOW
2017 First Quarter	13.80	11.50
2016 Fourth Quarter	11.88	11.00
2016 Third Quarter	12.50	10.10
2016 Second Quarter	12.50	11.02
2016 First Quarter	11.98	10.50
2015 Fourth Quarter	12.50	11.00
2015 Third Quarter	12.38	10.10
2015 Second Quarter	12.50	11.02
2015 First Quarter	11.98	9.80
2014 Fourth Quarter	12.30	10.00
2014 Third Quarter	11.98	10.50
2014 Second Quarter	12.26	11.12
2014 First Quarter	11.88	11.24

b. Top 20 owners of common stock as of April 30, 2017

STOCKHOLDER	NUMBER OF SHARES	% OF TOTAL
House of Investments, Inc.	501,940,749[3]	67.02%
PCD Nominee Corp.	179,042,201	23.91%
A. Soriano Corp.	54,984,522[4]	7.34%
HYDee Management & Res. Corp.	653,800	0.09%
R. P. Land Development Corp .	565,175	0.08%
Pan Malayan Management & Investment Corp.	487,484	0.07%
Yu, Juan G. Yu &/Or Grace C.	380,000	0.05%
Kho, David L.	343,900	0.05%
Yan, Lucio	325,000	0.04%
Yu, John Peter C. Yu &/Or Juan G.	321,000	0.04%
Ong Pac, Sally C.	299,000	0.04%
PCD Nominee Corp.	243,750	0.03%
Ley, Fely	221,654	0.03%
Tecson, Bingson U.	195,000	0.03%
Mendoza, Alberto Mendoza	165,750	0.02%
Ligason, Vicente P. Ligason &/Or Shiu King P	150,000	0.02%
Philippine Asia Equity Securities Inc.	146,250	0.02%
Ansaldo Godinez & Co., Inc.	133,438	0.02%
Securities Investors Protection Fund, Inc.	130,000	0.02%
Chan, Vicky L.	130,000	0.02%
SUB TOTAL	***740,858,673***	***98.92%***
Others	8,074,276	1.08%
TOTAL	**748,932,949**	**100.00%**

IPO has a total of 2,043 shareholders owning a total of 748,933,221 shares as of April 30, 2017.

c. Dividends

In accordance with the Corporation Code of the Philippines, IPO intends to declare dividends (either in cash or stock or both) in the future. Common stockholders of IPO are entitled to receive a proportionate share in cash dividends that may be declared by the Board of Directors out of surplus profits derived from IPO's operations.

The same right exists with respect to a stock dividend of which the declaration is subject to the approval of stockholders representing at least two-thirds (2/3) of the outstanding shares entitled to vote. The amount will depend on IPO's profits and its capital expenditure and investment requirements at the relevant time.

The company has declared cash dividends as follows:

YEAR	DIVIDEND PER SHARE	TOTAL AMOUNT
Q1 2017	P0.06	P44.94MM
2016	P0.24	P179.74MM
2015	P0.24	P179.74MM
2014 (Special Dividends)	P0.08	P59.91MM
2014	P0.24	P179.74MM

IPO has not identified any restriction that limits the ability to pay dividends on common equity or that are likely to do so in the future.

d. Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

There was no sale of unregistered or exempt securities constituting an exempt transaction in 2016.

Description of Registrant's Securities: Common Stock

The equity capital structure of the firm as of December 31, 2016 is shown:

Authorized Capital	P2,000,000,000
Subscribed Capital	P748,933,221
Paid Up Capital	P748,933,221

[3] Direct holdings of House of Investments, Inc.

[4] Direct holdings of A. Soriano Corp.

iPeople

ANNEX "B"

iPeople, inc. and Subsidiaires

Consolidated Financial Statements
December 31, 2016 and 2015

and

Report of Independent Auditors

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
iPeople, inc.

Opinion

We have audited the consolidated financial statements of iPeople, inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (the Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of Land

The Group accounts for its land, where the school buildings and other facilities are located, using the revaluation model. As of December 31, 2016, the carrying value of the Group's land amounted to ₱3,625.12 million, representing 55.52% of the Group's total assets. In addition, the Group recognized a revaluation gain of ₱251.82 million in other comprehensive income for the year ended December 31, 2016. The valuation of the land requires the assistance of an external appraiser whose calculations involve certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors. This matter is significant to our audit because it involves significant judgment and estimates.

Refer to Note 4 to the consolidated financial statements for the relevant accounting policy, and Note 10 for the detailed disclosure about the Group's land.

Audit response

We involved our internal specialist in the review of the scope, bases, methodology and results of the work by the Group's external appraiser whose professional qualifications and objectivity were also taken into consideration. We compared the relevant information supporting the sales price of similar properties and the adjustments made to the sales price against real estate industry data. We also reviewed the Group's disclosures with respect to the fair value of the land.

Recoverability of Goodwill

Under PFRSs, the Group is required to annually test the amount of goodwill for impairment. As of December 31, 2016, the Group's goodwill attributable to the acquisition of Malayan Colleges, Inc. amounted to ₱137.85 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process involves judgments and is based on assumptions such as number of forecasted students and related tuition and other matriculation fees, revenue growth rate and discount rate in estimating discounted cash flow projections. The Group's disclosures about goodwill are included in Note 11 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's impairment model and the assumptions on the key business drivers of the cash flow forecasts, specifically on the number of forecasted students and related tuition and other matriculation fees. For the number of forecasted students, we checked if the Group has considered the impact of K to 12 Basic Education Program implementation. As to the tuition and other matriculation fees, we checked if the estimated percentage of increase in tuition and other matriculation fees is within the range of historical increase in tuition and other matriculation fees provided by the Group. We involved our internal specialist to assist us in evaluating the discount rate used. In addition, we reviewed the Group's disclosures about those assumptions to which the outcome of the impairment tests are most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of the goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wenda Lynn M. Loyola.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola
Partner
CPA Certificate No. 109952
SEC Accreditation No. 1540-A (Group A),
March 8, 2016, valid until March 8, 2019
Tax Identification No. 242-019-387
BIR Accreditation No. 08-001998-117-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 5908712, January 3, 2017, Makati City

March 24, 2017

iPeople, Inc.
A YGC Member

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of iPeople, Inc. & Subsidiaries is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016, 2015 and 2014, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

RENATO C. VALENCIA
Chairman

DR. REYNALDO B. VEA
Chief Executive Officer/President

GEMA O. CHENG
Chief Financial Officer/SVP
Finance & Treasurer

SUBSCRIBED AND SWORN TO BEFORE ME THIS DAY OF 12 APR 2017 IN THE CITY OF MAKATI AFFIANT EXHIBITED HIS/HER COMMUNITY TAX CERTIFICATE NO. ______ ISSUED ON ______ ISSUED AT ______

DOC NO. 118
PAGE NO. 25
BOOK NO. 550
SERIES OF 2017

Signed this 24th day of March, 2017

RUBEN T.M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2017
2734 M. AURORA ST., MAKATI CITY
IBP NO.1052369 / CY - 2017 APPT. NO. M-23
ROLL NO. 28947 / MCLE-4 NO. 006324, 06-19-1
PTR NO. MKT. 5909552 / 01-03-17

iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 14 and 29)	**₱873,357,931**	₱599,066,474
Receivables (Notes 7 and 29)	**144,753,882**	148,697,892
Receivables from related parties (Notes 14 and 29)	**3,715,005**	1,482,432
Prepaid expenses and other current assets (Note 8)	**89,609,828**	99,516,062
Financial assets at fair value through profit or loss (Note 29)	**8,339,643**	8,205,773
Total Current Assets	**1,119,776,289**	856,968,633
Noncurrent Assets		
Available-for-sale financial assets (Note 29)	**17,062,041**	14,389,673
Property and equipment (Notes 9 and 10)	**5,227,443,117**	4,860,161,041
Net pension asset (Note 24)	**1,575,170**	1,060,888
Goodwill (Note 11)	**137,853,345**	137,853,345
Deferred tax assets - net (Note 22)	**6,137,926**	12,409,513
Other noncurrent assets (Note 12)	**19,623,657**	14,627,025
Total Noncurrent Assets	**5,409,695,256**	5,040,501,485
	₱6,529,471,545	₱5,897,470,118
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 13 and 29)	**₱553,353,893**	₱584,658,132
Payables to related parties (Notes 14 and 29)	**13,288,486**	13,986,098
Income tax payable	**8,203,745**	24,108,059
Unearned tuition fees	**53,041,443**	12,453,843
Dividends payable (Notes 17 and 29)	**64,412,064**	64,414,232
Short-term loan (Notes 15 and 29)	**100,000,000**	–
Current portion of long-term debt (Notes 14, 16 and 29)	**–**	86,000,000
Total Current Liabilities	**792,299,631**	785,620,364
Noncurrent Liabilities		
Net pension liability (Note 24)	**74,440,303**	92,547,626
Long-term debt - net of current portion (Notes 14, 16 and 29)	**–**	102,500,000
Deferred tax liabilities - net (Note 22)	**147,127,296**	117,412,887
Total Noncurrent Liabilities	**221,567,599**	312,460,513
Total Liabilities	**₱1,013,867,230**	₱1,098,080,877

(Forward)

	December 31	
	2016	2015
Equity		
Common stock (Note 17)	**₱748,933,221**	₱748,933,221
Additional paid-in capital	**1,438,827**	1,438,827
Other comprehensive income (loss):		
Unrealized loss on available-for-sale financial assets (Note 29)	**(1,300,203)**	(3,972,571)
Revaluation increment on land - net (Note 10)	**984,985,652**	751,444,924
Remeasurement gains on defined benefit plans (Note 24)	**23,017,641**	6,331,596
Retained earnings (Note 17)	**3,409,999,669**	2,994,028,061
	5,167,074,807	4,498,204,058
Less: Treasury stock (Note 17)	**209**	209
	5,167,074,598	4,498,203,849
Non-controlling interest in consolidated subsidiaries (Note 26)	**348,529,717**	301,185,392
Total Equity	**5,515,604,315**	4,799,389,241
	₱6,529,471,545	₱5,897,470,118

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014
REVENUE (Note 27)			
Tuition and other fees (Note 18)	**₱2,203,794,405**	₱2,252,281,825	₱2,091,605,515
Sale of goods	**120,253,219**	131,156,374	167,012,870
Sale of services (Note 18)	**35,938,923**	41,399,181	45,134,152
	2,359,986,547	2,424,837,380	2,303,752,537
COSTS AND EXPENSES			
Cost of tuition and other fees (Note 19)	**1,300,042,918**	1,213,004,494	1,110,079,210
Cost of goods sold (Note 19)	**106,451,833**	121,342,242	148,892,477
Cost of services	**19,830,350**	8,300,521	10,648,609
	1,426,325,101	1,342,647,257	1,269,620,296
GROSS PROFIT	**933,661,446**	1,082,190,123	1,034,132,241
GENERAL AND ADMINISTRATIVE EXPENSES (Note 20)	**(223,404,409)**	(189,270,351)	(186,078,318)
INTEREST AND OTHER FINANCE CHARGES (Note 21)	**(9,089,294)**	(19,294,818)	(19,726,719)
INTEREST INCOME (Note 21)	**12,080,968**	10,925,864	7,001,749
OTHER INCOME (LOSS)	**8,871,251**	2,936,733	(7,068,002)
INCOME BEFORE INCOME TAX	**722,119,962**	887,487,551	828,260,951
PROVISION FOR INCOME TAX (Note 22)	**78,850,196**	88,639,293	82,670,400
NET INCOME	**643,269,766**	798,848,258	745,590,551
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods (Note 29)			
Unrealized gains (losses) on AFS financial assets	**2,672,368**	(8,606,395)	2,137,895
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Revaluation increment on land - net of tax (Note 10)	**251,820,578**	325,464,047	88,855,740
Remeasurement gains (losses) on defined benefit plans - net of tax (Note 24)	**17,912,044**	(29,719,719)	(111,403)
	272,404,990	287,137,933	90,882,232
TOTAL COMPREHENSIVE INCOME	**₱915,674,756**	₱1,085,986,191	₱836,472,783
Net income attributable to:			
Equity holders of the parent (Note 25)	**₱595,715,580**	₱740,928,823	₱692,966,835
Non-controlling interest in consolidated subsidiaries (Note 26)	**47,554,186**	57,919,435	52,623,716
	₱643,269,766	₱798,848,258	₱745,590,551
Total comprehensive income attributable to:			
Equity holders of the parent	**₱848,614,721**	₱1,005,284,273	₱777,629,167
Non-controlling interest in consolidated subsidiaries (Note 26)	**67,060,035**	80,701,918	58,843,616
	₱915,674,756	₱1,085,986,191	₱836,472,783
Basic Earnings Per Share (Note 25)	**₱0.7954**	₱0.9893	₱0.9253

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent Company									
	Common Stock (Note 17)	Additional Paid-in Capital	Unrealized Gain on Available-for-Sale Financial Assets (Note 29)	Revaluation Increment on Land - net of tax (Note 10)	Remeasurement Gains (Losses) on Net Defined Benefit Plans (Note 24)	Retained Earnings (Note 17)	Treasury Stock (Note 17)	Total	Non - controlling Interest (Note 26)	Total
For the year ended December 31, 2016										
Balances as at January 1, 2016	**₱748,933,221**	**₱1,438,827**	**(₱3,972,571)**	**₱751,444,924**	**₱6,331,596**	**₱2,994,028,061**	**(₱209)**	**₱4,498,203,849**	**₱301,185,392**	**₱4,799,389,241**
Net income	–	–	–	–	–	**595,715,580**	–	**595,715,580**	**47,554,186**	**643,269,766**
Other comprehensive income	–	–	**2,672,368**	**233,540,728**	**16,686,045**	–	–	**252,899,141**	**19,505,849**	**272,404,990**
Total comprehensive income	–	–	**2,672,368**	**233,540,728**	**16,686,045**	**595,715,580**	–	**848,614,721**	**67,060,035**	**915,674,756**
Dividends declared	–	–	–	–	–	**(179,743,972)**	–	**(179,743,972)**	**(19,715,710)**	**(199,459,682)**
Balances as at December 31, 2016	**₱748,933,221**	**₱1,438,827**	**(₱1,300,203)**	**₱984,985,652**	**₱23,017,641**	**₱3,409,999,669**	**(₱209)**	**₱5,167,074,598**	**₱348,529,717**	**₱5,515,604,315**
For the year ended December 31, 2015										
Balances as at January 1, 2015	₱748,933,221	₱1,438,827	₱4,633,824	₱448,763,360	₱36,051,315	₱2,432,843,210	(₱209)	₱3,672,663,548	₱240,394,640	₱3,913,058,188
Net income	–	–	–	–	–	740,928,823	–	740,928,823	57,919,435	798,848,258
Other comprehensive income (loss)	–	–	(8,606,395)	302,681,564	(29,719,719)	–	–	264,355,450	22,782,483	287,137,933
Total comprehensive income (loss)	–	–	(8,606,395)	302,681,564	(29,719,719)	740,928,823	–	1,005,284,273	80,701,918	1,085,986,191
Dividends declared	–	–	–	–	–	(179,743,972)	–	(179,743,972)	(19,911,166)	(199,655,138)
Balances as at December 31, 2015	₱748,933,221	₱1,438,827	(₱3,972,571)	₱751,444,924	₱6,331,596	₱2,994,028,061	(₱209)	₱4,498,203,849	₱301,185,392	₱4,799,389,241
For the year ended December 31, 2014										
Balances as at January 1, 2014	₱748,933,221	₱1,438,827	₱2,495,929	₱366,127,520	₱36,162,718	₱1,979,535,008	(₱209)	₱3,134,693,014	₱201,151,024	₱3,335,844,038
Net income	–	–	–	–	–	692,966,835	–	692,966,835	52,623,716	745,590,551
Other comprehensive income (loss)	–	–	2,137,895	82,635,840	(111,403)	–	–	84,662,332	6,219,900	90,882,232
Total comprehensive income (loss)	–	–	2,137,895	82,635,840	(111,403)	692,966,835	–	777,629,167	58,843,616	836,472,783
Dividends declared	–	–	–	–	–	(239,658,633)	–	(239,658,633)	(19,600,000)	(259,258,633)
Balances as at December 31, 2014	₱748,933,221	₱1,438,827	₱4,633,824	₱448,763,360	₱36,051,315	₱2,432,843,210	(₱209)	₱3,672,663,548	₱240,394,640	₱3,913,058,188

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱722,119,962**	₱887,487,551	₱828,260,951
Adjustments for:			
Depreciation and amortization (Notes 9, 12, 19 and 20)	**206,736,094**	175,761,669	143,410,591
Interest expense and other finance charges (Note 21)	**9,089,294**	19,294,818	19,726,719
Provision for doubtful accounts (Notes 7 and 20)	**6,489,176**	5,355,917	8,961,696
Gain on disposal of property and equipment	**–**	(205,000)	–
Realized loss on disposal of financial assets at FVPL	**–**	–	7,125,290
Unrealized market gain on financial assets at FVPL	**(133,870)**	(184,143)	(57,289)
Unrealized foreign exchange loss (gain)	**(1,049,899)**	(943,997)	109,299
Interest income (Note 21)	**(12,080,968)**	(10,925,864)	(7,001,749)
Operating income before working capital changes	**931,169,789**	1,075,640,951	1,000,535,508
Decrease (increase) in:			
Receivables	**(3,099,930)**	29,263,836	(49,335,735)
Prepaid expenses and other current assets	**7,534,054**	(46,622,050)	(24,197,407)
Increase (decrease) in:			
Accounts payable and accrued expenses	**(97,235,370)**	(2,876,907)	139,112,949
Unearned tuition fees	**40,587,600**	2,296,355	1,046,501
Net pension asset and liability	**1,028,143**	3,694,258	(7,116,489)
Net cash generated from operations	**879,984,286**	1,061,396,443	1,060,045,327
Interest received	**12,635,733**	10,796,344	6,724,499
Interest paid	**(10,071,961)**	(20,509,303)	(18,444,009)
Income taxes paid	**(86,114,100)**	(84,271,855)	(88,951,646)
Net cash flows from operating activities	**796,433,958**	967,411,629	959,374,171
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from disposal of :			
Property and equipment	**98,770**	205,000	–
Financial assets at FVPL	**–**	–	348,174,874
Acquisitions of:			
Property and equipment (Notes 9 and 28)	**(224,702,428)**	(489,373,582)	(593,184,074)
Computer software (Note 12)	**(4,985,281)**	(95,584)	(462,429)
Land (Notes 10 and 28)	**(2,060,700)**	(437,234,520)	–
AFS financial assets (Note 29)	**–**	(6,002,549)	–
Decrease (increase) in:			
Receivables from related parties	**(2,232,573)**	1,003,473	3,486,827
Other noncurrent assets	**(650,726)**	(512,280)	–
Net cash flows used in investing activities	**(234,532,938)**	(932,010,042)	(241,984,802)

(Forward)

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS USED IN FINANCING ACTIVITIES			
Proceeds from short-term loan (Note 15)	**₱100,000,000**	₱–	₱–
Payments of long-term debt (Note 16)	**(188,500,000)**	(327,500,000)	(86,000,000)
Dividends paid to stockholders	**(199,461,850)**	(259,054,087)	(203,659,181)
Decrease in payables to related parties	**(697,612)**	(7,212,004)	(10,478,028)
Net cash flows used in financing activities	**(288,659,462)**	(593,766,091)	(300,137,209)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**1,049,899**	943,997	(109,299)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**274,291,457**	(557,420,507)	417,142,861
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**599,066,474**	1,156,486,981	739,344,120
CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 6 and 29)	**₱873,357,931**	₱599,066,474	₱1,156,486,981

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 registered and incorporated on July 27, 1989 under the laws of the Philippines and has two wholly-owned subsidiaries, namely: Pan Pacific Computer Center, Incorporated (PPCCI) and People eServe Corporation (PEC). Parent Company has also 93% ownership in Malayan Colleges, Inc. (MCI), Malayan Colleges Laguna, Inc. (MCLI), Malayan Colleges Mindanao, Inc. (MCMI), Malayan High School of Science, Inc. (MHSSI), Mapua Information Technology Center, Inc. (MITC), Mapua Techserv, Inc. (MTI), and San Lorenzo Ruiz Institute of Health Science, Inc. (SLRIHSI). Mapua Techpower, Inc. is 75% owned by the Parent Company.

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

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

2. **Basis of Preparation**

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

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

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2016 and 2015, and for each of the three years in the period ended December 31, 2016.

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

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

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

In October 2016, MCI subscribed to additional common shares of MCMI amounting ₱187.50 million.

All subsidiaries were incorporated in the Philippines.

Subsidiaries are entities over which the Parent Company has control. Control is achieved when the Parent Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights and potential voting rights.

