

COVER SHEET

1 6 6 4 1 1

S.E.C. Registration Number

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

(Company's Full Name)

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

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

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

Atty. Lalaine P. Monserate

Contact Person

815-96-36

Company's Telephone Number/s

1 2

Month

3 1

Day

Fiscal Year

DEFINITIVE SEC FORM 20 - IS

FORM TYPE

0 6

Month

2 9

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. Of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks= pls. Use black ink for scanning purposes



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of **iPeople, inc.** will be held on **Friday, June 29, 2018 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:

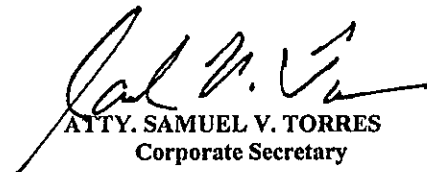
1. Call to Order
2. Proof of Notice and Certification of a Quorum
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on June 30, 2017
4. Approval of the Management Report and Audited Financial Statements for 2017
5. Ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, Executive Committee, Other Committees and the Officers of the Company during the year 2017
6. Election of Directors for 2018-2019
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 30, 2018** shall be entitled to vote at this said meeting or any adjournment thereof.

Should you be unable to attend the meeting in person, you may execute the necessary proxy and file the same with the office of the Corporate Secretary at 3/F, Grepalife Bldg., 219 Sen. Gil Puyat Avenue, Makati City, Metro Manila Philippines on or before 10:00 A.M. of June 28, 2018.

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

Makati City, April 20, 2018



ATTY. SAMUEL V. TORRES
Corporate Secretary

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

Date : 30 June 2017
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 of Varied Services, Incorporated, certifying to the sending out of notices of the meeting, and an Affidavit of Publication, attesting to the publication of the notice in The Philippine Star on 31 May 2017.

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:

	<u>No. of Common Shares</u>
Total Number of Shares Present in Person or by Proxy	- 615,883,602 Shares
Outstanding No. of Shares Entitled to Vote	- 748,933,221 Shares
Percentage of Attendance	- 82%

which was more than two thirds (2/3) 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. Dr. Reynaldo B. Vea – President
3. Mr. Cesar A. Buenaventura – Independent Director/Audit Committee Chairman
4. Ms. Yvonne S. Yuchengco
5. Mr. Medel T. Nera
6. Ms. Milagros V. Reyes
7. Mr. Joaquin E. Quintos – Independent Director

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

The Minutes of the last Annual Stockholders' Meeting held on 24 June 2016 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 2016 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 2016. He commenced his President's Report with the financial highlights of the Company and the effects of the K+12 program. 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) ("Mapua") and Malayan Colleges Laguna, Inc. and their respective students, faculty members and alumni. In this connection, Dr. Vea announced that Mapua was recently granted university status by CHED. Dr. Vea then concluded his report by providing a status update on Malayan Colleges Mindanao, Inc., saying that it is set to commence operations in SY2018-2019.

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 2016 to the Company's stockholders of record as of 28 July 2017. The payment date is on 23 August 2017.

Mr. Valencia noted that the Company's Management Report and the Audited Financial Statements of the Company for year ending 31 December 2016 were sent earlier to the stockholders by mail. He then inquired from the stockholders if there were any questions respecting the same. At this juncture, Mr. Phillip Turner, a stockholder, stood up to be recognized and commented that he noted the grant of university status to Mapua. He then suggested the retention of the "Mapua" school name due to the commendable reputation that it has been able to garner through the years. Dr. Vea confirmed and assured Mr. Turner that the name "Mapua" will be retained. Mr. Turner then also noted that the Mapua Makati campus appears to have some unused spaces. He suggested to make use of such areas. Dr. Vea replied that his suggestion will be considered and further commented that while there are some unused spaces, such does not translate to added expense. Mr. Turner then suggested to remodel the Mapua Makati building and add additional floors. Dr. Vea advised that the Makati City government has already lifted the 4-storey limit on buildings in the area and confirmed that there is an ongoing study on adding more floors to the existing Mapua Makati building. Mr. Turner concluded his comments by noting the achievements of the Company for the year and congratulating the board on the same.

There being no further comments, upon motion duly made and seconded, the stockholders present approved the 2016 Management Report and the Audited Financial Statements of the Company for the year ended 31 December 2016, as certified by Ms. Wenda Lynn M. Loyola 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 2017-2018.

Thereafter, the Chairman declared the table open for the election of directors for the ensuing year. The Corporate Secretary then 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 serve as members of the Board of Directors of iPeople, Inc. for the year 2017-2018:

Regular Directors:

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

Independent Directors:

7. Mr. Renato C. Valencia
8. Mr. Cesar A. Buenaventura
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 2017-2018 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 2017.

IX. OTHER MATTERS.

The Chairman inquired if there were any other matters that any of the stockholders wished to discuss or whether there is any other item on the Agenda. The Corporate Secretary confirmed that there was none.

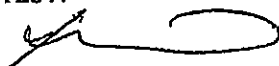
Minutes of the Annual Stockholders' Meeting
iPeople, Inc.
30 June 2017

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 29, 2018** and any adjournment(s) thereof. In particular, I hereby direct my said proxy to vote on the matters set forth below as I have expressly indicated by marking the same with an "X". **If I fail to indicate my vote on the items specified below, I authorize my proxy full discretion to act and I understand that my proxy shall vote in accordance with the recommendation of the Management. Management recommends a "FOR ALL" vote for proposal 1 and a "FOR" for proposals 2 through 5.**

PROPOSAL	ACTION		
	FOR ALL	WITHHOLD FOR ALL	EXCEPTION
<p>1. Election of Management's Nominees as Directors Management Nominees are:</p> <ol style="list-style-type: none"> 1. Reynaldo B. Vea 2. Ernest K. Cuyegkeng 3. Medel T. Nera 4. Milagros V. Reyes 5. Lorenzo V. Tan 6. Yvonne S. Yuchengco <p>Independent Directors:</p> <ol style="list-style-type: none"> 7. Renato C. Valencia 8. Cesar A. Buenaventura 9. Ermilando D. Napa <p>Except for Mr. Ermilando D. Napa, the above nominees are incumbent directors of the Company.</p> <p>INSTRUCTIONS: <i>To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list name(s) under.</i></p>			
	FOR	AGAINST	ABSTAIN
2. Approval of the Minutes of the Annual Stockholders' Meeting held on June 30, 2017.			
3. Approval of the Management Report and Audited Financial Statements for 2017.			
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 2017.			
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 28, 2018, THE DEADLINE FOR SUBMISSION OF PROXIES.

REVOCABILITY OF PROXY

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

PERSONS MAKING THE SOLICITATION

THIS PROXY IS SOLICITED ON BEHALF OF THE MANAGEMENT. THE PROXY STATEMENT AND THE ENCLOSED PROXY SHALL BE SENT BY THE SECRETARY OF THE CORPORATION EITHER BY MAIL, POSTAGE PREPAID, OR BY PERSONAL DELIVERY TO EACH STOCKHOLDER AT HIS ADDRESS APPEARING IN THE RECORDS OF THE CORPORATION. DULY EXECUTED PROXIES MAY BE RETURNED BY MAIL, FAX, OR BY HAND TO THE OFFICE OF THE CORPORATE SECRETARY ON OR BEFORE 10:00 A.M. ON JUNE 28, 2018.

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

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

THIS PROXY 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 29, 2018, 2:30PM, Yuchengco Institute for Advanced Studies, 5th Floor Tower II, RCBC Plaza, Avala 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 7, 2018.
10. In case of Proxy Solicitations:
 Name of Person filing the Statement/Solicitor: Atty. Samuel V. Torres
 Address and Telephone No.: 3/f Grepalife Building, 219 Sen. Gil Puyat Avenue Makati City, Tel. No.: 815-9636

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

Title of Each Class	Authorized	Number of Shares Outstanding
Common, P1.0 par value	2,000,000,000 shares	748,932,949
Total Debt Outstanding: ₱1.87 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 2018 Annual Meeting of the Stockholders of iPeople, inc. (the "Company or Corporation") will be held at the Yuchengco Institute for Advanced Studies, 5th Floor, Tower II, RCBC Plaza, Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City, Philippines on **June 29, 2018 at 2:30 p.m.** The complete mailing address of the principal office of the Company is 3/F, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Philippines, 1200.
- (b) Approximate date on which this Information Statement is first to be sent or given to security holders is on **June 7, 2018.**

Item 2: Dissenters' Right of Appraisal

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

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, 2018.

Only holders of the Company's stock of record at the close of business on May 30, 2018 are entitled to notice and to vote at the Annual Meeting to be held on June 29, 2018.

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

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

The following table shows the beneficial owners directly or indirectly owning more than 5% of the Company's capital stock as of April 30, 2018:

SHARE CLASS	NAME AND ADDRESS OF RECORD OWNER	NAME OF BENEFICIAL OWNER & RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NUMBER OF SHARES BENEFICIALLY OWNED	% OF TOTAL
Common	HOUSE OF INVESTMENTS, INC. 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	91,945,934 ²	12.28%
Common	MALAYAN INSURANCE CO., INC. 4/F, Yuchengco Tower 500 Quintin Paredes St. Binondo, Manila	Ms. 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	Date	# of Shares Purchased	Price
2/4/16	6,350,000	11.2470	5/11/17	361,800	12.2126
3/8/17	60,000	12.3100	5/17/17	38,300	12.5200
3/21/17	100,000	12.3800	5/25/17	1,200	12.5800
3/31/17	76,000	12.4600	5/26/17	2,800	12.6600
4/11/17	31,000	12.2774	6/16/17	7,300	12.6600
4/12/17	30,000	12.7800	6/22/17	2,100	12.6600
4/19/17	12,000	12.6800	6/30/17	25,700	12.6800
5/3/17	14,300	12.1905	7/4/17	3,300	12.6600
5/4/17	41,000	12.4854	7/17/17	9,500	12.6600
5/8/17	50,000	12.1000	7/20/17	2,000	12.5800
5/8/17	2,000	12.6800	7/21/17	1,900	12.5800

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

² Direct and indirect holdings A. Soriano Corp.

Date	# of Shares Purchased	Price	Date	# of Shares Purchased	Price
7/27/17	1,900	12.5800	9/5/17	1,000	12.3400
8/3/17	1,000	12.5600	9/8/17	2,000	12.3810
8/8/17	1,000	12.5600	9/11/17	1,000	12.3800
8/9/17	8,296,954	12.5274	9/14/17	1,000	12.3800
8/11/17	1,000	12.5600	2/22/18	73,200	13.0000
8/22/17	72,500	12.5600	2/23/18	200	13.0000
8/23/17	42,500	12.5000	2/26/18	8,100	13.0000
8/24/17	26,500	12.4200	2/27/18	20,000	13.0000
8/29/17	8,000	12.3800	3/5/18	35,600	13.0000
8/31/17	22,000	12.3600	3/12/18	10,000	13.0000
9/4/17	61,000	12.3607	3/13/18	52,900	13.0000

2. Security Ownership of Management

Securities beneficially owned by the directors, nominees, officers, other than qualifying shares, as of April 30, 2018 according to the records of its stock and transfer agent, Rizal Commercial Banking Corporation (RCBC):

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

Changes in Control

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

Voting Trust Holders of 5% and more

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

Foreign Ownership per Class

As of April 30, 2018, there are 384,599 shares or 0.05% 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
Mr. Ernest K. Cuyegkeng	Director	2 Years
Mr. Medel T. Nera	Director	5 Years
Mrs. Milagros V. Reyes	Director	12 Years
Dr. Reynaldo B. Vea	President	2 year and 4 months

DIRECTORS		
Name	Position	Length of Service
Lorenzo V. Tan	Director	3 months
Ms. Yvonne S. Yuchengco	Director	5 Years

INDEPENDENT DIRECTORS		
Name	Position	Length of Service
Mr. Renato C. Valencia	Chairman	13 Years
Mr. Cesar A. Buenaventura, OBE	Director	27 Years
Mr. Ermilando D. Napa	Nominee for Director	Not applicable

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
Ms. Maria Teresa T. Bautista	Controller
Mr. Jose A. Tanjanco, 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.

Position and Background within the last 5 years

RENATO C. VALENCIA, 76 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., 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., and Metropolitan Bank and Trust Co. *Educational Background:* Master of Business Management from Asian Institute of Management, Philippines; Bachelor of Science in General Engineering from Philippine Military Academy.

REYNALDO B. VEA, PhD, 66, Filipino, is a **Director and President** from 2015 to present. He is also the **President & CEO** of Malayan Education System, Inc. (Operating under the name of Mapua University); **Director and President** of Malayan Colleges Laguna (A Mapúa School), Inc., Malayan Colleges Mindanao (A Mapua School), Inc., Malayan High School of Science, 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., and Petrogreen, Inc., **Chairman** of the Engineering Science and Technology Division of the National Academy of Science and Technology and the Philippine Science High School Foundation, Inc. *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 Massachusetts Institute of Technology, USA; and Bachelor of Science in Mechanical Engineering (magna cum laude) from University of the Philippines.

MEDEL T. NERA, 62, Filipino, is a **Director** since 2011 to present. He is also a **Director and the President & CEO** of House of Investments, Inc.; **Chairman of the Board** of 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., YGC Corporate Services, Inc. and Seafront Resources Corp.; **Independent**

Director of National Reinsurance Corp. of the Philippines; *His past experiences include:* Director of Rizal Commercial Banking Corp.; Director and Treasurer of CRIBS Foundation, Inc., and 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, 76, 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., Seafont Resources Corp.; Director of Maibarara Geothermal, Inc.; Director and Treasurer of Hermosa Ecozone Development Corp.; *Her past experiences include:* Director of Philippine National Oil Corporation-EC; President of Petrofields Corp. Oil Exploration; Vice President of Basic Consolidated, Inc. and Philippine Oil Development Co. 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. YUCHENGO, 64, Filipino is a Director since 2013 to present. She is also the Chairperson of First Nationwide Assurance Corp., and RCBC Capital 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.; Director, Chairman, President of Philippine Integrated Advertising Agency, Inc.; Director and Chairman of Y Realty Corp., and Yuchengco Museum, Inc.; Director and President of Alto Pacific Corp. Malayan Insurance Co., Inc., MICO Equities, Inc., and RCBC Land, Inc.; Director of Annabelle Y. Holdings and Management Corp., Asia-Pac Reinsurance Co., Ltd., A.T. Yuchengco, Inc., AY Holdings, Inc., DS Realty, Inc., Enrique T. Yuchengco, Inc., First Nationwide Assurance Corp., GPL Holdings, Inc., HYDee Management & Resource Corp., iPeople, inc., La Funenaria Paz Sucat, Inc., Luisita Industrial Park Corp., Malayan Education System, Inc. operating under the name Malayan Colleges Laguna, Inc., Malayan Insurance Co. (H.K.) Ltd., Malayan International Insurance Corp., Manila Memorial Park Cemetery, Inc., National Reinsurance Corp. of the Phils., Pan Malayan Realty Corp., Pan Malayan Express, Inc., RCBC Capital Corp., Seafont Resources Corp., Shayamala Corp., YGC Corporate Services, Inc., and Yuchengco Center, Inc.; Director and Vice President of A.Y. Holdings, 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., Water Dragon, Inc., and XZY Assets Corp.; Director, Treasurer and CFO of Pan Malayan Management & Investment Corp.; Trustee of AY Foundation, Inc., Malayan Education System, Inc. (Operating under the name of Mapúa University), Phil-Asia Assistance Foundation, 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, 71, Filipino, is a Director since 2016 to present. He is also the Chairman and Director of ArthaLand, Inc.; President and Director of Anscor Holdings, Inc., and Phelps Dodge Philippine Energy Products Corp.; Director, Executive Vice President and Chief Financial Officer of A. Soriano Corp.; Director of ATRAM Investment Management Partners Corp., Cirrus Global, Inc. (formerly IQMAN), KSA Realty Corp., Philippine British Assurance Co., Inc., Seven Seas Resorts & Leisure, Inc., Sumifru, Singapore, T-O Insurance; Member of the Board of Trustees of The Andres Soriano Foundation, Inc.; Member of Financial Executive Institute of the Philippines (FINEX), Makati Business Club and 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, 88, Filipino is an Independent Director since 1991 to present. He is also Chairman of Buenaventura Echauz and Partners, Inc., Mitsubishi Hitachi Power Systems (Phils.); Vice Chairman of DMCI Holdings, Inc.; Independent Director of Concepcion Industrial Corp., Pilipinas Shell Petroleum Corp., and Semirara Mining and Power Corp.; Director of DM Consunji, Inc. and PetroEnergy Resources Corp., Founding Chairman of Pilipinas Shell Foundation Inc.; Trustee of Bloomberry Cultural Foundation and ICTSI Foundation. *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.

LORENZO V. TAN, 56, Filipino, was elected as a **Director in January, 2018.** He is also the **President** of Megalink, Inc.; **Vice Chairman** of TOYM Foundation; **Director** of EEI Corporation, House of Investments, Inc., Malayan Insurance Company, Inc., Smart Communications, Inc. and Voyager Innovation, Inc., member of SMART Audit Committee, member of PLDT and SMART Communications Inc. Risk Committee, Director of SunLife Grepa Insurance Company, Philippine Realty Corporation (PHILREALTY); **Board of Advisors, FICO Group of Companies, Bangkok, Thailand and Managing Partner** of Primeiro Partners, Inc. **His past experiences include: President, Chief Executive Officer and Director** of Rizal Commercial Banking Corporation; **Chairman** of Asian Bankers Association; **President** of Bankers Association of the Philippines (BAP). **Educational Background:** Bachelor of Science in Commerce from De La Salle University, Master of Management from J.L. Kellogg Graduate School of Management of Northwestern University in Evanston, Illinois, USA. He is a Certified Public Accountant in the United States and in the Philippines. Mr. Tan is Certified Public Accountant in Pennsylvania, USA and in the Philippines. He was also a recipient of the Ten Outstanding Young Men of the Philippines Award for Banking in 1999, the International Association of Business Communicators CEO Excel Award for Insurance in 2006, the Lifetime Achievement Awardee (2011) in Finance from De La Salle University, and one of the 2014 People of the Year Awardee from People Asia.

ERMILANDO D. NAPA, 68, Filipino, is a Nominee for Director. He is also the **Chairman & CEO** of Manila Consulting & Management Co., Inc.; **Chairman** of E & F Holdings, Inc., Catanauan Resources & Development Corporation; **Director** of Trade and Investment Development Corporation (Philexim) and House of Investments, Inc.; **Chairman of the Audit Committee** of National Reinsurance Corporation of the Philippines; and **Chairman of the Interim Governance Board** of National Life Insurance Co. of the Philippines; **Member** of Philippine Institute of Certified Public Accountants and Rotary Club of Makati Legaspi. **His past experiences include: Conservator** of National Life Insurance Co.; **Partner** in SyCip Gorres Velayo & Co.; **Principal & Manager** of Kassim Chan & Co.; **President** of Rotary Club of Makati Legaspi. **Educational Background:** Master in Management from Asian Institute of Management, Philippines and Bachelor of Science in Business Administration from Aquinas, Philippines.

GEMA O. CHENG, 53, Filipino, is the **Senior Vice President for Finance and Treasurer** since June 2016. She also 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** in Malayan Colleges Laguna, Inc., and Manila Memorial Park Cemetery, Inc.; **Treasurer** in Xamdu Motors, Inc. **Her past experiences include: Senior Vice President** of SM Investments Corp.; **Treasury Head** for SM Prime and its various business segments (Malls, Hotels & Conventions, Residences, Leisure and Commercial Properties Group); **Finance Head** for the SMIC 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; **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, 53, Filipino, is the **Chief Information Officer.** He is also a **Senior Vice President – Chief Information Officer** of House of Investments, 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, 47, 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 Zamboanga Industrial Finance Corp. **Her past experiences include: Assistant Professional Lecturer** at De La Salle University; **Assistant Vice President for Financial Reporting** at J.P.Morgan Chase Bank N.A; **MSCF Program Coordinator** at De La Salle University. She also held 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, 45, Filipino, is the **Controller** since 2016. She is also the **Vice President-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 Accountancy from St. Paul College, Philippines.

JOSE A. TANJANGCO III, 56, 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.

LALAIN P. MONSERATE, 53, 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.

SAMUEL V. TORRES, 53, Filipino, is the **Corporate Secretary**. His other present positions include: **General Counsel & Corporate Secretary** of A.Y. Holdings, Inc., Bankers Assurance Corp., Mijo Holdings, Inc., Luisita Industrial Park Corp., Pan Malayan Management & Investment Corp., and **Corporate Secretary** of RCBC Bankard Services, Inc., Sun Life Grepa Financial, Inc., PetroEnergy Resources Corp., Seafont 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., Malayan Education System, 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., MICO Equities, Inc., and Tokio Marine Malayan Insurance Corp. *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, 41, 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 three (3) 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) The Corporate Governance & Nomination Committee composed of at least three (3) members, all of whom are independent directors, shall promulgate the guidelines or criteria to govern the conduct of the nominations.

- c) Nomination of independent director shall be conducted by the Corporate Governance & 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 Corporate Governance & 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 Corporate Governance & Nomination 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 2018-2019.

Regular Directors:

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

Independent Directors

- 1) Mr. Renato C. Valencia
- 2) Mr. Cesar A. Buenaventura
- 3) Mr. Ermilando D. Napa

Except for Mr. Ermilando D. Napa, the above-mentioned nominees for the proposed election on June 29, 2018 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 Corporate Governance & 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.

Mrs. Eliadah Neiel Escudero-Dela Rama, 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, Ermilando D. Napa and Renato C. Valencia as Independent Directors.

The Corporate Governance & Nomination Committee is composed of three members, all 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 Corporate Governance & 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 2017-2018 are as follows:

COMMITTEE	EXECUTIVE	BOARD RISK OVERSIGHT	AUDIT	CORPORATE GOVERNANCE & NOMINATION	REMUNERATION
Chairman	Renato C. Valencia	Joaquin E. Quintos, IV*	Cesar A. Buenaventura	Renato C. Valencia	Renato C. Valencia
Member	Reynaldo B. Vea	Cesar A. Buenaventura	Medel T. Nera	Cesar A. Buenaventura	Yvonne S. Yuchengco
Member	Lorenzo V. Tan	Yvonne S. Yuchengco	Renato C. Valencia	Joaquin E. Quintos, IV*	Ernest K. Cuyegkeng
Member	Yvonne S. Yuchengco				
Member	Milagros V. Reyes				
Member	Ernest K. Cuyegkeng				

*Resigned effective April 23, 2018.

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

There are no family relationships among the directors and officers.

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 27-30**, 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 10, 2018:

- (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	2018	P0 (est)	P0 (est)	P0 (est)
	2017	P0	P0	P0
	2016	P0	P0	P0
	2018	P0 (est)	P0 (est)	P840,000 (est)
	2017	P0	P0	1,000,000
All other officers and directors as group unnamed.	2016	P0	P0	P370,000
	2018	P0 (est)	P0 (est)	P840,000 (est)
	2017	P0	P0	P1,000,000
TOTALS	2017	P0	P0	P370,000
	2016	P0	P0	

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 Memorandum Circular No. 8, series of 2003 (Rotation of External Auditors), the Company has engaged Ms. Ana Lea C. Bergado, as the Engagement Partner of SGV & Co. effective 2017. SEC rules mandate the compulsory rotation of audit partners after 5 years.

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
2017	₱2,225,250
2016	₱2,344,200
2015	₱2,314,727

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, 2017, Management Discussion and Analysis, Market Price of Shares and Dividends and other data 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 30, 2017 and the Management Report as set forth in the Annual Report will be submitted for stockholders approval.

Approval of the June 30, 2017 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes of the events that transpired during the said meeting, such as (a) 2016 annual report and audited financial statements, (b) ratification of actions of the Board of Directors, different Committees and Management during the year 2016, (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 30, 2017 for the period 2017 up to the date of meeting (June 29, 2018). This includes, among others, those that involve the day to day operations, administrations and management of the corporate affairs such as; a) declaration of cash dividends b) ratification of the non-binding term sheet for the merger of iPeople,inc. with AC Education, Inc. and c) 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 30, 2017
2. Approval of the Management Report and the Audited Financial Statements of the Company for the year ended December 31, 2017
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 2017.
4. Election of Directors for 2018-2019
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 and with SEC Memorandum No. 20 dated December 8, 2016, the Company submitted a New Manual on Corporate Governance on 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 2017 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

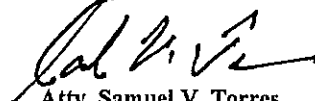
SIGNATURE

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 21, 2018.

21 MAY 2018


iPeople, inc.
By:


Atty. Lalaine P. Monserate
Compliance Officer


Atty. Samuel V. Torres
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE
ME THIS DAY OF 21 MAY 2018 IN THE CITY
OF MAKATI AFFIANT EXHIBIT THIS/HIER
COMMUNITY TAX CERT NO. _____
ISSUED ON _____ ISSUED AT _____

JUL NO. 458
PAGE NO. 93
BOOK NO. 45
SERIES OF 2014


ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-277
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
NO. 15 J.P. RIZAL EXTN. COR. TANGULE ST
COMEMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 022957/01-04-2018/Pasig City
PTR NO MKT-6614629, 01-03-2018/MAKATI CITY
MCLE Compliance No. V-0004514/10-01-2014

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, Echaz & Partners, Inc.	Chairman	2001 to Present
Bloomberly Cultural Foundation	Trustee	2015 to Present
Concepcion Industrial Corporation	Ind. Director	2014 to Present
D.M. Consunji, Inc.	Director	1995 to Present
DMCI Holdings, Inc.	Vice Chairman	1995 to Present
ICTSI Foundation	Trustee	2015 to Present
Mitsubishi Hitachi Power Systems Philippines, Inc.	Chairman	1996 to Present
Pilipinas Shell Foundation, Inc.	Chairman	1983 to Present
Pilipinas Shell Petroleum Corporation	Ind. Director	2012 to Present
Petroenergy Resources Corp.	Director	1995 to Present
Semirara Mining and Power Corp.	Director	1997 to Present
The Country Club	Ind. 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 confirm that I am not engaged in government service or affiliated with any government agency or government owned and controlled corporation.


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

Done this 07 MAY 2018 day of April 2018, at Makati City, Metro Manila, Philippines.


CESAR A. BUENAVENTURA
Affiant

SUBSCRIBED AND SWORN to before me this 07 MAY 2018 day of April 2018 at Makati City, affiant personally appeared before me and exhibited to me his Tax Identification (TIN) No. 121-507-656.

Doc. No. JD1 ;
Page No. 102 ;
Book No. 17 ;
Series of 2018.


ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-277
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
NO. 15 J.P. RIZAL EXTN. COR. TANGUILES ST
COMEMBO, MAKATI CITY
SC Roll No. 6217901-26-2013
IBP NO. 02295701-44-2018 Makati City
"TR NO MKT-0914624-01-43-2018 MAKATI CITY"
PUBLISHED ON: 20180512 11:20

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 confirm that I am not engaged in government service or affiliated with any government agency or government owned and controlled corporation.
7. 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.

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


07 MAY 2018

Done this _____ day of April 2018, at Makati City, Metro Manila, Philippines.


RENATO C. VALENCIA
Affiant

SUBSCRIBED AND SWORN to before me this 07 MAY 2018 day of April 2018 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. 102;
Page No. 102;
Book No. 17;
Series of 2018.


ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-277
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
NO. 15 J.P. RIZAL EXTN. COR. TANGULLEST
CORNER, MAKATI CITY
SC Roll No. 6217904-76-2013
IUP NO. 02299701-04-2018 Makati City
TRK NO MKT-6614638, 01-01-2018 MAKATI CITY
NOTARY PUBLIC

**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 EEL 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)

October 21, 1998 to May 2017	Director Metropolitan Bank and Trust Company
May 18, 20015 to 2016	Director House of Investments
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 Aynla Investment & Dev. Corporation
1972 to 1973	Assistant Vice President Makati Lending & 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	President
October, 1971 to date	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	:	rev3313@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)

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ERMILANDO D. NAPA**, Filipino, of legal age and a resident of 120 Bluebird Road, Moonville Subdivision, Parañaque 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.**
- 2) I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Manila Consulting & Management Co., Inc.	Chairman and CEO	1992 - Present
Catanduan Resources & Development Corporation	Chairman and Owner	1999 - Present
L'Opera Group of Restaurants	Group Treasurer	2004 - Present
National Reinsurance Corporation of the Philippines	Independent Director and Chairman of the Audit Committee	2011 - Present
National Life Insurance Company of the Philippines	Member/Chairman of the Interim Governance Board	2014/2015 - Present
E&F Holdings, Inc.	Chairman and Owner	1997 - Present
House of Investments, Inc.	Director and Member of the Audit Committee / Chairman of the Risk Oversight Committee	2016/2017 - 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 not related to any director, officer, or substantial shareholder of **iPEOPLE, INC.** or any of its subsidiaries and affiliates.
- 5) To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
- 6) I am not employed nor affiliated with any government agency or government owned and controlled corporation ("GOCC").
- 7) I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
- 8) I shall inform the Corporate Secretary of **iPEOPLE, INC.** of any changes in the abovementioned information within five days from its occurrence.


Done this ____ day of May 2018 at Makati City, Metro Manila, Philippines.


ERMILANDO D. NAPA
 Affiant

11 MAY 2018

SUBSCRIBED AND SWORN to before me this ____ day of May 2018 at
~~MAKATI CITY~~ affiant personally appeared before me and exhibited to me his Philippine
Passport No. EC3383138, issued at DFA Manila, and valid until February 04, 2020.

Doc. No. 107
Page No. 93
Book No. 94
Series of 2018.


ATTY. RAYMOND A. RAMASA
COMMISSION EXPIRES
NOTARY PUBLIC FOR MALABON CITY
UNTIL DECEMBER 31, 2018
NO. 15 J.P. RIZAL EXTN. COR. TANGKAYAN
CORREDO, MALABON CITY
SC Reg. No. 027901-2017
IHP No. 0289761-141-2017-0000-0000
PORNIMST-028939, 01-2017-0000-0000
MCLE Compliance No. 00000000000000000000



19 April 2018

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

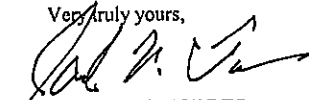
Re: **SEC FORM 20-IS OF IPEOPLE, INC. (SEC Reg. No. 166411)**

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 who may be elected and appointed during the Annual Stockholders' and Organizational Meetings to be held on 29 June 2018 are government employees.


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

Very truly yours,


SAMUEL V. TORRES
Corporate Secretary

DOC NO. 126
PAGE NO. 28
BOOK NO. 52
SERIES OF 4018

SUBSCRIBED AND SWORN TO before me this day of 19 APR 2018 at the City of MAKATI AFFIANT EXHIBITED HIS/HER COMMUNITY TAX CERT NO. _____ ISSUED ON _____ ISSUED AT _____


ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-277
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
NO. 15 J.P. RIZAL EXTN. COR. TANGULE ST
COMEMBO, MAKATI CITY
SC Roll No. 8217904-26-2013
JBP NO. 022857/01-04-2018/Pasig City
PTR NO. MKT-0614636, 01-03-2018/MAKATI CITY
MCLE Compliance No. 1410-31-2014



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

SCHOOL OPERATIONS

MALAYAN EDUCATION SYSTEM, INC. (OPERATING UNDER THE NAME OF MAPUA UNIVERSITY)

Mapúa University is widely considered to be the leading and largest private Engineering and I.T. University in the country. Don Tomas Mapúa, the first registered Filipino architect, founded Mapúa Institute of Technology on January 25, 1925. Mapúa University operates in two (2) major campuses: its main campus in Intramuros and its extension campus in Makati.

Mapúa University's commitment to its Continuous Quality Improvement philosophy has earned for the Institution the reputation as a recognized leader in providing quality education in the country, especially in the field of Engineering. The Philippine Association of Colleges and Universities Commission on Accreditation ("PACUCOA") confirmed Mapúa's Level IV status having programs, which are highly respected as very high academic programs in the Philippines and with prestige and authority comparable to similar programs in excellent foreign universities. PACUCOA is a private accrediting agency, which gives formal recognition to an educational institution by attesting that its academic program maintains excellent standards in its educational operations, in the context of its aims and objectives.

The Commission on Higher Education ("CHED") confirmed Mapúa with the Autonomous Status effective from April 2016 to May 2019. The CHED also recognized eight (8) of University's Engineering programs as Centers of Excellence ("COE") and one (1) as Center of Development ("COD"). Mapúa is the only private higher education institution that has the most number of Engineering programs with COE status in the Philippines.

Mapúa University is also 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 2 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. Mapúa has the highest number of ABET-accredited programs in any single academic corporate entity in the Philippines.

Mapúa University is the first private educational institution in the country to have programs awarded with full accreditation by the Philippine Technological Council - Accreditation and Certification Board for Engineering and Technology ("PTC-ACBET"). Mapúa University is also accredited by the Philippine Computer Society - Information and Computing Accreditation Board ("PICAB"). A total of eight (8) of its engineering programs are accredited with PTC-ACBET, while three (3) of its computing programs are accredited with PICAB.

In further testament to its strive for excellence, Mapúa has been granted university status by the Commission on Higher Education on May 18, 2017. This milestone in Mapúa University's history recognizes the institution's sustained efforts to raise the standards of technological education and research in the Philippines.

Also in 2017, Mapúa University was awarded an overall rating of three (3) stars by the Quacquarelli Symonds (QS) Stars. The QS Stars is a rating system that gives students and the international community a wider picture of a higher education institution's strengths and qualities. Mapúa received a five-star rating in the categories of employability, facilities, and social responsibility; and four stars in inclusiveness and teaching.

Mapúa University continues to be ranked among the top performing schools in licensure examinations regulated by the Professional Regulation Commission. Its graduates consistently rank among the top ten of the various board examinations. In 2017, the school produced 17 top finishers bringing the total top ten finishers from Mapúa to 344 from the past seventeen years alone.

Mapúa graduates are also the highest paid employees for: (a) 1-4 years experienced employees, (b) supervisor / 5 years and up experienced employees, and (c) assistant manager or manager positions. This is according to Jobstreet's database as published by Entrepreneur.com on July 18, 2017.

MALAYAN COLLEGES LAGUNA (A MAPÚA SCHOOL), 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.

The institution's community started with 854 students in its first year in the academe. Today, there are 5,183 students under both college and Senior High School ("SHS"). MCL, like its parent company Mapúa University, offered SHS. MCL also adopted Mapúa's design for its SHS curricula and imbedded Internet of Things ("IoT"). IoT is an emerging technology that primarily deals with communication between smart / intelligent devices through the internet. This gave MCL a unique advantage in the secondary education sector, ensuring that our students and curricula remain competitive on a global scale as well. MCL SHS was opened in 2016 welcoming 1,012 Grade 11 students. In 2017, MCL took in 1,345 Grade 11 students.

In 2006, the 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 22 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.

As part of its pledge to provide quality education to its students, MCL has reached yet another milestone in 2017 by having its Chemical Engineering and Computer Engineering programs granted a 2-year accreditation term for Academic Year 2018-2019 to 2019-2020 by the PTC-ACBET. MCL's Electronics Engineering (ECE) and Mechanical Engineering (ME) programs, which were granted their certificates of accreditation last March 2016, were also awarded re-certification for another period of 4 years (AY 2017-2018 to 2020-2021), which is tantamount to eventually getting PTC-ACBET's Full Accreditation certification.

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. Over a decade later, the institution finds itself succeeding, as proven by its graduates' and students' consistent excellent performance in licensure and certification exams, and in local and national competitions and quiz bowls. In 2016, FindUniversity.ph marked it as the number one private school in CALABARZON and the 10th best school in the Philippines.

As a result of its quest to continually improve 21st century education, MCL took home the Blackboard Catalyst Award for Leading Change during the Blackboard Teaching and Learning Conference Asia 2017 in Singapore on October 4. The Catalyst Award for Leading Change is given to institutions that are steering educational innovation by developing and implementing high impact strategies.

MCL, being an institution envisioning to be a global steeple of excellence in professional education and research, had produced its first international research interns. 4th year Chemical Engineering (ChE) students under MCL's Research Director, underwent a short-term research internship at National Chiao Tung University (NCTU) in Hsinchu, Taiwan from October to December 2017. Their thesis, which is about the removal of copper and lead in waste water using capacitive deionization (CDI), is part of a project under the MECO-TECO Program of DOST-GIA.

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. This school year, MCL once again excelled in the different licensure and certification exams, garnering outstanding

performances and perfect passing rates (100%) in the Electrical Engineer Licensure Exam, Electronics Technician Licensure Exam, Industrial Engineering Certification Exam, Mechanical Engineer Licensure Exam, the National Institute of Accounting Technicians (NIAT) Certification Exam for Registered Cost Accountants, and even in the PRC-Licensure Exam for Teachers (Secondary Level). In the July 2017 Master Plumber Licensure Examination, MCL ranked as the no. 1 Top Performing School with an 85.71% passing rate.

MALAYAN COLLEGES MINDANAO (A MAPÚA SCHOOL), INC.

Incorporated in 2015, Malayan Colleges Mindanao (A Mapua School), Inc. was established to offer Mapua-education in Davao and Mindanao. It is targeted to start school operations in 2018.

Malayan Colleges Mindanao will be offering 14 programs upon its opening in SY2018-2019. The school will also be offering Senior High School in all 5 strands.

Furthermore, MCM will accept SHS students in Science Technology Engineering and Mathematics (STEM), Accountancy, Business, and Management (ABM), Humanities and Social Science (HUMSS), and General Academic Strand (GAS) under the Academic track and also Information and Communications Technology (ICT) strand under the Technical, Vocational and Livelihood track.

The school will open its doors to the first batch of Grade 11 and college freshmen students in July 2, 2018.

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 280 students.

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.

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

CONSOLIDATED RESULTS - Year 2017 vs. Year 2016

Financial Position

Total consolidated assets increased from ₱6.53 billion to ₱7.90 billion, or a 21% growth compared to last year.

Consolidated current assets dropped by 18% primarily because of settlement of obligations related to construction and renovation of school buildings, and payment of reservation fee for the future lease of property. Whereas, receivables increased by 8% mainly due to higher number of students who opted to pay on installment for the second quarter term, SY 2017-2018. Receivables from related parties pertain to uncollected lease income from an affiliate. Prepaid expenses and other current assets grew from ₱89.61 million to ₱115.54 million because of additional digital publications acquired by the schools.

Consolidated non-current assets grew by 29% mainly due to construction of school building in Mindanao (MCM), and acquisition of new furniture and equipment. Available-for-sale financial assets grew by 47% from last year due to higher market price as of the period. Other non-current assets include the reservation fee paid by the Group to an affiliate to secure a space for the affiliate’s building project.

Total consolidated liabilities increased from P1.01 billion to P1.87 billion. This is primarily due to construction of school building in Mindanao. Additional loans were availed to finance the construction, which resulted to higher loans payable. Accounts payable and accrued expenses pertain largely to obligations to suppliers and contractors of MCM. The Group engaged the services of its affiliates to build the school building and oversee the construction, hence an increase in payable to related parties.

Unearned tuition fees are higher this year due to increase in the number of enrollees for Senior High School. Dividends payable increased by 8% from last year due to higher cash dividend declared by the school this year.

Total equity of the Group rose by 9%, primarily driven by increase in other comprehensive income such as revaluation increment on land, remeasurement gains on defined benefit plans, and unrealized gain on available for sale financial assets.

Results of Operations

The Group posted a consolidated net income of ₱413.35 million, which is 36% lower as against ₱643.26 million of last year.

Consolidated revenues decreased by 16%, from ₱2.36 billion to ₱1.98 billion, primarily because of lower revenues from Freshmen and Sophomores as a result of the K plus 12 program of CHED. This was, however, softened by revenues from Senior High School. On the other hand, revenues from hardware reselling and services dropped significantly due to cessation of business of the Group's IT Company effective July 2017.

Consolidated cost of sales and services went down by ₱0.10 billion, from ₱1.43 billion to ₱1.33 billion. The material reduction in cost is relative to the termination of the business of the IT Company.

General and administrative expenses were reduced by 8% this year, from ₱223.40 million to ₱206.33 million, as the Group cutback on several expenses specifically on personnel-related.

Interest expense and other finance charges dropped from ₱9.09 million to ₱4.23 million due to full settlement of long-term loan of the Group in September 2016. Also, the additional loans availed by the Group for the period bear low interest rates.

Interest income was higher by ₱0.87 million, from ₱12.08 million to ₱12.95 million because of higher volume of placements during the year.

Other income (loss) includes income on UITF, commission and reversal of long outstanding payables.

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's 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 the 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 SHS offering, which started in June 2016. Both schools, Malayan Colleges Inc. and Malayan Colleges of Laguna, offered SHS 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 SHS. 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 of sales and services increased by P83.68 million from ₱1.34 billion to ₱1.43 billion last year because of higher cost related to school operations. The increase is attributable to (a) personnel cost due to hiring of new teachers for SHS; (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 SHS 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.

Financial Ratios

Below are the financial ratios that are relevant to the Group's for the year ended December 31, 2017:

Financial ratios		2017	2016
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.56:1	1.41:1
<i>Indicates the Group's ability to pay short-term obligation</i>			
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	0.33:1	0.84:1
<i>Shows how likely a company will be to continue meeting its debt obligations</i>			
Debt-to-equity ratio	$\frac{\text{Total Debt}}{\text{Equity}}$	0.33:1	0.20:1
<i>Measures the Group's leverage</i>			
Financial ratios		2017	2016
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Equity}}$	1.31:1	1.18:1
<i>Shows how the company's leverage (debt) was used to finance the firm</i>			
Interest Rate Coverage	$\frac{\text{EBIT}}{\text{Interest Expense}}$	106.07	78.14:1
<i>Shows how easily a company can pay interest on outstanding debt</i>			
Return on Average Stockholders' Equity	$\frac{\text{Net Income}}{\text{Average Equity}}$	7.16%	12.47%
<i>Reflects how much the Group's has earned on the funds invested by the stockholders</i>			
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	5.23%	9.85%
<i>Measure the ability to utilize the Group's assets to create profits</i>			

Current ratio provides the liquidity position of the business by comparing current assets to current liabilities. The current ratio dropped from 1:41:1 in 2016 to 0.56:1 in 2017, primarily due to higher borrowings of the Group to support the construction of its school buildings.

Solvency ratio decreased from 0.84:1 in 2016 to 0.33:1 in 2017 due to lower Schools' revenues relative to the effect of K plus 12 program of CHED.

Debt-to-Equity ratio measures the Group's leverage. The total debt-to-equity ratio of the Group is 0.33:1 for 2017 and 0.20:1 for 2016. This is because of additional loans acquired by the group.

Asset to Equity ratio increased from 1.18:1 in 2016 to 1.31:1 in 2017 because of increase in asset base relative to the construction of new school building in Mindanao and higher revaluation of land.

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 78.14:1 in 2016 to 106.07:1 in 2017.

Return on Average Stockholders' Equity (ROAE) measures the profitability of the Company in relation to the average stockholders' equity. The ROAE for 2017 has dropped to 7% from 12% in 2016 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 2017 dropped to 5.23%, from 9.85% in 2016. This is attributable to lower net income due to impact of K plus 12, and acquisition of new property in Mindanao which has yet to generate revenues.

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. ("iPeople" or "the Company") is the holding company under House of Investments, Inc. and the Yuchengco Group of Companies ("YGC") that drives investments in the education sector. The Company is a publicly listed company on the Philippine Stock Exchange (PSE:IPO).

iPeople, inc. invested in the education sector and its related business, i.e. consulting development.

Its main operating subsidiary is the Malayan Education System, Inc. (Operating under the name of Mapúa University)("Mapúa University" or MES"). iPeople owns a majority stake (93%) in Mapúa University. Mapúa University is widely considered to be the leading and largest private engineering and I.T. school in the country.

Mapúa University also has two other wholly owned subsidiaries, the Malayan Colleges Laguna (A Mapúa School), Inc. ("MCL") and the Malayan High School of Science, Inc. ("MHSS").

Mapúa University is expanding in Mindanao with the acquisition of a 3-hectare property in Davao through its newly incorporated school, Malayan Colleges Mindanao (A Mapua School), Inc. ("MCM"). The school will open its doors to the first batch of Grade 11 and college freshmen students on July 2, 2018.

Risk Factors at the Holding Company Level

The following covers the risk management policies at the holding company level.

- a. **Interest Rate Risk**
It is a company policy to use excess liquidity to pay down any borrowings in order to decrease financing costs, and reduce exposure to rising interest rates. It is also a company policy to actively discuss with lending banks on how to lower financing costs. The Company does not have a practice of speculating on the direction of interest rates. The main objective is to lower financing costs as much as possible. As of report date, the Company does not have any borrowings that will directly expose it to interest rate risk.
- b. **Foreign Exchange Risk**
Foreign exchange risk results primarily from movements in the prevailing exchange rate between the Philippine Peso (PHP) and the United States Dollar (USD). This risk does not materially affect the Company as the revenues and the operating expenses of iPeople are denominated in PHP.
- c. **Liquidity Risk**
This refers to the ability of the Company to service maturing debts, finance capital requirements, and pay for existing operations. iPeople is dependent on dividends to finance its day-to-day operations. It maintains a consistent level of funding and constantly monitors its projected cash flows close attention is paid to asset liability management.
- d. **Credit Risk**
The Group's exposure to credit risk is very minimal because its receivables are mostly from related parties, which are being managed through close account monitoring and limit setting. However, iPeople's holding of cash and short-term securities exposes the company to the credit risk of the counterparty.
- e. **Price Risk**
Available for sale (AFS) financial instruments are held and are subject to price fluctuation. These securities are vulnerable to price risk due to changes in market values because of specific factors related to these securities, or because of factors related to the overall market for financial assets. These prices change depending on how market participants act in the market.

iPeople has non-core holdings in its AFS investments. For its non-core holdings, the Company's investment policy is to monitor developments in the market and to monitor these securities very closely. The company regularly assesses the opportunity cost of holding these securities. When a more appropriate use of the funds is determined, it is iPeople's intention to liquefy these investments and put the excess cash to work.
- f. **Business Continuity Risk**
The Company is acutely conscious of the risks posed by natural disasters, acts of God, or other man-made actions that can have an adverse impact on the continuity of regular operations. The iPeople Board through its Risk Oversight Committee and the management team ensures that the business continuity plans of each operating subsidiary is in place and is up to date.
- g. **Succession Risk**
The company knows that people are an important resource and that its executive management team is a significant contributor to the continuing growth of iPeople, inc.'s investment portfolio. In order to preserve the management chain of succession and institutional knowledge that comes with it, the executive management works with the executives of the Company's Parent Company and the executives of the operating subsidiaries to ensure continues training and career development plans are in place.

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

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

Risk Factors related to School Operations

- a. Regulatory, recognition of academic programs, and accreditations from government, and self-regulating private accreditation organizations.
 - Accreditations. The schools are governed and regulated by the CHED and by the Department of Education (“DepEd”), depending on the program offerings. In addition, MES and MCL are also accredited by PCUCOA, while the initial accreditation of MCM is ongoing. MES is also accredited by the ABET; MES and MCL are both accredited by PTC-ACBET and PICAB.

The failure of any of our schools to pass government standards, or to meet accreditation renewal standards, may negatively impact the perception of the quality of our academic programs and facilities. If this happens we might expect our enrolment to materially decrease, which would have an adverse impact to our profits and cash flow.
 - Tuition Fee. The Commission on Higher Education and the Department of Education regulates tuition increases at the university level and the secondary level, respectively, and routinely sets maximum limits on percentage increases in tuition fees. MES, MCL, MCM, and MHSS are subject to maximum percentage increase guidelines issued by both the CHed and the DepEd, as applicable. The inability of our higher education institutions to increase tuition fees to cover higher operating costs may pose a risk to profits and cash flows over time.
 - Changes in regulations. The DepEd K+12 program increases the total number of years of education at the pre-university level from 10 years to 12 years. The addition of two extra years of schooling prior to the university level means universities and colleges ended up with two academic years of no entering freshman classes.

The reduction of the student population because of the K+12 program affected the Company’s profits and cash flows in the medium term. MES, MCL and MHSS offered SHS starting 2016 to cushion the effects of the K + 12 Program. However, these measures may not offset the entire impact of a loss of two freshman batches.
- b. Competition
 - Faculty. The schools depend on high quality faculty to teach the educational programs. To the extent that they can, the schools at both the tertiary and secondary level recruit faculty with excellent academic credentials and teaching skills. The schools might not be able to recruit the desired faculty due to any number of factors, including mismatches between the desired compensation and offer; competing recruitment from other educational institutions; or candidates seeking opportunities abroad.

The schools also work to retain key faculty in certain academic disciplines in order to maintain continuity and reduce turnover. If recruitment and retention efforts suffer, the quality of teaching and the quality of academic programs might suffer.
 - Students. Competition among schools for greater student enrolment is fierce. The schools compete against an impressive array of non-profit and for-profit schools. The competitors in the elite school level bring a formidable set of resources to the battle: money, facilities, history, tradition, an active alumni base, a spirited student body, established brands, and large marketing budgets.