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

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

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

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

3. **Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended standards and improved PFRSs which the Group has adopted starting January 1, 2016. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.

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

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

Effective beginning January 1, 2017

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

Effective beginning January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
- PFRS 9, *Financial Instruments*
- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

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

Effective beginning January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

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

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

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

Deferred effectivity

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

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

4. **Summary of Significant Accounting Policies**

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

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

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

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The classification depends on the purpose for which the investments were acquired and whether these are ousted in active market. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Classified under this category are the Group's accounts payable and accrued expenses, payables to related parties, dividends payable, short-term loan and long-term debt.

Derecognition of Financial Assets and Financial Liabilities
Financial asset
A financial asset (or, where applicable, a part of a group of financial assets) is derecognized when:

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

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

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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

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

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the assets original EIR (excluding future credit losses that have not been incurred). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

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

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

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

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

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

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

This accounting policy relates to the net payable to Philippine Transmarine Carrier, Inc. (PTC) amounting ₱13.05 million as of December 31, 2016 and 2015, respectively, and included under "Accounts payable and accrued expenses" in the consolidated statements of financial position (Note 13).

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

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

Prepaid Expenses and Other Current Assets
Prepaid expenses and other current assets pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group. This includes restricted funds invested in money market placements exclusively for use in Civic Welfare Training Service (CWTS), National Service Training Program (NSTP) and for financing of scholars of certain private entities.

Creditable Withholding Tax (CWT)
This pertains to the tax withheld at source by the Group's customers and lessees and is creditable against its income tax liability.

Value-added Tax (VAT)
The input VAT pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the local sale of goods or services by the Group.

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

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

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

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

	Years
Buildings and improvements	10-20
Office furniture and equipment	5-10
Transportation equipment	5

The EUL and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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

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

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

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

The appraisal increment (net of deferred tax) resulting from the revaluation is credited to the "revaluation increment on land - net" account under the equity section of the Group's consolidated statements of financial position and under the consolidated statements of changes in equity.

Business Combination and Goodwill

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

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

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of comprehensive income.

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

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

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

<u>Impairment of Nonfinancial Assets</u>
This accounting policy relates to impairment of nonfinancial assets such as property and equipment, goodwill and other noncurrent assets.

The Group assesses as of reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

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

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

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

Equity

The Group records common stock at par value for all shares issued and outstanding, and additional paid-in capital for the excess of the total contributions received over the aggregate par values of the equity shares. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. When any member of the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity. No gain or loss is recognized in profit or loss on the purchase, sale issue or cancellation of the Parent Company's own equity investments.

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

The Parent Company's retained earnings declarable as dividends amounted to ₱1,037.54 million and ₱963.11 million as at December 31, 2016 and 2015, respectively. Dividends distribution is approved by the BOD of the Parent Company.

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

Revenue Recognition

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

The following specific recognition criteria must also be met before revenue is recognized:

Revenues from tuition and other fees
Revenues from tuition and other fees are recognized as income over the corresponding school term. Unearned revenues are shown as unearned tuition fees in the consolidated statement of financial position and will be recognized as revenues when the educational service has been fulfilled in the applicable school term.

Admission, examination and other fees
Admission, examination and other fees are recognized as income when examination has been granted by the school and related services have been provided to the students.

Sale of goods
Sale of goods are recognized as revenue upon delivery of the goods and when the risks and rewards of ownership have passed to the buyer.

Sale of services
Sale of services are recognized when services are rendered.

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

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

Seminar income
Seminar income is recognized as income over the corresponding term.

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

Miscellaneous income
Miscellaneous income is recognized when earned.

<u>Costs and Expenses</u>
The Group's costs and expenses constitute costs of operating the business recognized in the consolidated statement of comprehensive income as incurred.

Cost of tuition and other fees
Cost of tuition and other fees constitute expenses directly related to the Group's school and related operations which include expenses for salaries and wages of teaching and academic support personnel, student welfare activities, advertising, and all other student-related costs and expenses. Cost of tuition and other fees are recognized as expense when the school and related services have been provided to the students.

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

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

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

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

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

Retirement benefits cost comprises the following:
- Service costs
- Net interest on the net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

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

Income Taxes

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

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

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date and requires the assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

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

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

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

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

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

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

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

As of December 31, 2016 and 2015, the Group has no potential dilutive common shares (Note 25).

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

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

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

5. Significant Accounting Judgments and Estimates

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

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

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

Allocation of costs and expenses
Management exercises judgment in determining the classification of costs and expenses as to whether cost of services or general and administrative expenses. In 2016 and 2015, the Group specifically identified the expenses directly related to the Group's school and related operations which include expenses for salaries and wages of teaching and academic support personnel, student welfare activities, and all other student-related costs and expenses (Notes 19 and 20).

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

Fair valuation of land
The Group measures land at revalued amount with changes in fair value being recognized in other comprehensive income. The Group engaged an independent firm of appraisers to determine the fair value as at December 31, 2016 and 2015. The key assumptions used to determine fair value are disclosed in Note 10. As of December 31, 2016 and 2015, the fair value of the land amounted to ₱3,625.12 million and ₱3,343.26 million, respectively (Note 10).

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

Allowance for doubtful accounts on receivables amounted to ₱67.08 million and ₱66.88 million as of December 31, 2016 and 2015, respectively. The carrying value of receivables as of December 31, 2016 and 2015 amounted to ₱144.75 million and ₱148.70 million, respectively (Note 7). The carrying value of receivables from related parties as of December 31, 2016 and 2015 amounted to ₱3.72 million and ₱1.48 million, respectively (Note 14).

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

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

Impairment of goodwill is assessed at least on an annual basis. The goodwill recognized in the consolidated statement of financial position pertains to the acquisition of MCI. In assessing the impairment on goodwill, the Group determines the recoverable amount using value in use which represents the present value of expected cash flows from the continuing operations of MCI which is in educational services. The value in use calculations used cash flow projections based on financial budgets approved by management covering a five-year period. The cash flow projections considered the impact of the Enhanced K+12 Basic Education Program on MCI's financial performance effective in 2016. A long-term growth rate is calculated and applied to projected future cash flows after the fifth year. There is no impairment loss recognized on goodwill in 2016, 2015 and 2014. As of December 31, 2016 and 2015, the carrying value of goodwill amounted to ₱137.85 million (Note 11).

As to the Group's property and equipment and noncurrent assets, no impairment loss was recognized for the years ended December 31, 2016 and 2015 (Notes 9 and 12).

Estimation of pension obligations and other retirement benefits
The determination of the Group's pension cost and liabilities is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate which were disclosed in Note 24 and to which the cash flows are most sensitive to. While the Group believes that the assumptions are reasonable and

appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the retirement expense and related asset or liability.

As of December 31, 2016 and 2015, the net pension liability amounted to ₱74.44 million and ₱92.55 million, respectively, while net pension asset amounted to ₱1.58 million and ₱1.06 million as of December 31, 2016 and 2015, respectively (Note 24).

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

Deferred tax assets recognized amounted to ₱6.14 million and ₱12.41 million as at December 31, 2016 and 2015, respectively (Note 22). The temporary differences on which deferred tax assets were not recognized amounted to ₱93.32 million and ₱91.93 million, respectively (Note 22).

Provisions and Contingencies
The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Notes 13 and 30).

6. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand	**₱1,003,756**	₱933,839
Cash in banks (Note 14)	**119,846,679**	128,981,004
Cash equivalents (Note 14)	**752,507,496**	469,151,631
	₱873,357,931	₱599,066,474

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

Interest income from cash in banks and cash equivalents amounted to ₱11.97 million, ₱10.88 million and ₱6.92 million in 2016, 2015 and 2014, respectively (Note 21).

There is no restriction on the Group's cash and cash equivalents balances as of December 31, 2016 and 2015.

7. **Receivables**

This account consists of:

	2016	2015
Tuition and other fees	**₱134,975,247**	₱131,209,998
Other receivables:		
Trade	**41,713,132**	54,831,837
Advances to officers and employees	**8,440,771**	10,135,215
Others	**26,703,512**	19,402,881
	211,832,662	215,579,931
Allowance for doubtful accounts	**(67,078,780)**	(66,882,039)
	₱144,753,882	₱148,697,892

Tuition and other fees pertain to matriculation and miscellaneous fees which are collected at end of every school term before the students can proceed to the next term.

Trade receivables represent amounts arising from the sale of computer equipment and computer services. These are noninterest-bearing and are generally on thirty (30) to sixty (60) days term and are not used as collaterals to secure obligations.

Advances to officers and employees consist mostly of interest-bearing receivables pertaining to car loan and noninterest-bearing telephone charges, hospitalization bill and library and printing charges. Receivables from employees are settled through salary deductions. Interest income from advances to officers and employees amounted to ₱0.11 million, ₱0.05 million and ₱0.08 million in 2016, 2015 and 2014, respectively (Note 21).

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

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

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

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

	2015			
	Tuition and other fees	Trade	Others	Total
Balances at beginning of year	₱52,049,351	₱3,930,415	₱5,960,047	₱61,939,813
Provisions for the year (Note 20)	5,355,917	–	–	5,355,917
Write-off	–	–	(413,691)	(413,691)
Balances at end of year	₱57,405,268	₱3,930,415	₱5,546,356	₱66,882,039
Gross receivables*	₱131,209,998	₱54,831,837	₱19,402,881	₱205,444,716

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

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

8. Prepaid Expenses and Other Current Assets

	2016	2015
Restricted funds	**₱37,902,718**	₱43,006,825
Prepaid expenses	**20,319,508**	18,592,175
Deposits to real estate sellers	**15,282,933**	–
CWT	**7,890,124**	7,192,388
Input VAT	**2,603,971**	24,673,182
Office supplies	**100,830**	791,572
Others	**5,509,744**	5,259,920
	₱89,609,828	₱99,516,062

Restricted funds pertain to funds invested in money market placements exclusively for use in CWTS, NSTP, for financing of scholars of certain private entities and for the purpose of undertaking socio-economic studies and development projects.

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

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

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

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

Others relate to books inventory and other supplies.

9. Property and Equipment

The rollforward analysis of this account follows:

	2016				
	Buildings and Improvements	**Office Furniture and Equipment**	**Transportation Equipment**	**Construction In Progress**	**Total**
Cost					
Balance at beginning of year	**₱1,867,348,668**	**₱1,142,458,204**	**₱24,689,082**	**₱18,034,125**	**₱3,052,530,079**
Acquisitions	**26,689,557**	**123,092,455**	**5,051,220**	**139,446,159**	**294,279,391**
Disposals	**–**	**(1,722,168)**	**(4,121,751)**	**–**	**(5,843,919)**
Reclassifications and adjustments	**(39,750,894)**	**47,797,972**	**–**	**(10,710,246)**	**(2,663,168)**
Balance at end of year	**1,854,287,331**	**1,311,626,463**	**25,618,551**	**146,770,038**	**3,338,302,383**
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	**710,929,222**	**810,997,165**	**13,701,709**	**–**	**1,535,628,096**
Depreciation (Notes 19 and 20)	**82,758,815**	**118,127,845**	**5,210,059**	**–**	**206,096,719**
Disposals	**–**	**(1,720,936)**	**(4,024,213)**	**–**	**(5,745,149)**
Reclassifications and adjustments	**(1,490,400)**	**1,490,400**	**–**	**–**	**–**
Balance at end of year	**792,197,637**	**928,894,474**	**14,887,555**	**–**	**1,735,979,666**
Net book value	**1,062,089,694**	**382,731,989**	**10,730,996**	**146,770,038**	**1,602,322,717**
Land at revalued amounts (Note 10)	**–**	**–**	**–**	**–**	**3,625,120,400**
Total	**₱1,062,089,694**	**₱382,731,989**	**₱10,730,996**	**₱146,770,038**	**₱5,227,443,117**

	2015				
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	Total
Cost					
Balance at beginning of year	₱1,123,307,692	₱1,013,530,763	₱22,941,698	₱411,326,360	₱2,571,106,513
Acquisitions	234,813,342	103,962,815	5,946,014	144,651,411	489,373,582
Disposals	–	(1,220,000)	(4,198,630)	–	(5,418,630)
Reclassifications and adjustments	509,227,634	26,184,626	–	(537,943,646)	(2,531,386)
Balance at end of year	1,867,348,668	1,142,458,204	24,689,082	18,034,125	3,052,530,079
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	645,331,401	709,004,656	14,499,978	–	1,368,836,035
Depreciation (Notes 19 and 20)	65,597,821	103,212,509	3,400,361	–	172,210,691
Disposal	–	(1,220,000)	(4,198,630)	–	(5,418,630)
Balance at end of year	710,929,222	810,997,165	13,701,709	–	1,535,628,096
Net book value	1,156,419,446	331,461,039	10,987,373	18,034,125	1,516,901,983
Land at revalued amounts (Note 10)	–	–	–	–	3,343,259,058
Total	₱1,156,419,446	₱331,461,039	₱10,987,373	₱18,034,125	₱4,860,161,041

In 2015, the Research and Administration facilities and the new engineering building were transferred from construction in progress account to buildings and improvements account. Construction in progress amounting ₱18.03 million as of December 31, 2015 pertains to renovation of old libraries and buildings.

In 2016, construction in progress includes cost of board piling works and other direct costs for the school building construction of MCMI. Estimated liability to contractor for the board piling works amounted to ₱69.58 million and is presented as part of "Accounts payable and accrued expenses" in the consolidated statements of financial position. The amount of liability is not yet fixed as the involved parties are in the process of finalizing the acceptable amount of billings based on percentage of completion. This is treated as noncash investing activity in the 2016 consolidated statement of cash flows (Note 28).

Reclassifications amounting ₱2.66 million and ₱2.53 million as of December 31, 2016 and 2015, respectively, pertains to tools and library books transferred to cost of tuition and other fees (Note 19).

Fully depreciated property and equipment items amounting ₱982.53 million and ₱641.38 million as of December 31, 2016 and 2015, respectively, are still in use.

Property and equipment pledged as security to obligations amounted to nil and ₱2,220.37 million as of December 31, 2016 and 2015, respectively (Note 16).

10. Land at Revalued Amounts

This account consists of:

	2016	2015
Land at cost:		
Balance at beginning of year	**₱1,868,915,781**	₱1,431,681,261
Acquisition	–	425,500,000
Capitalizable costs	**2,060,700**	11,734,520
Balance at end of year	**1,870,976,481**	1,868,915,781
Revaluation increment on land:		
Balance at beginning of year	**1,474,343,277**	1,112,716,558
Change in revaluation increment	**279,800,642**	361,626,719
Balance at end of year	**1,754,143,919**	1,474,343,277
	₱3,625,120,400	₱3,343,259,058

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

Capitalizable costs include taxes paid for purchase of land.

The parcels of land were appraised in January 2017 and 2016 by an independent firm of appraisers to determine the revalued amounts as of December 31, 2016 and 2015, respectively.

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

The parcels of land were valued in terms of their highest and best use which is categorized under Level 3 of the fair value hierarchy.

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

	Valuation	**Unobservable**	**Range (Weighted Average)**	
Location	**Techniques**	**Inputs Used**	**2016**	2015
Chino Roces Avenue (Pasong Tamo Extension), Makati City	Market Approach	Price per square meter	**₱300,000 to ₱400,000 (₱355,000)**	₱190,000 to ₱280,000 (₱232,000)

(Forward)

Location	Valuation Techniques	Unobservable Inputs Used	Range (Weighted Average) 2016	2015
Muralla Street, Intramuros, Manila	Market Approach	Price per square meter	**₱45,000 to ₱55,000 (₱48,750)**	₱45,000 to ₱84,804 (₱59,115)
Paz Mendoza Guazon, Pandacan, Manila	Market Approach	Price per square meter	**₱37,000 to ₱55,000 (₱45,250)**	₱35,000 to ₱85,500 (₱48,200)
Barangay Pulo, City of Cabuyao, Laguna	Market Approach	Price per square meter	**₱10,000 to ₱12,000 (₱10,333)**	₱10,000 to ₱16,000 (₱10,600)
MacArthur Highway (Davao-Cotabato National Road), Brgy. Ma-a, Davao City	Market Approach	Price per square meter	**₱8,972 to ₱35,000 (₱24,329)**	₱10,000 to ₱16,000 (₱10,600)

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

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

The balance of the revaluation increment on land presented in equity in the statements of financial position as at December 31, 2016 and 2015 are as follows:

	2016	2015
Appraisal increase	**₱1,754,143,919**	₱1,474,343,277
Less deferred tax liability (Note 22)	**175,414,392**	147,434,327
	₱1,578,729,527	₱1,326,908,950

11. Goodwill

The goodwill recognized in the consolidated statement of financial position amounting ₱137.85 million as of December 31, 2016 and 2015 pertains to the excess of the acquisition cost over the fair values of the net assets of MCI acquired by iPeople in 1999.

Impairment testing of Goodwill
For purposes of impairment testing of this asset, MCI was considered as the CGU. In 2016, 2015 and 2014, management assessed that no impairment losses should be recognized.

Key assumptions used in the value in use (VIU) calculation
As of December 31, 2016 and 2015, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU are most sensitive to the following:

- Future revenues, profit margins and revenue growth rates (*8.85%*): Cash flow projections based on financial budgets approved by management covering a five-year period (2017-2021) considering the impact of the Enhanced K+12 Basic Education Program on MCI's financial performance effective 2016.

- Discount rate (*15.00%*): The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to comparable entities.

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

12. Other Noncurrent Assets

This account consists of:

	2016	2015
Input VAT	**₱7,113,296**	₱6,400,081
Creditable withholding tax	**6,705,426**	6,718,422
Computer software	**4,956,068**	610,162
Miscellaneous deposits	**848,867**	898,360
	₱19,623,657	₱14,627,025

Computer software is amortized over a period of three years.

The rollforward analysis of computer software follows:

	2016	2015
Cost		
Balance at the beginning of the year	**₱30,132,070**	₱30,036,486
Additions	**4,985,281**	95,584
Balance at the end of the year	**35,117,351**	30,132,070
Accumulated Amortization		
Balance at the beginning of the year	**29,521,908**	25,970,930
Amortization (Notes 19 and 20)	**639,375**	3,550,978
Balance at the end of the year	**30,161,283**	29,521,908
Net Book Value	**₱4,956,068**	₱610,162

13. Accounts Payable and Accrued Expenses

This account consists of:

	2016	2015
Accounts payable	**₱184,480,342**	₱263,149,786
Accrued expenses	**202,847,140**	234,396,815
Funds payable	**82,637,865**	72,705,278
Payable to PTC	**13,052,017**	13,052,017
Other payables (Note 9)	**70,336,529**	1,354,236
	₱553,353,893	₱584,658,132

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

Accrued expenses consist of:

	2016	2015
Provisions (Note 30)	**₱142,976,418**	₱144,835,772
Withholding taxes and others	**9,151,065**	8,317,680
Accrued salaries and wages	**8,279,555**	8,574,477
Accrued professional fees	**7,478,169**	9,231,611
Payable to suppliers	**7,917,401**	8,717,721
Insurance	**4,586,567**	4,097,344
Output VAT payable	**3,926,127**	27,632,688
Accrued utilities	**3,608,160**	5,392,652
SSS and other contributions	**3,222,776**	3,228,999
Accreditation cost	**2,763,660**	5,438,799
Accrued communication expense	**1,490,785**	2,412,054
Accrued interest	**25,935**	1,008,602
Others	**7,420,522**	5,508,416
	₱202,847,140	₱234,396,815

Provisions include the Groups's recognized payable associated with the Faculty Associations of Mapua Institute of Technology (FAMIT) reranking case. This case involves the faculty ranking and evaluation instrument that was part of the 2001 Collective Bargaining Agreement negotiations with the FAMIT. The Supreme Court reversed an earlier Court of Appeals decision in favor of management. An entry of judgment dated March 13, 2008 was made in the Supreme Court Book of Entries of Judgments, making the decision final and executory. A Memorandum of Agreement was entered into by management with FAMIT before the Voluntary Arbitrators wherein the parties agreed to continue the process of faculty ranking. The evaluation process was completed on December 2008.

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

As at December 31, 2016 and 2015, total accumulated payments to faculty members amounted to ₱230.78 million and ₱228.92 million, respectively. In 2016, the Group made payments amounting ₱1.86 million. Related accruals as at December 31, 2016 and 2015 amounted to ₱64.09 million and ₱65.95 million, respectively.

Other accruals pertain to contracted services and management fees.

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

Payable to PTC
On January 22, 2008, the Group entered into a memorandum of agreement with PTC to jointly establish the Mapua-PTC CMET. It shall be housed and be a part of the Group and shall be composed of at least five departments enumerated as follows:

1) Department of Marine Engineering;
2) Department of Maritime Transportation;
3) Department of Naval Architecture and Marine Engineering;
4) Department of Ship Management; and
5) Department of Shipping Policy Studies.