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

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

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

d. Operational Risk

The following may hamper the operations of the Mapúa schools:

- Transportation Strikes. In the event of a transportation strike, students, faculty, and the admin staff are unable to come to the campuses affected. Classes are normally suspended during these events.
- Natural calamities and disasters. Our schools, like many other enterprises, are subject to adverse occurrences beyond our control, which include (but are not limited to) earthquakes, floods, and similar natural phenomena. We believe we carry enough insurance to hedge against the monetary damages caused by these events. In the event that the damage to our facilities arising from said events are severe and our insurance is not enough to cover it, our operations and ability to return to normal conditions might be severely affected.
- Labor unrest. Mapúa University has two unions, Faculty Association of MIT (FAMIT) and MIT Labor Union (MITLU). A strike by any of the two unions would obstruct operations.
Mapúa University is bound by the collective bargaining agreement (CBA) signed between the institution and the two unions. Mapúa University negotiates with each union separately. The FAMIT represents the faculty members. The MITLU represents the non-teaching staff. To the extent that unions negotiate CBA's with higher increases over time, this would negatively impact the cost structure of Mapúa University and lower the expected value of its profit and cash flows over time.
In the event that a CBA is not negotiated successfully or there is an issue that results in labor unrest, it could have a material adverse impact on the operations of Mapúa University.

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

e. Interest Rate Risk

It is a company policy to use excess liquidity to pay down any borrowings in order to decrease financing costs, and reduce exposure to rising interest rates. It is also a company policy to actively discuss with lending banks on how to lower financing costs. The Company does not have a practice of speculating on the direction of interest rates. The main objective is to lower financing costs as much as possible. The schools need capital to grow. All of our schools pursue growth opportunities, which may involve any of the following actions: building new teaching and non-teaching facilities at existing campuses; building campuses at new locations.

In order to grow, the schools will need to raise funding. This fund raising can arise from the sale of equity, selling debt securities, borrowing from existing debt facilities, or borrowing from new debt facilities. If capital is raised through borrowings, the Mapúa schools will also be subject to interest rate risk. An increase in our negative carry will also adversely impact our profitability.

f. Market Risk and Political Risk

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

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

The Free College Tuition also poses a risk to our schools. This may reduce the enrollment if current prospective students will opt to enroll in state-run universities and colleges.

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 10, 2018 (latest practicable trading date) is P13.30 for high and P13.00 for low.

PERIOD	STOCK PRICE	
	HIGH	LOW
2018 First Quarter	16.50	12.00
2017 Fourth Quarter	14.00	11.84
2017 Third Quarter	12.68	11.00
2017 Second Quarter	12.65	11.02
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

b. Top 20 owners of common stock as of April 30, 2018

STOCKHOLDER	NUMBER OF SHARES	% OF TOTAL
House Of Investments, Inc.	501,940,749 ³	67.02%
PCD Nominee Corporation	179,361,417	23.91%
A. Soriano Corporation	54,984,522 ⁴	7.34%
HYDEE Management & Res. Corporation	653,800	0.09%
R. P. Land Development Corporation	565,175	0.08%
Pan Malayan Management & Investment Corporation	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%
Ley, Fely	243,750	0.03%
Tecson, Bingson U.	195,000	0.03%
Mendoza, Alberto Mendoza &/Or Jeanie C.	165,750	0.02%
Ligason, Vicente P. Ligason &/Or Shiu King P.	150,000	0.02%
Philippine Asia Equity Securities Inc. U-055	146,250	0.02%
Ansaldo Godinez & Co., Inc.	133,438	0.02%
Chan, Vicky L.	130,000	0.02%
Securities Investors Protection Fund, Inc.	130,000	0.02%
Li, Luisa	130,000	0.02%
SUB TOTAL	740,743,712	98.91%
Others	8,189,237	1.09%
TOTAL	748,932,949	100.00%

IPO has a total of 2,032 shareholders owning a total of 748,933,221 shares as of April 30, 2018.

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.

³ Direct holdings of House of Investments, Inc.

⁴ Direct holdings of A. Soriano Corp.

The company has declared cash dividends as follows:

YEAR	DIVIDEND PER SHARE	TOTAL AMOUNT
Q1 2018	P0.06	P44.94MM
2017	P0.24	P179.74MM
2016	P0.24	P179.74MM
2015	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 2017.

Description of Registrant's Securities: Common Stock

The equity capital structure of the firm as of December 31, 2017 is shown:

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



ANNEX "B"

**iPeople, inc. and Subsidiaries
Consolidated Financial Statements
December 31, 2017 and 2016
and
Report of Independent Auditors**



Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

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

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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 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.

Date	APR 16 2018	TSIS
MELINA PRISCA S. RANJO		



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, 2017, the carrying value of the Group's land amounted to ₱3,939.77 million, representing 50% of the Group's total assets. In addition, the Group recognized a revaluation gain of ₱283.19 million in other comprehensive income for the year ended December 31, 2017. 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 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 and made inquiries to the external appraiser as to the basis. 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, 2017, the Group's goodwill attributable to the acquisition of Malayan Education System, Inc. (formerly 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 revenue from number of forecasted students and related tuition and other matriculation fees, profit margins, long-term growth rate and discount rate in estimating discounted cash flow projections.

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 revenue from number of forecasted students, related tuition and other matriculation fees and the profit margins. We checked if the Group has considered the impact of the K to 12 Basic Education Program implementation on these key assumptions and also compared them against historical performance. We involved our internal specialist to assist us in evaluating the methodology and assumptions used. We compared the long-term growth rate against relevant publish market information. We tested the parameters used in the determination of discount rate against market date. In addition, we reviewed the Group's disclosures about those assumptions to which

MELINA PRISCA S. RANJO



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, 2017, 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, 2017 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.

BUREAU OF REVENUE
TAXPAYER ASSISTANCE DIVISION
Date **APR 16 2018** TSIS
MELINA PRISCA S. RANJO



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.

Date	APR 16 2018	TSIS
MELINA PRISCA S. RANJO		



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 Ana Lea C. Bergado.

SYCIP GORRES VELAYO & CO.



Ana Lea C. Bergado

Partner

CPA Certificate No. 80470

SEC Accreditation No. 0660-AR-3 (Group A),

March 2, 2017, valid until March 1, 2020

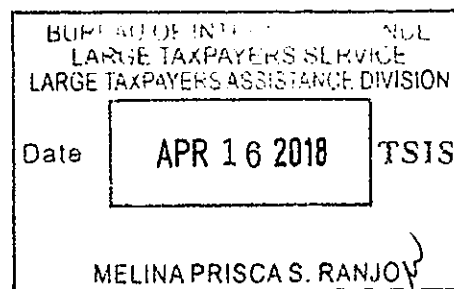
Tax Identification No. 102-082-670

BIR Accreditation No. 08-001998-63-2018,

February 14, 2018, valid until February 13, 2021

PTR No. 6621232, January 9, 2018, Makati City

March 23, 2018





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, 2017, 2016 and 2015, 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.

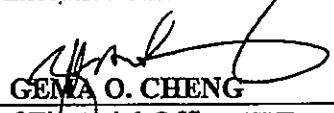
SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon 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 18 APR 2018 THE CITY
OF MAKATI AFFIANT EXHIBITED HIS/HER
COMMUNITY TAX CERT NO. _____
ISSUED ON _____ (ISSUED AT _____)

Signed this 23rd day of March, 2018

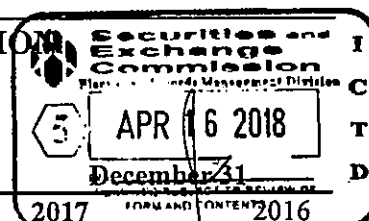
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SERIES OF 2018

3/F Grepalife Bldg., 219 Sen. Gil Puyat Avenue, Makati City, Philippines
TEL: (632) 815-96-36


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

PEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



ASSETS

Current Assets

Cash and cash equivalents (Notes 6, 14 and 28)	₱632,811,619	₱873,357,931
Receivables (Notes 7 and 28)	156,402,797	144,753,882
Receivables from related parties (Notes 14 and 28)	1,035,882	3,715,005
Prepaid expenses and other current assets (Note 8)	115,546,510	89,609,828
Financial assets at fair value through profit or loss (Note 28)	8,461,820	8,339,643
Total Current Assets	914,258,628	1,119,776,289

Noncurrent Assets

Available-for-sale financial assets (Note 28)	25,079,144	17,062,041
Property and equipment (Notes 9 and 10)	6,490,366,202	5,227,443,117
Net pension asset (Note 23)	1,881,243	1,575,170
Goodwill (Note 11)	137,853,345	137,853,345
Deferred tax assets (Note 21)	5,987,596	6,137,926
Other noncurrent assets (Note 12)	321,200,114	19,623,657
Total Noncurrent Assets	6,982,367,644	5,409,695,256
	₱7,896,626,272	₱6,529,471,545

LIABILITIES AND EQUITY

Current Liabilities

Accounts payable and accrued expenses (Notes 13 and 28)	₱631,758,318	₱553,353,893
Payables to related parties (Notes 14 and 28)	20,957,655	13,288,486
Income tax payable	6,746,071	8,203,745
Unearned tuition fees	89,159,755	53,041,443
Dividends payable (Notes 16 and 28)	69,343,445	64,412,064
Short-term loans (Notes 15 and 28)	810,000,000	100,000,000
Total Current Liabilities	1,627,965,244	792,299,631

Noncurrent Liabilities

Net pension liability (Note 23)	66,299,937	74,440,303
Deferred tax liabilities - net (Note 21)	177,270,677	147,127,296
Total Noncurrent Liabilities	243,570,614	221,567,599

Total Liabilities	1,871,535,858	1,013,867,230
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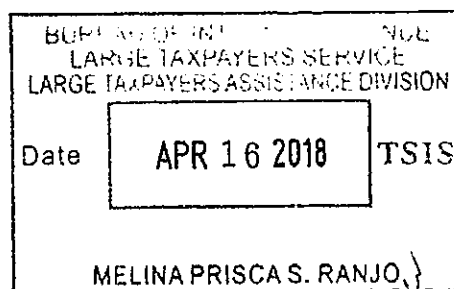
(Forward)

BUREAU OF INTERNAL REVENUE
 LARGE TAXPAYERS SERVICE
 LARGE TAXPAYERS ASSISTANCE DIVISION
 Date **APR 16 2018** TSIS
 MELINA PRISCA S. RANJO



	December 31	
	2017	2016
Equity		
Common stock (Note 16)	₱748,933,221	₱748,933,221
Additional paid-in capital	1,438,827	1,438,827
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale financial assets (Note 28)	6,716,900	(1,300,203)
Revaluation increment on land - net (Note 10)	1,248,233,353	984,985,652
Remeasurement gains on defined benefit plans (Note 23)	31,676,374	23,017,641
Retained earnings (Note 16)	3,611,840,138	3,409,999,669
	5,648,838,813	5,167,074,807
Less: Treasury stock (Note 16)	209	209
Attributable to Equity Holders of the Parent Company	5,648,838,604	5,167,074,598
Non-controlling Interest in Consolidated Subsidiaries (Note 25)	376,251,810	348,529,717
Total Equity	6,025,090,414	5,515,604,315
	₱7,896,626,272	₱6,529,471,545

See accompanying Notes to Consolidated Financial Statements.



PEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2017	2016	2015
REVENUE (Note 26)			
Tuition and other fees (Note 17)	₱1,933,856,493	₱2,203,794,405	₱2,252,281,825
Sale of goods	40,569,289	120,253,219	131,156,374
Sale of services (Note 17)	8,445,278	35,938,923	41,399,181
	1,982,871,060	2,359,986,547	2,424,837,380
COSTS AND EXPENSES			
Cost of tuition and other fees (Note 18)	1,286,658,344	1,300,042,918	1,213,004,494
Cost of goods sold (Note 18)	36,780,189	106,451,833	121,342,242
Cost of services	4,103,788	19,830,350	8,300,521
	1,327,542,321	1,426,325,101	1,342,647,257
GROSS PROFIT	655,328,739	933,661,446	1,082,190,123
GENERAL AND ADMINISTRATIVE EXPENSES (Note 19)	(206,330,030)	(223,404,409)	(189,270,351)
INTEREST AND OTHER FINANCE CHARGES (Note 20)	(4,233,169)	(9,089,294)	(19,294,818)
INTEREST INCOME (Note 20)	12,954,820	12,080,968	10,925,864
OTHER INCOME	3,213,916	8,871,251	2,936,733
INCOME BEFORE INCOME TAX	460,934,276	722,119,962	887,487,551
PROVISION FOR INCOME TAX (Note 21)	47,575,350	78,850,196	88,639,293
NET INCOME	413,358,926	643,269,766	798,848,258
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods (Note 28)</i>			
Unrealized gains (losses) on AFS financial assets	8,017,103	2,672,368	(8,606,395)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Revaluation increment on land - net of tax (Note 10)	283,187,880	251,820,578	325,464,047
Remeasurement gains (losses) on defined benefit plans - net of tax (Note 23)	9,310,800	17,912,044	(29,719,719)
	300,515,783	272,404,990	287,137,933
TOTAL COMPREHENSIVE INCOME	₱713,874,709	₱915,674,756	₱1,085,986,191
Net income attributable to:			
Equity holders of the parent (Note 24)	₱381,584,442	₱595,715,580	₱740,928,823
Non-controlling interest in consolidated subsidiaries (Note 25)	31,774,484	47,554,186	57,919,435
	₱413,358,926	₱643,269,766	₱798,848,258
Total comprehensive income attributable to:			
Equity holders of the parent	₱661,507,979	₱848,614,721	₱1,005,284,273
Non-controlling interest in consolidated subsidiaries (Note 25)	52,366,730	67,060,035	80,701,918
	₱713,874,709	₱915,674,756	₱1,085,986,191
Basic Earnings Per Share (Note 24)	₱0.5095	₱0.7954	₱0.9893

See accompanying Notes to Consolidated Financial Statements.

Date: **APR 16 2018**
 MELINA PRISCA S. RANJO
 LARGE TAXPAYING ACCOUNTANCE DIVISION
 TSIS



PEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to Equity Holders of the Parent Company

	Unrealized						Retained Earnings (Note 16)	Treasury Stock (Note 16)	Total	Non-controlling Interest (Note 25)	Total
	Common Stock (Note 16)	Additional Paid-in Capital	Available-for-Sale Financial Assets (Note 28)	Revaluation Increment on Land - net of tax (Note 10)	Remeasurement Gains (Losses) on Net Defined Benefit Plans (Note 23)	Gain on					
For the year ended December 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	-	-	8,017,103	263,247,701	8,658,733	381,584,442	-	381,584,442	31,774,484	413,358,926	
Other comprehensive income	-	-	8,017,103	263,247,701	8,658,733	381,584,442	-	279,923,537	20,592,246	300,515,783	
Total comprehensive income	-	-	8,017,103	263,247,701	8,658,733	381,584,442	-	661,507,979	52,366,730	713,874,709	
Dividends declared	-	-	-	-	-	(179,743,973)	-	(179,743,973)	(24,644,637)	(204,388,610)	
Balances as at December 31, 2017	\$748,933,221	\$1,438,827	\$6,716,900	\$1,248,233,353	\$31,676,374	\$3,611,840,138	(\$209)	\$5,648,838,604	\$376,251,810	\$6,025,090,414	
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	-	-	2,672,368	233,540,728	16,686,045	595,715,580	-	595,715,580	47,554,186	643,269,766	
Other comprehensive income	-	-	2,672,368	233,540,728	16,686,045	595,715,580	-	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	-	-	(8,606,395)	302,681,564	(29,719,719)	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)	740,928,823	-	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	

See accompanying Notes to Consolidated Financial Statements

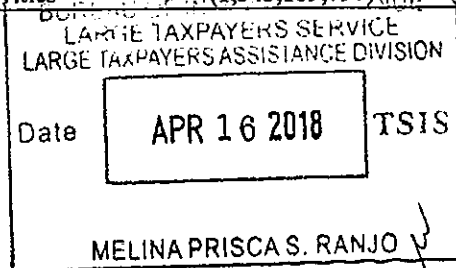
Date: APR 16 2018
 TSIS
 NGL PAYERS SERVICE ASSISTANCE DIVISION
 SCA S. RANJO



iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

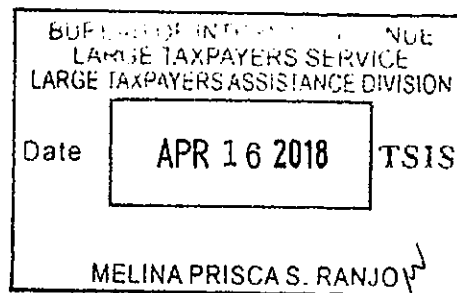
	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱460,934,276	₱722,119,962	₱887,487,551
Adjustments for:			
Depreciation and amortization (Notes 9, 12, 18 and 19)	209,283,243	206,736,094	175,761,669
Interest income (Note 20)	(12,954,820)	(12,080,968)	(10,925,864)
Provision for doubtful accounts (Notes 7 and 19)	10,000,476	6,323,039	5,355,917
Interest expense and other finance charges (Note 20)	4,233,169	9,089,294	19,294,818
Unrealized market gain on financial assets at FVPL	(122,177)	(133,870)	(184,143)
Unrealized foreign exchange gain	(25,376)	(1,049,899)	(943,997)
Gain on disposal of property and equipment	(19,137)	-	(205,000)
Operating income before working capital changes	671,329,654	931,003,652	1,075,640,951
Decrease (increase) in:			
Receivables	(21,771,528)	(2,933,793)	29,263,836
Prepaid expenses and other current assets	(28,239,427)	7,534,054	(46,622,050)
Increase (decrease) in:			
Accounts payable and accrued expenses	(34,029,811)	(97,235,370)	(2,876,907)
Unearned tuition fees	36,118,312	40,587,600	2,296,355
Net pension asset and liability	1,462,496	1,028,143	3,694,258
Net cash generated from operations	624,869,696	879,984,286	1,061,396,443
Interest received	13,076,957	12,635,733	10,796,344
Interest paid	(3,040,458)	(10,071,961)	(20,509,303)
Income taxes paid	(48,500,025)	(86,114,100)	(84,271,855)
Net cash flows from operating activities	586,406,170	796,433,958	967,411,629
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of:			
Property and equipment	1,294,817	98,770	205,000
Acquisitions of:			
Property and equipment (Notes 9 and 27)	(1,046,952,364)	(224,702,428)	(489,373,582)
Computer software (Note 12)	(2,030,619)	(4,985,281)	(95,584)
Land (Notes 10 and 27)	-	(2,060,700)	(437,234,520)
AFS financial assets (Note 28)	-	-	(6,002,549)
Decrease (increase) in:			
Receivables from related parties	2,679,123	(2,232,573)	1,003,473
Other noncurrent assets	(300,180,754)	(650,726)	(512,280)
Net cash flows used in investing activities	(1,345,189,797)	(234,532,938)	(932,010,042)

(Forward)



	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans (Note 15)	P940,000,000	P100,000,000	P-
Payments of short-term debts (Note 15)	(230,000,000)	(188,500,000)	(327,500,000)
Dividends paid to stockholders	(199,457,230)	(199,461,850)	(259,054,087)
Increase (decrease) in payables to related parties	7,669,169	(697,612)	(7,212,004)
Net cash flows from (used in) financing activities	518,211,939	(288,659,462)	(593,766,091)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	25,376	1,049,899	943,997
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(240,546,312)	274,291,457	(557,420,507)
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)	P632,811,619	P873,357,931	P599,066,474

See accompanying Notes to Consolidated Financial Statements.



iPEOPLE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

iPeople, inc. (the Parent Company) is a publicly-listed stock corporation registered and incorporated on July 27, 1989 under the laws of the Philippines and has two wholly-owned subsidiaries, namely: Pan Pacific Computer Center, Incorporated and People eServe Corporation. The Parent Company also has 93% ownership in Malayan Education System, Inc. (formerly Malayan Colleges, Inc.), Malayan Colleges Laguna, Inc., Malayan Colleges Mindanao (A Mapua School), Inc., Malayan High School of Science, Inc., Mapua Information Technology Center, Inc., Mapua Techserv, Inc., and San Lorenzo Ruiz Institute of Health Science, Inc.; and 69.75% effective ownership in Mapua Techpower, Inc. (Note 2).

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

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

2. Basis of Preparation

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

Statement of Compliance

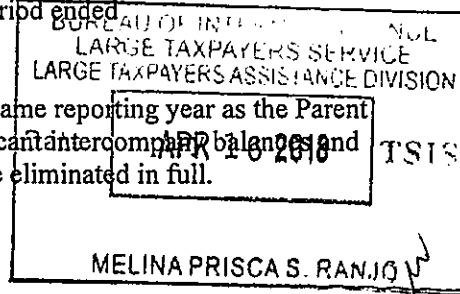
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2017 and 2016, and for each of the three years in the period ended December 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 as of December 31:

	Percentage of Ownership		
	2017	2016	2015
Malayan Education System, Inc. (MESI) (Operating Under the Name of Mapua University) and subsidiaries	93%	93%	93%
Direct ownership of MESI on its subsidiaries:			
Malayan Colleges Laguna Inc., Led by a Mapua School of Engineering (MCLI)	100	100	100
Malayan Colleges Mindanao (A Mapua School), Inc. (MCMi)	100	100	-
Malayan High School of Science, Inc. (MHSSI)	100	100	100
Mapua Information Technology Center, Inc. (MITC)	100	100	100
Mapua Techserv, Inc. (MTSI)	100	100	100
Mapua Techpower, Inc. (MTPI)	75	75	75
San Lorenzo Ruiz Institute of Health Sciences, Inc. (SLRIHSI)	100	100	100
People eServe Corporation (PEC)	100	100	100
Pan Pacific Computer Center, Incorporated (PPCCI)	100	100	100

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

All subsidiaries were incorporated in the Philippines.

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

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

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

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

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

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

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



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

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements starting January 1, 2017. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.

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

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

The Group has provided the required information in Note 27. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

Standards Issued But Not Yet Effective

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

Effective beginning January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2015 - 2017 Cycle*)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
- PFRS 9, *Financial Instruments*

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



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

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

- *PFRS 15, Revenue from Contracts with Customers*
PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

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

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

Effective beginning January 1, 2019

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*
- *Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures*
- *Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments*
- *PFRS 16, Leases*

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

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

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

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

Deferred effectivity

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



The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2017 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these new pronouncements will be included in the consolidated financial statements when these are adopted.

4. Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

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

Initial recognition

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

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

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

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

Fair value measurement

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

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



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

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

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

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

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

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

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

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

'Day 1' difference

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

Financial assets at FVPL

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

Financial assets at FVPL are recorded in the statement of financial position at fair value with unrealized mark-to-market gains and losses recognized in "Other income (loss)" account in the consolidated statement of comprehensive income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded in the consolidated statement of



comprehensive income according to the terms of the contract, or when the right of payment has been established. Derivatives, including separated embedded derivatives are also classified as FVPL unless they are designated as effective hedging instruments or a financial guarantee contract.

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

Loans and receivables

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

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

AFS financial assets

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

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

This consists of investments in PetroEnergy Resources Corporation shares.

Other financial liabilities

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

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



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

Derecognition of Financial Assets and Financial Liabilities

Financial asset

A financial asset (or, where applicable, a part of a group of financial assets) is derecognized when:

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

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

Financial liability

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

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

Impairment of Financial Assets

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

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



Loans and receivables

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

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

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

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

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

AFS financial assets

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

Jointly Controlled Operations

A jointly controlled operation involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations. The Group's jointly controlled operations pertain to the Mapua PTC-CMET effective up to 2015 (Note 13).



Offsetting Financial Instruments

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

Inventories

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

Prepaid Expenses and Other Current Assets

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

Creditable Withholding Tax (CWT)

This pertains to the tax withheld at source by the Group's customers and lessees and is creditable against its income tax liability.

Value-added Tax (VAT)

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

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

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

Property and Equipment

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

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



Construction in progress represents properties under construction and is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are ready for their intended use. Included also under construction in progress are property and equipment acquired but are not yet installed and not yet ready for use. These are stated at cost and are not depreciated until such time that the relevant assets are ready for their intended use.

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

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

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

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

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

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

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

The appraisal increment (net of deferred tax) resulting from the revaluation is credited to the "revaluation increment on land - net" account recognized directly to other comprehensive income and is presented as a separate line item under the equity section of the statement of financial position.

Borrowing Costs

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

Borrowing costs not qualified for capitalization are expensed as incurred.



Business Combination and Goodwill

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

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

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

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

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

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

Other Noncurrent Assets

Other noncurrent assets represent the Group's computer software cost which are carried at cost less amortization and impairment, if any, and other noncurrent assets that are not realizable within one year from the balance sheet date. Software cost is amortized over a period of three (3) years.

Impairment of Nonfinancial Assets

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

The Group assesses as of reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.



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

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

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

Equity

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

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

Dividends distribution is approved by the Board of Directors (BOD) of the Parent Company. The individual accumulated earnings of the subsidiaries are available for dividend declaration when these are declared as dividends by the respective subsidiaries as approved by their respective BOD or Board of Trustees (BOT), as applicable.

Revenue Recognition

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



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

Revenues from tuition and other matriculation fees

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

Admission, examination and other fees

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

Sale of goods

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

Sale of services

Sale of services are recognized when services are rendered.

Bookstore income

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

Rental income

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

Seminar fee income

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

Interest income

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

Miscellaneous income

Miscellaneous income is recognized when earned.

Costs and Expenses

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

Cost of tuition and other fees

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

Cost of goods sold

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



Cost of services

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

General and Administrative Expenses

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

Interest and Financing Charges

Interest and financing charges is recognized as expense in the period in which it is incurred using the effective interest method.

Retirement Benefits

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

Retirement benefits cost comprises the following:

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

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

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



Income Taxes

Current tax

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

Deferred tax

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

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

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

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

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

Leases

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

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

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

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



Group as a lessor

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

Group as a lessee

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

Foreign Currency-denominated Transactions and Translation

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

Basic Earnings Per Share (EPS)

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

Segment Reporting

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

Provisions

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

Contingencies

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

Events after the Financial Reporting Date

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



5. Significant Accounting Judgments and Estimates

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

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

Judgment

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

Allocation of costs and expenses

Management exercises judgment in determining the classification of costs and expenses as to whether cost of services or general and administrative expenses. In 2017 and 2016, the Group specifically identified the expenses directly related to the Group's school and related operations which include expenses for salaries and wages of teaching and academic support personnel, student welfare activities, and all other student-related costs and expenses (Notes 18 and 19).

Estimates

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

Valuation of land

The Group accounts for its land, where the school buildings and other facilities are located, using the revaluation model. The valuation of the land requires the assistance of an external appraiser whose calculations involve certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors. As of December 31, 2017 and 2016, the carrying value of the Group's land amounted to ₱3,939.77 million and ₱3,625.12 million, respectively. The Group recognized a revaluation gain of ₱283.19 million and ₱251.82 million in other comprehensive income for the years ended December 31, 2017 and 2016, respectively. Refer to Note 10 for the disclosure about the Group's land.

Estimating allowance for impairment of receivables

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



Allowance for doubtful accounts on receivables amounted to ₱69.22 million and ₱67.08 million as of December 31, 2017 and 2016, respectively. The carrying value of receivables as of December 31, 2017 and 2016 amounted to ₱156.40 million and ₱144.75 million, respectively (Note 7). The carrying value of receivables from related parties as of December 31, 2017 and 2016 amounted to ₱1.04 million and ₱3.72 million, respectively (Note 14).

Impairment of nonfinancial assets

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

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

Under PFRSs, the Group is required to annually test the amount of goodwill for impairment. As of December 31, 2017 and 2016, the Group's goodwill attributable to the acquisition of MESI amounted to ₱137.85 million. Management's assessment process involves judgments and is based on assumptions such as revenue from number of forecasted students and related tuition and other matriculation fees, profit margins, long-term growth rate and discount rate in estimating discounted cash flow projections.

In assessing the impairment on goodwill, the Group determines the recoverable amount using value in use which represents the present value of expected cash flows from the continuing operations of MESI which is in educational services. The value in use calculations used discount rate and cash flow projections based on financial budgets approved by management covering a five-year period. The cash flow projections considered the impact of the K to 12 Basic Education Program on MESI's financial performance effective in 2016. A long-term growth rate is calculated and applied to projected future cash flows after the fifth year. There is no impairment loss recognized on goodwill in 2017, 2016 and 2015. As of December 31, 2017 and 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 years ended December 31, 2017 and 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 which were disclosed in Note 23 and to which the cash flows are most sensitive to. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the retirement expense and related asset or liability.



As of December 31, 2017 and 2016, the net pension liability amounted to ₱66.30 million and ₱74.44 million, respectively, while net pension asset amounted to ₱1.88 million and ₱1.58 million as of December 31, 2017 and 2016, respectively (Note 23).

Recognition of deferred tax assets

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

Deferred tax assets recognized amounted to ₱5.99 million and ₱6.14 million as at December 31, 2017 and 2016, respectively (Note 21). The temporary differences on which deferred tax assets were not recognized amounted to ₱49.52 million and ₱93.32 million, respectively (Note 21).

Provisions and Contingencies

The Group is currently involved in certain legal proceedings arising from the ordinary course of the business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Notes 13 and 29).

6. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand	₱995,454	₱1,003,756
Cash in banks (Note 14)	159,883,899	119,846,679
Cash equivalents (Note 14)	471,932,266	752,507,496
	<u>₱632,811,619</u>	<u>₱873,357,931</u>

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

Interest income from cash in banks and cash equivalents amounted to ₱12.82 million, ₱11.97 million and ₱10.88 million in 2017, 2016 and 2015, respectively (Note 20).



7. Receivables

This account consists of:

	2017	2016
Tuition and other fees	₱153,016,719	₱134,975,247
Other receivables:		
Trade	7,830,758	41,713,132
Advances to officers and employees	10,508,242	8,440,771
Others	54,264,426	26,703,512
	225,620,145	211,832,662
Allowance for doubtful accounts	(69,217,348)	(67,078,780)
	₱156,402,797	₱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, library and printing charges. Receivables from employees are settled through salary deductions. Interest income from advances to officers and employees amounted to ₱0.14 million, ₱0.11 million and ₱0.05 million in 2017, 2016 and 2015, respectively (Note 20).

Other receivables mainly pertain to receivable from DepEd amounting to ₱36.74 million and ₱10.73 million as of December 31, 2017 and 2016, respectively, arising from the Senior High School (SHS) Voucher Program wherein qualified SHS students are given discount on tuition fees. These receivables are noninterest-bearing and are generally collectible within one year.

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

The changes in allowance for doubtful accounts as of December 31 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
Provisions for the year (Note 19)	5,831,618	4,168,858		10,000,476
Write-off	(1,421,254)	(6,440,654)	-	(7,861,908)
Balance at end of year	₱56,420,633	₱6,843,708	₱5,953,007	₱69,217,348
Gross receivables	₱153,016,719	₱7,830,758	₱54,264,426	₱215,111,903

	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 19)	410,946	5,505,442	406,651	6,323,039
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



8. Prepaid Expenses and Other Current Assets

	2017	2016
Restricted funds (Note 14)	₱40,770,732	₱35,672,208
Prepaid expenses	43,552,663	22,550,018
Deposits to real estate sellers	15,956,045	15,282,933
CWT	8,537,180	7,890,124
Input VAT	630,444	2,603,971
Office supplies	97,163	100,830
Others	6,002,283	5,509,744
	₱115,546,510	₱89,609,828

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

Prepaid expenses mainly include prepayments for membership fees, subscriptions, rentals and insurance, among others.

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

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

Others relate to books inventory and other supplies.

9. Property and Equipment

The rollforward analysis of this account follows:

	2017				Total
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	
Cost					
Balance at beginning of year	₱1,854,287,331	₱1,311,626,463	₱25,618,551	₱146,770,038	₱3,338,302,383
Acquisitions (Note 27)	32,961,068	75,514,351	10,561,887	1,039,219,980	1,158,257,286
Disposals	-	(772,867)	(2,875,914)	-	(3,648,781)
Reclassifications and adjustments	10,984,623	10,839,426	-	(21,824,049)	-
Balance at end of year	1,898,233,022	1,397,207,373	33,304,524	1,164,165,969	4,492,910,888
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	792,197,637	928,894,474	14,887,555	-	1,735,979,666
Depreciation (Notes 18 and 19)	85,302,212	118,844,013	4,502,102	-	208,648,327
Disposals	-	(602,199)	(1,707,508)	-	(2,309,707)
Balance at end of year	877,499,849	1,047,136,288	17,682,149	-	1,942,318,286
Net book value	1,020,733,173	350,071,085	15,622,375	1,164,165,969	2,550,592,602
Land at revalued amounts (Note 10)	-	-	-	-	3,939,773,600
Total	₱1,020,733,173	₱350,071,085	₱15,622,375	₱1,164,165,969	₱6,490,366,202



	2016				Total
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	
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 (Note 27)	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 mainly includes the general cost of construction of MCMI's school building in Davao City and other direct cost. MCMI will be in full school operations starting July 2018.

Included also as part of the construction in progress is the 2017 interest expense on short-term loans obtained to finance the construction amounting to ₱9.73 million (Note 15).

Reclassifications amounting to ₱2.66 million as of December 31, 2016 pertains to tools and library books transferred to cost of tuition and other fees (Note 18).

Fully depreciated property and equipment items amounting ₱1,069.84 million and ₱982.53 million as of December 31, 2017 and 2016, respectively, are still in use.

10. Land at Revalued Amounts

This account consists of:

	2017	2016
Land at cost:		
Balance at beginning of year	₱1,870,976,481	₱1,868,915,781
Capitalizable costs	-	2,060,700
Balance at end of year	1,870,976,481	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	314,653,200	279,800,642
Balance at end of year	2,068,797,119	1,754,143,919
	₱3,939,773,600	₱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 2018 and 2017 by an independent firm of appraisers to determine the revalued amounts as of December 31, 2017 and 2016, respectively.



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

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

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

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

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

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

11. Goodwill

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

Impairment testing of Goodwill

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



Key assumptions used in the value in use (VIU) calculation

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

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

Sensitivity to changes in assumptions

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

12. Other Noncurrent Assets

This account consists of:

	2017	2016
Reservation deposit (Note 14)	₱300,000,000	₱-
Input VAT	7,946,013	7,113,296
Creditable withholding tax	6,705,426	6,705,426
Computer software	6,351,771	4,956,068
Miscellaneous deposits	196,904	848,867
	₱321,200,114	₱19,623,657

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

Computer software is amortized over a period of three years.

The rollforward analysis of computer software follows:

	2017	2016
Cost		
Balance at the beginning of the year	₱35,117,351	₱30,132,070
Additions	2,030,619	4,985,281
Balance at the end of the year	37,147,970	35,117,351
Accumulated Amortization		
Balance at the beginning of the year	30,161,283	29,521,908
Amortization (Notes 18 and 19)	634,916	639,375
Balance at the end of the year	30,796,199	30,161,283
Net Book Value	₱6,351,771	₱4,956,068



13. Accounts Payable and Accrued Expenses

This account consists of:

	2017	2016
Accounts payable (Note 9)	₱354,907,734	₱267,195,922
Accrued expenses	194,257,337	202,847,140
Funds payable	80,688,909	82,637,865
Other payables	1,904,338	672,966
	<u>₱631,758,318</u>	<u>₱553,353,893</u>

Accounts payable pertains to the Group's obligation to local suppliers. The normal trade credit terms of accounts payable and accrued expenses of the Group are expected to be settled within the next twelve (12) months. This includes payable to PTC amounting to ₱1.34 million and ₱13.05 million as of December 31, 2017 and 2016, respectively, as a result of the agreement with PTC on Mapua PTC-CMET effective in 2016.

On January 22, 2008, MCLI entered into a memorandum of agreement with PTC (MOA with PTC) to jointly establish the Mapua-PTC CMET. It shall be housed and be a part of MCLI 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 MCLI 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.

MCLI 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 MCLI unless otherwise borrowed or leased by MCLI 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 MCLI 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, MCLI 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 MCLI and PTC to support the services to be rendered by PTC related to Mapua-PTC CMET such as the provision of adequate facilities for the conduct of training requirements of the students, support in scholarship programs and ship-board trainings, and support in obtaining grants and donations from international shipping companies.

In consideration for the above services, PTC will bill MCLI a service fee commensurate to the services. PTC charged service fee amounting to ₱1.11 million and ₱1.89 million in 2017 and 2016, respectively.

Accrued expenses consist of:

	2017	2016
Provisions (Note 29)	₱142,976,418	₱142,976,418
Withholding taxes and others	9,416,724	9,151,065
Payable to suppliers	8,795,454	7,917,401
Accrued salaries and wages	6,877,110	8,279,555
Insurance	5,928,269	4,586,567
Accrued professional fees	3,879,705	7,478,169
Accrued utilities	3,613,796	3,608,160
SSS and other contributions	3,181,607	3,222,776
Accrued communication expense	2,073,406	1,490,785
Output VAT payable	1,798,704	3,926,127
Accrued interest	1,218,646	25,935
Accreditation cost	12,000	2,763,660
Others	4,485,498	7,420,522
	<u>₱194,257,337</u>	<u>₱202,847,140</u>

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

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

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

14. Related Party Transactions

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



Parent Company	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
a) Payable to Parent Company (HI)	2017	₱-	(₱16,236,214)	Noninterest-bearing; unsecured; due and demandable
	2016	-	(9,987,008)	
Management fee and other professional fees (Notes 18 and 19)	2017	59,932,921	-	
	2016	49,063,803	-	
b) Receivable from Parent Company	2017	-	370,195	Noninterest-bearing; unsecured; due and demandable; no impairment
	2016	-	32,348	
Entities under common control of HI				
c) Receivables from related parties	2017	-	404,376	Noninterest-bearing; unsecured; due and demandable; no impairment
	2016	-	667,732	
Rental income (Note 17)	2017	(2,447,168)	-	-
	2016	(2,447,168)	-	-
d) Payables to related parties	2017	-	(4,721,441)	Noninterest-bearing; unsecured; due and demandable
	2016	-	(3,286,121)	
Contracted services (Notes 18 and 19)	2017	61,997,789	-	-
	2016	44,507,486	-	-
e) Reservation deposit (Note 12)	2017	-	300,000,000	To be applied against lease payments, fit-out expenses and security deposit
	2016	-	-	
f) Accounts payable (Notes 9 and 13)	2017	876,697,819	(175,965,730)	Noninterest-bearing; unsecured; payable on demand
	2016	129,055,329	(69,576,963)	
Entities under common control of PMMIC				
g) Cash and cash equivalents (Note 6)	2017	-	534,473,668	Interest at prevailing deposit and short-term rates; unsecured; no impairment
	2016	-	812,859,144	
Interest income (Note 20)	2017	12,815,093	-	-
	2016	11,966,815	-	-
h) Receivables from related parties	2017	-	261,311	Noninterest-bearing; unsecured; due and demandable; no impairment
	2016	-	3,014,925	
Rental income (Note 17)	2017	257,143	-	-
	2016	10,975,046	-	-
i) Payables to related parties	2017	-	-	Noninterest-bearing; unsecured; due and demandable
	2016	-	(15,357)	
Insurance expense	2017	7,745,431	-	
	2016	6,372,455	-	
j) Long term debt	2017	-	-	10-year, interest at 3-mo. PDST-F plus spread per quarter
	2016	188,500,000	-	
(Forward)				



	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Interest expense	2017	P-	P-	
	2016	4,515,928	-	
k) Financial asset at FVPL (Note 28)	2017	-	8,461,820	Carried at fair value; No impairment
	2016	-	8,339,643	
l) Available for sale financial assets (Note 28)	2017	-	25,079,144	Carried at fair value; No impairment
	2016	-	17,062,041	
m) Restricted funds (Note 8)	2017	-	40,770,732	Interest at prevailing deposit and short-term rates; unsecured; no impairment
	2016	-	35,672,208	

The Group's significant transactions with related parties follow:

a) *Payable to Parent Company*

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

b) *Receivables from Parent Company*

This account pertains to fuel consumption, car plan and gym rental advanced by parent company. These are noninterest-bearing and are payable on demand.

c) *Receivables from entities under common control of HI*

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

d) *Payable to entities under common control of HI*

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

Accounts payable pertains to the general cost of construction of MCMI's school buildings and other facilities and professional fees related to the on-going building construction (Notes 9 and 13).

e) *Reservation deposit*

Refer to Note 12 for the disclosure.

f) *Cash and cash equivalents*

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

g) *Receivables from entities under common control of PMMIC*

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.



h) 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.

i) Long-term debt

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 nil, ₱4.52 million and ₱19.04 million in 2017, 2016 and 2015, respectively (Note 20).

j) Financial Assets at FVPL

This account consists of peso-denominated investment in UITF with RCBC which allow the pooling of funds from different investors with similar investment objectives (Note 28).

k) AFS financial asset

This account pertains to equity investments in Petroenergy Resources Corporation classified as AFS securities (Note 28).

l) Restricted funds

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

Other related party transactions follow:

a) The Group maintains its retirement fund with RCBC trust division. As of December 31, 2017 and 2016, the fair value of the plan assets of the retirement fund amounted to ₱162.74 million and ₱164.15 million, respectively (Note 23). Trust fees paid by the retirement plan to RCBC amounted to ₱0.42 million and ₱0.33 million in 2017 and 2016, respectively.

b) Compensation of key management personnel of the Group

The remuneration of directors and other members of key management are as follows:

	2017	2016	2015
Short-term benefits	₱33,954,200	₱59,468,310	₱49,174,724
Post-employment benefits	1,078,854	1,124,916	1,194,674
	<u>₱35,033,054</u>	<u>₱60,593,226</u>	<u>₱50,369,398</u>

For the years ended December 31, 2017 and 2016, the Group has not recorded any impairment losses on receivables relating to amounts owed by related parties. This assessment is undertaken each year through examining the financial position of the related party and the market in which the related party operates.



15. Short-term Loans

- In September 2016, the Group obtained an unsecured short-term loan from Bank of the Philippine Islands (BPI) amounting to ₱100.00 million, with an annual interest of 3.00% p.a. This loan was fully paid in June 2017.
- In 2017, the Group, through MCMI, obtained a short-term loan (STL) facility with BPI, which was earmarked from the long-term loan facility of the Group from same bank, to finance the construction of MCMI's school building. Each STL facility may be re-availed/renewed/extended within a period of one year provided that the sum of the terms of re-availements/renewal/extension will not exceed 360 days. The STL facility may be converted into a 10-year term loan facility which shall be partially secured by the real estate mortgage on the real property of MCMI. The STL facility is secured by the Continuing Suretyship Agreement of MESI.

Total STL drawdowns in 2017 amounted to ₱940.00 million with interest rates ranging from 3.00% to 5.00% p.a. In October and November 2017, the Group paid a total of ₱130.00 million. Interest expense in 2017 amounting to ₱9.73 million was capitalized as part of the construction in progress (Note 9).

Interest expense charged to operations in 2017, 2016 and 2015 amounted to ₱1,189,370, ₱1,278,284 and ₱35,000, respectively (Note 20).

16. Equity

Capital Stock

Capital stock consists of 2,000,000,000 authorized and 748,933,221 issued common shares as of December 31, 2017 and 2016, with a par value of ₱1 per share. Issued and outstanding shares is 748,932,949 (excluding treasury shares of 272).

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

Below is the summary of the Group's outstanding number of shares and holders of securities as of December 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	-	(10)
December 31, 2017	748,932,949	2,038

Note: Exclusive of 272 treasury shares.



Retained Earnings

In accordance with Securities Regulation Code (SRC) Rule No. 68, As Amended (2011), Annex 68-C, after reconciling items, the Parent Company's retained earnings available for dividend declaration as of December 31, 2017 and 2016 amounted to ₱1,167.11 million and ₱1,037.54 million, respectively. The Parent Company and its subsidiaries will declare dividends out of their retained earnings available for dividend declaration.

The retained earnings account in the equity includes the accumulated equity in undistributed earnings of consolidated subsidiaries amounting to ₱2,818.57 million and ₱2,727.64 million as of December 31, 2017 and 2016, respectively. These are not available for dividends until declared by the subsidiaries.

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

The BOD declared cash dividends as follows:

	2017	2016	2015
November 24, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 21, 2017, paid on January 18, 2018	₱44,935,993	₱-	₱-
September 27, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of November 7, 2017, paid on November 29, 2017	44,935,993	-	-
June 30, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 28, 2017, paid on August 23, 2017,	44,935,993	-	-
March 24, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 21, 2017, paid on May 9, 2017	44,935,993	-	-
November 25, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 23, 2016, paid on January 18, 2017	-	44,935,993	-
September 15, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 13, 2016, paid on November 8, 2016	-	44,935,993	-
June 24, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 22, 2016, paid on August 16, 2016,	-	44,935,993	-
March 17, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 14, 2016, paid on May 15, 2016	-	44,935,993	-
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

(Forward)



	2017	2016	2015
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
	₱179,743,972	₱179,743,972	₱179,743,972

On March 23, 2018, the BOD declared ₱44,935,993 cash dividends (₱0.06 per share) to stockholders of record as of April 19, 2018, payable on May 16, 2018.

Treasury Stock

As of December 31, 2017 and 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 during the years ended December 31, 2017 and 2016. As at December 31, 2017 and 2016, the Group is not subject to externally imposed capital requirements.

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

Revenue from tuition and other fees consists of:

	2017	2016	2015
Tuition fees and other matriculation fees	₱1,860,068,606	₱2,128,257,429	₱2,180,259,581
Bookstore income	8,356,143	10,492,696	12,540,537
Seminar fee income	2,951,960	3,114,307	2,745,200
Miscellaneous	62,479,784	61,929,973	56,736,507
	₱1,933,856,493	₱2,203,794,405	₱2,252,281,825

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



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

	2017	2016	2015
Computer services (Note 2)	₱2,165,114	₱17,368,817	₱3,402,429
Rental income (Note 14)	5,723,916	16,759,420	33,341,594
Consultancy fees	556,248	1,810,686	4,655,158
	₱8,445,278	₱35,938,923	₱41,399,181

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 (Note 22)	₱575,949,479	₱602,806,069	₱567,465,887
Depreciation and amortization (Notes 9 and 12)	194,769,392	190,097,703	160,594,643
Student-related expenses	144,837,520	146,784,618	135,548,101
Management and other professional fees (Note 14)	113,628,794	106,690,199	96,336,053
Utilities	81,734,815	85,398,299	86,155,036
Tools and library books (Note 9)	30,198,284	26,008,973	26,466,324
IT expense - software license	27,321,190	23,819,290	15,364,157
Periodicals and subscriptions	19,665,658	15,625,679	14,270,775
Seminar	18,995,992	14,250,241	13,096,019
Research and development fund	17,303,387	16,303,676	5,752,585
Advertising	16,659,662	24,338,283	34,865,972
Repairs and maintenance	12,251,634	13,688,679	12,435,522
Accreditation cost	7,242,083	9,483,202	18,055,589
Office supplies	6,944,143	5,779,015	6,392,718
Insurance	6,619,921	5,149,653	4,693,815
Laboratory supplies	6,565,801	7,865,267	8,607,529
Taxes and licenses	1,800,770	2,003,163	1,841,180
Transportation and travel	1,144,372	876,604	1,189,466
Rent (Note 29)	624,492	945,095	1,932,042
Entertainment, amusement and recreation	387,474	327,857	356,927
Miscellaneous	2,013,481	1,801,353	1,584,154
	₱1,286,658,344	₱1,300,042,918	₱1,213,004,494

a. Details of depreciation and amortization follows:

	2017	2016
Depreciation (Note 9)	₱208,648,327	₱206,096,719
Amortization (Note 12)	634,916	639,375
	₱209,283,243	₱206,736,094



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

	2017	2016
Cost of Services	₱194,769,392	₱190,097,703
General and administrative Expenses (Note 19)	14,513,851	15,725,426
Advertising cost	-	912,965
	₱209,283,243	₱206,736,094

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

	2017	2016	2015
Merchandise inventory, beginning	₱15,804	₱358,268	₱117,949
Purchases	36,764,385	106,109,369	121,582,561
Less merchandise inventory, end	-	15,804	358,268
	₱36,780,189	₱106,451,833	₱121,342,242

19. General and Administrative Expenses

This account consists of:

	2017	2016	2015
Management and other professional fees (Note 14)	₱86,520,831	₱93,213,344	₱67,959,593
Personnel expenses (Note 22)	54,482,008	61,838,183	56,904,931
Depreciation and amortization (Note 18)	14,513,851	15,725,426	14,325,714
Provisions for doubtful accounts (Note 7)	10,000,476	6,323,039	5,355,917
Donations	6,698,883	9,340,876	7,636,869
Utilities	5,769,687	5,553,719	4,786,994
Taxes and licenses	4,457,779	6,065,787	9,288,143
Advertising	3,917,970	2,669,055	569,447
Transportation and travel	3,604,808	2,073,060	2,579,058
Entertainment, amusement, and recreation	2,951,210	2,821,994	2,851,310
Repairs and maintenance	2,238,337	2,470,234	3,570,667
Rent (Note 29)	1,760,152	2,193,772	2,295,922
Office supplies	1,699,329	2,768,864	2,087,251
Insurance	1,130,410	1,222,802	1,258,832
Seminar	819,036	2,764,801	1,442,232
IT expense - software license	788,611	907,718	1,232,915
Commission	622,100	646,297	475,093
Accreditation cost	-	-	213,221
Miscellaneous	4,354,552	4,805,438	4,436,242
	₱206,330,030	₱223,404,409	₱189,270,351



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

Miscellaneous expense includes dues and subscriptions, manual and training materials, periodicals and other contracted services, among others.