The parties agree that the operation and management of Mapua-PTC CMET shall be under the auspices of the Group and that the parties shall execute both an Operations and Management Agreement to operate the educational activities and general administrative functions of the Mapua-PTC CMET.

The Group shall be responsible for establishing academic, faculty, student and academic services policies and the enforcement thereof, as well as provide overall administrative control and supervision of all school personnel, faculty and engaged service providers.

All properties acquired under the project shall be equally owned by the PTC and the Group unless otherwise borrowed or leased by the Group for the Mapua-PTC CMET or donated with preconditions imposed by third parties on Mapua-PTC CMET.

All net income or losses which results from the operation of the Mapua-PTC CMET shall be shared and distributed equally on a 50%-50% basis between the Group and PTC.

In 2015, the parties agreed that the above agreement shall continue for the next five (5) years unless earlier terminated by either party evidenced by the Memorandum of Agreement executed on September 16, 2015. As of December 31, 2015, the agreement was accounted for as jointly controlled operations.

Service Agreement
On January 12, 2016, the Group amended the MOA with PTC to terminate the jointly-controlled operations effective December 31, 2015. On the same date, a service agreement was executed between the Group and PTC to support the services to be rendered by PTC related to Mapua-PTC CMET such as the provision of adequate facilities for the conduct of training requirements of the students, support in scholarship programs and ship-board trainings, and support in obtaining grants and donations from international shipping companies.

In consideration for the above services, PTC will bill the Group a service fee commensurate to the services. In 2016, PTC charged service fee amounting to ₱1.89 million.

Net payables to PTC as of December 31, 2016 and 2015 amounted to ₱13.05 million. This is presented net of receivables from PTC amounting to ₱112.63 million as of December 31, 2016 and 2015.

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

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

14. **Related Party Transactions**

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

	2016			
	Amount / Volume	**Receivables from (Payables to)**	**Terms**	**Conditions**
Parent Company				
a) Payable to Parent Company (HI)	**₱–**	**(₱9,987,008)**	**Noninterest-bearing, due and demandable**	**Unsecured**
Management fee and other professional fees (Notes 19 and 20)	**49,063,803**	–	–	–
b) Receivable from Parent Company	–	**32,348**	**Noninterest-bearing, due and demandable**	**Unsecured**
Entities under common control of HI				
c) Receivables from related parties	–	**667,732**	**Noninterest-bearing, due and demandable**	**Unsecured, no impairment**
Rental income (Note 18)	**2,447,168**	–	–	–
d) Payables to related parties	–	**(3,286,121)**	**Noninterest-bearing, due and demandable**	**Unsecured**
Contracted services (Notes 19 and 20)	**44,507,486**	–	–	–
Entities under common control of PMMIC				
e) Cash and cash equivalents	**872,354,175**	**872,354,175**	**Interest at prevailing deposit and short-term rates**	**Unsecured, no impairment**
Interest income (Note 21)	**11,966,814**	–	–	–
f) Receivables from related parties	–	**3,014,925**	**Noninterest-bearing, due and demandable**	**Unsecured, no impairment**
Rental income (Note 18)	**10,975,046**	–	–	–
g) Payables to related parties	–	**(15,357)**	**Noninterest-bearing, due and demandable**	**Unsecured**
Insurance expense	**6,372,455**	–	–	–
h) Long-term debt	**188,500,000**	–	**10-year, interest at 3-mo. PDST-F plus spread per quarter**	**Secured**
Interest expense	**4,515,928**	–	–	–

	2015			
	Amount / Volume	Receivables from (Payables to)	Terms	Conditions
Parent Company				
a) Payable to Parent Company (HI)	₱–	(₱6,567,220)	Noninterest-bearing, due and demandable	Unsecured
Management fee and other professional fees (Notes 19 and 20)	49,297,255	–	–	–
Loan from Parent Company	12,000,000	–	Interest at 1.75% per annum	Unsecured
Interest expense	35,000	–	–	–
Entities under common control of HI				
c) Receivables from related parties	–	907,166	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income (Note 18)	2,447,168	–	–	–
d) Payables to related parties	–	(7,415,182)	Noninterest-bearing, due and demandable	Unsecured
Contracted services (Notes 19 and 20)	35,693,003	–	–	–
Entities under common control of PMMIC				
e) Cash and cash equivalents	598,132,635	598,132,635	Interest at prevailing deposit and short-term rates	Unsecured, no impairment
Interest income (Note 21)	10,875,225	–	–	–

(Forward)

	2015			
	Amount / Volume	Receivables from (Payables to)	Terms	Conditions
f) Receivables from related parties	₱–	₱575,266	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income (Note 18)	25,365,178	–	–	–
g) Payables to related parties	–	(3,696)	Noninterest-bearing, due and demandable	Unsecured
Insurance expense	5,990,908	–	–	–
h) Long-term debt	–	(188,500,000)	10-year, interest at 3-mo. PDST-F plus spread per quarter	Secured
Interest expense	19,043,085	–	–	–

The Group's significant transactions with related parties follow:

a) *Payable to Parent Company*
This account pertains to management and other professional fees charged by HI for administering the subsidiaries' operations.

Advances from Parent Company
In 2015, the Group availed a 2-month loan from HI. The loan was fully paid in the same year.

Interest expense recognized amounted to ₱35,000 (Note 21).

b) *Receivables from Parent Company*
This account pertains to charges on the relocation of Oracle infrastructure. These are non-interest bearing and are payable on demand.

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

d) *Payable to entities under common control of HI*
Payables to entities under common control of HI pertain to property management and janitorial and security services (contractual services).

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

f) *Receivables from entities under common control of PMMIC*
Due from entities under common control of PMMIC arises from RCBC's rental of the Group's office spaces in its Makati property.

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

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

g) *Payables to entities under common control of PMMIC*
The Group maintains property and personnel insurance with its affiliated insurance company, Malayan Insurance Company, Inc. (MICO). Insurance contract coverage pertains to the Group's fire, accident, group and other insurance policies.

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

Interest expense recognized amounted to ₱4.52 million, ₱19.04 million and ₱19.53 million in 2016, 2015 and 2014, respectively (Note 21).

Other related party transactions follow:

a) The Group maintains its retirement fund with RCBC trust division. As of December 31, 2016 and 2015, the fair value of the plan assets of the retirement fund amounted to ₱164.15 million and ₱147.96 million, respectively. Trust fees amounting to ₱0.33 million and ₱0.75 million were recognized by the retirement plan arising from its transactions with RCBC for the years ended December 31, 2016 and 2015, respectively.

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

	2016	2015	2014
Short-term benefits	**₱59,468,310**	₱49,174,724	₱53,535,840
Post-employment benefits	**1,124,916**	1,194,674	1,292,443
	₱60,593,226	₱50,369,398	₱54,828,283

Terms and conditions of transaction with related parties
Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. For the years ended December 31, 2016 and 2015, the Group has not recorded any impairment losses on receivables relating to amounts owed by related parties. This assessment is undertaken each year through examining the financial position of the related party and the market in which the related party operates.

15. **Short-term Loan**

In September 2016, the Group obtained an unsecured short-term loan from Bank of the Philippine Islands (BPI) amounting ₱100.00 million, payable on September 2017 with an annual interest of 3.00%. This action is part of the management strategy in acquiring a credit line with other banks.

Interest expense charged to operations in 2016 amounted to ₱786,667.

16. **Long-term Debt**

As of December 31, 2015, this account consists of:

	Amount
Loan from financial institution	₱188,500,000
Less current portion of long-term debt	86,000,000
	₱102,500,000

The Group acquired a loan from RCBC amounting ₱860.00 million on November 22, 2010, payable within 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 ₱2,220.37 million as of December 31, 2015 (Note 9). Interest expense charged to operations in 2016, 2015 and 2014 amounted to ₱4.52 million, ₱19.04 million and ₱19.53 million, respectively (Note 21).

In 2015, the Group made payments amounting ₱241.50 million which effectively shortened the term of the loan until May 2018.

On September 2, 2016, the Group has fully paid the loan balance due to RCBC amounting ₱188.50 million. No pre-termination penalty was paid.

The loan requires the Group to maintain debt-to equity ratio below 2.5:1 and current ratio not less than 1:1. In 2016 and 2015, the Group had complied with the loan covenants (Note 17).

17. **Equity**

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

On September 15, 1989, SEC approved the registration of the Group's entire authorized capital stock with a Certificate of Permit to Sell Securities authorizing the sale of 25 billion shares worth ₱250.00 million. The Group's capital stock was listed in both Manila and Makati Stock Exchanges on January 24, 1990. Actual number of shares initially listed is 15 billion at an offer price of ₱0.01 per share.

Below is the summary of the Group's outstanding number of shares and holders of securities as of December 31, 2016:

Year	Number of shares registered	Number of holders of securities as at year end
January 1, 2015	748,932,949	2,070
Add (deduct) movement	–	(13)
December 31, 2015	748,932,949	2,057
Add (deduct) movement	–	(9)
December 31, 2016	748,932,949	2,048

Note: Exclusive of 272 treasury shares.

Retained Earnings
In accordance with Securities Regulation Code (SRC) Rule No. 68, As Amended (2011), Annex 68-C, after reconciling items, the Group's retained earnings available for dividend declaration as of December 31, 2016 and 2015 amounted to ₱1,037.54 million and ₱963.11 million, respectively.

The retained earnings account includes the accumulated equity in undistributed earnings of consolidated subsidiaries amounting ₱2,727.64 million and ₱2,374.49 million as of December 31, 2016 and 2015, respectively. These are not available for dividends until declared by the subsidiaries.

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

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

The BOD declared cash dividends as follows:

	2016	2015	2014
November 25, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 23, 2016, paid on January 18, 2017	**₱44,935,993**	₱–	₱–
September 15, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 13, 2016, paid on November 8, 2016	**44,935,993**	–	–
June 24, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 22, 2016, paid on August 16, 2016,	**44,935,993**	–	–
March 17, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 14, 2016, paid on May 15, 2016	**44,935,993**	–	–

(Forward)

	2016	2015	2014
November 26, 2015, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 23, 2015, paid on January 20, 2016	₱–	₱44,935,993	₱–
September 17, 2015, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 15, 2015, paid on November 5, 2015	–	44,935,993	–
July 1, 2015, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 29, 2015, paid on August 20, 2015	–	44,935,993	–
March 23, 2015, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 20, 2015, paid on May 8, 2015	–	44,935,993	–
November 21, 2014, 8% cash dividends (₱0.08 per share) to stockholders of record as of December 19, 2014, paid on January 21, 2015	–	–	59,914,661
November 21, 2014, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 19, 2014, paid on January 21, 2015	–	–	44,935,993
September 18, 2014, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 16, 2014, paid on November 6, 2014	–	–	44,935,993
July 3, 2014, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 31, 2014, paid on August 22, 2014	–	–	44,935,993
March 24, 2014, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 21, 2014, paid on May 15, 2014	–	–	44,935,993
	₱179,743,972	₱179,743,972	₱239,658,633

On March 24, 2017, the BOD declared ₱44,935,993 cash dividends (₱0.06 per share) to stockholders of record as of April 21, 2017, payable on May 9, 2017.

Treasury Stock
As of December 31, 2016 and 2015, there are 272 treasury shares amounting ₱209. The retained earnings is restricted for dividend declaration to the extent of the amount of ₱209 treasury shares.

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

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

As at December 31, 2016 and 2015, the Group is not subject to externally imposed capital requirements other than the monitoring of the Group's debt-to-equity ratio and current ratio (applicable to 2015) 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.

	2016	2015
Current Liabilities		
Accounts payable and accrued expenses	**₱553,353,893**	₱584,658,132
Payables to related parties	**13,288,486**	13,986,098
Income tax payable	**8,203,745**	24,108,059
Unearned tuition fees	**53,041,443**	12,453,843
Dividends payable	**64,412,064**	64,414,232
Short-term loan	**100,000,000**	–
Current portion of long-term debt	**–**	86,000,000
Total current liabilities	**792,299,631**	785,620,364
Noncurrent liabilities		
Pension liability - net	**74,440,303**	92,547,626
Long-term debt - net of current portion	**–**	102,500,000
Deferred tax liabilities - net	**147,127,296**	117,412,887
Total noncurrent liabilities	**221,567,599**	312,460,513
Total liabilities	**₱1,013,867,230**	₱1,098,080,877
Equity		
Capital stock	**₱748,933,221**	₱748,933,221
Additional paid-in capital	**1,438,827**	1,438,827
Unrealized loss on available-for-sale financial assets	**(1,300,203)**	(3,972,571)
Revaluation increment on land - net	**984,985,652**	751,444,924
Remeasurement gains on defined benefit plan	**23,017,641**	6,331,596
Retained earnings	**3,409,999,669**	2,994,028,061
Treasury stock	**(209)**	(209)
Equity attributable to equity holders of the Parent Company	**₱5,167,074,598**	₱4,498,203,849
Debt-to-equity ratio	**0.20:1.00**	0.24:1.00

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

Revenue from tuition and other fees consists of:

	2016	2015	2014
Tuition fees and other matriculation fees	**₱2,128,257,429**	₱2,180,259,581	₱2,017,063,417
Bookstore income	**10,492,696**	12,540,537	10,175,283
Seminar fee income	**3,114,307**	2,745,200	3,532,209
Miscellaneous	**61,929,973**	56,736,507	60,834,606
	₱2,203,794,405	₱2,252,281,825	₱2,091,605,515

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

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

	2016	2015	2014
Computer services	**₱17,368,817**	₱3,402,429	₱11,031,838
Rental income (Note 14)	**16,759,420**	33,341,594	29,299,151
Consultancy fees	**1,810,686**	4,655,158	4,803,163
	₱35,938,923	₱41,399,181	₱45,134,152

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

Cost of tuition and other fees account consists of:

	2016	2015	2014
Personnel expenses (Note 23)	**₱602,806,069**	₱567,465,887	₱540,121,034
Depreciation and amortization (Notes 9 and 12)	**190,097,703**	160,594,643	124,922,880
Student-related expenses	**146,784,618**	135,548,101	128,552,620
Management and other professional fees (Note 14)	**106,690,199**	96,336,053	97,093,616
Utilities	**85,398,299**	86,155,036	83,621,893
Tools and library books (Note 9)	**26,008,973**	26,466,324	27,790,430
Advertising	**24,338,283**	34,865,972	22,748,569
IT expense - software license	**23,819,290**	15,364,157	2,555,235
Research and development fund	**16,303,676**	5,752,585	6,657,701
Periodicals	**15,625,679**	14,270,775	11,178,975
Seminar	**14,250,241**	13,096,019	14,621,257
Repairs and maintenance	**13,688,679**	12,435,522	14,268,980
Accreditation cost	**9,483,202**	18,055,589	5,083,439
Laboratory supplies	**7,865,267**	8,607,529	7,180,769
Office supplies	**5,779,015**	6,392,718	5,416,060

(Forward)

	2016	2015	2014
Insurance	**₱5,149,653**	₱4,693,815	₱3,807,678
Taxes and licenses	**2,003,163**	1,841,180	1,701,100
Rent (Note 30)	**945,095**	1,932,042	2,657,420
Transportation and travel	**876,604**	1,189,466	2,035,759
Entertainment, amusement and recreation	**327,857**	356,927	1,213,025
Miscellaneous	**1,801,353**	1,584,154	6,850,770
	₱1,300,042,918	₱1,213,004,494	₱1,110,079,210

Advertising costs include expenses, such as marketing operations of ₱18.69 million, ₱28.66 million and ₱19.32 million in 2016, 2015 and 2014, respectively, and depreciation expense of ₱0.91 million, ₱0.84 million and ₱0.43 million in 2016, 2015 and 2014, respectively.

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

	2016	2015	2014
Merchandise inventory, beginning	**₱358,268**	₱117,949	₱–
Purchases	**106,109,369**	121,582,561	149,010,426
Less merchandise inventory, end	**15,804**	358,268	117,949
	₱106,451,833	₱121,342,242	₱148,892,477

20. General and Administrative Expenses

This account consists of:

	2016	2015	2014
Management and other professional fees (Note 14)	**₱93,213,344**	₱67,959,593	₱63,981,058
Personnel expenses (Note 23)	**61,838,183**	56,904,931	59,013,215
Depreciation and amortization (Notes 9 and 12)	**15,725,426**	14,325,714	18,059,339
Donations	**9,340,876**	7,636,869	6,814,679
Provisions for doubtful accounts (Note 7)	**6,489,176**	5,355,917	8,961,696
Taxes and licenses	**6,065,787**	9,288,143	7,237,307
Utilities	**5,553,719**	4,786,994	4,176,885
Entertainment, amusement, and recreation	**2,821,994**	2,851,310	1,964,839
Office supplies	**2,768,864**	2,087,251	1,660,608
Seminar	**2,764,801**	1,442,232	427,442
Advertising	**2,669,055**	569,447	344,267
Repairs and maintenance	**2,470,234**	3,570,667	3,860,537
Rent (Note 30)	**2,193,772**	2,295,922	1,615,938
Transportation and travel	**2,073,060**	2,579,058	2,594,620
Insurance	**1,222,802**	1,258,832	958,621
IT expense - software license	**907,718**	1,232,915	1,610,577
Commission	**646,297**	475,093	163,208
Accreditation cost	**–**	213,221	96,423
Miscellaneous	**4,639,301**	4,436,242	2,537,059
	₱223,404,409	₱189,270,351	₱186,078,318

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

Miscellaneous expense includes dues and subscriptions, 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:

	2016	2015	2014
Cash in banks and cash equivalents (Note 6)	**₱11,966,815**	₱10,875,225	₱6,919,715
Advances to officers and employees (Note 7)	**114,153**	50,639	82,034
	₱12,080,968	₱10,925,864	₱7,001,749

The Group’s interest and other financing charges consists of interest on the following:

	2016	2015	2014
Long-term debt (Notes 14 and 16)	**₱4,515,928**	₱19,043,085	₱19,533,115
Bank charges	**3,295,082**	216,733	175,897
Loans payable (Note 14)	**1,278,284**	35,000	17,707
	₱9,089,294	₱19,294,818	₱19,726,719

22. Income Tax

Provision for income tax consists of:

	2016	2015	2014
Current	**₱72,581,966**	₱90,319,757	₱85,071,706
Deferred	**6,268,230**	(1,680,464)	(2,401,306)
	₱78,850,196	₱88,639,293	₱82,670,400

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 comprehensive income follows:

	2016	2015	2014
Income before income tax at statutory rate	**30.00%**	30.00%	30.00%
Deduct reconciling items:			
Income subject to lower tax rate	**(9.86)**	(9.79)	(9.82)
Others	**(9.22)**	(10.22)	(10.20)
	10.92%	9.99%	9.98%

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

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

	2016	2015
Deferred tax assets - net		
Retirement asset	**₱2,947,644**	₱1,776,132
NOLCO	**1,583,525**	8,389,403
Allowance for doubtful accounts (Note 7)	**924,450**	1,817,024
MCIT	**680,301**	435,917
Unrealized foreign exchange loss (gain)	**2,006**	(8,963)
	6,137,926	12,409,513
Deferred tax liabilities - net		
Revaluation increment on land (Note 10)	**175,414,392**	147,434,327
Allowance for inventory obsolescence	**(52,487)**	(52,710)
NOLCO	**(278,268)**	–
Allowance for doubtful accounts (Note 7)	**(4,740,113)**	(4,747,263)
Accruals (Note 13)	**(6,628,740)**	(8,551,005)
Retirement liability (Note 24)	**(8,913,625)**	(10,547,443)
Others	**(7,673,863)**	(6,123,019)
	147,127,296	117,412,887
	₱140,989,370	₱105,003,374

The movements of the Group's net deferred tax liabilities follows:

	2016	2015
Beginning	**₱105,003,374**	₱73,532,581
Provisions during the year	**6,268,230**	(1,680,464)
Tax effects of:		
Revaluation increment on land (Note 10)	**27,980,064**	36,162,672
Remeasurement gains (losses) on defined benefit plans (Note 24)	**1,737,702**	(3,011,415)
	₱140,989,370	₱105,003,374

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.

	2016	2015
Provision for impairment losses	**₱52,031,090**	₱52,031,090
NOLCO	**27,293,068**	26,222,196
Allowance for doubtful accounts (Note 7)	**11,277,054**	9,472,679
Provision for retirement and others (Note 24)	**2,551,176**	4,118,042
Others	**166,423**	90,305
	₱93,318,811	₱91,934,312

The related unrecognized deferred tax assets on these deductible temporary differences amounted to ₱14.68 million and ₱13.02 million as of December 31, 2016 and 2015, respectively.