20. Interest Income, Interest and Other Finance Charges

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

	2017	2016	2015
Cash in banks and cash equivalents (Note 6)	₱12,815,093	₱11,966,815	₱10,875,225
Advances to officers and employees (Note 7)	139,727	114,153	50,639
	₱12,954,820	₱12,080,968	₱10,925,864

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

	2017	2016	2015
Long-term debt (Notes 14 and 15)	₱—	₱4,515,928	₱19,043,085
Bank charges	3,043,799	3,295,082	216,733
Short-term loan (Note 15)	1,189,370	1,278,284	35,000
	₱4,233,169	₱9,089,294	₱19,294,818

21. Income Tax

Provision for income tax consists of:

	2017	2016	2015
Current	₱49,345,096	₱72,581,966	₱90,319,757
Deferred	(1,769,746)	6,268,230	(1,680,464)
	₱47,575,350	₱78,850,196	₱88,639,293

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:

	2017	2016	2015
Income before income tax at statutory rate	30.00%	30.00%	30.00%
Deduct reconciling items:			
Income subject to lower tax rate	(9.58)	(9.86)	(9.79)
Others	(10.09)	(9.22)	(10.22)
	10.33%	10.92%	9.99%

MESI, 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:

	2017	2016
Deferred tax assets		
Retirement liability	₱3,995,398	₱2,947,644
Allowance for doubtful accounts	1,991,252	924,450
Unrealized foreign exchange loss	946	2,006
NOLCO	-	1,583,525
MCIT	-	680,301
	5,987,596	6,137,926
Deferred tax liabilities - net		
Revaluation increment on land (Note 10)	206,879,712	175,414,392
Allowance for inventory obsolescence	(52,710)	(52,487)
NOLCO	(1,363,083)	(278,268)
Allowance for doubtful accounts	(4,997,405)	(4,740,113)
Accruals	(8,525,245)	(6,628,740)
Retirement liability (Note 23)	(12,998,480)	(8,913,625)
Others	(1,672,112)	(7,673,863)
	177,270,677	147,127,296
	₱171,283,081	₱140,989,370

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

	2017	2016
Beginning	₱140,989,370	₱105,003,374
Provisions during the year	(1,769,746)	6,268,230
Tax effects of:		
Revaluation increment on land (Note 10)	31,465,320	27,980,064
Remeasurement gains (losses) on defined benefit plans (Note 23)	598,137	1,737,702
	₱171,283,081	₱140,989,370

The Group did not recognize deferred tax assets on NOLCO, MCIT and 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.

	2017	2016
Provision for impairment losses	₱4,258,858	₱52,031,090
NOLCO	33,363,060	27,293,068
Allowance for doubtful accounts (Note 7)	2,991,503	11,277,054
Provision for retirement and others (Note 23)	8,394,229	2,551,176
MCIT	302,404	137,647
Others	213,416	28,776
	₱49,523,470	₱93,318,811

The related unrecognized deferred tax assets on these deductible temporary differences amounted to ₱13.71 million and ₱14.68 million as of December 31, 2017 and 2016, respectively.

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



As of December 31, 2017 and 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	
	2017	2016	2017	2016
Beginning balance	₱35,354,166	₱55,613,683	₱817,948	₱435,917
Additions	31,932,649	11,632,603	113,214	459,700
Expiration	(13,743,460)	(31,892,120)	(89,648)	(77,669)
Application	(42,601)	-	(6,485)	-
Ending balance	₱53,500,754	₱35,354,166	₱835,029	₱817,948

Year Incurred	Expiration Date	NOLCO		MCIT	
		2017	2016	2017	2016
2017	2020	₱31,932,649	₱-	₱113,214	₱-
2016	2019	11,590,002	11,632,603	453,215	459,700
2015	2018	9,978,103	9,978,103	268,600	268,600
2014	2017	-	13,743,460	-	89,648
		₱53,500,754	₱35,354,166	₱835,029	₱817,948

22. Personnel Expenses

a. Details of personnel expenses are as follows:

	2017	2016	2015
Compensation	₱569,352,192	₱593,465,566	₱592,482,104
Retirement benefits (Note 23)	18,622,873	25,920,349	17,745,335
Miscellaneous benefits	42,456,422	45,258,337	14,143,379
	₱630,431,487	₱664,644,252	₱624,370,818

Miscellaneous benefits pertain to honoraria and mandatory government benefits, among others.

b. Personnel expenses as function of expense follows:

	2017	2016	2015
Cost of Services (Note 18)	₱575,949,479	₱602,806,069	₱567,465,887
General and Administrative Expenses (Note 19)	54,482,008	61,838,183	56,904,931
	₱630,431,487	₱664,644,252	₱624,370,818

23. 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 in January 2018 for the retirement plan of the Group as of December 31, 2017.

The following tables summarize the components of the retirement benefit expense recognized in the consolidated statements of comprehensive income and amounts recognized in the consolidated statements of financial position for the retirement plan.

	2017	2016
Net pension asset	₱1,881,243	₱1,575,170
Net pension liability	66,299,937	74,440,303
Pension expense (Note 22)	18,622,873	25,920,349

Components of pension expense follow:

	2017	2016	2015
Current service cost	₱16,590,239	₱17,252,506	₱14,983,783
Net interest cost on defined benefit obligation	3,312,949	4,135,269	2,761,552
Past service cost	(1,280,315)	4,532,574	-
Net pension expense (Note 22)	₱18,622,873	₱25,920,349	₱17,745,335

The net pension asset recognized in the consolidated statements of financial position as of December 31, 2017 and 2016 is as follows:

	2017	2016
Fair value of plan assets	₱5,333,804	₱6,733,142
Present value of defined benefit obligation	(3,452,561)	(5,157,972)
	₱1,881,243	₱1,575,170

The net pension liability recognized in the consolidated statements of financial position as of December 31, 2017 and 2016 is as follows:

	2017	2016
Fair value of plan assets	₱157,402,746	₱157,415,027
Present value of defined benefit obligation	(223,702,683)	(231,855,330)
	(₱66,299,937)	(74,440,303)

The movements in the net pension liability (asset) follow:

	2017	2016
At beginning of year	₱72,865,133	₱91,486,738
Contribution paid	(16,267,776)	(24,892,208)
Net pension expense	18,622,873	25,920,349
Withdrawal of plan asset	952,187	-
Amount to be recognized in OCI	(9,858,706)	(19,649,746)
Adjustment to defined benefit obligation	(1,895,017)	-
At end of the year	₱64,418,694	₱72,865,133



In 2017, plan assets of PEC amounting to ₱0.73 million were withdrawn. It was determined that there were no employees qualified to receive benefits due under the retirement plan. Also, withdrawals were made from the plan asset of PPCCI amounting to ₱0.22 million.

Remeasurement losses (gains) recognized in OCI follow:

	2017	2016
Actuarial losses (gains)	(₱9,911,226)	(₱27,014,025)
Return on assets excluding amount included in net interest cost	52,520	7,364,279
Total remeasurement losses (gains) recognized in OCI	(₱9,858,706)	(₱19,649,746)

Movement of cumulative remeasurement gains (losses) recognized in OCI:

	2017	2016
Balance at beginning of year	₱29,011,311	₱9,361,565
Remeasurement gains (losses) recognized in OCI	9,858,706	19,649,746
Total cumulative amounts recognized in OCI	₱38,870,017	₱29,011,311

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

	2017	2016
Beginning balance	₱237,013,302	₱239,444,608
Interest cost	11,862,270	11,412,173
Current service cost	16,580,761	17,252,506
Benefits paid	(25,375,918)	(8,614,534)
Past service cost	(1,280,315)	4,532,574
Reversal	(1,733,630)	-
Actuarial losses (gains) on obligation:		
Experience adjustments	959,456	(16,494,263)
Changes in demographic assumptions	(2,663,249)	12,011,591
Changes in financial assumptions	(8,207,433)	(22,531,353)
Ending balance	₱227,155,244	₱237,013,302

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

	2017	2016
Beginning balance	₱164,148,169	₱147,957,870
Expected return	8,539,843	7,276,904
Contribution paid during the year	16,267,776	24,892,208
Benefits paid	(25,375,918)	(8,614,534)
Withdrawal of plan assets	(952,187)	-
Actuarial losses on plan assets	(52,520)	(7,364,279)
Adjustment to plan assets	161,387	-
Ending balance	₱162,736,550	₱164,148,169



The distribution of plan assets as of December 31, 2017 and 2016 is as follows:

	2017		2016	
	Amount	%	Amount	%
Cash and cash equivalents	₱17,218,802	18.78%	₱30,828,058	18.86%
Investments in:				
Government securities	117,593,305	62.32	102,290,101	62.57
Equity instruments	26,984,814	16.94	27,799,454	17.00
Interest and other receivables	1,575,920	1.86	3,058,463	1.87
Accrued trust fees	(636,291)	0.10	172,093	0.11
	₱162,736,550	100.00%	₱164,148,169	100.00%

Actual return and actual loss in plan assets amounted to ₱0.05 million and ₱0.23 million in 2017 and 2016, respectively.

The Group plans to contribute ₱26.76 million in 2018.

The principal actuarial assumptions used in determining retirement expense are as follows:

	2017	2016
Discount rate:		
Beginning	5.19%-5.67%	4.78%-5.10%
End	4.70%-5.74%	5.19%-5.67%
Salary increase rate:		
Beginning	3.00%-5.00%	3.75%-5.00%
End	3.00%-5.00%	3.00%-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	6.70%	+100bps	(₱207,933,610)
	4.70%	-100bps	248,484,018
Salary rate	5.25%	+100bps	₱250,231,441
	3.25%	-100bps	(206,159,743)

The sensitivity analysis above has been determined based on a method that extrapolates the impact of defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the balance sheet date.

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

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.



24. 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)	₱381,584,442	₱595,715,580	₱740,928,823
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)	₱0.5095	₱0.7954	₱0.9893

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

25. Non-controlling Interest in Material Subsidiaries

This represents shareholdings in material subsidiaries not held by the Group. Proportion of equity interest held by non-controlling interests (NCI) in material subsidiaries for 2017 and 2016 follows:

	NCI Equity Interest
Malayan Education System, Inc.	7.04%
Malayan Colleges Laguna, Inc.	7.04%
Malayan High School of Science, Inc.	7.04%
Malayan Colleges of Mindanao, Inc.	7.04%

Non-controlling interests in material subsidiaries as of December 31 follows (in million pesos):

	2017	2016
Malayan Education System, Inc.	₱313	₱312
Malayan Colleges Laguna, Inc.	99	83
Malayan Colleges of Mindanao, Inc.	54	54
Malayan High School of Science, Inc.	4	1

Dividends paid to non-controlling interest in consolidated subsidiaries amounted to ₱24.64 million, ₱19.72 million and ₱19.91 million in 2017, 2016 and 2015, respectively.

As of December 31, 2017, 2016 and 2015, the summarized financial information attributable to non-controlling interests in material subsidiaries is shown in the next page.



(In million pesos)

	Malayan Education System, Inc.			Malayan Colleges Laguna, Inc.			Malayan High School of Science, Inc.			Malayan Colleges Mindanao, Inc.		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Assets												
Current assets	₱33	₱38	₱42	₱6	₱8	₱7	₱2	₱2	₱2	₱2	₱10	₱2
Noncurrent assets	344	333	311	104	92	92	17	13	13	123	50	30
	₱377	₱371	₱353	₱110	₱100	₱99	₱19	₱15	₱15	₱125	₱60	₱32
Liabilities and Equity												
Current liabilities	₱53	₱46	₱50	₱7	₱14	₱20	₱1	₱1	₱1	₱70	₱5	₱-
Noncurrent liabilities	12	13	21	5	3	3	14	13	13	1	1	-
Equity (Capital deficiency)	₱65	59	71	₱12	17	23	15	14	14	71	6	-
	312	312	282	98	83	76	4	1	1	54	54	32
	₱377	₱371	₱353	₱110	₱100	₱99	₱19	₱15	₱15	₱125	₱60	₱32
Net revenue	₱100	₱121	₱131	₱34	₱32	₱28	₱2	₱2	₱3	₱-	₱-	₱-
Gross profit	34	55	68	11	9	12	-	-	-	-	-	-
Net income	25	43	53	8	5	5	-	-	-	-	-	-



26. Operating Segment Information

Business Segment

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

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

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

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

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

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

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

Segment assets and liabilities exclude deferred tax assets and liabilities.

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

Capital expenditures consist of additions to property and equipment.



(In million pesos)

	Education			Information Technology and Others			Elimination			Consolidated		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Revenues												
Income from external customers	₱1,940	₱2,221	₱2,286	₱43	₱139	₱139	₱-	₱-	₱-	₱1,983	₱2,360	₱2,425
Inter-segment income	20	20	19	325	260	260	(345)	(280)	(279)	-	-	-
Total Revenues	₱1,960	₱2,241	₱2,305	₱368	₱399	₱399	(₱345)	(₱280)	(₱279)	₱1,983	₱2,360	₱2,425
Net Income attributable to Parent Company	₱452	₱677	₱829	₱298	₱244	₱248	(₱368)	(₱325)	(₱336)	₱382	₱596	₱741
Other Information												
Segment assets	₱9,037	₱7,782	₱7,124	₱2,009	₱1,920	₱1,921	(₱3,149)	(₱3,173)	(₱3,148)	₱7,897	₱6,529	₱5,897
Segment liabilities	2,326	1,366	1,541	110	145	214	(565)	(498)	(657)	1,871	1,014	1,098
Deferred tax assets	6	3	1	0	3	11	-	-	-	6	6	12
Deferred tax liabilities	177	147	116	0	-	1	-	-	-	177	147	117
Cash flows arising from:												
Operating activities	625	999	868	(18)	(30)	(4)	(18)	(173)	103	586	796	967
Investing activities	(1,250)	(412)	(949)	260	260	(437)	(355)	(83)	454	(1,345)	(235)	(932)
Financing activities	319	(364)	(517)	(176)	(179)	464	375	254	(540)	518	(289)	(594)
Interest expense	4	13	23	-	-	-	-	(4)	(4)	4	9	19
Provision for income tax	44	72	90	4	7	(1)	-	-	-	48	79	89
Capital expenditures	1,049	252	925	-	-	(1)	-	-	-	1,049	252	924
Depreciation and amortization	208	205	174	1	1	1	-	-	-	209	206	175



27. Notes on Consolidated Statements of Cash Flows

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

	2016	Non-cash Changes		Cash Flows	2017
		Declaration of Cash Dividend	Non-controlling interest		
Short-term loan	₱100,000,000	₱-	₱-	₱710,000,000	₱810,000,000
Dividends payable	64,412,064	179,743,973	24,644,638	(199,457,230)	69,343,445
Payables to related parties	13,288,486	-	-	7,669,169	20,957,655
	₱177,700,550	₱179,743,973	₱24,644,638	₱518,211,939	₱900,301,100

- Noncash investing activities in 2017, 2016 and 2015 pertain to the revaluation of land amounting to ₱314.65 million, ₱279.80 million and ₱361.63 million, respectively (Note 10), and liability for construction in progress amounting to ₱180.97 million and ₱69.58 million as of December 31, 2017 and 2016, respectively (Notes 9 and 13).

28. Financial Instruments

Fair Value of Financial Instruments

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, 2017 and 2016:

	Carrying Amount	2017			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value:					
Financial assets at FVPL	₱8,461,820	₱8,461,820	₱-	₱-	₱8,461,820
AFS financial assets	25,079,144	25,079,144	-	-	25,079,144

	Carrying Amount	2016			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value:					
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

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).*

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:

	2017	2016	2015
As of January 1	₱17,062,041	₱14,389,673	₱16,993,519
Additions	—	—	6,002,549
Changes in fair value of AFS financial assets	8,017,103	2,672,368	(8,606,395)
As of December 31	₱25,079,144	₱17,062,041	₱14,389,673

The rollforward of unrealized gains (losses) on AFS financial assets are as follows:

	2017	2016	2015
As of January 1	(₱1,300,203)	(₱3,972,571)	₱4,633,824
Changes in fair value of AFS financial assets	8,017,103	2,672,368	(8,606,395)
As of December 31	₱6,716,900	(₱1,300,203)	(₱3,972,571)

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, 2017 and 2016, 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 2017 and 2016. 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, financial assets at FVPL, accounts payable and accrued expenses, payables to related parties, dividends payable and short-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 credit risk

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 receivable 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:

	2017			
	Past due but not impaired			Total
	< 1 quarter	1 - 2 quarters	2 - 3 quarters	
Tuition and other fees	₱7,488,152	₱4,418,343	₱13,212,700	₱25,119,195

	2017				
	Past due but not impaired				Total
	< 30 days	30 - 60 days	60 - 90 days	> 90 days	
Trade	₱44,923	₱742,723	₱-	₱406,424	₱1,194,070
Related parties	594,530	198,592	-	242,760	1,035,882
Others	14,622,708	22,407,157	390,357	6,328,517	43,748,739
Total	₱15,262,161	₱23,348,472	₱390,357	₱6,977,701	₱45,978,691

	2016			
	Past due but not impaired			Total
	< 1 quarter	1 - 2 quarters	2 - 3 quarters	
Tuition and other fees	₱10,184,459	₱4,612,441	₱9,141,998	₱23,938,898

	2016				
	Past due but not impaired				Total
	< 30 days	30 - 60 days	60 - 90 days	> 90 days	
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

As at December 31, 2017 and 2016, there are no collaterals held in relation to the Group's financial assets.



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

	2017					
	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High Grade	Standard	Total			
Cash in banks	₱159,883,899	₱-	₱159,883,899	₱-	₱-	₱159,883,899
Cash equivalents	471,932,266	-	471,932,266	-	-	471,932,266
Receivables from:						
Tuition and other fees	66,665,836	4,600,054	71,265,890	25,119,195	56,631,634	153,016,719
Trade	-	-	-	1,194,070	6,636,688	7,830,758
Related parties	-	-	-	1,035,882	-	1,035,882
Others	4,355,663	210,998	4,566,661	43,748,739	5,949,026	54,264,426
Financial assets at FVPL	25,079,144	-	25,079,144	-	-	25,079,144
AFS financial assets	8,461,820	-	8,461,820	-	-	8,461,820
	₱736,378,628	₱4,811,052	₱741,189,680	₱71,097,886	₱69,217,348	₱881,504,914

	2016					
	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High Grade	Standard	Total			
Cash in banks	₱119,846,679	₱-	₱119,846,679	₱-	₱-	₱119,846,679
Cash equivalents	752,507,496	-	752,507,496	-	-	752,507,496
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
	₱980,579,081	₱3,692,439	₱984,271,520	₱53,512,455	₱67,078,780	₱1,104,862,755

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 and financial assets at FVPL - The Group categorizes these assets as high grade because it limits its exposure with a single or group of issuer and these are investments with reputable entities duly approved by the BOD.



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, 2017 and 2016, the Group has available short-term credit facilities with banks aggregating to ₱1.54 billion and ₱1.28 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.

	2017			Total
	On demand	Less than 1 year	More than 1 year	
Loans and receivables:				
Cash	₱160,879,353	₱-	₱-	₱160,879,353
Cash equivalents	471,932,266	-	-	471,932,266
Receivables	79,449,014	76,953,783	-	156,402,797
Receivables from related parties	242,759	793,123	-	1,035,882
Financial assets at FVPL	8,461,820	-	-	8,461,820
AFS financial assets	25,079,144	-	-	25,079,144
	₱746,044,356	₱77,746,906	₱-	₱823,791,262

	2016			Total
	On demand	Less than 1 year	More than 1 year	
Loans and receivables:				
Cash	₱120,850,435	₱-	₱-	₱120,850,435
Cash equivalents	752,507,496	-	-	752,507,496
Receivables	92,276,169	48,991,548	3,486,165	144,753,882
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
	₱993,032,781	₱50,709,556	₱3,486,165	₱1,047,228,502



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.

	On demand	Less than 1 year	More than 1 year	Total
Accounts payable and accrued expenses*	₱560,810,472	₱57,130,869	₱-	₱617,941,341
Payables to related parties	20,957,655	-	-	20,957,655
Dividends payable	44,698,807	24,644,638	-	69,343,445
Short-term loan	-	810,000,000	-	810,000,000
Interest payable	1,218,646	-	-	1,218,646
	₱627,685,580	₱891,775,507	₱-	₱1,519,461,087

*excluding payables to regulatory bodies

	On demand	Less than 1 year	More than one year	Total
Accounts payable and accrued expenses*	₱483,450,778	₱57,130,869	₱372,471	₱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	₱4,598,591	₱718,680,603

*excluding payables to regulatory bodies

29. 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:

	2017	2016
Within one year	₱1,967,496	₱1,814,043
More than one year but not more than five years	3,763,169	6,607,588
More than five years	3,395,445	2,518,522
	₱9,126,110	₱10,940,153

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 until December 31, 2017. In December 2017, it was renewed again for another one year.



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

Provisions and Contingencies

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

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

As at December 31, 2017 and 2016, total accumulated payments to faculty members amounted to ₱230.78 million. Related accruals as at December 31, 2017 and 2016 amounted to ₱64.09 million.

- 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.

30. Subsequent Event and Other Matter

- The Board of Directors of iPeople, inc. (iPeople) ratified on January 5, 2018 the execution of a Non-Binding term sheet for its proposed merger with AC Education, Inc. (AEI), the wholly owned education arm of Ayala Corporation. With the execution of such Non-Binding term sheet, the parties have agreed to an exclusivity period to complete due diligence, and to finalize the terms and conditions of the proposed merger within the second quarter of 2018. All terms and conditions of the proposed merger, including the involvement of House of Investments and Ayala Corporation in the management of the surviving entity, iPeople, shall be presented for approval by the parties' respective boards of directors and the merging parties' stockholders, and the transaction will be subject to the requisite regulatory approvals as well. The potential merger would bring together the educational arms of House of Investments and Ayala Corporation (iPeople and AEI, respectively).
- On December 20, 2017, HI formally notified MESI that its BOD has approved on December 8, 2017 to exercise the option to convert the 281,642 MESI preferred shares into MESI common shares. As of March 23, 2018, MESI is processing the requirements to effect the conversion of the said preferred shares to common shares.



31. Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, 2016 and 2015 were approved and authorized for issuance by the BOD on March 23, 2018.





SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

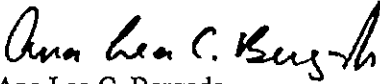
BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

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, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 included in this SEC Form 17-A and have issued our report thereon dated March 23, 2018. 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.


Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
SEC Accreditation No. 0660-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 102-082-670
BIR Accreditation No. 08-001998-63-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 6621232, January 9, 2018, Makati City

March 23, 2018



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

SUPPLEMENTARY SCHEDULES

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

SCHEDULE I

iPeople, inc. and Subsidiaries

**Supplementary Information and Disclosures Required on Securities Regulation Code (SRC) Rule 68 and 68.1, As Amended
December 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 December 31, 2017:

<u>Name of Issuing entity and association of each issue</u>	<u>Number of Shares</u>	<u>Amount Shown in the Statement of Financial Position</u>	<u>Value Based on Market Quotation at end of year</u>	<u>Income Received and Accrued</u>
Available-for-sale financial assets				
Quoted:				
PetroEnergy Resources Corporation	₱4,111,335	₱25,079,144	₱25,079,144	₱-

The basis in determining the value of equity securities is the market quotation as at December 31, 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 December 31, 2017:

Name	As of December 31, 2016	Additions	Liquidations/ Collections	As of December 31, 2017
Robielos, Rex Aurelius	₱-	₱621,299	₱-	₱621,299
Tiongco, Danilo R.	-	463,444	46,344	417,100
Mercado, Julius Ceasar P.	-	398,200	-	398,200
Costales, Aloysius Nathaniel	519,584	-	129,916	389,668
Camacho, Margarita	-	398,720	15,240	383,480
Hofilena, Joy	121,629	252,725	-	374,354
Kikuchi, Khristian	106,624	267,730	-	374,354
Medrano, Anthony H.	-	371,208	-	371,208
Salayo, John Vincent	-	371,190	-	371,190
Austria, Maria Rhodora	-	366,698	-	366,698
Agbulos, Erlin C.	402,201	-	89,374	312,827
Sabino, Lilibeth	-	365,717	56,550	309,167
Lanuza, Dionisia	-	318,000	15,900	302,100
Gochioco, Geraldine	369,859	-	72,275	297,584
Salvacion, Jonathan	483,138	-	196,775	286,363
Songsong, Maribel	347,200	-	74,400	272,800
Francisco, Ruth C.	310,387	-	78,013	232,374
Adanza, Carina Victoria T.	297,154	-	75,425	221,729
Sauquillo, Dante	287,788	-	75,900	211,888
Tablante, Dennis H.	3,646	387,500	215,213	175,933
Doma, Bonifacio T. Jr.	-	189,750	14,231	175,519
Papas, Aileen Kate A.	244,347	-	88,854	155,493
Ballado, Alejandro Jr.	220,200	-	73,400	146,800
Balan, Ariel Kelly	217,142	-	73,400	143,742
Geguiento, Edgardo P.	239,878	-	109,803	130,075
Camus, Rosette Eira	197,979	-	73,100	124,879
	₱4,368,756	₱4,772,181	₱1,574,113	₱7,566,824

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, 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 December 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 MESI. Details of the Group's intangible assets are as follows:

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Ending balance
Goodwill	₱137,853,345	₱-	₱-	₱137,853,345
Computer software	4,956,068	2,030,619	(634,916)	6,351,771
	₱142,809,413	₱2,030,619	(₱634,916)	₱144,205,116

Schedule E. Long term debt

As of December 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

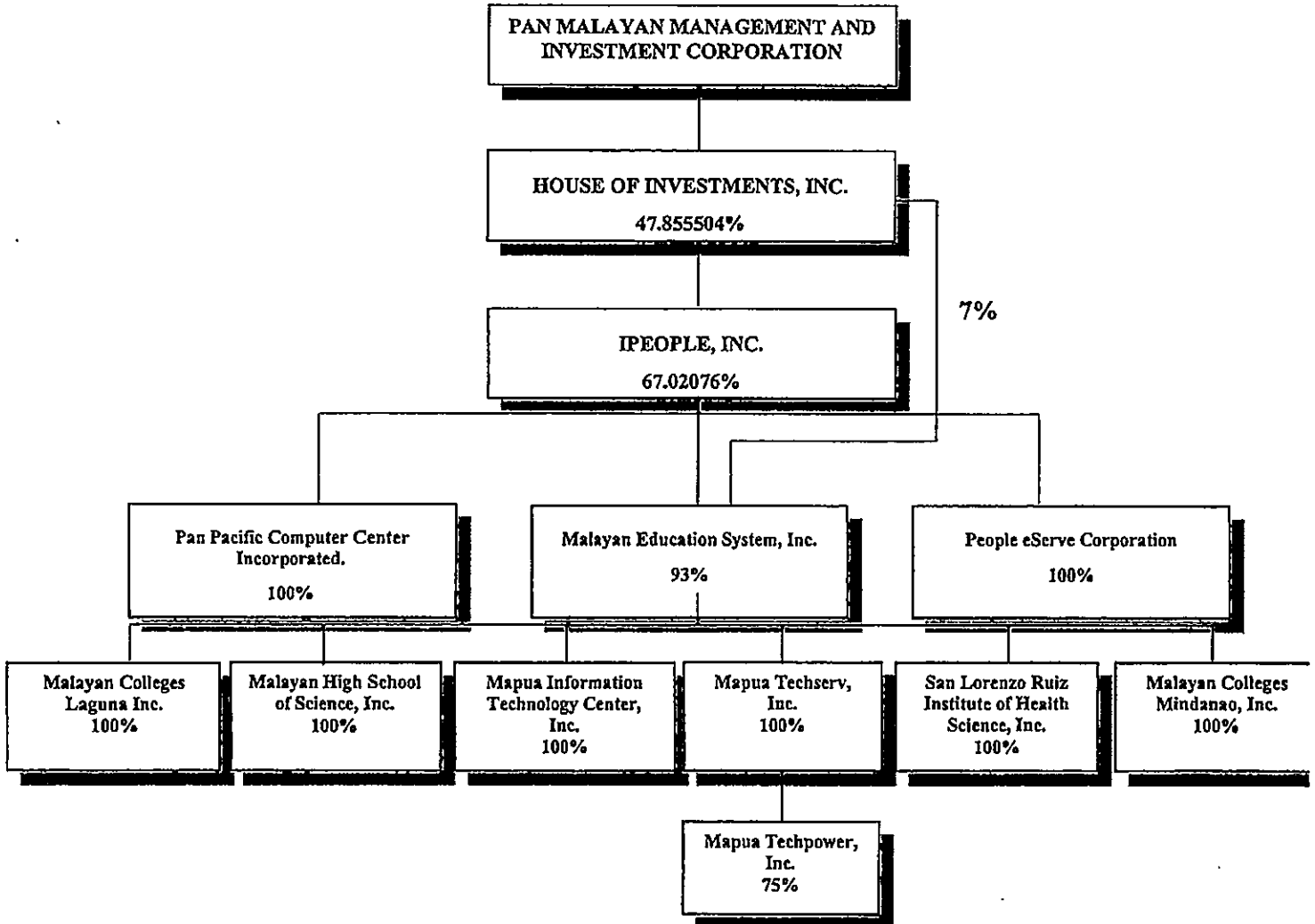
As at December 31, 2017, the Group does not guarantee any securities.

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	-	595,332,167	536,333	153,064,721

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, 2017:



SCHEDULE II

iPeople, inc. and Subsidiaries

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 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			✓
	Improvement to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	No. Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	PFRS 7: Financial Instruments: Disclosures - Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Interim Financial Statement			
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Amendments to PFRS 9, Prepayment Features with Negative Compensation		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
	Amendments to PFRS 15, Clarifications to PFRS 15		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 16	Leases		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1, Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16, Property, Plant and Equipment - Bearer Plant			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits			✓
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 19: Regional Market Issue Regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 8	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures		✓	
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property			✓
	Amendments to PAS 40: Transfers of Investment Property		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 41: Agriculture –Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓	
IFRIC 23	Uncertainty over Income Tax Treatments		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

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

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2017. The Group will adopt the Standards and Interpretations when these become effective.

SCHEDULE III

iPeople, inc. and Subsidiaries

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION*
DECEMBER 31, 2017**

Items	Amount
Unappropriated retained earnings, <i>as adjusted to available for distribution, beginning</i>	₱1,037,535,551
Add: Net income actually earned/realized during the period	
Net income during the period closed to retained earnings	₱309,318,327
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	—
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	—
Unrealized actuarial gain	—
Fair value adjustment (M2M gains)	—
Fair value adjustment of Investment Property resulting to gain	—
Adjustment due to deviation from PFRS/GAAP-gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	—
Sub-total	—
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	—
Adjustments due to deviation from PFRS/GAAP - loss	—
Loss on fair value adjustment of investment property (after tax)	—
Sub-total	—
Net income actually realized during the period	309,318,327
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	₱1,167,109,697

*Based on December 31, 2017 Parent Company Supplementary Schedule.

SCHEDULE IV

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group's for the year ended December 31, 2017:

Financial ratios		2017	2016
Current ratio <i>Indicates the Group's ability to pay short-term obligation</i>	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.55:1	1.41:1
Solvency Ratio <i>Shows how likely a company will be to continue meeting its debt obligations</i>	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	0.33:1	0.84:1
Debt-to-equity ratio <i>Measures the Group's leverage</i>	$\frac{\text{Total Debt}}{\text{Equity}}$	0.31:1	0.20:1
Asset to Equity Ratio <i>Shows how the company's leverage (debt) was used to finance the firm</i>	$\frac{\text{Total Assets}}{\text{Equity}}$	1.31:1	1.18:1
Interest Rate Coverage <i>Shows how easily a company can pay interest on outstanding debt</i>	$\frac{\text{EBIT}^*}{\text{Interest Expense}}$	109.89:1	80.45:1
Return on Average Stockholders' Equity <i>Reflects how much the Group's has earned on the funds invested by the stockholders</i>	$\frac{\text{Net Income}}{\text{Average Equity}}$	7.16%	12.47%
Return on Assets <i>Measure the ability to utilize the Group's assets to create profits</i>	$\frac{\text{Net Income}}{\text{Total Assets}}$	5.23%	9.85%

*Earnings before interest and taxes (EBIT)



ANNEX "C"

**Consolidated Financial Statements of March 31, 2018 and
December 31, 2017
and
Three Months Ended March 31, 2018, 2017 and 2016**

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The interim consolidated financial statements of iPeople, Inc. and Subsidiaries as of March 31, 2018 with comparative figures for the periods ended March 31, 2017 and December 31, 2017 and Schedule of Aging of Accounts Receivable are incorporated by reference as **Exhibit 1**.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

Are there any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.	None
Does the registrant currently has, or anticipates having within the next twelve (12) months, any cash flow or liquidity problems?	No
Is the registrant in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments?	No
Has there been a significant amount of the registrant's trade payables have not been paid within the stated trade terms?	None
Describe internal and external sources of liquidity, and briefly discuss any sources of liquid assets used.	Sources of cash flow are from dividends.

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

None

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

None

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described;

There are no material commitments for capital expenditures other than the construction of a new campus on a 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 were two academic years where no students moved on to tertiary studies, i.e. AY 2016-2017 and AY 2017-2018. This impacts the profitability and cash flow of educational institutions during the transition period.

To address the effects during the transition period, Malayan Colleges, Inc. and Malayan Colleges Laguna, Inc. offered Senior High. Mapua University secured approval from the Department of Education to offer Senior High School at the Makati campus starting AY 2018-2019. 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

As of March 31, 2018, IPO showed a consolidated net income after tax of ₱106.18 million against ₱146.53 million last year. The 28% drop is primarily attributable to lower number of freshmen and sophomore enrollees as a result of K plus 12 program of CHED.

Total revenue as of this quarter is at ₱487.62 million, which is 10% lower compared to ₱542.73 million last year. Revenue from school operations, which is the primary source of revenue of the Group, has dropped by 7% due to reduced number of freshmen and sophomore (SY 2017-18) enrollees. This was, however, softened by revenues generated from Senior High School offering.

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

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

Cost of school and related operations are up by 3%, primarily because of higher (a) personnel expense due to increase in number of faculty and non-teaching personnel for Senior High School; (b) tools and library books due to acquisition of new books for Senior High; and (c) software license due to subscription of new licenses related to Blackboard Learning system.

General and administrative expenses dropped by 2% or ₱1.18 million lower from same period last year. The decrease is primarily attributable to the discontinuance of the operations of PPCC which brought down the Group's major expenses such as personnel cost, management fees and utilities.

Interest income was lower by 17% this year because of lower volume of placements as of the period compared to same period last year.

Interest expense and other charges increased by 12% due to additional loans availed by the Group to finance the on-going construction of MCM.

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

Balance Sheet Variances

Total consolidated assets stood at ₱8.05 billion as of March 31, 2018 compared to ₱7.90 billion as of December 2017.

Receivable pertains mainly to tuition fees due from students. This includes Deped vouchers for Senior High.

Receivables from related parties which pertains mainly to the lease of space, has increased by ₱0.53 million.

Prepaid expense and other current assets decreased by 7% due to amortization of scholarship grants.

Available-for-sale securities which is presented at its fair market value, decreased from ₱25.08 million to ₱20.19 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 taxes, and security deposits. It also includes reservation deposit paid by MESI (Mapua University) to secure a space for the building project of the Parent company.

Total consolidated liabilities were higher by 5%, primarily because of additional short-term loans acquired by the Group to finance the on-going construction of the school building in Mindanao.

Accounts payable and accrued expense pertains to obligations to supplier and contractors of MCM.

Payables to related parties pertain to different services provided by the Group's affiliates to support its operations and oversee the on-going construction of school building in Mindanao.

Income tax payable in December 2017 was settled in April 2018. Tax liability for the quarter ending March 2018 is payable in May 2018.

Unearned tuition fees are significantly lower this year, from ₱89 million in December 2017 to ₱26 million as of March 2018. The balance as of March 2018 represents remaining unamortized tuition fee of senior and junior high school.

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

Total consolidated equity increased from ₱6.03 billion in December 2017 to ₱6.08 billion this quarter. Equity attributable to Parent is at ₱5.70 billion, from ₱5.65 billion last December 2017.

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

Every summer quarter, the school operations undergo a material change. For the purposes of this discussion, the summer quarter occurs in the three months from late March to late May of every year.

During the summer term, student enrolment drops over 50 percent because majority of matriculating students go on break. Therefore there is a seasonal shift in revenues as enrolment drops in the summer term. Despite the drop in enrolment during the summer, the schools continue to carry the same periodic fixed costs over a lower revenue base. Therefore the schools realize much lower net profits during the summer months.

Financial Soundness Indicator

The company's top 10 key performance indicators as of the period ended March 31, 2018, March 31, 2017 and December 31, 2017 are as follows:

Financial ratios		Unaudited March 2018	Unaudited March 2017	Audited December 2017
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.54:1	1.20:1	0.56:1
<i>Indicates the Group's ability to pay short-term obligation</i>				
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	0.08:1	0.17:1	0.33:1
<i>Shows how likely a company will be to continue meeting its debt obligations</i>				
Debt-to-equity ratio	$\frac{\text{Net Debt}}{\text{Equity}}$	0.35:1	0.22:1	0.33:1
<i>Measures the Group's leverage</i>				
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Equity}}$	1.32:1	1.21:1	1.31:1
<i>Shows how the company's leverage (debt) was used to finance the firm</i>				
Interest Rate Coverage	$\frac{\text{EBIT}}{\text{Interest Expense}}$	154.86:1	245.14:1	106.07:1
<i>Shows how easily a company can pay interest on outstanding debt</i>				
Return on Average Stockholders' Equity	$\frac{\text{Net Income}}{\text{Average Equity}}$	1.82%	2.77%	7.16%
<i>Reflects how much the Group's has earned on the funds invested by the stockholders</i>				
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	1.32%	2.16%	5.23%
<i>Measure the ability to utilize the Group's assets to create profits</i>				
Net Profit Margin	$\frac{\text{Net Income}}{\text{Total Revenues}}$	21.78%	27.00%	20.85%
<i>Shows how much profit is made for every peso of revenue</i>				
Asset Turnover	$\frac{\text{Total Revenues}}{\text{Total Assets}}$	6x	8x	25x
<i>Shows efficiency of asset used in Operations</i>				
Return on Equity	$(\frac{\text{Net Income}}{\text{Total Revenues}}) \times (\frac{\text{Total Revenues}}{\text{Total Assets}}) \times (\frac{\text{Total Assets}}{\text{Total Equity}})$	1.75%	2.61%	6.86%
<i>Shows how much the business returns to the stockholders for every peso of equity capital invested</i>				

- The current ratio is at 0.54 as of March 2018 compared to 1.20 as of March 2017 due to increase in the short-term loans of the Group to finance the on-going construction of school buildings in Davao.
- Solvency ratio is at 0.08 as of the period. This is lower compared to last year because of the effect of K+12 program of DepEd coupled with the increase in short-term loans of the Group.
- Debt-to-equity ratio increased from 0.22 as of March 2017 to 0.35 as of this period due to additional loans drawn by the Group.
- Asset to equity ratio went up from 1.21 as of March 2017 to 1.32 this period because of increased asset brought about by on-going construction of school buildings in Mindanao.
- Interest rate coverage ratio decreased from 245 times as at March 2017 to 155 times this period because of lower earnings of the Group this year compared to last year.
- Return on average stockholders' equity dropped to 1.82% year on year, resulting from the reduced income due to the effects of the K+12 transition.
- Return on asset is at 1.32% against 2.16% as of March 2017, because of the reduced income due to the effects of K+12 transition.
- Net profit margin decreased from 27% last year to 22% as of this period resulting from lower margins due to higher cost from schools.
- Asset turnover is 6 times as of this period against 8 times as of March 2017. Decrease is due to lower revenues as a result of K+12 program coupled by higher asset base due to new property acquired by the Group.
- Return on equity dropped from 2.61% to 1.75% as of this period, resulting from lower income from schools due to low number of enrollees and lower tuition fee rates for senior high school.

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 2018 DEVELOPMENTS

Significant developments during the first quarter of 2018 were briefly discussed in Part I Item 2: *Management Discussion and Analysis of Financial Condition and Results of Operations*.

Item 4: OTHER NOTES TO FINANCIAL STATEMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, receivables, due from related parties, AFS financial assets, loans payable, accounts payable and accrued expenses, due to related parties, dividends payable, lease liability and long-term debt. The main purpose of these financial instruments is to manage working capital for the Group's operations.

The main risks arising from the Group's financial instruments are liquidity risk, market risk, and credit risk. The BOD reviews and approves the policies for managing these risks. The Audit Committee and the Risk Management Committee of the Board meets regularly and exercises an oversight role in managing risks.

Risk Factors at the Holding Company Level

The following covers the risk management policies at the holding company level.

- a. **Interest Rate Risk**
It is a company policy to use excess liquidity to pay down any borrowings in order to decrease financing costs, and reduce exposure to rising interest rates. It is also a company policy to actively discuss with lending banks on how to lower financing costs. The Company does not have a practice of speculating on the direction of interest rates. The main objective is to lower financing costs as much as possible. As of report date, the Company does not have any borrowings that will directly expose it to interest rate risk.
- b. **Foreign Exchange Risk**
Foreign exchange risk results primarily from movements in the prevailing exchange rate between the Philippine Peso (PHP) and the United States Dollar (USD). This risk does not materially affect the Company as the revenues and the operating expenses of iPeople are denominated in PHP.
- c. **Liquidity Risk**
This refers to the ability of the Company to service maturing debts, finance capital requirements, and pay for existing operations. iPeople is dependent on dividends to finance its day-to-day operations. It maintains a consistent level of funding and constantly monitors its projected cash flows close attention is paid to asset liability management.
- d. **Credit Risk**
The Group's exposure to credit risk is very minimal because its receivables are mostly from related parties, which are being managed through close account monitoring and limit setting. However, iPeople's holding of cash and short-term securities exposes the company to the credit risk of the counterparty.

e. Price Risk

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

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

f. Business Continuity Risk

The Company is acutely conscious of the risks posed by natural disasters, acts of God, or other man-made actions that can have an adverse impact on the continuity of regular operations. The iPeople Board through its Risk Oversight Committee and the management team ensures that the business continuity plans of each operating subsidiary is in place and is up to date.

g. Succession Risk

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

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

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

Risk Factors related to School Operations

a. Regulatory, recognition of academic programs, and accreditations from government, and self-regulating private accreditation organizations.

- Accreditations. The schools are governed and regulated by the CHED and by the Department of Education ("DepEd"), depending on the program offerings. In addition, MES and MCL are also accredited by PCUCOA, while the initial accreditation of MCM is ongoing. MES is also accredited by the ABET; MES and MCL are both accredited by PTC-ACBET and PICAB.

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

- Tuition Fee. The Commission on Higher Education and the Department of Education regulates tuition increases at the university level and the secondary level, respectively, and routinely sets maximum limits on percentage increases in tuition fees. MES, MCL, MCM, and MHSS are subject to maximum percentage increase guidelines issued by both the CHED and the DepEd, as applicable. The inability of our higher education institutions to increase

tuition fees to cover higher operating costs may pose a risk to profits and cash flows over time.

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

The reduction of the student population because of the K+12 program affected the Company's profits and cash flows in the medium term. MES, MCL and MHSS offered SHS starting 2016 to cushion the effects of the K + 12 Program. However, these measures may not offset the entire impact of a loss of two freshman batches.

b. Competition

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

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

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

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

c. Credit Risk

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

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

d. Operational Risk

The following may hamper the operations of the Mapúa schools:

- Transportation Strikes. In the event of a transportation strike, students, faculty, and the admin staff are unable to come to the campuses affected. Classes are normally suspended during these events.
- Natural calamities and disasters. Our schools, like many other enterprises, are subject to adverse occurrences beyond our control, which include (but are not limited to) earthquakes, floods, and similar natural phenomena. We believe we carry enough insurance to hedge

against the monetary damages caused by these events. In the event that the damage to our facilities arising from said events are severe and our insurance is not enough to cover it, our operations and ability to return to normal conditions might be severely affected.

- Labor unrest. Mapúa University has two unions, Faculty Association of MIT (FAMIT) and MIT Labor Union (MITLU). A strike by any of the two unions would obstruct operations.

Mapúa University is bound by the collective bargaining agreement (CBA) signed between the institution and the two unions. Mapúa University negotiates with each union separately. The FAMIT represents the faculty members. The MITLU represents the non-teaching staff. To the extent that unions negotiate CBA's with higher increases over time, this would negatively impact the cost structure of Mapúa University and lower the expected value of its profit and cash flows over time.

In the event that a CBA is not negotiated successfully or there is an issue that results in labor unrest, it could have a material adverse impact on the operations of Mapúa University. In the event of calamities, strikes, and the like that could hamper the operations of the schools, Mapúa has tested and instituted the use of Blackboard, its learning management system that is capable of conducting real-time online classes across all campuses.

e. Interest Rate Risk

It is a company policy to use excess liquidity to pay down any borrowings in order to decrease financing costs, and reduce exposure to rising interest rates. It is also a company policy to actively discuss with lending banks on how to lower financing costs. The Company does not have a practice of speculating on the direction of interest rates. The main objective is to lower financing costs as much as possible.

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

In order to grow, the schools will need to raise funding. This fund raising can arise from the sale of equity, selling debt securities, borrowing from existing debt facilities, or borrowing from new debt facilities. If capital is raised through borrowings, the Mapúa schools will also be subject to interest rate risk. An increase in our negative carry will also adversely impact our profitability.

f. Market Risk and Political Risk

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

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

The Free College Tuition also poses a risk to our schools. This may reduce the enrollment if current prospective students will opt to enroll in state-run universities and colleges.

EXHIBIT 1

iPEOPLE INC. and SUBSIDIARIES

Interim Condensed Unaudited Consolidated Financial Statements

**March 31, 2018 and 2017 (Unaudited)
and December 31, 2017 (Audited)**

iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited 2018	Audited 2017
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 14)	₱661,140,643	₱632,811,619
Receivables (Notes 7)	145,986,422	156,402,797
Receivables from related parties (Notes 14)	1,566,361	1,035,882
Prepaid expenses and other current assets (Note 8)	107,460,580	115,546,510
Financial assets at fair value through profit or loss	8,506,248	8,461,820
Total Current Assets	924,660,254	914,258,628
Noncurrent Assets		
Available-for-sale financial assets	20,186,655	25,079,144
Property and equipment (Notes 9 and 10)	6,641,084,682	6,490,366,202
Net pension asset	1,881,243	1,881,243
Goodwill (Note 11)	137,853,345	137,853,345
Deferred tax assets	5,987,596	5,987,596
Other noncurrent assets (Note 12)	321,480,021	321,200,114
Total Noncurrent Assets	7,128,473,542	6,982,367,644
	₱8,053,133,796	₱7,896,626,272
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 13)	₱723,692,532	₱631,758,318
Payables to related parties (Notes 14)	23,037,526	20,957,655
Income tax payable	21,414,811	6,746,071
Unearned tuition fees	25,758,057	89,159,755
Dividends payable (Notes 16)	63,418,742	69,343,445
Short-term loans (Notes 15)	870,000,000	810,000,000
Total Current Liabilities	1,727,321,668	1,627,965,244
Noncurrent Liabilities		
Net pension liability	69,274,557	66,299,937
Deferred tax liabilities - net	175,141,794	177,270,677
Total Noncurrent Liabilities	244,416,351	243,570,614
Total Liabilities	1,971,738,019	1,871,535,858

(Forward)

	December 31	
	2017	2016
Equity		
Common stock (Note 16)	₱748,933,221	₱748,933,221
Additional paid-in capital	1,438,827	1,438,827
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale financial assets	1,824,411	6,716,900
Revaluation increment on land - net (Note 10)	1,248,233,353	1,248,233,353
Remeasurement gains on defined benefit plans	31,626,143	31,676,374
Retained earnings (Note 16)	3,665,524,559	3,611,840,138
	5,697,580,514	5,648,838,813
Less: Treasury stock (Note 16)	209	209
Attributable to Equity Holders of the Parent Company	5,697,580,305	5,648,838,604
Non-controlling Interest in Consolidated Subsidiaries	383,815,472	376,251,810
Total Equity	6,081,395,777	6,025,090,414
	₱8,053,133,796	₱7,896,626,272

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	January 1 to March 31		
	2018	2017	2016
REVENUE			
Tuition and other fees (Note 17)	₱486,022,177	₱521,451,858	₱596,845,858
Sale of goods	22,237	18,802,301	36,367,567
Sale of services (Note 17)	1,577,993	2,478,167	3,482,422
	<u>487,622,407</u>	<u>542,732,326</u>	<u>636,695,847</u>
COSTS AND EXPENSES			
Cost of tuition and other fees (Note 18)	318,468,261	308,542,695	300,849,006
Cost of goods sold (Note 18)	18,168	16,936,370	33,543,602
Cost of services	666,119	952,572	1,002,860
	<u>319,152,548</u>	<u>326,431,637</u>	<u>335,395,468</u>
GROSS PROFIT	168,469,859	216,300,689	301,300,379
GENERAL AND ADMINISTRATIVE EXPENSES (Note 19)	(54,701,864)	(55,885,269)	(48,432,875)
INTEREST AND OTHER FINANCE CHARGES (Note 20)	(734,632)	(654,394)	(4,292,715)
INTEREST INCOME (Note 20)	2,446,064	2,955,162	1,653,079
OTHER INCOME	3,258,350	431,293	(327,510)
INCOME BEFORE INCOME TAX	118,737,777	163,147,481	249,900,358
PROVISION FOR INCOME TAX	12,553,698	16,618,471	24,843,426
NET INCOME	<u>106,184,079</u>	<u>146,529,010</u>	<u>225,056,932</u>
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>			
Unrealized gains (losses) on AFS financial assets	(4,892,489)	(575,587)	904,493
	<u>(4,892,489)</u>	<u>(575,587)</u>	<u>904,493</u>
TOTAL COMPREHENSIVE INCOME	<u>₱101,291,590</u>	<u>₱145,953,423</u>	<u>₱225,961,425</u>
Net income attributable to:			
Equity holders of the parent (Note 24)	₱98,620,414	₱136,044,781	₱209,227,500
Non-controlling interest in consolidated subsidiaries	7,563,665	10,484,229	15,829,432
	<u>₱106,184,079</u>	<u>₱146,529,010</u>	<u>₱225,056,932</u>
Total comprehensive income attributable to:			
Equity holders of the parent	₱93,727,925	₱135,469,194	₱210,131,993
Non-controlling interest in consolidated subsidiaries	7,563,665	10,484,229	15,829,432
	<u>₱101,291,590</u>	<u>₱145,953,423</u>	<u>₱225,961,425</u>
Basic Earnings Per Share (Note 24)	<u>₱0.1317</u>	<u>₱0.1817</u>	<u>₱0.2794</u>

See accompanying Notes to Consolidated Financial Statements.

IPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent Company										
	Common Stock (Note 16)	Additional Paid-in Capital	Available-for- Sale Financial Assets	Unrealized Gain on Revaluation Increment	Reinvestment on Land - Gains (Losses) on net of tax	Benefit Plans (Note 10)	Retained Earnings (Note 16)	Treasury Stock (Note 16)	Total	Non - controlling Interest	Total
For the quarter ended March 31, 2018											
Balances as at January 1, 2018	₱748,933,221	₱1,438,827	₱6,716,900	₱1,248,233,353	31,676,374	₱3,611,840,138	(₱209)	₱5,648,838,604	₱376,251,810	₱6,025,090,414	
Net income	-	-	-	-	-	98,620,414	-	98,620,414	7,563,662	106,184,076	
Other comprehensive income	-	-	(4,892,489)	-	-	(4,892,489)	-	(4,892,489)	-	(4,892,489)	
Total comprehensive income	-	-	(4,892,489)	-	-	93,727,925	-	93,727,925	7,563,662	101,291,587	
Adjustment on remeasurement losses	-	-	-	-	(50,231)	(50,231)	-	(50,231)	-	(50,231)	
Dividends declared	-	-	-	-	-	(44,935,993)	-	(44,935,993)	-	(44,935,993)	
Balances as at March 31, 2018	₱748,933,221	₱1,438,827	₱1,824,411	₱1,248,233,353	₱31,626,143	₱3,665,524,559	(₱209)	₱5,697,580,305	₱383,815,472	₱6,081,395,777	
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)	-	(575,587)	
Total comprehensive income	-	-	(575,587)	-	-	139,609,591	-	139,609,591	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	-	904,493	
Total comprehensive income (loss)	-	-	904,493	-	-	209,227,501	-	209,227,501	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	

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	January 1 to March 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	¥ 118,687,547	¥163,147,480	¥249,900,358
Adjustments for:			
Depreciation and amortization (Notes 9, 12, 18 and 19)	53,240,138	52,173,148	48,883,964
Interest income (Note 20)	(2,446,063)	(2,955,162)	(1,653,079)
Interest expense and other finance charges (Note 20)	734,632	654,394	4,284,203
Unrealized market gain on financial assets at FVPL	(44,428)	(38,640)	—
Unrealized foreign exchange gain	(473,605)	(123,171)	—
Operating income before working capital changes	169,698,221	212,858,049	301,415,446
Decrease (increase) in:			
Receivables	10,267,009	14,109,721	(43,341,069)
Prepaid expenses and other current assets	5,783,185	(14,218,759)	(8,587,125)
Increase (decrease) in:			
Accounts payable and accrued expenses	91,859,828	22,708,663	(2,614,702)
Unearned tuition fees	(63,401,698)	(38,657,912)	(9,069,971)
Net pension asset and liability	845,737	1,146,366	(940,142)
Net cash generated from operations	215,052,282	197,946,128	236,862,437
Interest received	2,595,430	2,955,162	1,697,946
Interest paid	(734,632)	(654,394)	(5,619,889)
Income taxes paid	4,417,786	2,130,136	3,533,629
Net cash flows from operating activities	221,330,866	202,377,032	236,474,123
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 9)	(203,751,829)	(292,154,011)	(25,311,294)
Computer software (Note 12)	—	(225,000)	(4,480,000)
Decrease (increase) in:			
Receivables from related parties	(530,479)	2,797,830	(91,065)
Other noncurrent assets	(412,314)	(504,790)	512,280
Net cash flows used in investing activities	(204,694,622)	(290,085,971)	(29,370,079)

(Forward)

	January 1 to March 31		
	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans (Note 15)	₱60,000,000		
Payments of short-term debts (Note 15)	–	145,000,000	–
Dividends paid to stockholders	(50,860,696)	(49,626,011)	(44,698,522)
Increase (decrease) in payables to related parties	2,079,872	14,799,000	729,080
Net cash flows from (used in) financing activities	11,219,176	110,172,989	(65,469,442)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	473,605	123,171	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,329,024	22,587,221	141,634,602
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	632,811,619	873,357,931	599,066,474
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱661,140,643	₱895,945,152	₱740,701,076

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

iPeople, inc. (the Parent Company) is a publicly-listed stock corporation registered and incorporated on July 27, 1989 under the laws of the Philippines and has two wholly-owned subsidiaries, namely: Pan Pacific Computer Center, Incorporated and People eServe Corporation. The Parent Company also has 93% ownership in Malayan Education System, Inc. (formerly Malayan Colleges, Inc.), Malayan Colleges Laguna, Inc., Malayan Colleges Mindanao (A Mapua School), Inc., Malayan High School of Science, Inc., Mapua Information Technology Center, Inc., Mapua Techserv, Inc., and San Lorenzo Ruiz Institute of Health Science, Inc.; and 69.75% effective ownership in Mapua Techpower, Inc. (Note 2).

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

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

2. Basis of Preparation

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

Statement of Compliance

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

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of March 31, 2018 and December 31, 2017, and for each of the three years in the period ended March 31, 2018.

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

Below are the Group's subsidiaries and percentage of ownership as of March 31:

	Percentage of Ownership		
	2017	2016	2015
Malayan Education System, Inc. (MESI) (Operating Under the Name of Mapua University) and subsidiaries	93%	93%	93%
Direct ownership of MESI on its subsidiaries:			
Malayan Colleges Laguna Inc., Led by a Mapua School of Engineering (MCLI)	100	100	100
Malayan Colleges Mindanao (A Mapua School), Inc. (MCMI)	100	100	–
Malayan High School of Science, Inc. (MHSSI)	100	100	100
Mapua Information Technology Center, Inc. (MITC)	100	100	100
Mapua Techserv, Inc. (MTSI)	100	100	100
Mapua Techpower, Inc. (MTPI)	75	75	75
San Lorenzo Ruiz Institute of Health Sciences, Inc. (SLRIHSI)	100	100	100
People eServe Corporation (PEC)	100	100	100
Pan Pacific Computer Center, Incorporated (PPCCI)	100	100	100

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

All subsidiaries were incorporated in the Philippines.

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

Specifically, the Parent Company controls an investee if and only if the Parent Company has:

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

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

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

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

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

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

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

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements starting January 1, 2017. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.

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

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

The Group has provided the required information in Note 27. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

Standards Issued But Not Yet Effective

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

Effective beginning January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2015 - 2017 Cycle*)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
- PFRS 9, *Financial Instruments*

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

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

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

- *PFRS 15, Revenue from Contracts with Customers*
PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

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

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

Effective beginning January 1, 2019

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*
- *Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures*
- *Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments*
- *PFRS 16, Leases*
Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

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

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

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

Deferred effectivity

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

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2017 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these new pronouncements will be included in the consolidated financial statements when these are adopted.

4. Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

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

Initial recognition

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

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

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

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

Fair value measurement

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

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

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

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

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

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

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

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

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

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

'Day 1' difference

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

Financial assets at FVPL

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

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

classified as FVPL unless they are designated as effective hedging instruments or a financial guarantee contract.

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

Loans and receivables

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

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

AFS financial assets

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

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

This consists of investments in PetroEnergy Resources Corporation shares.

Other financial liabilities

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

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

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

Derecognition of Financial Assets and Financial Liabilities

Financial asset

A financial asset (or, where applicable, a part of a group of financial assets) is derecognized when:

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

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

Financial liability

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

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

Impairment of Financial Assets

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

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

Loans and receivables

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

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

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

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

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

AFS financial assets

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

Jointly Controlled Operations

A jointly controlled operation involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations. The Group's jointly controlled operations pertain to the Mapua PTC-CMET effective up to 2015 (Note 13).

Offsetting Financial Instruments

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

Inventories

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

Prepaid Expenses and Other Current Assets

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

Creditable Withholding Tax (CWT)

This pertains to the tax withheld at source by the Group's customers and lessees and is creditable against its income tax liability.

Value-added Tax (VAT)

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

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

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

Property and Equipment

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

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

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

construction in progress are property and equipment acquired but are not yet installed and not yet ready for use. These are stated at cost and are not depreciated until such time that the relevant assets are ready for their intended use.

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

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

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

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

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

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

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

The appraisal increment (net of deferred tax) resulting from the revaluation is credited to the "revaluation increment on land - net" account recognized directly to other comprehensive income and is presented as a separate line item under the equity section of the statement of financial position.

Borrowing Costs

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

Borrowing costs not qualified for capitalization are expensed as incurred.

Business Combination and Goodwill

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

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

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

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

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

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

Other Noncurrent Assets

Other noncurrent assets represent the Group's computer software cost which are carried at cost less amortization and impairment, if any, and other noncurrent assets that are not realizable within one year from the balance sheet date. Software cost is amortized over a period of three (3) years.

Impairment of Nonfinancial Assets

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

The Group assesses as of reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

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

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

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

Equity

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

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

Dividends distribution is approved by the Board of Directors (BOD) of the Parent Company. The individual accumulated earnings of the subsidiaries are available for dividend declaration when these are declared as dividends by the respective subsidiaries as approved by their respective BOD or Board of Trustees (BOT), as applicable.

Revenue Recognition

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

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

Revenues from tuition and other matriculation fees

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

Admission, examination and other fees

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

Sale of goods

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

Sale of services

Sale of services are recognized when services are rendered.

Bookstore income

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

Rental income

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

Seminar fee income

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

Interest income

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

Miscellaneous income

Miscellaneous income is recognized when earned.

Costs and Expenses

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

Cost of tuition and other fees

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

Cost of goods sold

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

Cost of services

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

General and Administrative Expenses

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

Interest and Financing Charges

Interest and financing charges is recognized as expense in the period in which it is incurred using the effective interest method.

Retirement Benefits

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

Retirement benefits cost comprises the following:

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

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

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

Income Taxes

Current tax

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

Deferred tax

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

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

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

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

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

Leases

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

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

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

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

Group as a lessor

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

Group as a lessee

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

Foreign Currency-denominated Transactions and Translation

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

Basic Earnings Per Share (EPS)

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

Segment Reporting

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

Provisions

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

Contingencies

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

Events after the Financial Reporting Date

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

5. Significant Accounting Judgments and Estimates

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

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

Judgment

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

Allocation of costs and expenses

Management exercises judgment in determining the classification of costs and expenses as to whether cost of services or general and administrative expenses. In 2018 and 2017, the Group specifically identified the expenses directly related to the Group's school and related operations which include expenses for salaries and wages of teaching and academic support personnel, student welfare activities, and all other student-related costs and expenses (Notes 18 and 19).

Estimates

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

Valuation of land

The Group accounts for its land, where the school buildings and other facilities are located, using the revaluation model. The valuation of the land requires the assistance of an external appraiser whose calculations involve certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors. As of March 31, 2018 and December 31, 2017, the carrying value of the Group's land amounted to ₱3,939.85 million and ₱3,939.77 million, respectively. Refer to Note 10 for the disclosure about the Group's land.

Estimating allowance for impairment of receivables

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

Allowance for doubtful accounts on receivables amounted to ₱65.92 million and ₱69.22 million as of March 31, 2018 and December 31, 2017, respectively. The carrying value of receivables as of March 31, 2018 and December 31, 2017 amounted to ₱145.99 million and ₱156.40 million, respectively (Note 7). The carrying value of receivables from related parties as of March 31, 2018 and December 31, 2017 amounted to ₱1.57 million and ₱1.04 million, respectively (Note 14).

Impairment of nonfinancial assets

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

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

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

In assessing the impairment on goodwill, the Group determines the recoverable amount using value in use which represents the present value of expected cash flows from the continuing operations of MESI which is in educational services. The value in use calculations used discount rate and cash flow projections based on financial budgets approved by management covering a five-year period. The cash flow projections considered the impact of the K to 12 Basic Education Program on MESI's financial performance effective in 2016. A long-term growth rate is calculated and applied to projected future cash flows after the fifth year. There is no impairment loss recognized on goodwill in 2018, 2017 and 2016. As of March 31, 2018 and December 31, 2017, the carrying value of goodwill amounted to ₱137.85 million (Note 11).

As to the Group's property and equipment and noncurrent assets, no impairment loss was recognized for the period ended March 31, 2018 and for the year ended December 31, 2017 (Notes 9 and 12).

Estimation of pension obligations and other retirement benefits

The determination of the Group's pension cost and liabilities is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate and to which the cash flows are most sensitive to. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the retirement expense and related asset or liability.

As of March 31, 2018 and December 31, 2017, the net pension liability amounted to ₱69.27 million and ₱66.30 million, respectively, while net pension asset amounted to ₱1.88 million as of March 31, 2018 and December 31, 2017.

Recognition of deferred tax assets

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

Deferred tax assets recognized amounted to ₱5.99 million as at March 31, 2018 and December 31, 2017.

Provisions and Contingencies

The Group is currently involved in certain legal proceedings arising from the ordinary course of the business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Notes 13 and 25).

6. Cash and Cash Equivalents

This account consists of:

	Unaudited March 2018	Audited December 2017
Cash on hand	₱983,000	₱995,454
Cash in banks (Note 14)	225,984,565	159,883,899
Cash equivalents (Note 14)	434,173,078	471,932,266
	₱661,140,643	₱632,811,619

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

Interest income from cash in banks and cash equivalents amounted to ₱2.06 million, ₱2.92 million and ₱1.80 million in 2018, 2017 and 2016, respectively (Note 20).

7. Receivables

This account consists of:

	Unaudited March 2018	Audited December 2017
Tuition and other fees	₱150,689,141	₱153,016,719
Other receivables:		
Trade	3,934,814	7,830,758
Advances to officers and employees	10,614,886	10,508,242
Others	46,670,208	54,264,426
	211,909,049	225,620,145
Allowance for doubtful accounts	(65,922,627)	(69,217,348)
	₱145,986,422	₱156,402,797

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

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

Advances to officers and employees consist mostly of interest-bearing receivables pertaining to car loan and noninterest-bearing telephone charges, library and printing charges. Receivables from employees are settled through salary deductions. Interest income from advances to officers and employees amounted to ₱0.39 million, ₱0.03 million and (₱0.14) million in March 2018, 2017 and 2016, respectively (Note 20).

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

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

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

	2018			
	Tuition and other fees	Trade	Others	Total
Balance at beginning of year	₱56,420,633	₱6,843,708	₱5,953,007	₱69,217,348
Write-off	-	(3,294,721)	-	(3,294,721)
Balance at end of year	₱56,420,633	₱3,548,987	₱5,953,007	₱65,922,627
Gross receivables	₱150,689,141	₱3,934,814	₱46,670,208	₱201,294,163
	2017			
	Tuition and other fees	Trade	Others	Total
Balance at beginning of year	₱52,010,269	₱9,115,504	₱5,953,007	₱67,078,780
Provisions for the year (Note 19)	5,831,618	4,168,858		10,000,476
Write-off	(1,421,254)	(6,440,654)	-	(7,861,908)
Balance at end of year	₱56,420,633	₱6,843,708	₱5,953,007	₱69,217,348
Gross receivables	₱153,016,719	₱7,830,758	₱64,772,667	₱225,620,145

8. Prepaid Expenses and Other Current Assets

	Unaudited March 2018	Audited December 2017
Restricted funds (Note 14)	₱36,906,558	₱40,770,732
Prepaid expenses	39,196,289	43,552,663
Deposits to real estate sellers	15,956,045	15,956,045
CWT	8,800,035	8,537,180
Input VAT	533,130	630,444
Office supplies	97,163	97,163
Others	5,971,360	6,002,283
	₱107,460,580	₱115,546,510

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

Prepaid expenses mainly include prepayments for membership fees, subscriptions, rentals and insurance, among others.

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

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

Others relate to books inventory and other supplies.

9. Property and Equipment

The rollforward analysis of this account follows:

	March 2018				Total
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	
Cost					
Balance at beginning of year	₱1,898,233,022	₱1,397,207,373	₱33,304,524	₱1,164,165,969	₱4,492,910,888
Acquisitions (Note 24)	5,776,741	45,772,627	(306,946)	152,509,410	203,751,832
Balance at end of year	1,904,009,763	1,442,980,000	32,997,578	1,316,675,379	4,696,662,720
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	877,499,849	1,047,136,288	17,682,149	-	1,942,318,286
Depreciation (Notes 18 and 19)	21,832,065	30,253,192	1,022,475	-	53,107,732
Balance at end of year	899,331,914	1,077,389,480	18,704,624	-	1,995,426,018
Net book value	1,004,677,849	365,590,520	14,292,954	1,316,675,379	2,701,236,702
Land at revalued amounts (Note 10)	-	-	-	-	3,939,847,980
Total	₱1,004,677,849	₱365,590,520	₱14,292,954	₱1,316,675,379	₱6,641,084,682

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

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

Interest expense on short-term loans obtained to finance the construction, which was included as part of the construction in progress amounted to ₱6.52 million ₱9.73 million as of March 2018 and December 2017, respectively (Note 15).

10. Land at Revalued Amounts

This account consists of:

	Unaudited March 2018	Audited December 2017
Land at cost:		
Balance at beginning of year	₱1,870,976,481	₱1,870,976,481
Capitalizable costs	74,379	-
Balance at end of year	1,871,050,861	1,870,976,481
Revaluation increment on land:		
Balance at beginning of year	2,068,797,119	1,754,143,919
Change in revaluation increment	-	314,653,200
Balance at end of year	2,068,797,119	2,068,797,119
	₱3,939,847,980	₱3,939,773,600

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 2018 and 2017 by an independent firm of appraisers to determine the revalued amounts as of December 31, 2017 and 2016, respectively.

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

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

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

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

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

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

11. Goodwill

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

Impairment testing of Goodwill

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

Key assumptions used in the value in use (VIU) calculation

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

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

Sensitivity to changes in assumptions

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

12. Other Noncurrent Assets

This account consists of:

	Unaudited March 2018	Audited December 2017
Reservation deposit (Note 14)	₱300,000,000	₱300,000,000
Input VAT	8,355,611	7,946,013
Creditable withholding tax	6,705,426	6,705,426
Computer software	6,219,364	6,351,771
Miscellaneous deposits	196,903	196,904
Miscellaneous deposits	2,717	–
	₱321,480,021	₱321,200,114

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

Computer software is amortized over a period of three years.

The rollforward analysis of computer software follows:

	Unaudited March 2017	Audited December 2016
Cost		
Balance at the beginning of the year	₱37,147,970	₱35,117,351
Additions	–	2,030,619
Balance at the end of the year	37,147,970	37,147,970
Accumulated Amortization		
Balance at the beginning of the year	30,796,199	30,161,283
Amortization (Notes 18 and 19)	132,407	634,916
Balance at the end of the year	30,928,606	30,796,199
Net Book Value	₱6,219,364	₱6,351,771

13. Accounts Payable and Accrued Expenses

This account consists of:

	Unaudited March 2018	Audited December 2017
Accounts payable (Note 9)	₱425,194,959	₱354,907,734
Accrued expenses	226,294,372	194,257,337
Funds payable	71,301,441	80,688,909
Other payables	901,760	1,904,338
	₱723,692,532	₱631,758,318

Accounts payable pertains to the Group's obligation to local suppliers. The normal trade credit terms of accounts payable and accrued expenses of the Group are expected to be settled within the next twelve (12) months. This includes payable to PTC amounting to ₱1.47 million and ₱1.34 million as of March 31, 2018 and December 31, 2017, respectively, as a result of the agreement with PTC on Mapua PTC-CMET effective in 2016.

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

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

Accrued expenses consist of:

	Unaudited March 2018	Audited December 2017
Provisions	₱140,295,041	₱142,976,418
Accrued salaries and wages	40,285,738	6,877,110
Payable to suppliers	9,340,447	8,795,454
Withholding taxes and others	8,471,889	9,416,724
Insurance	6,452,107	5,928,269
Accrued professional fees	5,354,291	3,879,705
Accrued utilities	4,480,319	3,613,796
SSS and other contributions	3,476,665	3,181,607
Output VAT payable	1,522,896	1,798,704
Accrued communication expense	1,223,204	2,073,406
Accrued interest	1,218,646	1,218,646
Accreditation cost	6,047	12,000
Others	4,167,082	4,485,498
	₱226,294,372	₱194,257,337

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

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

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

14. Related Party Transactions

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

	Year	Amount / Receivables from		Terms and Conditions
		Volume	(Payables to)	
Parent Company				
a) Payable to Parent Company (HI)				
	2018	¥-	(¥13,498,411)	Noninterest-bearing; unsecured; due and demandable
	2017	-	(16,236,214)	
Management fee and other professional fees (Notes 18 and 19)				
	2018	13,568,068	-	
	2017	59,932,921	-	
b) Receivable from Parent Company				
	2018	-	193,209	Noninterest-bearing; unsecured; due and demandable; no impairment
	2017	-	370,195	
Entities under common control of HI				
c) Receivables from related parties				
	2018	-	1,112,129	Noninterest-bearing; unsecured; due and demandable; no impairment
	2017	-	404,376	
Rental income (Note 17)				
	2018	(611,792)	-	
	2017	(2,447,168)	-	
d) Payables to related parties				
	2018	-	(9,539,115)	Noninterest-bearing; unsecured; due and demandable
	2017	-	(4,721,441)	
Contracted services (Notes 18 and 19)				
	2018	11,894,023	-	
	2017	61,997,789	-	
c) Reservation deposit (Note 12)				
	2018	-	300,000,000	To be applied against lease payments, fit-out expenses and security deposit
	2017	-	300,000,000	
Entities under common control of PMMIC				
f) Cash and cash equivalents (Note 6)				

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
	2018	--	678,455,533	Interest at prevailing deposit and short-term rates; unsecured; no impairment
	2017	--	534,473,668	
Interest income (Note 20)	2018	2,060,624	--	
	2017	12,815,093	--	
g) Receivables from related parties	2018	--	261,023	Noninterest-bearing; unsecured; due and demandable; no impairment
	2017	--	261,311	
Rental income (Note 17)	2018	128,571	--	
	2017	257,143	--	
h) Insurance expense	2018	1,597,547	--	
	2017	7,745,431	--	
i) Financial asset at FVPL	2018	--	8,506,248	Carried at fair value; No impairment
	2017	--	8,461,820	
j) Available for sale financial assets	2018	--	20,186,655	Carried at fair value; No impairment
	2017	--	25,079,144	
k) Restricted funds (Note 8)	2018	--	36,906,558	Interest at prevailing deposit and short-term rates; unsecured; no impairment
	2017	--	40,770,732	

The Group's significant transactions with related parties follow:

- a) *Payable to Parent Company*
This account pertains to management and other professional fees charged by HI for administering the subsidiaries' operations.
- b) *Receivables from Parent Company*
This account pertains to fuel consumption, car plan and gym rental advanced by parent company. These are noninterest-bearing and are payable on demand.
- c) *Receivables from entities under common control of HI*
Receivables from entities under common control of HI arise from HI subsidiaries' lease of the Group's canteen kiosks in its Makati and Intramuros properties. The term of the lease is for one year and renewable with uniform rental payments.
- d) *Payable to entities under common control of HI*
Payables to entities under common control of HI pertain to property management and janitorial and security services (contractual services).