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

As of December 31, 2016, the details of the NOLCO and MCIT, which are available for offset against future taxable income and tax payable over a period of three (3) years from the year of inception, respectively, follow:

	NOLCO		MCIT	
	2016	2015	**2016**	2015
Beginning balance	**₱55,613,683**	₱63,653,972	**₱435,917**	₱172,316
Additions	**11,632,603**	9,978,103	**459,700**	268,600
Expiration	**(31,892,120)**	(18,018,392)	**(77,669)**	(4,999)
Ending balance	**₱35,354,166**	₱55,613,683	**₱817,948**	₱435,917

		NOLCO		MCIT	
Year Incurred	Expiration Date	**2016**	2015	**2016**	2015
2016	2019	**₱11,632,603**	₱–	**₱459,700**	₱–
2015	2018	**9,978,103**	9,978,103	**268,600**	268,600
2014	2017	**13,743,460**	13,743,460	**89,648**	89,648
2013	2016	**–**	31,892,120	**–**	77,669
		₱35,354,166	₱55,613,683	**₱817,948**	₱435,917

23. Personnel Expenses

Details of personnel expenses are as follows:

	2016	2015	2014
Compensation	**₱593,465,566**	₱592,482,104	₱572,481,347
Retirement benefits (Note 24)	**25,920,349**	17,745,335	17,831,683
Miscellaneous benefits	**45,258,337**	14,143,379	8,821,219
	₱664,644,252	₱624,370,818	₱599,134,249

Miscellaneous benefits pertain to honoraria and mandatory government benefits.

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 February 2, 2017 for the retirement plan of the Group as of December 31, 2016.

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.

	2016	2015
Net pension asset	**₱1,575,170**	₱1,060,888
Net pension liability	**74,440,303**	92,547,626
Pension expense (Note 23)	**25,920,349**	17,745,335

Components of pension expense follow:

	2016	2015	2014
Current service cost	**₱17,252,506**	₱14,983,783	₱14,337,059
Net interest cost on defined benefit obligation	**4,135,269**	2,761,552	3,494,624
Past service cost	**4,532,574**	–	–
Net pension expense	**₱25,920,349**	₱17,745,335	₱17,831,683

The net pension asset recognized in the consolidated statements of financial position as of December 31, 2016 and 2015 is as follows:

	2016	2015
Fair value of plan assets	**₱6,733,142**	₱3,491,046
Present value of defined benefit obligation	**(5,157,972)**	(2,430,158)
	₱1,575,170	₱1,060,888

The net pension liability recognized in the consolidated statements of financial position as of December 31, 2016 and 2015 is as follows:

	2016	2015
Fair value of plan assets	**₱157,415,027**	₱144,466,824
Present value of defined benefit obligation	**(231,855,330)**	(237,014,450)
	(₱74,440,303)	(₱92,547,626)

The movements in the net pension liability (asset) follow:

	2016	2015
At beginning of year	**₱91,486,738**	₱57,592,732
Contribution paid	**(24,892,208)**	(18,949,970)
Net pension expense	**25,920,349**	17,745,335
Amount to be recognized in OCI	**(19,649,746)**	35,098,641
At end of the year	**₱72,865,133**	₱91,486,738

Remeasurement losses (gains) recognized in OCI follow:

	2016	2015
Actuarial losses (gains)	**(₱27,014,025)**	₱25,547,217
Return on assets excluding amount included in net interest cost	**7,364,279**	9,551,424
Total remeasurement losses (gains) recognized in OCI	**(₱19,649,746)**	₱35,098,641

Movement of cumulative remeasurement gains (losses) recognized in OCI:

	2016	2015
Balance at beginning of year	**₱9,361,565**	₱44,460,206
Remeasurement gains (losses) recognized in OCI	**19,649,746**	(35,098,641)
Total cumulative amounts recognized in OCI	**₱29,011,311**	₱9,361,565

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

	2016	2015
Beginning balance	**₱239,444,608**	₱207,173,274
Interest cost	**11,412,173**	10,617,752
Current service cost	**17,252,506**	14,983,783
Benefits paid	**(8,614,534)**	(18,877,418)
Past service cost	**4,532,574**	–
Actuarial losses (gains) on obligation:		
Experience adjustments	**(16,494,263)**	28,929,272
Changes in demographic assumptions	**12,011,591**	(2,323,289)
Changes in financial assumptions	**(22,531,353)**	(1,058,766)
Ending balance	**₱237,013,302**	₱239,444,608

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

	2016	2015
Beginning balance	**₱147,957,870**	₱149,580,542
Expected return	**7,276,904**	7,856,200
Contribution paid during the year	**24,892,208**	18,949,970
Benefits paid	**(8,614,534)**	(18,877,418)
Actuarial losses on plan assets	**(7,364,279)**	(9,551,424)
Ending balance	**₱164,148,169**	₱147,957,870

The distribution of plan assets as of December 31, 2016 and 2015 is as follows:

	2016		2015	
	Amount	**%**	Amount	%
Cash and cash equivalents	**₱30,828,058**	**18.86%**	₱50,114,427	33.87%
Investments in:				
Government securities	**102,290,101**	**62.57**	73,797,459	49.88
Equity instruments	**27,799,454**	**17.00**	21,669,777	14.64
Interest and other receivables	**3,058,463**	**1.87**	2,708,121	1.83
Accrued trust fees	**172,093**	**0.11**	(331,914)	(0.22)
	₱164,148,169	**100.00%**	₱147,957,870	100.00%

Net unrealized gains on investments in government securities amounted to ₱14.33 million, ₱10.34 million and ₱8.73 million in 2016, 2015 and 2014, respectively.

Actual return and actual loss in plan assets amounted to ₱0.23 million and ₱1.17 million in 2016 and 2015, respectively.

The Group plans to contribute ₱22.64 million in 2017.

The principal actuarial assumptions used in determining retirement expense are as follows:

	2016	2015
Discount rate:		
Beginning	**4.78%-5.10%**	4.47%-5.34%
End	**5.19%-5.67%**	4.78%-5.10%
Salary increase rate:		
Beginning	**3.75%-5.00%**	2.00%-5.00%
End	**3.00%-5.00%**	3.75%-5.00%

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.

	Rate	Increase (Decrease)	PVO
Discount rate	6.32%	+100bps	(₱20,202,413)
	4.52%	-100bps	23,641,158
Salary rate	5.20%	+100bps	₱25,501,841
	3.20%	-100bps	(24,546,013)

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.

25. Earnings Per Share

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

	2016	2015	2014
Net income attributable to equity holders of Parent Company (a)	**₱595,715,580**	₱740,928,823	₱692,966,835
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)	**₱0.7954**	₱0.9893	₱0.9253

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

26. Non-controlling Interest in Consolidated Subsidiaries

This represents shareholdings in subsidiaries not held by the Group.

Dividends paid to non-controlling interest in consolidated subsidiaries amounted to ₱19.72 million, ₱19.91 million and ₱19.60 million in 2016, 2015 and 2014, respectively.

As of December 31, 2016, 2015 and 2014, the summarized financial information attributable to non-controlling interests for significant subsidiaries follows:

(In million pesos)

	Malayan Colleges, Inc.			Malayan Colleges Laguna, Inc.			Malayan High School of Science, Inc.		
	2016	2015	2014	**2016**	2015	2014	**2016**	2015	2014
Assets									
Current assets	**₱38**	₱42	₱76	**₱8**	₱7	₱5	**₱2**	₱2	₱2
Noncurrent assets	**333**	311	255	**92**	92	70	**13**	13	12
	₱371	₱353	₱331	**₱100**	₱99	₱75	**₱15**	₱15	₱14
Liabilities and Equity									
Current liabilities	**₱46**	₱50	₱53	**₱14**	₱20	₱10	**₱1**	₱1	₱1
Noncurrent liabilities	**13**	21	40	**3**	3	2	**13**	13	13
	59	71	93	**17**	23	12	**14**	14	14
Equity (Capital deficiency)	**312**	282	238	**83**	76	63	**1**	1	–
	₱371	₱353	₱331	**₱100**	₱99	₱75	**₱15**	₱15	₱14
Net revenue	**₱121**	₱131	₱122	**₱32**	₱28	₱24	**₱2**	₱3	₱2
Gross profit	**55**	68	64	**9**	12	10	**–**	–	–
Net income	**43**	53	58	**5**	5	5	**–**	–	–

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

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

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

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

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

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

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

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

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

Capital expenditures consist of additions to property and equipment.

(In million pesos)

	Information Technology and Education			Others			Elimination			Consolidated		
	2016	2015	2014	**2016**	2015	2014	**2016**	2015	2014	**2016**	2015	2014
Revenues												
Income from external customers	**₱2,221**	₱2,285	₱2,116	**₱139**	₱139	₱188	**₱–**	₱–	(₱1)	**₱2,360**	₱2,424	₱2,303
Inter-segment income	**–**	–	–	**260**	279	264	**(260)**	(279)	(264)	**–**	–	–
Total Revenues	**₱2,221**	₱2,285	₱2,116	**₱400**	₱418	₱452	**(₱260)**	(₱279)	(₱265)	**₱2,360**	₱2,424	₱2,303
Net Income attributable to Parent Company	**₱677**	₱774	₱752	**₱244**	₱246	₱257	**(₱325)**	(₱279)	(₱317)	**₱596**	₱741	₱692
Other Information												
Segment assets	**₱7,782**	₱6,665	₱5,992	**₱1,920**	₱2,380	₱1,905	**(₱3,173)**	(₱3,148)	(₱2,562)	**₱6,529**	₱5,897	₱5,335
Segment liabilities	**1,366**	1,541	1,610	**145**	214	343	**(498)**	(657)	(532)	**1,013**	1,098	1,421
Deferred tax assets	**3**	1	1	**3**	11	9	**–**	–	–	**6**	12	10
Deferred tax liabilities	**147**	116	84	**–**	1	–	**–**	–	–	**147**	117	84
Cash flows arising from:												
Operating activities	**999**	868	876	**(30)**	(4)	30	**(173)**	103	53	**796**	967	959
Investing activities	**(412)**	(949)	(245)	**260**	(437)	253	**(83)**	454	(250)	**(235)**	(932)	(242)
Financing activities	**(364)**	(517)	(319)	**(179)**	464	(185)	**254**	(540)	204	**(289)**	(593)	(300)
Interest expense	**13**	23	20	**–**	–	–	**(4)**	(3)	–	**9**	19	20
Provision for income tax	**72**	90	83	**7**	(1)	–	**–**	–	–	**79**	89	83
Capital expenditures	**252**	925	494	**–**	7	99	**–**	–	–	**252**	932	593
Depreciation and amortization	**205**	175	141	**1**	1	2	**–**	–	–	**206**	176	143

28. Notes on Consolidated Statements of Cash Flows

Noncash investing activities in 2016, 2015 and 2014 pertain to the revaluation of land amounting ₱279.8 million, ₱361.63 million and ₱98.73 million, respectively (Note 10) and estimated liability for construction in progress amounting ₱69.58 million in 2016 (Note 13).

29. Financial Instruments

<u>Fair Value of Financial Instruments</u>
The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of December 31, 2016 and 2015:

	Carrying	**2016**			
	Amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:					
Financial assets at FVPL	**₱8,339,643**	**₱8,339,643**	**₱–**	**₱–**	**₱8,339,643**
AFS financial assets	**17,060,041**	**17,062,041**	**–**	**–**	**17,062,041**

	Carrying	2015			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
Financial assets at FVPL	₱8,205,773	₱8,205,773	₱–	₱–	₱8,205,773
AFS financial assets	14,389,673	14,389,673	–	–	14,389,673

The Group uses the following hierarchy in determining and disclosing the fair value of financial instruments by valuation techniques:

- *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

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash and cash equivalents, receivables, receivables from related parties, accounts payable and accrued expenses, payables to related parties and dividends payable and short-term loan*-carrying amounts approximate fair values due to the short-term nature of these accounts.

- *Financial assets at FVPL* - the fair values are based on net assets value per unit (NAVPU).

- *Long-term debt* - The fair value is estimated as the present value of all future cash flows discounted using the applicable rates for similar loans.

AFS financial assets - fair values were determined using quoted market prices at financial reporting date. The investments are included within the level 1 of the hierarchy. The movement in the cost and gain are as follow:

	2016	2015	2014
As of January 1	**₱14,389,673**	₱16,993,519	₱14,855,624
Additions	**–**	6,002,549	–
Changes in fair value of AFS financial assets	**2,672,368**	(8,606,395)	2,137,895
As of December 31	**₱17,062,041**	₱14,389,673	₱16,993,519

The rollforward of unrealized gains (losses) on AFS financial assets are as follows:

	2016	2015	2014
As of January 1	**(₱3,972,571)**	₱4,633,824	₱2,495,929
Changes in fair value of AFS financial assets	**2,672,368**	(8,606,395)	2,137,895
As of December 31	**(₱1,300,203)**	(₱3,972,571)	₱4,633,824

The unrealized gain (loss) on AFS financial assets are presented in the equity section of the consolidated statements of financial position.

As at December 31, 2016 and 2015, 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 Level 3 and there are no transfers in and out of Level 3 categories in 2016 and 2015. No financial instrument fall within Level 3.

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise of cash and cash equivalents, receivables, receivables from related parties, AFS financial assets, accounts payable and accrued expenses, payables to related parties, dividends payable, short-term debt 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 credit risk and liquidity 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:

Credit risk and concentration of assets and liabilities
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. The Group's exposure to credit risk 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 balances. 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, financial assets at FVPL 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:

	2016			
	Past due but not impaired			
	< 1 quarter	**1 - 2 quarters**	**2 - 3 quarters**	**Total**
Tuition and other fees	**₱10,184,459**	**₱4,612,441**	**₱9,141,998**	**₱23,938,898**

	2016				
	Past due but not impaired				
	< 30 days	**30 - 60 days**	**60 - 90 days**	**> 90 days**	**Total**
Trade	**₱5,174,120**	**₱409,747**	**₱10,900**	**₱4,316,305**	**₱9,911,072**
Related parties	**1,490,700**	**–**	**–**	**242,759**	**1,733,459**
Others	**6,478,264**	**1,221,226**	**1,362,198**	**8,867,338**	**17,929,026**
Total	**₱13,143,084**	**₱1,630,973**	**₱1,373,098**	**₱13,426,402**	**₱29,573,557**

	2015			
	Past due but not impaired			
	< 1 quarter	1 - 2 quarters	2 - 3 quarters	Total
Tuition and other fees	₱16,112,451	₱4,056,212	₱6,751,547	₱26,920,210

	2015				
	Past due but not impaired				
	< 30 days	30 - 60 days	60 - 90 days	> 90 days	Total
Trade	₱10,141,081	₱9,270,786	₱6,000,403	₱11,724,301	₱37,136,571
Others	3,356,824	1,323,122	310,054	1,280,978	6,270,978
	₱13,497,905	₱10,593,908	₱6,310,457	₱13,005,279	₱43,407,549

As at December 31, 2016 and 2015, 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:

	2016					
	Neither past due nor impaired			**Past due but not impaired**		
	High Grade	**Standard**	**Total**		**Impaired**	**Total**
Cash in banks	**₱119,846,679**	**₱–**	**₱119,846,679**	**₱–**	**₱–**	**₱119,846,679**
Cash equivalents	**752,507,497**	**–**	**752,507,497**	**–**	**–**	**752,507,497**
Receivables from:						
Tuition and other fees	**55,460,306**	**3,565,774**	**59,026,080**	**23,938,898**	**52,010,269**	**134,975,247**
Trade	**22,686,556**	**–**	**22,686,556**	**9,911,072**	**9,115,504**	**41,713,132**
Related parties	**1,981,546**	**–**	**1,981,546**	**1,733,459**	**–**	**3,715,005**
Others	**2,694,814**	**126,665**	**2,821,479**	**17,929,026**	**5,953,007**	**26,703,512**
Financial assets at FVPL	**8,339,643**	**–**	**8,339,643**	**–**	**–**	**8,339,643**
AFS financial assets	**17,062,041**	**–**	**17,062,041**	**–**	**–**	**17,062,041**
	₱980,579,082	**₱3,692,439**	**₱984,271,521**	**₱53,512,455**	**₱67,078,780**	**₱1,104,862,756**

	2015					
	Neither past due nor impaired			Past due but		
	High Grade	Standard	Total	not impaired	Impaired	Total
Cash in banks	₱128,981,004	₱–	₱128,981,004	₱–	₱–	₱128,981,004
Cash equivalents	469,151,631	–	469,151,631	–	–	469,151,631
Receivables from:						
Tuition and other fees	38,219,419	8,665,101	46,884,520	26,920,210	57,405,268	131,209,998
Trade	13,764,851	–	13,764,851	37,136,571	3,930,415	54,831,837
Related parties	1,482,432	–	1,482,432	–	–	1,482,432
Others	7,585,547	–	7,585,547	6,270,978	5,546,356	19,402,881
Financial assets at FVPL	8,205,773	–	8,205,773	–	–	8,205,773
AFS financial assets	14,389,673	–	14,389,673	–	–	14,389,673
	₱681,780,330	₱8,665,101	₱690,445,431	₱70,327,759	₱66,882,039	₱827,655,229

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

Cash in banks and cash equivalents - 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 students in third, fourth and fifth-year levels with high likelihood of settlement of payables and higher accumulated educational investments in earlier years.
   Standard - pertains to students in first and second year-levels with lower likelihood of settlement of payables and minimal accumulated educational investments.

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.

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.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due.

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 of December 31, 2016 and 2015, the Group has available short-term credit facilities with banks aggregating to ₱1.28 billion and ₱0.68 billion, respectively.

The tables below summarize 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 financial reporting date to the contractual maturity date.

	2016			
	On demand	**Less than 1 year**	**More than 1 year**	**Total**
Loans and receivables:				
Cash	**₱120,850,435**	**₱–**	**₱–**	**₱120,850,435**
Cash equivalents	**752,507,496**	**–**	**–**	**752,507,496**
Receivables*	**92,276,169**	**40,550,777**	**3,486,165**	**136,313,111**
Receivables from related parties	**1,996,997**	**1,718,008**	**–**	**3,715,005**
Financial assets at FVPL	**8,339,643**	**–**	**–**	**8,339,643**
AFS financial assets	**–**	**–**	**17,062,041**	**17,062,041**
	₱975,970,740	**₱42,268,785**	**₱20,548,206**	**₱1,038,787,731**

**excluding advances to officers and employees*

	2015			
	On demand	Less than 1 year	More than 1 year	Total
Loans and receivables:				
Cash	₱129,914,843	₱–	₱–	₱129,914,843
Cash equivalents	–	469,151,631	–	469,151,631
Receivables*	67,868,419	66,092,500	4,601,758	138,562,677
Receivables from related parties	–	1,482,432	–	1,482,432
Financial assets at FVPL	8,205,773	–	–	8,205,773
AFS financial assets	–	–	14,389,673	14,389,673
	₱205,989,035	₱536,726,563	₱18,991,431	₱761,707,029

**excluding advances to officers and employees*

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

	2016				
	On demand	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**Total**
Accounts payable and accrued expenses*	**₱483,450,778**	**₱57,130,869**	**₱15,810**	**₱356,661**	**₱540,954,118**
Payables to related parties	**9,062,366**	**–**	**–**	**4,226,120**	**13,288,486**
Dividends payable	**44,696,354**	**19,715,710**	**–**	**–**	**64,412,064**
Short-term loan	**–**	**100,000,000**	**–**	**–**	**100,000,000**
Interest payable	**25,935**	**–**	**–**	**–**	**25,935**
	₱537,235,433	**₱176,846,579**	**₱15,810**	**₱4,582,781**	**₱718,680,603**

**excluding payables to regulatory bodies*

	2015				
	On demand	Less than 1 year	1 to 2 years	2 to 3 years	Total
Accounts payable and accrued expenses*	₱268,072,780	₱290,977,242	₱810	₱–	₱559,050,832
Payables to related parties	13,986,098	–	–	–	13,986,098
Dividends payable	44,698,522	19,715,710	–	–	64,414,232
Long-term debt**	–	86,000,000	102,500,000	–	188,500,000
Interest payable	–	1,008,602	–	–	1,008,602
	₱326,757,400	₱397,701,554	₱102,500,810	₱–	₱826,959,764

**excluding payables to regulatory bodies*
***including current portion of long-term debt*

30. **Commitments and Contingencies**

Lease Commitments

Operating lease - Group as a lessor

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

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

	2016	2015
Within one year	**₱1,814,043**	₱2,051,879
More than one year but not more than five years	**6,607,588**	6,683,573
Later than five years	**2,518,522**	4,512,253
	₱10,940,153	₱13,247,705

Operating lease - Group as a lessee

The Group entered into a renewable lease agreement with Grepa Realty Holdings Corporation for the use of the premises located at the 3rd floor of Grepalife Tower Building for a period of one (1) year from January 1, 2016 to December 31, 2016 with monthly rental of ₱0.03 million. The lease agreement was renewed on December 28, 2016 for another one year.

The future minimum rentals payable within one (1) year amounted to ₱0.35 million as of December 31, 2016 and 2015 under the aforementioned lease agreement.

Provisions and Contingencies

The Group is involved in certain claims arising from the ordinary conduct of business which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liabilities under these claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations.

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

31. **Approval of the Consolidated Financial Statements**

The consolidated financial statements of the Group as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, 2015 and 2014 were approved and authorized for issuance by the BOD on March 24, 2017.

SGV
Building a better
working world

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of iPeople, inc. and its subsidiaries (the Group) as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 included in this SEC Form 17-A and have issued our report thereon dated March 24, 2017. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. Schedules I-IV listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule No. 68, As Amended (2011), and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola
Partner
CPA Certificate No. 109952
SEC Accreditation No. 1540-A (Group A),
March 8, 2016, valid until March 8, 2019
Tax Identification No. 242-019-387
BIR Accreditation No. 08-001998-117-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 5908712, January 3, 2017, Makati City

March 24, 2017

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

SUPPLEMENTARY SCHEDULES

iPeople, inc. and Subsidiaries

Supplementary Information and Disclosures Required On SRC Rule 68 and 68.1, As Amended December 31, 2016

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule (SRC) Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by amended SRC Rule No. 68 and 68.1 that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required parts of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

Below is the detailed schedule of financial assets in equity securities of the Group as of December 31, 2016:

Name of Issuing entity and association of each issue	Number of Shares	Amount Shown in the Statement of Financial Position	Value Based on Market Quotation at end of year	Income Received and Accrued
Available-for-sale financial assets				
Quoted:				
Petro Energy Resources Corporation	4,111,335	₱17,062,041	₱17,062,041	₱–

The basis in determining the value of equity securities is the market quotation as at December 31, 2016. The Group has no income received and accrued related to the equity securities during the year.

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

Below is the schedule of advances to officers and employees of the Group with balances above ₱100,000 as at December 31, 2016:

Name	**As of December 31, 2015**	**Additions**	**Liquidations/ Collections**	**As of December 31, 2016**
Salvacion, Jonathan	₱54,188	₱374,500	(₱54,450)	₱483,138
Costales, Aloysius Nathaniel	559,918	–	129,916	430,002
Agbulos, Erlin C.	–	446,888	44,687	402,201
Gochioco, Geraldine	–	387,262	17,403	369,859
Songsong, Maribel	47,379	372,000	72,179	347,200
Francisco, Ruth C.	383,868	–	73,481	310,387
Adanza, Carina Victoria T.	538,500	–	241,346	297,154
Judilla, Roel John	366,850	–	75,900	290,950
Sauquillo, Dante	363,688	–	75,900	287,788
Apsay, Christopher	326,193	–	72,576	253,618
Papas, Aileen Kate A.	333,201	–	88,854	244,347
Geguiento, Edgardo P.	312,478	–	72,600	239,878
Ballado, Alejandro Jr.	293,600	–	73,400	220,200
Balan, Ariel Kelly	290,542	–	73,400	217,142
Cabanilla, Angela Celine	277,172	–	73,100	204,072
Cinco, Arnold	277,172	–	73,100	204,072
Camus, Rosette Eira	271,079	–	73,100	197,979
Arenillo, Denise Jordan	209,008	–	75,618	133,390
Uy, Francis Aldrine	204,341	–	79,100	125,241
Hofilena, Joy	205,229	–	83,600	121,629
Macayan, Jonathan	190,213	–	77,375	112,838
Kikuchi, Khristian	184,291	–	77,668	106,624
	₱5,688,910	₱1,580,650	₱1,669,853	₱5,599,709

These advances pertain to the officers and employees car plan agreements. Such advances are interest-bearing and shall be liquidated on a monthly basis. There were no amounts written off during the year.

Schedule C. Amounts Receivable/Payables from and to Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivables and payables with related parties, which are eliminated in the consolidated financial statements as at December 31, 2016:

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

Schedule D. Intangible Assets

As at December 31, 2016, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of MCI. Details of the Group's intangible assets are as follows:

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Ending balance
Goodwill	₱137,853,345	₱–	₱–	₱137,853,345
Computer software	610,162	4,985,281	(639,375)	4,956,068
	₱138,463,507	₱4,985,281	(₱639,375)	₱142,809,413

Schedule E. Long term debt

As of December 31, 2016, the Group has no outstanding long-term debt.

Schedule F. Indebtedness to Related Parties (Long Term Loans from Related Companies)

Please refer to Schedule E for the details of indebtedness to related parties.

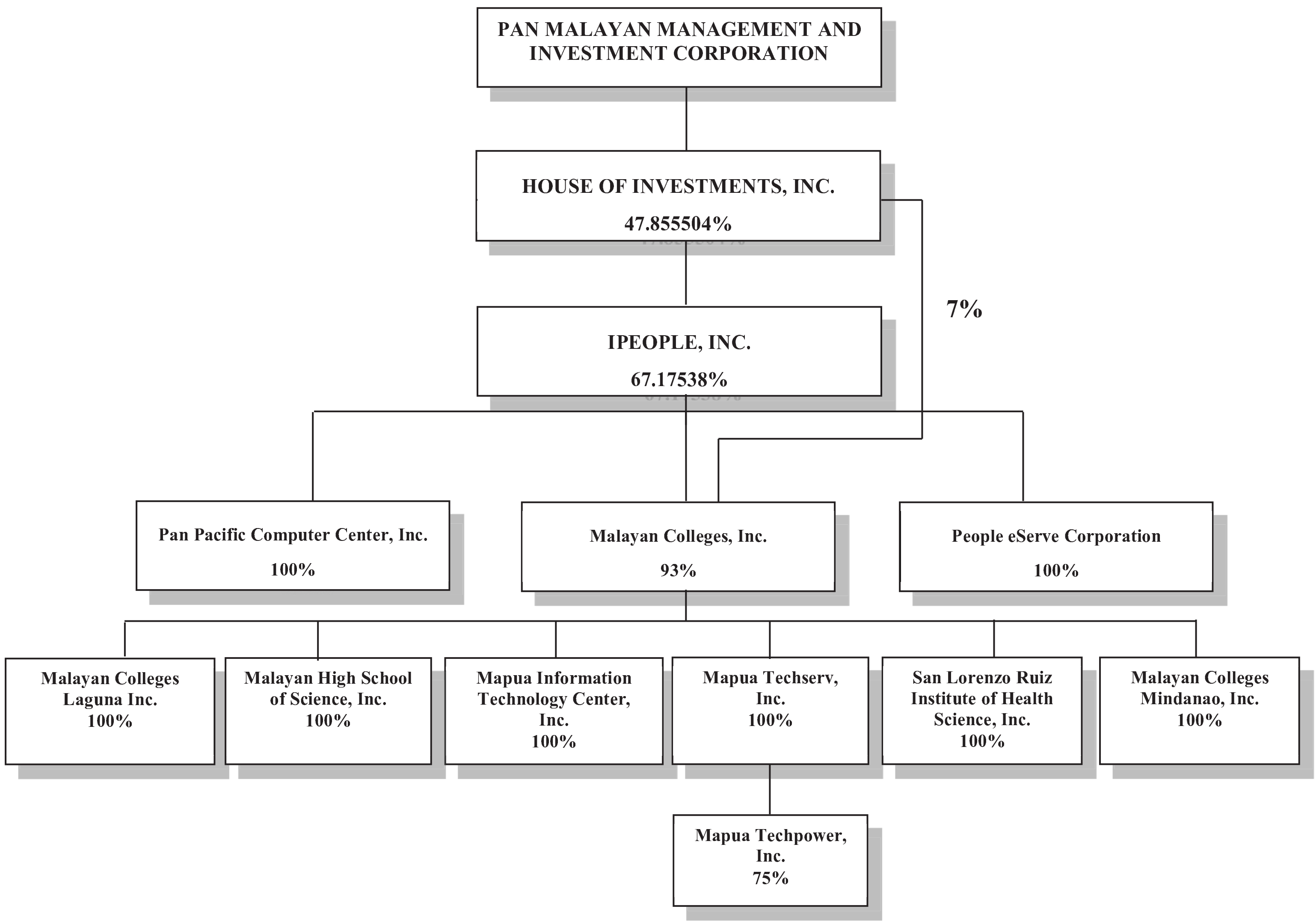
Schedule G. Guarantees of Securities of Other Issuers

As at December 31, 2016, the Group does not guarantee any securities.

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	748,932,677	–	595,345,036	1,175,533	152,412,652

Group Structure
Below is a map showing the relationship between and among the Group and its ultimate parent company and subsidiaries as at December 31, 2016:



iPeople, inc. and Subsidiaries

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2016:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		✓*	
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts		✓*	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Amendments to PFRS 7: Hedge Accounting			✓
PFRS 8	Operating Segments	✓		
PFRS 9 (final version)	Financial Instruments		✓*	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance		✓	
	Amendments to PFRS 10: Investment Entities		✓	
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓**	
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance		✓	
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations		✓	
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 12: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓*	
	Amendments to PFRS 15, Clarifications to PFRS 15		✓*	
PFRS 16	Leases		✓*	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1, Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative		✓*	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016	Adopted	Not Adopted	Not Applicable

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		✓*	
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16: Agriculture - Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 28 (Amended)	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓**	
	Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: The Fair Value Option			✓
PAS 39	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendments to PAS 40: Transfers of Investment Property		✓*	
PAS 41	Agriculture			✓
	Amendments to PAS 41: Agriculture – Bearer Plants			✓
Annual Improvements to PFRSs				
Improvements to PFRSs (2008)		✓		
Improvements to PFRSs (2009)		✓		
Improvements to PFRSs (2010)		✓		
Annual Improvements to PFRSs (2009-2011 Cycle)		✓		
Annual Improvements to PFRSs (2010-2012 Cycle)		✓		
Annual Improvements to PFRSs (2011-2013 Cycle)		✓		
Annual Improvements to PFRSs (2012-2014 Cycle)		✓		
Annual Improvements to PFRSs (2014-2016 Cycle)			✓*	
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓*	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**Not early adopted*
***Effectivity was deferred by the Financial Reporting Standards Council*

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

Standards tagged as "Not adopted" are standards issued but not yet effective as of December 31, 2016. The Group will adopt the Standards and Interpretations when these become effective.

iPeople, inc. and Subsidiaries

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2016

Items	Amount	
Unappropriated retained earnings, *as adjusted to available for distribution, beginning*		**₱963,111,729**
Add: Net income actually earned/realized during the period		
Net income during the period closed to retained earnings	**₱254,167,794**	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Sub-total	**254,167,794**	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustments due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
	254,167,794	
Net income actually realized during the period		**254,167,794**
Add (Less):		
Dividends declaration during the year	**(179,743,972)**	
Appropriations of retained earnings during the period	–	
Reversal of appropriations	–	
Effects of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	**(209)**	
		(179,744,181)
Total Retained Earnings, end, Available for Dividend		**₱1,037,535,342**

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group's for the year ended December 31, 2016:

Financial ratios		**2016**	2015
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**1.41:1**	1.11:1
Solvency Ratio *Shows how likely a company will be to continue meeting its debt obligations*	Net Income+Depreciation / Total Liabilities	**0.84:1**	0.89:1
Debt-to-equity ratio *Measures the Group's leverage*	Total Debt / Equity	**0.20:1**	0.24:1
Asset to Equity Ratio *Shows how the company's leverage (debt) was used to finance the firm*	Total Assets / Equity	**1.18:1**	1.23:1
Interest Rate Coverage *Shows how easily a company can pay interest on outstanding debt*	EBIT* / Interest Expense	**78.14:1**	46.28:1
Return on Average Stockholders' Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Equity	**12.47%**	18.34%
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income / Total Assets	**9.85%**	13.55%

**Earnings before interest and taxes (EBIT)*

iPeople

ANNEX "C"

CONSOLIDATED FINANCIAL STATEMENTS OF MARCH 31, 2017 AND DECEMBER 31, 2016 AND THREE MONTHS ENDED MARCH 31, 2017, 2016, AND 2015

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The interim consolidated financial statements of iPeople, Inc. and Subsidiaries as of March 31, 2017 with comparative figures for the periods ended March 31, 2016 and December 31, 2016 and Schedule of Aging of Accounts Receivable are incorporated by reference as **Exhibit 1**.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

Are there any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.	None
Does the registrant currently has, or anticipates having within the next twelve (12) months, any cash flow or liquidity problems?	No
Is the registrant in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments?	No
Has there been a significant amount of the registrant's trade payables have not been paid within the stated trade terms?	None
Describe internal and external sources of liquidity, and briefly discuss any sources of liquid assets used.	Sources of cash flow are from dividends.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;

None

(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

None

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described;

There are no material commitments for capital expenditures other than the construction of a new campus on a 2.3-hectare property in Davao through its subsidiary, Malayan Colleges Mindanao (A Mapua School), Inc. (MCMI). Completion is expected in time for the Academic Year 2018-2019. The project is estimated to cost around P2 billion and will be funded partially by debt.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing

operations should be described. If the registrant knows of events that will cause material change in the relationship between costs and revenues (such as known future increases in cost of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.

The K plus 12 program of the Department of Education (DepEd), which calls for the two extra years of basic education started in 2016. There will be two academic years where there will be no students moving on to tertiary studies starting 2016. This is expected to impact the profit and cash flow of both for-profit and non-profit tertiary education institutions during the transition period.

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

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

(vi) Any significant elements of income or loss that did not arise from the registrant's continuing operations;

None

(vii) The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item; The term "material" in this section shall refer to changes or items amounting to five percent (5%) of the relevant accounts or such lower amount, which the registrant deems material on the basis of other factors.

Income Statement Variances

For the quarter ending March 2017, IPO showed a consolidated net income after tax of ₱146.53 million against ₱225.06 million last year. The 35% drop is primarily attributable to lower intake of freshmen students in the third term period as the K+12 program of the DepEd started in June 2016.

Total revenues this year is at ₱542.73 million, which is 15% lower compared to ₱636.70 million last year. Revenue from school operations, which is the primary source of revenue of the Group, has significantly dropped due to reduced number of freshmen enrollees. This was, however, softened by income generated from Senior High School offering.

Sale of goods was lower by ₱17.57 million, from ₱36.37 million of same quarter last year to ₱18.80 million this year. This pertains to the hardware reselling business of PPCC, which is currently challenged by strong market competition.

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

Cost of sales and services went down by 3% primarily because of lower volume of units sold by PPCC. The slight increase in the cost related to school operations is attributable to higher (a) student related expenses relative to student welfare activities, scholarship grants and educational aid; (b) periodicals due to increase in subscription cost; (c) tools and library books due to change in capitalization policy and acquisition of new books; (d) seminars and trainings, which is a timing factor; and (e) accreditation due to timing of requirements of different accreditation bodies.

General and administrative expenses increased by 15% or ₱7.45 million higher from same period last year. Increase is primarily attributable to the following:

- Professional fees due to increase in cost related to contracted services;
- Depreciation due to acquisition of office & laboratory equipments;
- Utilities due to higher average of generation charge in power and light;
- Advertising due to intensified campaign for senior high school offering;

Interest income was higher by 79% this year because of higher volume of placements as of the period compared to same period last year coupled with increase in average interest rate.

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

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

Balance Sheet Variances

Total consolidated assets stood at ₱6.79 billion as of the quarter ending March 31, 2017 compared to ₱6.53 billion as of December 2016.

Receivables pertain mainly to school-related fees, which are regularly collected.

Receivables from related parties decreased by ₱2.80 million, which pertains mainly to receivables from an affiliate for the lease of space. Balance as of December 2016 was fully paid during this quarter.

Prepaid expense and other current assets increased due to additional insurance for the newly acquired shop and laboratory equipment and collection of creditable withholding tax certificates.

Available-for-sale securities which is presented at its fair market value, dropped from 17.06 million to 16.49 million because of lower market value as of the period.

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

Total consolidated liabilities were higher by 16%, primarily because of acquisition of a new loan to finance the on-going construction of the school building in Mindanao. Loans payable is a one-year term loan due in September 2017 and March 2018. Accounts payable and accrued expense pertains primarily to accrual of salaries and related costs, and obligations to local suppliers. Payables to related parties pertain mainly to various services extended to the Group. Income tax payable pertains to tax liability for the quarter payable in May 2017. Unearned tuition fees have significantly dropped as the quarter term ends. Dividends payable ending December 31, 2016 was settled in January 2017. The balance of ₱59.72 million pertains to current dividend declaration, which is payable in May 2017.

Total consolidated equity increased from ₱5.52 billion to ₱5.62 billion this quarter. Equity attributable to Parent is at ₱5.26 billion, from ₱5.17 billion last December 2016.

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

Every summer quarter, the school operations undergo a material change. For the purposes of this discussion, the summer quarter occurs in the three months from late March to late May of every year.

During the summer quarter, student enrolment drops over 50 percent because majority of matriculating students go on break. Therefore there is a seasonal shift in revenues as enrolment drops in the summer quarter. Despite the drop in enrolment during the summer, the schools continue to carry the same periodic fixed costs over a lower revenue base. Therefore the schools realize much lower net profits during the summer months.

Financial Soundness Indicator

The company's top 10 key performance indicators as of the period ended March 31, 2017, March 31, 2016 and December 31, 2016 are as follows:

Financial ratios		**Unaudited March 2017**	Unaudited March 2016	Audited December 2016
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**1.20:1**	1.33:1	1.41:1
Solvency Ratio *Shows how likely a company will be to continue meeting its debt obligations*	Net Income+Depreciation / Total Liabilities	**0.17:1**	0.25:1	0.84:1
Debt-to-equity ratio *Measures the Group's leverage*	Net Debt / Equity	**0.22:1**	023:1	0.20:1
Asset to Equity Ratio *Shows how the company's leverage (debt) was used to finance the firm*	Total Assets / Equity	**1.21:1**	1.22:1	1.18:1
Interest Rate Coverage *Shows how easily a company can pay interest on outstanding debt*	EBIT / Interest Expense	**245.14:1**	58.91:1	78.14:1
Return on Average Stockholders' Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Equity	**2.77%**	4.29%	12.47%
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income / Total Assets	**2.16%**	3.71%	9.85%
Net Profit Margin *Shows how much profit is made for every peso of revenue*	Net Income / Total Revenues	**27.00%**	35.35%	27.26%
Asset Turnover *Shows efficiency of asset used in Operations*	Total Revenues / Total Assets	**8x**	10x	36x
Return on Equity *Shows how much the business returns to the stockholders for every peso of equity capital invested*	Net Income/Total Revenues x Total Revenues/Total Assets x Total Assets/Total Equity	**2.61%**	4.52%	11.66%

- The current ratio is at 1.20 as of March 2017 compared to 1.33 as of March 2016 due to increase in the short-term loans of the Group.
- Solvency ratio is at 0.17 as of the period. This is lower compared to last year because of the effect of K+12 program of DepEd.
- Debt-to-equity ratio slightly improved from 0.23 as at March 2016 to 0.22 as of this period.
- Asset to equity ratio went down from 1.22 as at March 2016 to 1.21 this period as retained earnings increased because of continuous income from school operation.
- Interest rate coverage ratio improved from 59 times as at March 2016 to 245 times this period as the Group made full payment of its principal loan balance.
- Return on average stockholders' equity dropped to 2.77% year on year, resulting from the decrease in average enrollees intake coupled with higher costs and expenses.
- Return on asset is at 2.16% against 3.71% as of March 2016, because of lower number of enrollees combined with higher costs and expenses.
- Net profit margin decreased from 35.35% last year to 27.00% as of this period due to lower revenues from schools.
- Asset turnover is 8 times as of this period against 10 times as of March 2016 because of additional property acquired by the Group.
- Return on equity dropped from 4.52% to 2.61% as of this period, resulting from lower margins due to lower average number of enrollees intake.

The above-mentioned ratios are applicable to the Group (Parent Company and its majority owned subsidiaries) as a whole.

PART II – OTHER INFORMATION

Item 3: First Quarter 2017 DEVELOPMENTS
Significant developments during the first quarter of 2017 were briefly discussed in Part I Item 2: *Management Discussion and Analysis of Financial Condition and Results of Operations.*

Item 4: OTHER NOTES TO FINANCIAL STATEMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, receivables, due from related parties, AFS financial assets, loans payable, accounts payable and accrued expenses, due to related parties, dividends payable, lease liability and long-term debt. The main purpose of these financial instruments is to manage working capital for the Group's operations.

The main risks arising from the Group's financial instruments are liquidity risk, market risk, and credit risk. The BOD reviews and approves the policies for managing these risks. The Audit Committee and the Risk Management Committee of the Board meets regularly and exercises an oversight role in managing risks.

The following covers the risk management policies at the holding company (IPO) level.

Interest Rate Risk
IPO does not have any borrowings that will directly expose it to interest rate risk.

When necessary, it is a company policy to use excess liquidity to pay down any borrowings in order to decrease financing costs, and reduce exposure to rising interest rates. It is also a company policy to actively discuss with lending banks on how to lower financing costs. IPO does not have a practice of speculating on the direction of interest rates. The main objective is to lower financing costs as much as possible.

Foreign Exchange Risk
IPO's foreign exchange risk results primarily from movements in the prevailing exchange rate between the Philippine Peso (PHP) and the Unites States Dollar (USD). The risk does not materially affect the Company as the revenues and the operating expenses of IPO are dominated in PHP.

Liquidity Risk
IPO seeks to manage its liquidity to be able to service maturing debts, finance capital requirements, or pay for existing operations. IPO maintains a consistent level of funding to be able to pay for its day-to-day operations. IPO constantly monitors its projected cash flows through management meetings that occur on a weekly basis. When major acquisitions are identified, IPO assesses market conditions to be able to source the funding as inexpensively as possible.

Credit Risk
IPO's holding of cash and short term securities exposes the company to the credit risk of the counterparty. It does not have a concentrated credit risk exposure. The Group's exposure to credit risk is very minimal because its receivables are mostly from related parties, which are being managed through close account monitoring and limit setting.

Price Risk
Available for sale (AFS) financial instruments are held and are subject to price fluctuation. These securities are vulnerable to price risk due to changes in market factors related to the overall market for financial assets. These prices change depending on how market participants act in the market.

IPO has non-core holdings in its AFS investments. For its non-core holdings, IPO's investment policy is to monitor developments in the market and to monitor these securities very closely. The company regularly assesses the opportunity cost of holding these securities. When a more appropriate use of the funds is determined, it is IPO's intention to liquefy these investments and put the excess cash to work.

Business Continuity Risk
IPO is acutely conscious of the risks posed by natural disasters, acts of God, or other man-made actions that can have an adverse impact on the continuity of regular operations. The Group works to make sure that its business continuity plans are up to date

Succession Risk
The company knows that people are an important resource and that its executive management team is a significant contributor to the value-adding activities of the firm. In order to preserve the management chain of succession and institutional knowledge that comes with it, each member of executive management is accountable for putting a succession plan in place that includes the identification and development of his or her successor.

The respective company presidents, general managers, and chief risk officers of each portfolio company are accountable for making sure that their risk management policies line up with the risk management policies of the holding company. Group internal audit (GIA) provides valuable input to risk management support by conducting regular business unit audits that also incorporate the evaluation of risk management practices.

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

EXHIBIT 1

iPEOPLE INC. and SUBSIDIARIES

Interim Condensed
Unaudited Consolidated Financial Statements

March 31, 2017 and 2016 (Unaudited)
and
December 31, 2016 (Audited)

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited	Audited
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 14)	**₱895,945,152**	₱873,357,931
Receivables (Note 7)	**130,644,161**	144,753,882
Receivables from related parties (Note 14)	**917,175**	3,715,005
Prepaid expenses and other current assets (Note 8)	**103,828,587**	89,609,828
Financial assets at fair value through profit or loss	**8,378,283**	8,339,643
Total Current Assets	**1,139,713,358**	1,119,776,289
Noncurrent Assets		
Available-for-sale financial assets	**16,486,454**	17,062,041
Property and equipment (Notes 9 and 10)	**5,467,727,740**	5,227,443,117
Net pension asset	**1,575,170**	1,575,170
Goodwill (Note 11)	**137,853,345**	137,853,345
Deferred tax assets - net	**6,137,926**	6,137,926
Other noncurrent assets (Note 12)	**20,049,687**	19,623,657
Total Noncurrent Assets	**5,649,830,322**	5,409,695,256
	₱6,789,543,680	₱6,529,471,545

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 13)	**576,062,556**	₱553,353,893
Payables to related parties (Note 14)	**28,087,486**	13,288,486
Income tax payable	**26,952,352**	8,203,745
Unearned tuition fees	**14,383,531**	53,041,443
Dividends payable (Note 16)	**59,722,046**	64,412,064
Short-term loan (Note 15)	**245,000,000**	100,000,000
Total Current Liabilities	**950,207,971**	792,299,631
Noncurrent Liabilities		
Net pension liability	**77,714,707**	74,440,303
Deferred tax liabilities - net	**144,999,258**	147,127,296
Total Noncurrent Liabilities	**222,713,965**	221,567,599
Total Liabilities	**₱1,172,921,936**	₱1,013,867,230

(Forward)

	Unaudited 2017	Audited 2016
Equity		
Common stock (Note 16)	**₱748,933,221**	₱748,933,221
Additional paid-in capital	**1,438,827**	1,438,827
Other comprehensive income (loss):		
Unrealized loss on available-for-sale financial assets	**(1,875,790)**	(1,300,203)
Revaluation increment on land - net (Note 10)	**984,985,652**	984,985,652
Remeasurement gains on defined benefit plans	**23,017,641**	23,017,641
Retained earnings (Note 16)	**3,501,108,455**	3,409,999,669
	5,257,608,006	5,167,074,807
Less: Treasury stock (Note 16)	**209**	209
	5,257,607,797	5,167,074,598
Non-controlling interest in consolidated subsidiaries	**359,013,947**	348,529,717
Total Equity	**5,616,621,744**	5,515,604,315
	₱6,789,543,680	₱6,529,471,545

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	January 1 to March 31		
	2017	2016	2015
REVENUE			
Tuition and other fees (Note 17)	**₱521,451,858**	₱596,845,858	₱540,833,300
Sale of goods	**18,802,301**	36,367,567	24,399,175
Sale of services (Note 17)	**2,478,167**	3,482,422	12,088,548
	542,732,326	636,695,847	577,321,023
COSTS AND EXPENSES			
Cost of tuition and other fees (Note 18)	**308,542,695**	300,849,006	275,151,133
Cost of goods sold (Note 18)	**16,936,370**	33,543,602	23,192,781
Cost of services	**952,572**	1,002,860	2,647,526
	326,431,637	335,395,468	300,991,440
GROSS PROFIT	**216,300,689**	301,300,379	276,329,583
GENERAL AND ADMINISTRATIVE EXPENSES (Note 19)	**(55,885,269)**	(48,432,875)	(57,905,799)
INTEREST AND OTHER FINANCE CHARGES (Note 20)	**(654,394)**	(4,292,715)	(4,465,424)
INTEREST INCOME (Note 20)	**2,955,162**	1,653,079	2,237,861
OTHER INCOME (LOSS)	**431,293**	(327,510)	675,163
INCOME BEFORE INCOME TAX	**163,147,481**	249,900,358	216,871,384
PROVISION FOR INCOME TAX	**16,618,471**	24,843,426	21,934,217
NET INCOME	**146,529,010**	225,056,932	194,937,167
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Unrealized gains (losses) on AFS financial assets	**(575,587)**	904,493	(1,808,987)
	(575,587)	904,493	(1,808,987)
TOTAL COMPREHENSIVE INCOME	**₱145,953,423**	₱225,961,425	₱193,128,180
Net income attributable to:			
Equity holders of the parent (Note 21)	**₱136,044,781**	₱209,227,500	₱181,039,831
Non-controlling interest in consolidated subsidiaries	**10,484,229**	15,829,432	13,897,336
	₱146,529,010	₱225,056,932	₱194,937,167
Total comprehensive income attributable to:			
Equity holders of the parent	**₱135,469,194**	₱210,131,993	₱179,230,844
Non-controlling interest in consolidated subsidiaries	**10,484,229**	15,829,432	13,897,336
	₱ 145,953,423	₱225,961,425	₱193,128,180
Basic Earnings Per Share (Note 21)	**₱0.1817**	₱0.2794	₱0.2417

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent Company									
	Common Stock (Note 16)	Additional Paid-in Capital	Unrealized Gain on Available-for-Sale Financial Assets	Revaluation Increment on Land - net of tax (Note 10)	Remeasurement Gains (Losses) on Net Defined Benefit Plans	Retained Earnings (Note 16)	Treasury Stock (Note 16)	Total	Non - controlling Interest	Total
For the quarter ended March 31, 2017										
Balances as at January 1, 2017	**₱748,933,221**	**₱1,438,827**	**(₱1,300,203)**	**₱984,985,652**	**₱23,017,641**	**₱3,409,999,669**	**(₱209)**	**₱5,167,074,598**	**₱348,529,717**	**₱5,515,604,315**
Net income	–	–	–	–	–	**136,044,781**	–	**136,044,781**	**10,484,229**	**146,529,010**
Other comprehensive income	–	–	**(575,587)**	–	–	–	–	**(575,587)**	–	**(575,587)**
Total comprehensive income	–	–	**(575,587)**	–	–	**139,609,591**	–	**135,469,194**	**10,484,229**	**145,953,423**
Dividends declared	–	–	–	–	–	**(44,935,993)**	–	**(44,935,993)**	–	**(44,935,993)**
Balances as at March 31, 2017	**₱748,933,221**	**₱1,438,827**	**(₱1,875,790)**	**₱984,985,652**	**₱23,017,641**	**₱3,501,108,457**	**(₱209)**	**₱5,257,607,798**	**₱359,013,946**	**₱5,616,621,744**
For the quarter ended March 31, 2016										
Balances as at January 1, 2016	₱748,933,221	₱1,438,827	(₱3,972,571)	₱751,444,924	₱6,331,596	₱2,994,028,061	(₱209)	₱4,498,203,849	₱301,185,392	₱4,799,389,241
Net income	–	–	–	–	–	209,227,501	–	209,227,501	15,829,432	225,056,933
Other comprehensive income (loss)	–	–	904,493	–	–	–	–	904,493	–	904,493
Total comprehensive income (loss)	–	–	904,493	–	–	209,227,501	–	210,131,994	15,829,432	225,961,426
Dividends declared	–	–	–	–	–	(44,935,993)	–	(44,935,993)	–	(44,935,993)
Balances as at March 31, 2016	₱748,933,221	₱1,438,827	(₱3,068,078)	₱751,444,924	₱6,331,596	₱3,158,319,569	(₱209)	₱4,663,399,850	₱317,014,824	₱4,980,414,674
For the quarter ended March 31, 2015										
Balances as at January 1, 2015	₱748,933,221	₱1,438,827	₱4,633,824	₱448,763,360	₱36,051,315	₱2,432,843,210	(₱209)	₱3,672,663,548	₱240,394,640	₱3,913,058,188
Net income	–	–	–	–	–	181,039,831	–	181,039,831	13,897,337	194,937,168
Other comprehensive income (loss)	–	–	(1,808,987)	–	–	–	–	(1,808,987)	–	(1,808,987)
Total comprehensive income (loss)	–	–	(1,808,987)	–	–	181,039,831	–	179,230,844	13,897,337	193,128,181
Dividends declared	–	–	–	–	–	(44,935,993)	–	(44,935,993)	–	(44,935,993)
Balances as at March 31, 2015	₱748,933,221	₱1,438,827	₱2,824,837	₱448,763,360	₱36,051,315	₱2,568,947,048	(₱209)	₱3,806,958,399	₱254,291,977	₱4,061,250,376

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	January 1 to March 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱163,147,480**	₱249,900,358	₱216,871,384
Adjustments for:			
Depreciation and amortization (Notes 9, 12, 18 and 19)	**52,173,148**	48,883,964	143,410,590
Interest expense and other finance charges (Note 20)	**654,394**	4,284,203	4,465,424
Interest income (Notes 6, 7, 14 and 20)	**(2,955,162)**	(1,653,079)	(2,237,861)
Unrealized market gain on financial asset at FVPL	**(38,640)**	–	(60,000)
Realized loss on disposal of financial assets at FVPL	–	–	(30,398)
Unrealized foreign exchange loss (gain)	**(123,171)**	–	109,299
Operating income before working capital changes	**212,858,049**	301,415,446	362,528,438
Decrease (increase) in:			
Accounts receivable	**14,109,721**	(43,341,069)	11,373,975
Prepaid expenses and other current assets	**(14,218,759)**	(8,587,125)	(20,994,813)
Increase (decrease) in:			
Accounts payable and accrued expenses	**22,708,663**	(2,614,702)	67,532,388
Unearned tuition fees	**(38,657,912)**	(9,069,971)	(7,716,223)
Net pension asset and liability	**1,146,366**	(940,142)	680,150
Net cash generated from operations	**197,946,128**	236,862,437	413,403,915
Interest received	**2,955,162**	1,697,946	1,956,313
Interest paid	**(654,394)**	(5,619,889)	(3,948,212)
Income taxes paid	**2,130,136**	3,533,629	1,641,126
Net cash flows provided by operating activities	**202,377,032**	236,474,123	413,053,142
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of :			
Financial assets at FVPL	–	–	90,398
Acquisitions of:			
Property and equipment	**(292,154,011)**	(25,311,294)	(250,885,710)
Computer software (Note 12)	**(225,000)**	(4,480,000)	(4,623,361)
Decrease (increase) in:			
Receivables from related parties	**2,797,830**	(91,065)	(1,729,374)
Other noncurrent assets	**(504,790)**	512,280	–
Net cash flows used in investing activities	**(290,085,971)**	(29,370,079)	(257,148,047)

(Forward)

	January 1 to March 31		
	2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of long-term debt	**₱–**	(₱21,500,000)	(₱19,907,059)
Short-term loan (Note 15)	**145,000,000**	–	–
Dividends paid to stockholders	**(49,626,011)**	(44,698,522)	(104,293,636)
Increase (decrease) in payables to related parties	**14,799,000**	729,080	(3,977,697)
Net cash flows used in financing activities	**110,172,989**	(65,469,442)	(128,178,392)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**123,171**	–	(109,299)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**22,587,221**	141,634,602	27,617,404
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**873,357,931**	599,066,474	1,156,486,981
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱895,945,152**	₱740,701,076	₱1,184,104,385

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 registered and incorporated on July 27, 1989 under the laws of the Philippines and has two wholly-owned subsidiaries, namely: Pan Pacific Computer Center, Incorporated (PPCCI) and People eServe Corporation (PEC). Parent Company has also 93% ownership in Malayan Colleges, Inc. (MCI), Malayan Colleges Laguna, Inc. (MCLI), Malayan Colleges Mindanao, Inc. (MCMI), Malayan High School of Science, Inc. (MHSSI), Mapua Information Technology Center, Inc. (MITC), Mapua Techserv, Inc. (MTI), and San Lorenzo Ruiz Institute of Health Science, Inc. (SLRIHSI). Mapua Techpower, Inc. is 75% owned by the Parent Company.

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

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

2. Basis of Preparation

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

Statement of Compliance

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

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of March 31, 2017 and December 31, 2016, and for each of the three years in the period ended March 31, 2017.

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

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

	Percentage of Ownership		
	2017	2016	2015
Malayan Colleges, Inc. (Operating Under the Name of Mapua Institute of Technology) and subsidiaries	**93%**	93%	93%
Direct ownership of MCI on its subsidiaries:			
Mapua Information Technology Center, Inc.	**100**	100	100
Mapua Techserv, Inc.	**100**	100	100
Mapua Techpower, Inc.	**75**	75	75
Malayan High School of Science, Inc.	**100**	100	100
San Lorenzo Ruiz Institute of Health Sciences, Inc.	**100**	100	100
Malayan Colleges Laguna Inc., Led by a Mapua School of Engineering	**100**	100	100
Malayan Colleges Mindanao (A Mapua School), Inc.	**100**	100	–
People eServe Corporation	**100**	100	100
Pan Pacific Computer Center, Incorporated	**100**	100	100

In October 2016, MCI subscribed to additional common shares of MCMI amounting ₱187.50 million.

All subsidiaries were incorporated in the Philippines.

Subsidiaries are entities over which the Parent Company has control. Control is achieved when the Parent Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights and potential voting rights.

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

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

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

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

3. **Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended standards and improved PFRSs which the Group has adopted starting January 1, 2016. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.

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

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

Effective beginning January 1, 2017

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

Effective beginning January 1, 2018

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

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

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

Effective beginning January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

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

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

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

Deferred effectivity

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

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

4. **Summary of Significant Accounting Policies**

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

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

Initial recognition

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

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The classification depends on the purpose for which the investments were acquired and whether these are ousted in active market. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

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

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

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

classified as FVPL unless they are designated as effective hedging instruments or a financial guarantee contract.
This consists of peso-denominated investment in unit investment trust fund (UITF) in Rizal Commercial Banking Corporation (RCBC).

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

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

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

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

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

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

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

Classified under this category are the Group’s accounts payable and accrued expenses, payables to related parties, dividends payable, short-term loan and long-term debt.

Derecognition of Financial Assets and Financial Liabilities

Financial asset

A financial asset (or, where applicable, a part of a group of financial assets) is derecognized when:

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

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

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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

Impairment of Financial Assets

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

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the assets original EIR (excluding future credit losses that have not been incurred). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

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

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

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

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

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

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

This accounting policy relates to the net payable to Philippine Transmarine Carrier, Inc. (PTC) amounting ₱13.05 million as of March 31, 2017 and December 31, 2016, respectively, and included under “Accounts payable and accrued expenses” in the consolidated statements of financial position (Note 13).

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

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

Prepaid Expenses and Other Current Assets
Prepaid expenses and other current assets pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group. This includes restricted funds invested in money market placements exclusively for use in Civic Welfare Training Service (CWTS), National Service Training Program (NSTP) and for financing of scholars of certain private entities.

Creditable Withholding Tax (CWT)
This pertains to the tax withheld at source by the Group's customers and lessees and is creditable against its income tax liability.

Value-added Tax (VAT)
The input VAT pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the local sale of goods or services by the Group.

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

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

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

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

	Years
Buildings and improvements	10-20
Office furniture and equipment	5-10
Transportation equipment	5

The EUL and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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

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

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

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

The appraisal increment (net of deferred tax) resulting from the revaluation is credited to the "revaluation increment on land - net" account under the equity section of the Group's consolidated statements of financial position and under the consolidated statements of changes in equity.

Business Combination and Goodwill

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

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

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of comprehensive income.

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

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

Other Noncurrent Assets

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

Impairment of Nonfinancial Assets

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

The Group assesses as of reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

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

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

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

Equity

The Group records common stock at par value for all shares issued and outstanding, and additional paid-in capital for the excess of the total contributions received over the aggregate par values of the equity shares. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. When any member of the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity. No gain or loss is recognized in profit or loss on the purchase, sale issue or cancellation of the Parent Company's own equity investments.

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

The Parent Company's retained earnings declarable as dividends amounted to ₱991.74 million and ₱1,037.54 million as at March 31, 2017 and December 31, 2016, respectively. Dividends distribution is approved by the BOD of the Parent Company.

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

Revenue Recognition

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

The following specific recognition criteria must also be met before revenue is recognized:

Revenues from tuition and other fees

Revenues from tuition and other fees are recognized as income over the corresponding school term. Unearned revenues are shown as unearned tuition fees in the consolidated statement of financial position and will be recognized as revenues when the educational service has been fulfilled in the applicable school term.

Admission, examination and other fees

Admission, examination and other fees are recognized as income when examination has been granted by the school and related services have been provided to the students.

Sale of goods

Sale of goods are recognized as revenue upon delivery of the goods and when the risks and rewards of ownership have passed to the buyer.

Sale of services

Sale of services are recognized when services are rendered.

Bookstore income

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

Rental income

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

Seminar income

Seminar income is recognized as income over the corresponding term.

Interest income

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

Miscellaneous income
Miscellaneous income is recognized when earned.

Costs and Expenses
The Group's costs and expenses constitute costs of operating the business recognized in the consolidated statement of comprehensive income as incurred.
Cost of tuition and other fees
Cost of tuition and other fees constitute expenses directly related to the Group's school and related operations which include expenses for salaries and wages of teaching and academic support personnel, student welfare activities, advertising, and all other student-related costs and expenses. Cost of tuition and other fees are recognized as expense when the school and related services have been provided to the students.

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

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

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

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

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

Retirement benefits cost comprises the following:
- Service costs
- Net interest on the net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

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

Income Taxes

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

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

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date and requires the assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

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

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

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

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

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

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

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

As of March 31, 2017 and December 31, 2016, the Group has no potential dilutive common shares (Note 21).

Segment Reporting
The Group's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 22 to the consolidated financial statements.

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

of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

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

5. Significant Accounting Judgments and Estimates

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

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

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

Allocation of costs and expenses
Management exercises judgment in determining the classification of costs and expenses as to whether cost of services or general and administrative expenses. In 2017 and 2016, the Group specifically identified the expenses directly related to the Group's school and related operations which include expenses for salaries and wages of teaching and academic support personnel, student welfare activities, and all other student-related costs and expenses (Notes 19 and 20).

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

Fair valuation of land
The Group measures land at revalued amount with changes in fair value being recognized in other comprehensive income. The Group engaged an independent firm of appraisers to determine the fair value as at December 31, 2016. The key assumptions used to determine fair value are disclosed in Note 10. As of March 31, 2017 and December 31, 2016, the fair value of the land amounted to ₱3,625.40 million and ₱3,625.12 million, respectively (Note 10).

Estimating allowance for impairment of receivables

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

Allowance for doubtful accounts on receivables amounted to ₱67.03 million and ₱67.08 million as of March 31, 2017 and December 31, 2016, respectively. The carrying value of receivables as of March 31, 2017 and December 31, 2016 amounted to ₱130.64 million and ₱144.75 million, respectively (Note 7). The carrying value of receivables from related parties as of March 31, 2017 and December 31, 2016 amounted to ₱0.92 million and ₱3.72 million, respectively (Note 14).

Impairment of nonfinancial assets

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

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

Impairment of goodwill is assessed at least on an annual basis. The goodwill recognized in the consolidated statement of financial position pertains to the acquisition of MCI. In assessing the impairment on goodwill, the Group determines the recoverable amount using value in use which represents the present value of expected cash flows from the continuing operations of MCI which is in educational services. The value in use calculations used cash flow projections based on financial budgets approved by management covering a five-year period. The cash flow projections considered the impact of the Enhanced K+12 Basic Education Program on MCI's financial performance effective in 2016. A long-term growth rate is calculated and applied to projected future cash flows after the fifth year. There is no impairment loss recognized on goodwill in 2017, 2016 and 2015. As of March 31, 2017 and December 31, 2016, the carrying value of goodwill amounted to ₱137.85 million (Note 11).

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

Estimation of pension obligations and other retirement benefits

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

expense and related asset or liability.
As of March 31, 2017 and December 31, 2016, the net pension liability amounted to ₱77.71 million and ₱74.44 million, respectively, while net pension asset amounted to ₱1.58 million as of March 31, 2017 and December 31, 2016.

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

Provisions and Contingencies
The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Notes 13).

6. Cash and Cash Equivalents

This account consists of:

	Unaudited March 2017	Audited December 2016
Cash on hand	**₱1,003,756**	₱1,003,756
Cash in banks (Note 14)	**180,610,495**	119,846,679
Cash equivalents (Note 14)	**714,330,901**	752,507,496
	₱895,945,152	₱873,357,931

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

Interest income from cash in banks and cash equivalents amounted to ₱2.93 million, ₱1.79 million and ₱2.21 million in 2017, 2016 and 2015, respectively (Note 20).

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

7. Receivables

This account consists of:

	Unaudited March 2017	Audited December 2016
Tuition and other fees	**₱146,257,107**	₱134,975,247

Other receivables:		
Trade	**20,408,642**	41,713,132
Advances to officers and employees	**8,413,206**	8,440,771
Others	**22,593,986**	26,703,512
	197,672,941	211,832,662
Allowance for doubtful accounts	**(67,028,780)**	(67,078,780)
	₱130,644,161	₱144,753,882

Tuition and other fees pertain to matriculation and miscellaneous fees which are collected at end of every school term before the students can proceed to the next term.

Trade receivables represent amounts arising from the sale of computer equipment and computer services. These are noninterest-bearing and are generally on thirty (30) to sixty (60) days term and are not used as collaterals to secure obligations.

Advances to officers and employees consist mostly of interest-bearing receivables pertaining to car loan and noninterest-bearing telephone charges, hospitalization bill and library and printing charges. Receivables from employees are settled through salary deductions. Interest income from advances to officers and employees amounted to ₱0.03 million, (₱0.14) million and ₱0.02 million in 2017, 2016 and 2015, respectively (Note 20).
Other receivables mainly pertain to receivables from canteen concessionaires, government funded research projects or assistance and legal claims from separated employees. These receivables are noninterest-bearing and are generally collectible within one year.

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

	2017			
	Tuition and other fees	**Trade**	**Others**	**Total**
Balance at beginning of year	**₱52,010,269**	**₱9,115,504**	**₱5,953,007**	**₱67,078,780**
Recovery	**(10,000)**	**(40,000)**	**–**	**(50,000)**
Balance at end of year	**₱52,000,269**	**₱9,075,504**	**₱5,953,007**	**₱67,028,780**
Gross receivables*	**₱146,257,107**	**₱20,408,642**	**₱22,593,986**	**₱189,259,735**

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

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

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

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

8. Prepaid Expenses and Other Current Assets

	Unaudited March 2017	Audited December 2016
Restricted funds	**₱41,893,122**	₱37,902,718
Prepaid expenses	**30,347,889**	20,319,508
Deposits to real estate sellers	**15,282,933**	15,282,933
CWT	**9,381,057**	7,890,124
Input VAT	**1,388,787**	2,603,971
Others	**5,534,799**	5,610,574
	₱103,828,587	₱89,609,828

Restricted funds pertain to funds invested in money market placements exclusively for use in CWTS, NSTP, for financing of scholars of certain private entities and for the purpose of undertaking socio-economic studies and development projects.

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

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

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

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

Others relate to books inventory, office and other supplies.

9. Property and Equipment

The rollforward analysis of this account follows:

	March 2017				
	Buildings and Improvements	**Office Furniture and Equipment**	**Transportation Equipment**	**Construction In Progress**	**Total**
Cost					
Balance at beginning of year	**₱1,854,287,331**	**₱1,311,626,463**	**₱25,618,551**	**₱146,770,038**	**₱3,338,302,383**
Acquisitions	**8,735,767**	**15,299,447**	**3,062,500**	**265,077,123**	**292,174,837**
Disposals	–	–	–	–	–
Reclassifications and adjustments	–	–	–	–	–
Balance at end of year	**1,863,023,098**	**1,326,925,910**	**28,681,051**	**411,847,161**	**3,630,477,220**
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	**792,197,637**	**928,894,474**	**14,887,555**	–	**1,735,979,666**
Depreciation (Notes 18 and 19)	**21,141,573**	**29,952,519**	**1,079,055**	–	**52,173,147**
Disposals	–	–	–	–	–
Reclassifications and adjustments	–	–	–	–	–
Balance at end of year	**813,339,210**	**958,846,993**	**15,966,610**	–	**1,788,152,813**
Net book value	**1,049,683,888**	**368,078,917**	**12,714,441**	**411,847,161**	**1,842,324,406**
Land at revalued amounts (Note 10)	–	–	–	–	**3,625,403,333**
Total	**₱1,049,683,888**	**₱368,078,917**	**₱12,714,441**	**₱411,847,161**	**₱5,467,727,739**

	December 2016				
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	Total
Cost					
Balance at beginning of year	₱1,867,348,668	₱1,142,458,204	₱24,689,082	₱18,034,125	₱3,052,530,079

Acquisitions	26,689,557	123,092,455	5,051,220	139,446,159	294,279,391
Disposals	–	(1,722,168)	(4,121,751)	–	(5,843,919)
Reclassifications and adjustments	(39,750,894)	47,797,972	–	(10,710,246)	(2,663,168)
Balance at end of year	1,854,287,331	1,311,626,463	25,618,551	146,770,038	3,338,302,383
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	710,929,222	810,997,165	13,701,709	–	1,535,628,096
Depreciation (Notes 18 and 19)	82,758,815	118,127,845	5,210,059	–	206,096,719
Disposals	–	(1,720,936)	(4,024,213)	–	(5,745,149)
Reclassifications and adjustments	(1,490,400)	1,490,400	–	–	–
Balance at end of year	792,197,637	928,894,474	14,887,555	–	1,735,979,666
Net book value	1,062,089,694	382,731,989	10,730,996	146,770,038	1,602,322,717
Land at revalued amounts (Note 10)	–	–	–	–	3,625,120,400
Total	₱1,062,089,694	₱382,731,989	₱10,730,996	₱146,770,038	₱5,227,443,117

Construction in progress includes cost of board piling works and other direct costs for the school building construction of MCMI. Estimated liability to contractor for the board piling works amounted to ₱69.58 million and is presented as part of "Accounts payable and accrued expenses" in the consolidated statements of financial position. The amount of liability is not yet fixed as the involved parties are in the process of finalizing the acceptable amount of billings based on percentage of completion.

10. Land at Revalued Amounts

This account consists of:

	Unaudited March 2017	Audited December 2016
Land at cost:		
Balance at beginning of year	**₱1,870,976,481**	₱1,868,915,781
Acquisition	**–**	–
Capitalizable costs	**282,933**	2,060,700
Balance at end of year	**1,871,259,414**	1,870,976,481
Revaluation increment on land:		
Balance at beginning of year	**1,754,143,919**	1,474,343,277
Change in revaluation increment	**–**	279,800,642
Balance at end of year	**1,754,143,919**	1,754,143,919
	₱3,625,403,333	₱3,625,120,400

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

Capitalizable costs include taxes paid for purchase of land.

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

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

The parcels of land were valued in terms of their highest and best use which is categorized under Level 3 of the fair value hierarchy.

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

Location	Valuation Techniques	Unobservable Inputs Used	2016
Chino Roces Avenue (Pasong Tamo Extension), Makati City	Market Approach	Price per square meter	**₱300,000 to ₱400,000 (₱355,000)**

(Forward)

Location	Valuation Techniques	Unobservable Inputs Used	2016
Muralla Street, Intramuros, Manila	Market Approach	Price per square meter	**₱45,000 to ₱55,000 (₱48,750)**
Paz Mendoza Guazon, Pandacan, Manila	Market Approach	Price per square meter	**₱37,000 to ₱55,000 (₱45,250)**
Barangay Pulo, City of Cabuyao, Laguna	Market Approach	Price per square meter	**₱10,000 to ₱12,000 (₱10,333)**
MacArthur Highway (Davao-Cotabato National Road), Brgy. Ma-a, Davao City	Market Approach	Price per square meter	**₱8,972 to ₱35,000 (₱24,329)**

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

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

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

Appraisal increase	**₱1,754,143,919**
Less deferred tax liability	**175,414,392**
	₱1,578,729,527

11. **Goodwill**

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

Impairment testing of Goodwill
For purposes of impairment testing of this asset, MCI was considered as the CGU. In 2016, management assessed that no impairment losses should be recognized.

Key assumptions used in the value in use (VIU) calculation
As of December 31, 2016 and 2015, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU are most sensitive to the following:

- Future revenues, profit margins and revenue growth rates (*8.85%*): Cash flow projections based on financial budgets approved by management covering a five-year period (2017-2021) considering the impact of the Enhanced K+12 Basic Education Program on MCI's financial performance effective 2016.
- Discount rate (*15.00%*): The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to comparable entities.

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

12. **Other Noncurrent Assets**

This account consists of:

	Unaudited March 2017	Audited December 2016
Input VAT	**₱7,393,085**	₱7,113,296
Creditable withholding tax	**6,705,426**	6,705,426
Computer software	**5,102,309**	4,956,068
Miscellaneous deposits	**848,867**	848,867
	₱20,049,687	₱19,623,657

Computer software is amortized over a period of three years.

The rollforward analysis of computer software follows:

	Unaudited March 2017	Audited December 2016
Cost		
Balance at the beginning of the year	**₱35,117,351**	₱30,132,070
Additions	**225,000**	4,985,281
Balance at the end of the year	**35,342,351**	35,117,351
Accumulated Amortization		
Balance at the beginning of the year	**30,161,283**	29,521,908
Amortization (Notes 18 and 19)	**78,759**	639,375
Balance at the end of the year	**30,240,042**	30,161,283
Net Book Value	**₱5,102,309**	₱4,956,068

13. **Accounts Payable and Accrued Expenses**

This account consists of:

	Unaudited March 2017	Audited December 2016
Accounts payable	**₱173,172,120**	₱184,480,342
Accrued expenses	**238,124,273**	202,847,140
Funds payable	**81,802,850**	82,637,865
Payable to PTC	**13,052,017**	13,052,017
Other payables (Note 9)	**69,911,295**	70,336,529
	₱576,062,556	₱553,353,893

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

Accrued expenses consist of:

	Unaudited March 2017	Audited December 2016
Provisions	**₱142,976,418**	₱142,976,418
Accrued salaries and wages	**40,843,349**	8,279,555
Withholding taxes and others	**12,329,738**	9,151,065
Payable to suppliers	**5,697,869**	7,917,401
Accrued utilities	**5,103,698**	3,608,160
Insurance	**5,038,191**	4,586,567
Accrued professional fees	**4,869,171**	7,478,169
SSS and other contributions	**3,562,900**	3,222,776
Accrued communication expense	**3,005,226**	1,490,785
Accreditation cost	**2,763,660**	2,763,660
Output VAT payable	**2,229,036**	3,926,127
Accrued interest	**213,384**	25,935
Others	**9,491,633**	7,420,522
	₱238,124,273	₱202,847,140

Provisions include the Groups's recognized payable associated with the Faculty Associations of Mapua Institute of Technology (FAMIT) reranking case. This case involves the faculty ranking and evaluation instrument that was part of the 2001 Collective Bargaining Agreement negotiations with the FAMIT. The Supreme Court reversed an earlier Court of Appeals decision in favor of management. An entry of judgment dated March 13, 2008 was made in the Supreme Court Book of Entries of Judgments, making the decision final and executory. A Memorandum of Agreement was entered into by management with FAMIT before the Voluntary Arbitrators wherein the parties agreed to continue the process of faculty ranking. The evaluation process was completed on December 2008.

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

As at March 31, 2017 and December 31, 2016, total accumulated payments to faculty members amounted to ₱230.78 million. In 2016, the Group made payments amounting ₱1.86 million. Related accruals as at December 31, 2016 amounted to ₱64.09 million, respectively.

Other accruals pertain to contracted services and management fees.

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

Payable to PTC

On January 22, 2008, the Group entered into a memorandum of agreement with PTC to jointly establish the Mapua-PTC CMET. It shall be housed and be a part of the Group and shall be composed of at least five departments enumerated as follows:

1) Department of Marine Engineering;
2) Department of Maritime Transportation;

3) Department of Naval Architecture and Marine Engineering;
4) Department of Ship Management; and
5) Department of Shipping Policy Studies.

The parties agree that the operation and management of Mapua-PTC CMET shall be under the auspices of the Group and that the parties shall execute both an Operations and Management Agreement to operate the educational activities and general administrative functions of the Mapua-PTC CMET.

The Group shall be responsible for establishing academic, faculty, student and academic services policies and the enforcement thereof, as well as provide overall administrative control and supervision of all school personnel, faculty and engaged service providers.

Service Agreement

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

In consideration for the above services, PTC will bill the Group a service fee commensurate to the services. In 2016, PTC charged service fee amounting to ₱1.89 million.

Net payables to PTC as of March 31, 2017 and December 31, 2016 amounted to ₱13.05 million. This is presented net of receivables from PTC amounting to ₱112.63 million as of March 31, 2017.

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

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

14. Related Party Transactions

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

	Unaudited March 2017			
	Amount / Volume	**Receivables from (Payables to)**	**Terms**	**Conditions**
Parent Company				
a) Payable to Parent Company (HI)	**₱–**	**(₱7,499,139))**	**Noninterest-bearing, due and demandable**	**Unsecured**
Management fee and other professional fees (Notes 18 and 19)	**14,024,500**	–	–	–
b) Receivable from Parent Company	–	**14,302**	**Noninterest-bearing, due and demandable**	**Unsecured**
Entities under common control of HI				
c) Receivables from related parties	–	**645,159**	**Noninterest-bearing, due and demandable**	**Unsecured, no impairment**

	Unaudited March 2017			
	Amount / Volume	**Receivables from (Payables to)**	**Terms**	**Conditions**
Rental income (Note 17)	**611,792**	**–**	**–**	**–**
d) Payables to related parties	**–**	**(20,588,348)**	**Noninterest-bearing, due and demandable**	**Unsecured**
Contracted services (Notes 18 and 19)	**11,894,023**	**–**	**–**	**–**
Entities under common control of PMMIC				
e) Cash and cash equivalents	**894,941,396**	**894,941,396**	**Interest at prevailing deposit and short-term rates**	**Unsecured, no impairment**
Interest income (Note 20)	**2,924,584**	**–**	**–**	**–**
f) Receivables from related parties	**–**	**257,714**	**Noninterest-bearing, due and demandable**	**Unsecured, no impairment**
Rental income (Note 17)	**128,571**	**–**	**–**	**–**
g) Payables to related parties	**–**	**–**	**Noninterest-bearing, due and demandable**	**Unsecured**
Insurance expense	**2,254,265**	**–**	**–**	**–**

	Audited December 2016			
	Amount / Volume	Receivables from (Payables to)	Terms	Conditions
Parent Company				
a) Payable to Parent Company (HI)	₱–	(₱9,987,008)	Noninterest-bearing, due and demandable	Unsecured
Management fee and other professional fees	49,063,803	–	–	–
b) Receivable from Parent Company	–	32,348	Noninterest-bearing, due and demandable	Unsecured
Entities under common control of HI				
c) Receivables from related parties	–	667,732	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income	2,447,168	–	–	–
d) Payables to related parties	–	(3,286,121)	Noninterest-bearing, due and demandable	Unsecured
Contracted services	44,507,486	–	–	–
Entities under common control of PMMIC				
e) Cash and cash equivalents	872,354,175	872,354,175	Interest at prevailing deposit and short-term rates	Unsecured, no impairment
Interest income	11,966,814	–	–	–
f) Receivables from related parties	–	3,014,925	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income	10,975,046	–	–	–
g) Payables to related parties	–	(15,357)	Noninterest-bearing, due and demandable	Unsecured
Insurance expense	6,372,455	–	–	–
h) Long-term debt	188,500,000	–	10-year, interest at 3-mo. PDST-F plus spread per quarter	Secured
Interest expense	4,515,928	–	–	–

The Group’s significant transactions with related parties follow:

a) *Payable to Parent Company*
This account pertains to management and other professional fees charged by HI for administering the subsidiaries’ operations.

b) *Receivables from Parent Company*
This account pertains to charges on the relocation of Oracle infrastructure. These are non-interest bearing and are payable on demand.

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

d) *Payable to entities under common control of HI*
Payables to entities under common control of HI pertain to property management and janitorial and security services (contractual services).

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

f) *Receivables from entities under common control of PMMIC*
Due from entities under common control of PMMIC arises from RCBC's rental of the Group's office spaces in its Makati property.

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

g) *Payables to entities under common control of PMMIC*
The Group maintains property and personnel insurance with its affiliated insurance company, Malayan Insurance Company, Inc. (MICO). Insurance contract coverage pertains to the Group's fire, accident, group and other insurance policies.

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

Interest expense recognized amounted to nil, ₱4.28 million and ₱4.43 million in 2017, 2016 and 2015, respectively (Note 20).

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

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15. **Short-term Loan**

In September 2016, the Group obtained an unsecured short-term loan from Bank of the Philippine Islands (BPI) amounting ₱100.00 million, payable on September 2017 with an annual interest of 3.00%. As at March 31, 2017, payments made relative to above loan amounted to ₱25.00 million.

Interest expense charged to operations in 2017 amounted to ₱620,883.00

In March 2017, another loan obtained by the Group from BPI amounting ₱170.00 million, payable on March 2018 with an annual interest of 3.00%.

16. **Equity**

Capital Stock

Capital stock consists of 2,000,000,000 authorized and 748,932,949 issued and outstanding common shares as of March 31, 2017 and December 31, 2016, with a par value of ₱1 per share.

On September 15, 1989, SEC approved the registration of the Group's entire authorized capital stock with a Certificate of Permit to Sell Securities authorizing the sale of 25 billion shares worth ₱250.00 million. The Group's capital stock was listed in both Manila and Makati Stock Exchanges on January 24, 1990. Actual number of shares initially listed is 15 billion at an offer price of ₱0.01 per share.

Below is the summary of the Group's outstanding number of shares and holders of securities as of March 31, 2017:

Year	Number of shares registered	Number of holders of securities as at year end
January 1, 2016	748,932,949	2,057
Add (deduct) movement	–	(9)
December 31, 2016	748,932,949	2,048
Add (deduct) movement	–	(5)
March 31, 2017	748,932,949	2,043

Note: Exclusive of 272 treasury shares.

Retained Earnings

In accordance with Securities Regulation Code (SRC) Rule No. 68, As Amended (2011), Annex 68-C, after reconciling items, the Group's retained earnings available for dividend declaration as of March 31, 2017 and December 31, 2016 amounted to ₱991.74 million and ₱1,037.54 million, respectively.

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

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

The BOD declared cash dividends as follows:

	2017	2016	2015
March 24, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 21, 2017, paid on May 9, 2017	**₱44,935,993**	₱–	₱–
November 25, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 23, 2016, paid on January 18, 2017	–	44,935,993	–
September 15, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 13, 2016, paid on November 8, 2016	–	44,935,993	–
June 24, 2016, 6% cash dividends (₱0.06 per share) to stockholders of	–	44,935,993	–

	2017	2016	2015
record as of July 22, 2016, paid on August 16, 2016,			
March 17, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 14, 2016, paid on May 15, 2016	–	44,935,993	–
November 26, 2015, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 23, 2015, paid on January 20, 2016	–	–	44,935,993
September 17, 2015, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 15, 2015, paid on November 5, 2015	–	–	44,935,993
July 1, 2015, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 29, 2015, paid on August 20, 2015	–	–	44,935,993
March 23, 2015, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 20, 2015, paid on May 8, 2015	–	–	44,935,993
	₱44,935,993	₱179,743,972	₱179,743,972

On March 24, 2017, the BOD declared ₱44,935,993 cash dividends (₱0.06 per share) to stockholders of record as of April 21, 2017, paid on May 9, 2017.

Treasury Stock

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

Capital Management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the period ended March 31, 2017 and for the year ended December 31, 2016.

As at March 31, 2017 and December 31, 2016, the Group is not subject to externally imposed capital requirements other than the monitoring of the Group's debt-to-equity ratio and current ratio. Debt-to-equity ratio should not exceed 2.5:1 and current ratio should not be less than 1:1.

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

	Unaudited March 2017	Audited December 2016
Current Liabilities		
Accounts payable and accrued expenses	**₱576,062,556**	₱553,353,893
Payables to related parties	**28,087,486**	13,288,486
Income tax payable	**26,952,352**	8,203,745
Unearned tuition fees	**14,383,531**	53,041,443
Dividends payable	**59,722,046**	64,412,064
Short-term loan	**245,000,000**	100,000,000
Current portion of long-term debt	**–**	–
Total current liabilities	**950,207,971**	792,299,631
Noncurrent liabilities		
Pension liability - net	**77,714,707**	74,440,303
Deferred tax liabilities - net	**144,999,258**	147,127,296
Total noncurrent liabilities	**222,713,965**	221,567,599
Total liabilities	**₱1,172,921,936**	₱1,013,867,230
Equity		
Capital stock	**₱748,933,221**	₱748,933,221
Additional paid-in capital	**1,438,827**	1,438,827
Unrealized loss on available-for-sale financial assets	**(1,875,790)**	(1,300,203)
Revaluation increment on land - net	**984,985,652**	984,985,652
Remeasurement gains on defined benefit plan	**23,017,641**	23,017,641
Retained earnings	**3,501,108,455**	3,409,999,669
Treasury stock	**(209)**	(209)
Equity attributable to equity holders of the Parent Company	**₱5,257,607,797**	₱5,167,074,598
Debt-to-equity ratio	**0.22:1.00**	0.20:1.00

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

Revenue from tuition and other fees consists of:

	2017	2016	2015
Tuition fees and other matriculation fees	**₱503,776,219**	₱578,663,629	₱520,723,158
Bookstore income	**2,019,573**	2,612,949	3,244,863
Seminar fee income	**358,199**	755,267	654,766
Miscellaneous	**15,297,867**	14,814,013	16,210,513
	₱521,451,858	₱596,845,858	₱540,833,300

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

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

	2017	2016	2015
Computer services	**₱900,127**	₱1,300,473	₱3,582,772

Rental income (Note 14)	**1,578,040**	1,551,506	8,385,776
Consultancy fees	**–**	630,443	120,000
	₱2,478,167	₱3,482,422	₱12,088,548

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

Cost of tuition and other fees account consists of:

	2017	2016	2015
Personnel expenses	**₱143,726,844**	₱ 149,460,598	₱142,320,054
Depreciation and amortization (Notes 9 and 12)	**47,396,503**	45,013,966	31,831,565
Student-related expenses	**39,355,481**	35,947,862	29,486,578
Management and other professional fees (Note 14)	**26,927,517**	24,247,333	14,858,092
Utilities	**19,968,566**	20,096,390	21,585,736
Tools and library books (Note 9)	**3,956,010**	2,692,806	6,729,455
Advertising	**286,526**	2,865,630	4,104,133
IT expense - software license	**5,659,086**	5,757,846	6,419,605
Research and development fund	**1,850,628**	1,294,592	913,858
Periodicals	**5,183,136**	2,162,761	3,476,768
Seminar	**3,291,865**	2,237,340	1,928,795
Repairs and maintenance	**3,095,965**	2,421,120	2,851,499
Accreditation cost	**1,710,538**	587,314	1,051,837
Laboratory supplies	**1,394,737**	2,470,803	2,360,894
Office supplies	**1,452,813**	1,057,245	1,792,029
Insurance	**1,765,949**	1,277,142	945,129
Taxes and licenses	**625,847**	482,765	730,954
Rent	**94,900**	145,544	456,743
Transportation and travel	**229,536**	204,235	448,797
Entertainment, amusement and recreation	**118,546**	82,315	93,680
Miscellaneous	**451,702**	343,399	764,932
	₱308,542,695	₱300,849,006	₱275,151,133

19. General and Administrative Expenses

This account consists of:

	2017	2016	2015
Management and other professional fees (Note 14)	**₱21,735,201**	₱17,369,668	₱23,786,964
Personnel expenses	**15,724,532**	14,907,530	16,735,517
Depreciation and amortization (Notes 9 and 12)	**4,854,877**	4,438,696	3,872,931
Donations	**–**	1,000,000	–
Provisions for doubtful accounts	**–**	–	1,620,073
Taxes and licenses	**3,231,936**	3,088,775	2,729,926
Utilities	**2,073,310**	1,172,085	1,355,262
Entertainment, amusement, and recreation	**751,925**	552,637	640,754
Office supplies	**480,478**	660,198	457,023

	2017	2016	2015
Seminar	**149,508**	172,535	279,400
Advertising	**2,369,572**	1,961,161	1,437,513
Repairs and maintenance	**672,373**	557,149	730,616
Rent	**545,453**	550,135	576,229
Transportation and travel	**750,774**	468,974	230,427
Insurance	**488,315**	101,872	387,138
IT expense - software license	**208,110**	263,467	268,239
Commission	**124,768**	125,425	8,298
Accreditation cost	**–**	–	450,511
Miscellaneous	**1,724,137**	1,042,566	1,323,068
	₱55,885,269	₱48,432,873	₱57,905,799

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

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

20. Interest Income, Interest and Other Finance Charges

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

	2017	2016	2015
Cash in banks and cash equivalents (Note 6)	**₱2,924,584**	₱1,795,943	₱2,213,850
Advances to officers and employees (Note 7)	**30,578**	(142,864)	24,011
	₱2,955,162	₱1,653,079	₱2,237,861

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

	2017	2016	2015
Long-term debt	**₱–**	₱4,284,203	₱4,430,424
Bank charges	**33,561**	8,512	–
Loans payable	**620,833**	–	35,000
	₱654,394	₱4,292,715	₱4,465,424

21. Earnings Per Share

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

	2017	2016	2015
Net income attributable to equity holders of Parent Company (a)	**₱136,044,781**	₱209,227,500	₱181,039,831
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)	**₱0.1817**	₱0.2794	₱0.2417

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

22. Operating Segment Information

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

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

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

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

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

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

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

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

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

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

Capital expenditures consist of additions to property and equipment.

(In million pesos)

	Education			Information Technology and Others			Elimination			Consolidated		
	2017	2016	2015	**2017**	2016	2015	**2017**	2016	2015	**2017**	2016	2015
Revenues												
Income from external customers	**₱523**	₱599	₱553	**₱20**	₱38	₱25	**₱–**	₱–	₱–	**₱543**	₱637	₱578
Total Revenues	**₱523**	₱599	₱553	**₱20**	₱38	₱25	**₱–**	₱–	₱–	**₱543**	₱637	₱578
Net Income attributable to Parent Company	**₱149**	₱226	₱199	**(₱3)**	(₱1)	(₱4)	**(₱10)**	(₱–)	(₱–)	**₱136**	₱225	₱195
Other Information												
Segment assets	**₱8,005**	₱6,850	₱6,281	**₱1,873**	₱2,340	₱1,768	**(₱3,088)**	(₱3,118)	(₱2,565)	**₱6,790**	₱6,072	₱5,484
Segment liabilities	**1,286**	1,500	1,784	**283**	220	174	**(396)**	(628)	(535)	**1,169**	1,092	1,423
Deferred tax assets	**3**	1	1	**4**	11	9	**–**	–	–	**7**	12	10
Deferred tax liabilities	**145**	113	83	**–**	1	–	**–**	–	–	**145**	114	83
Depreciation and amortization	**52**	49	36	**–**	–	–	**–**	–	–	**52**	49	36

23. **Commitments and Contingencies**

Lease Commitments

Operating lease - Group as a lessor

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

Operating lease - Group as a lessee

The Group entered into a renewable lease agreement with Grepa Realty Holdings Corporation for the use of the premises located at the 3rd floor of Grepalife Tower Building for a period of one (1) year from January 1, 2016 to December 31, 2016 with monthly rental of ₱0.03 million. The lease agreement was renewed on December 28, 2016 for another one year.

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

Provisions and Contingencies

The Group is involved in certain claims arising from the ordinary conduct of business which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liabilities under these claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations.

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

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Supplementary Information and Disclosures Required On SRC Rule 68 and 68.1, As Amended March 31, 2017

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule (SRC) Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by amended SRC Rule No. 68 and 68.1 that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required parts of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

Below is the detailed schedule of financial assets in equity securities of the Group as of March 31, 2017:

Name of Issuing entity and association of each issue	Number of Shares	Amount Shown in the Statement of Financial Position	Value Based on Market Quotation at end of year	Income Received and Accrued
Available-for-sale financial assets				
Quoted:				
Petro Energy Resources Corporation	4,111,335	₱16,486,454	₱16,486,454	₱–

The basis in determining the value of equity securities is the market quotation as at March31, 2017. The Group has no income received and accrued related to the equity securities during the year.

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

Below is the schedule of advances to officers and employees of the Group with balances above ₱100,000 as at March 31, 2017:

Name	**As of December 31, 2016**	**Additions**	**Liquidations/ Collections**	**As of March 31, 2017**
Costales, Aloysius Nathaniel	₱519,584	₱–	₱32,479	₱487,105
Agbulos, Erlin C.	402,201	–	22,343	379,858
Sabino, Lilibeth	-	365,717	-	365,717
Gochioco, Geraldine	369,859	–	17,665	352,194
Salvacion, Jonathan	483,138	–	136,725	346,413
Songsong, Maribel	347,200	–	18,600	328,600
Francisco, Ruth C.	310,387	–	11,192	299,195
Adanza, Carina Victoria T.	297,154	–	-	297,154
Judilla, Roel John	290,950	–	3,163	287,787
Maestrecampo, Dodjie S.	291,413	–	14,513	276,900
Sauquillo, Dante	287,788	–	18,975	268,813
Apsay, Christopher	253,618	–	18,890	234,728
Papas, Aileen Kate A.	244,347	–	22,213	222,134
Geguiento, Edgardo P.	239,878	–	18,150	221,728
Ballado, Alejandro Jr.	220,200	–	18,350	201,850

Balan, Ariel Kelly	217,142	–	18,350	198,792
Cabanilla, Angela Celine	204,072	–	18,275	185,797
Camus, Rosette Eira	197,979	–	18,275	179,704
Arenillo, Denise Jordan	133,390	–	19,633	113,757
Uy, Francis Aldrine	125,241	–	19,775	105,466
	₱5,435,541	₱365,717	₱447,566	₱5,353,692

These advances pertain to the officers and employees car plan agreements. Such advances are interest-bearing and shall be liquidated on a monthly basis. There were no amounts written off during the year.

Schedule C. Amounts Receivable/Payables from and to Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivables and payables with related parties, which are eliminated in the consolidated financial statements as at March 31, 2017:

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

Schedule D. Intangible Assets

As at March 31, 2017, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of MCI. Details of the Group's intangible assets are as follows:

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Ending balance
Goodwill	₱137,853,345	₱–	₱–	₱137,853,345
Computer software	4,956,068	225,000	(78,759)	5,102,309
	₱142,809,413	₱225,000	(₱78,759)	₱142,955,654

Schedule E. Long term debt

As of March 31, 2017, the Group has no outstanding long-term debt.

Schedule F. Indebtedness to Related Parties (Long Term Loans from Related Companies)

Please refer to Schedule E for the details of indebtedness to related parties.

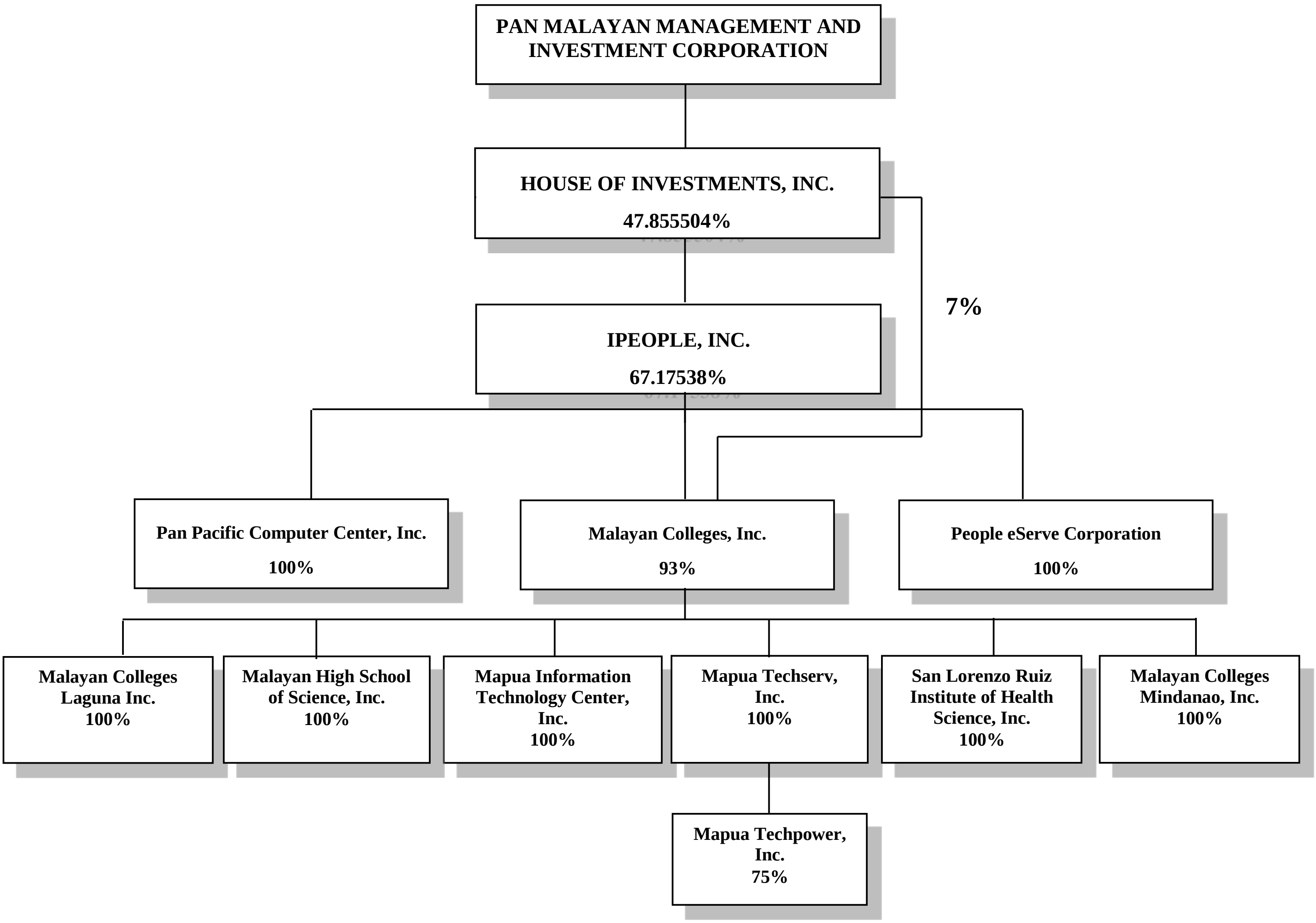
Schedule G. Guarantees of Securities of Other Issuers

As at March 31, 2017, the Group does not guarantee any securities.

Schedule H. Capital Stock

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

Group Structure
Below is a map showing the relationship between and among the Group and its ultimate parent company and subsidiaries as at March 31, 2017:



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SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of March 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		✓*	
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4:			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2017		Adopted	Not Adopted	Not Applicable
	Financial Guarantee Contracts			
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts		✓*	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Amendments to PFRS 7: Hedge Accounting			✓
PFRS 8	Operating Segments	✓		
PFRS 9 (final version)	Financial Instruments		✓*	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance		✓	
	Amendments to PFRS 10: Investment Entities		✓	
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓**	
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance		✓	
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations		✓	
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 12: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓*	
	Amendments to PFRS 15, Clarifications to PFRS 15		✓*	
PFRS 16	Leases		✓*	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1, Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative		✓*	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		✓*	
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16: Agriculture - Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓**	
	Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
PAS 39	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendments to PAS 40: Transfers of Investment Property		✓*	
PAS 41	Agriculture			✓
	Amendments to PAS 41: Agriculture – Bearer Plants			✓
Annual Improvements to PFRSs				
Improvements to PFRSs (2008)		✓		
Improvements to PFRSs (2009)		✓		
Improvements to PFRSs (2010)		✓		
Annual Improvements to PFRSs (2009-2011 Cycle)		✓		
Annual Improvements to PFRSs (2010-2012 Cycle)		✓		
Annual Improvements to PFRSs (2011-2013 Cycle)		✓		
Annual Improvements to PFRSs (2012-2014 Cycle)		✓		
Annual Improvements to PFRSs (2014-2016 Cycle)			✓*	
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2017		Adopted	Not Adopted	Not Applicable
	Environmental Rehabilitation Funds			
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓*	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2017		Adopted	Not Adopted	Not Applicable
	Involving the Legal Form of a Lease			
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**Not early adopted*
***Effectivity was deferred by the Financial Reporting Standards Council*

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

Standards tagged as “Not adopted” are standards issued but not yet effective as of March 31, 2017. The Group will adopt the Standards and Interpretations when these become effective.

iPeople, inc. and Subsidiaries

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
MARCH 31, 2017

Items	Amount	
Unappropriated retained earnings, *as adjusted to available for distribution, beginning*		**₱1,037,535,551**
Add: Net income actually earned/realized during the period		
Net income (loss) during the period closed to retained earnings	**(₱859,746)**	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Sub-total	**(859,746)**	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustments due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
	(859,746)	
Net income actually realized during the period		**(859,746)**
Add (Less):		
Dividends declaration during the year	**(44,935,993)**	
Appropriations of retained earnings during the period	–	
Reversal of appropriations	–	
Effects of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	**(209)**	
		(44,936,202)
Total Retained Earnings, end, Available for Dividend		**₱991,739,602**

iPeople, inc. and Subsidiaries
Aging of Accounts Receivable
For the quarter ended March 31, 2017

	No. of days due			
	0-30	**31-60**	**Over 61 days**	**Total**
Education	**₱70,930,840**	**₱7,645,131**	**₱67,681,136**	**₱146,257,107**
Information technology	**5,218,715**	**1,463,513**	**13,726,414**	**20,408,642**
Parent and others	**6,472,523**	**5,711,761**	**18,822,908**	**31,007,192**
Total	**82,622,078**	**14,820,405**	**100,230,458**	**197,672,941**
Less: Allowance for doubtful accounts	**–**	**–**	**(67,028,780)**	**(67,028,780)**
	₱82,622,078	**₱14,820,405**	**₱33,201,678**	**₱130,644,161**

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Makati on May 12, 2017.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this 12th day of May, 2017 at Makati City.

By:

Reynaldo B. Vea
President

Gema O. Cheng
SVP-Finance & Treasurer

Maria Teresa T. Bautista
Controller

Atty. Samuel V. Torres
Corporate Secretary

15 MAY 2017 MAKATI CITY

SUBSCRIBED AND SWORN to before me this ____day of _____ 2017, at ________________. Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

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

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

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