Accounts payable pertains to the general cost of construction of MCMI's school buildings and other facilities and professional fees related to the on-going building construction (Notes 9 and 13).

e) Reservation deposit

Refer to Note 12 for the disclosure.

f) Cash and cash equivalents

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

g) Receivables from entities under common control of PMMIC

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.

h) 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.

i) Financial Assets at FVPL

This account consists of peso-denominated investment in UITF with RCBC which allow the pooling of funds from different investors with similar investment objectives (Note 28).

j) AFS financial asset

This account pertains to equity investments in Petroenergy Resources Corporation classified as AFS securities (Note 28).

k) Restricted funds

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

15. Short-term Loans

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

Total STL drawdowns in 2018 and 2017 amounted to ₱60.00 million and ₱940.00 million, respectively, with interest rates ranging from 3.00% to 5.00% p.a. As of March 2018, the Group paid a total of ₱130.00 million. Interest expense in 2018 and 2017 amounting to ₱6.52

million and ₱9.73 million, respectively, was capitalized as part of the construction in progress (Note 9).

16. Equity

Capital Stock

Capital stock consists of 2,000,000,000 authorized and 748,933,221 issued common shares as of December 31, 2017 and 2016, with a par value of ₱1 per share. Issued and outstanding shares is 748,932,949 (excluding treasury shares of 272).

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

Below is the summary of the Group's outstanding number of shares and holders of securities as of March 31, 2018:

Year	Number of shares registered	Number of holders of securities as at year end
January 1, 2017	748,932,949	2,048
Add (deduct) movement	—	(10)
December 31, 2017	748,932,949	2,038
Add (deduct) movement	—	(7)
March 31, 2018	748,932,949	2,031

Note: Exclusive of 272 treasury shares.

Retained Earnings

In accordance with Securities Regulation Code (SRC) Rule No. 68, As Amended (2011), Annex 68-C, after reconciling items, the Parent Company's retained earnings available for dividend declaration as of March 31, 2018 and December 31, 2017 amounted to ₱1,119.99 million and ₱1,167.11 million, respectively. The Parent Company and its subsidiaries will declare dividends out of their retained earnings available for dividend declaration.

The retained earnings account in the equity includes the accumulated equity in undistributed earnings of consolidated subsidiaries amounting to ₱2,925.43 million and ₱2,818.57 million as of March 31, 2018 and December 31, 2017, respectively. These are not available for dividends until declared by the subsidiaries.

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

The BOD declared cash dividends as follows:

	2018	2017	2016
March 23, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 19, 2018, payable on May 16, 2018	₱44,935,993	₱—	₱—
November 24, 2017, 6% cash dividends	—	44,935,993	—

	2018	2017	2016
(¥0.06 per share) to stockholders of record as of December 21, 2017, paid on January 18, 2018			
September 27, 2017, 6% cash dividends (¥0.06 per share) to stockholders of record as of November 7, 2017, paid on November 29, 2017	-	44,935,993	-
June 30, 2017, 6% cash dividends (¥0.06 per share) to stockholders of record as of July 28, 2017, paid on August 23, 2017,	-	44,935,993	-
March 24, 2017, 6% cash dividends (¥0.06 per share) to stockholders of record as of April 21, 2017, paid on May 9, 2017	-	44,935,993	-
November 25, 2016, 6% cash dividends (¥0.06 per share) to stockholders of record as of December 23, 2016, paid on January 18, 2017	-	-	44,935,993
September 15, 2016, 6% cash dividends (¥0.06 per share) to stockholders of record as of October 13, 2016, paid on November 8, 2016	-	-	44,935,993
June 24, 2016, 6% cash dividends (¥0.06 per share) to stockholders of record as of July 22, 2016, paid on August 16, 2016,	-	-	44,935,993
March 17, 2016, 6% cash dividends (¥0.06 per share) to stockholders of record as of April 14, 2016, paid on May 15, 2016	-	-	44,935,993
	¥179,743,972	¥179,743,972	¥179,743,972

Treasury Stock

As of March 31, 2018 and December 31, 2017, there are 272 treasury shares amounting ¥209. The retained earnings is restricted for dividend declaration to the extent of the amount of ¥209 treasury shares.

Capital Management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the period ended March 31, 2018 and for the year ended December 31, 2017. As at March 31, 2018 and December 31, 2017, the Group is not subject to externally imposed capital requirements.

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

Revenue from tuition and other fees consists of:

	2018	2017	2016
Tuition fees and other matriculation fees	₱465,704,399	₱503,776,219	₱578,663,629
Bookstore income	2,089,461	2,019,573	2,612,949
Seminar fee income	1,821,053	358,199	755,267
Miscellaneous	16,407,264	15,297,867	14,814,013
	₱486,022,177	₱521,451,858	₱596,845,858

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

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

	2018	2017	2016
Computer services	₱—	₱900,127	₱1,300,473
Rental income (Note 14)	1,315,083	1,578,040	1,551,506
Consultancy fees	262,910	—	630,443
	₱1,577,993	₱2,478,167	₱3,482,422

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

Cost of tuition and other fees account consists of:

	2018	2017	2016
Personnel expenses	₱148,429,458	₱143,726,844	₱149,460,598
Depreciation and amortization (Notes 9 and 12)	49,435,516	47,396,503	45,013,966
Student-related expenses	38,794,263	39,355,481	35,947,862
Management and other professional fees (Note 14)	27,141,405	26,927,517	24,247,333
Utilities	19,143,394	19,968,566	20,096,390
IT expense - software license	7,964,233	5,659,086	5,757,846
Tools and library books (Note 9)	7,049,196	3,956,010	2,692,806
Periodicals and subscriptions	4,169,070	5,183,136	2,162,761
Repairs and maintenance	3,694,595	3,095,965	2,421,120
Accreditation cost	2,396,617	1,710,538	587,314
Seminar	2,136,895	3,291,865	2,237,340
Office supplies	1,764,382	1,452,813	1,057,245
Advertising	1,708,889	286,526	2,865,630
Research and development fund	1,450,090	1,850,628	1,294,592
Insurance	1,291,398	1,765,949	1,277,142
Laboratory supplies	615,638	1,394,737	2,470,803
Taxes and licenses	492,957	625,847	482,765
Transportation and travel	203,022	229,536	204,235
Entertainment, amusement and recreation	138,841	118,546	82,315
Rent (Note 25)	38,850	94,900	145,544

	2018	2017	2016
Miscellaneous	409,552	451,700	343,399
	₱318,468,261	₱308,542,695	₱300,849,006

a. Details of depreciation and amortization follows:

	2018	2017
Depreciation (Note 9)	₱53,470,699	₱52,172,620
Amortization (Note 12)	86,407	78,759
	₱53,557,106	₱52,251,379

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

	2018	2017
Cost of Services	₱49,435,516	₱47,396,503
General and administrative Expenses (Note 19)	4,121,590	4,854,877
	₱53,557,106	₱52,251,379

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

	2018	2017	2016
Merchandise inventory, beginning	₱—	₱15,804	₱358,268
Purchases	18,168	16,936,370	33,347,030
Less merchandise inventory, end	—	15,804	161,696
	₱18,168	₱16,936,370	₱33,543,602

19. General and Administrative Expenses

This account consists of:

	2018	2017	2016
Management and other professional fees (Note 14)	₱19,751,403	₱21,735,201	17,369,668
Personnel expenses	14,358,243	15,724,532	14,907,530
Advertising	5,324,033	2,369,572	1,961,161
Depreciation and amortization (Note 18)	4,121,590	4,854,877	3,872,931
Taxes and licenses	3,877,763	3,231,936	3,088,775
Transportation and travel	1,237,505	750,774	468,974
Utilities	1,223,232	2,073,310	1,172,085
Repairs and maintenance	553,878	672,373	557,149
Office supplies	505,094	480,478	660,198
Entertainment, amusement, and recreation	385,883	751,925	552,637
Insurance	306,149	488,315	387,137
Seminar	172,588	149,508	172,535
Commission	151,499	124,768	125,425
Rent (Note 25)	116,270	545,453	550,135
IT expense - software license	79,297	208,110	263,467
Donations	50,000	—	1,000,000
Accreditation cost	10,000	—	—

	2018	2017	2016
Miscellaneous	2,477,437	1,724,138	1,323,068
	₱54,701,864	₱55,885,269	₱48,432,875

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

Miscellaneous expense includes dues and subscriptions, manual and training materials, periodicals and other contracted services, among others.

20. Interest Income, Interest and Other Finance Charges

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

	2018	2017	2016
Cash in banks and cash equivalents (Note 6)	₱ 2,060,624	₱2,924,584	₱1,795,943
Advances to officers and employees (Note 7)	385,440	30,578	(142,864)
	₱2,446,064	₱2,955,162	₱1,653,079

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

	2018	2017	2016
Long-term debt	₱-	₱-	₱4,284,203
Bank charges	734,632	33,561	8,512
Short-term loan (Note 15)	-	620,833	-
	₱734,632	₱654,394	₱4,292,715

21. Earnings Per Share

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

	2018	2017	2016
Net income attributable to equity holders of Parent Company (a)	₱98,620,417	₱136,044,781	₱209,227,500
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)	₱0.1317	₱0.1817	₱0.2794

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

22. Operating Segment Information

Business Segment

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

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

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

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

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

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

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

Segment assets and liabilities exclude deferred tax assets and liabilities.

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

Capital expenditures consist of additions to property and equipment.

(In million pesos)

	Information Technology and Others											
	Education			Information Technology and Others			Elimination			Consolidated		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
Revenues												
Income from external customers	₱487	₱523	₱599	₱1	₱20	₱38	₱-	₱-	₱-	₱488	₱543	₱637
Total Revenues	₱487	₱523	₱599	₱1	₱20	₱38	₱-	₱-	₱-	₱488	₱543	₱637
Net Income attributable to Parent Company	₱108	₱149	₱226	(₱2)	(₱3)	(₱1)	(₱8)	(₱10)	(₱-)	₱99	₱136	₱225
Other Information												
Segment assets	₱9,353	₱8,005	₱6,850	₱1,953	₱1,873	₱2,340	(₱3,253)	(₱3,088)	(₱3,118)	₱8,053	₱6,790	₱6,072
Segment liabilities	2,534	1,286	1,500	106	283	220	(668)	(396)	(628)	1,972	1,169	1,092
Deferred tax assets	6	3	1	0	4	11	-	-	-	6	7	12
Deferred tax liabilities	175	145	113	-	-	1	-	-	-	175	145	114
Interest expense	1	1	4	0	0	0	0	0	-	1	1	4
Provision for income tax	13	17	25	0	-	-	-	-	-	13	17	25
Depreciation and amortization	53	52	49	0	-	-	-	-	-	54	52	49

23. Notes on Consolidated Statements of Cash Flows

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

	2017	Non-cash Changes		Cash Flows	2018
		Declaration of Cash Dividend	Non-controlling interest		
Short-term loan	₱810,000,000	₱-	₱-	₱60,000,000	₱870,000,000
Dividends payable	69,343,445	44,935,993	-	(50,860,696)	63,418,742
Payables to related parties	20,957,655	-	-	2,079,872	23,037,527
	₱900,301,100	₱44,935,993	₱-	₱11,219,176	₱956,456,268

- Noncash investing activities as of March 2018, December 2017 and 2016 pertain to liability for construction in progress amounting to ₱221.30 million, ₱180.97 million, and ₱69.58 million, respectively.

24. Commitments and Contingencies

Lease Commitments

Operating lease - Group as a lessor

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

The future minimum rentals receivable under the aforementioned lease agreements follows:

	2017	2016
Within one year	₱2,566,446	₱1,814,043
More than one year but not more than five years	4,041,142	6,607,588
More than five years	2,518,522	2,518,522
	₱9,126,110	₱10,940,153

Operating lease - Group as a lessee

The Group entered into a renewable lease agreement with Grepa Realty Holdings Corporation for the use of the premises located at the 3rd floor of Grepalife Tower Building for a period of one (1) year from January 1, 2017 to December 31, 2017 with monthly rental of ₱0.03 million. The lease agreement was renewed on December 4, 2017 for another one year until December 31, 2018.

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

Provisions and Contingencies

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

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

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

- The Group is involved in certain claims arising from the ordinary conduct of business which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liabilities under these claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations.

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

25. Subsequent Event and Other Matter

- The Board of Directors of iPeople, inc. (iPeople) ratified on January 5, 2018 the execution of a Non-Binding term sheet for its proposed merger with AC Education, Inc. (AEI), the wholly owned education arm of Ayala Corporation. With the execution of such Non-Binding term sheet, the parties have agreed to an exclusivity period to complete due diligence, and to finalize the terms and conditions of the proposed merger within the second quarter of 2018. All terms and conditions of the proposed merger, including the involvement of House of Investments and Ayala Corporation in the management of the surviving entity, iPeople, shall be presented for approval by the parties' respective boards of directors and the merging parties' stockholders, and the transaction will be subject to the requisite regulatory approvals as well. The potential merger would bring together the educational arms of House of Investments and Ayala Corporation (iPeople and AEI, respectively).
- On December 20, 2017, HI formally notified MESI that its BOD has approved on December 8, 2017 to exercise the option to convert the 281,642 MESI preferred shares into MESI common shares. To date, MESI is processing the requirements to effect the conversion of the said preferred shares to common shares.

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

SUPPLEMENTARY SCHEDULES

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

SCHEDULE I**iPeople, inc. and Subsidiaries****Supplementary Information and Disclosures Required on Securities Regulation Code (SRC) Rule 68 and 68.1, As Amended
March 31, 2018**

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule (SRC) Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by amended SRC Rule No. 68 and 68.1 that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required parts of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

Below is the detailed schedule of financial assets in equity securities of the Group as of March 31, 2018:

Name of Issuing entity and association of each issue	Number of Shares	Amount Shown in the Statement of Financial Position	Value Based on Market Quotation at end of year	Income Received and Accrued
Available-for-sale financial assets				
Quoted:				
PetroEnergy Resources Corporation	₱4,111,335	₱20,186,655	₱20,186,655	₱-

The basis in determining the value of equity securities is the market quotation as at March 31, 2018. The Group has no income received and accrued related to the equity securities during the year.

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

Below is the schedule of advances to officers and employees of the Group with balances above ₱100,000 as at March 31, 2018:

Name	As of December 31, 2017	Additions	Liquidations/ Collections	As of March 31, 2018
Tiongco, Danilo R.	₱417,099	₱-	₱23,172	₱393,927
Teodoro, Gloria	-	390,000	-	390,000
Caparanga, Alvin	-	377,000	-	377,000
Mercado, Julius Ceasar P.	398,200	-	30,970	367,230
Camacho, Margarita	383,480	-	25,347	358,133
Costales, Aloysius Nathaniel	389,668	-	32,479	357,189
Robielos, Rex Aurelius	621,299	-	265,524	355,775
Hofilena, Joy	374,354	-	18,875	355,479
Kikuchi, Khristian	374,354	-	18,875	355,479
Medrano, Anthony H.	371,208	-	18,875	352,333
Salayo, John Vincent	371,190	-	18,857	352,333
Austria, Maria Rhodora	366,698	-	23,406	343,292
Sabino, Lilibeth	309,167	-	18,550	290,617
Agbulos, Erlin C.	312,827	-	22,343	290,484
Lanuza, Dionisia	302,100	-	15,900	286,200
Gochioco, Geraldine	297,584	-	18,755	278,829
Salvacion, Jonathan	286,362	-	18,475	267,887
Songsong, Maribel	272,800	-	18,600	254,200
Francisco, Ruth C.	232,373	-	20,244	212,129
Adanza, Carina Victoria T.	221,729	-	18,475	203,254
Sauquillo, Dante	211,888	-	18,975	192,913
Tablante, Dennis H.	175,933	-	9,425	166,508
Doma, Bonifacio T. Jr.	175,519	-	9,488	166,031
Papas, Aileen Kate A.	155,494	-	22,213	133,281
Ballado, Alejandro Jr.	146,800	-	18,350	128,450
Balan, Ariel Kelly	143,742	-	18,350	125,392
Geguiento, Edgardo P.	130,075	-	18,150	111,925
Camus, Rosette Eira	124,879	-	18,275	106,604
	₱7,566,822	₱767,000	₱760,948	₱7,572,874

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, 2018:

Name	Volume of transactions	Receivables	Terms
Pan Pacific Computer Center, Inc.	Share in expenses	₱1,475,320	Non-interest bearing and to be settled within the year

Schedule D. Intangible Assets

As at March 31, 2018, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of MESI. Details of the Group's intangible assets are as follows:

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Ending balance
Goodwill	₱137,853,345	₱—	₱—	₱137,853,345
Computer software	6,351,771	—	(132,407)	6,219,364
	₱144,205,116	₱—	(₱132,407)	₱144,072,709

Schedule E. Long term debt

As of March 31, 2018, the Group has no outstanding long-term debt.

Schedule F. Indebtedness to Related Parties (Long Term Loans from Related Companies)

Please refer to Schedule E for the details of indebtedness to related parties.

Schedule G. Guarantees of Securities of Other Issuers

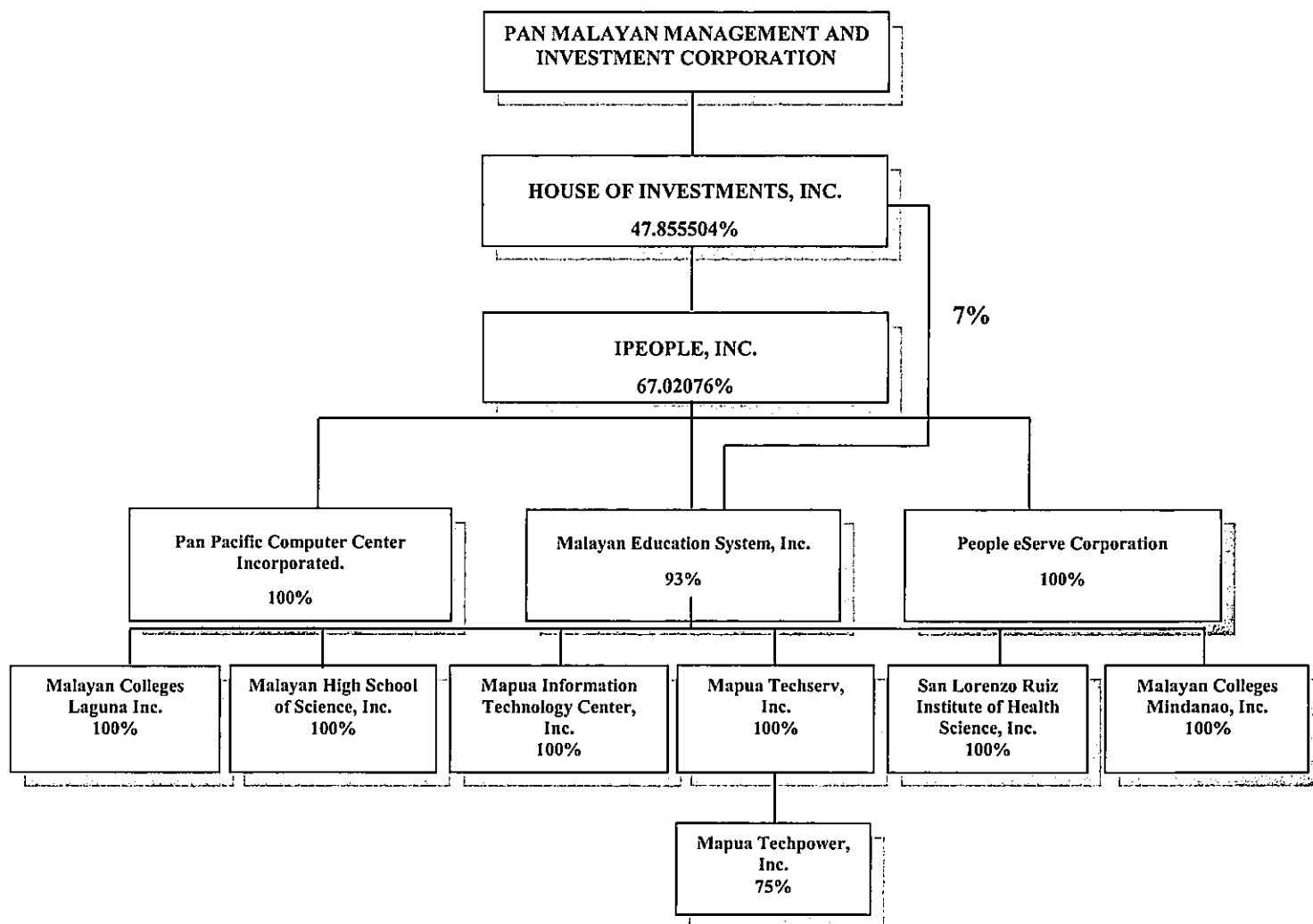
As at March 31, 2018, the Group does not guarantee any securities.

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	748,932,949	-	595,532,167	199,988	153,200,794

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company and subsidiaries as at March 31, 2018:



SCHEDULE II

iPeople, inc. and Subsidiaries**SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS**

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of March 31, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Improvement to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS				
Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	PFRS 7: Financial Instruments: Disclosures - Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
	Interim Financial Statement			
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Amendments to PFRS 9, Prepayment Features with Negative Compensation		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS12: Clarification of Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
	Amendments to PFRS 15, Clarifications to PFRS 15		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 16	Leases		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1, Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16, Property, Plant and Equipment - Bearer Plant			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits			✓
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 19: Regional Market Issue Regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 8	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures		✓	
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS				
Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property			✓
	Amendments to PAS 40: Transfers of Investment Property		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 41: Agriculture –Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers	✓		

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

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

Standards tagged as “Not adopted” are standards issued but not yet effective as of March 31, 2018. The Group will adopt the Standards and Interpretations when these become effective.

iPeople, inc. and Subsidiaries
**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
 DIVIDEND DECLARATION
 MARCH 31, 2018**

Items	Amount
Unappropriated retained earnings, <i>as adjusted to available for distribution, beginning</i>	₱1,167,109,906
Add: Net income actually earned/realized during the period	
Net income during the period closed to retained earnings	(₱2,180,645)
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	—
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	—
Unrealized actuarial gain	—
Fair value adjustment (M2M gains)	—
Fair value adjustment of Investment Property resulting to gain	—
Adjustment due to deviation from PFRS/GAAP-gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	—
Sub-total	—
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	—
Adjustments due to deviation from PFRS/GAAP - loss	—
Loss on fair value adjustment of investment property (after tax)	—
Sub-total	—
Net income actually realized during the period	(2,180,645)
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	₱1,119,993,059

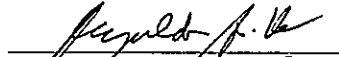
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Makati on _____, 2018.

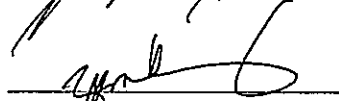
IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this 11 day of May, 2018 at Makati City.

By:

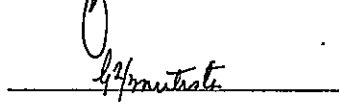
Reynaldo B. Vea
President



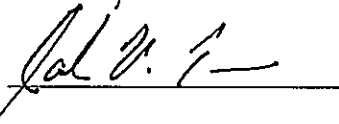
Gema O. Cheng
SVP-Finance & Treasurer



Maria Teresa T. Bautista
Controller




Atty. Samuel V. Torres
Corporate Secretary



SUBSCRIBED AND SWORN to before me this 11 day of May, 2018, at MAKATI CITY.
Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

Names	Document No.	Date & Place of Issue/Expiration
Reynaldo B. Vea	DL#N20-84-003426	03-20-2018 Quezon City / 03-20-2023
Gema O. Cheng	DL#N06-84-036923	12-14-2017 Mandaluyong / 12-08-2022
Maria Teresa T. Bautista	DL#6-92-094899	11-23-2017 Makati / 11-23-2022
Atty. Samuel V. Torres	DL#13-83-001463	11-08-2017 Quezon City / 11-10-2022

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Book No. 15
Series of 2018


 ATTY. RAYMOND A. RAMOS
 COMMISSION NO. M-277
 NOTARY PUBLIC FOR MAKATI CITY
 UNTIL DECEMBER 31, 2018
 NO. 15 J.P. RIZAL EXTN. COR. TANGULES
 COMEMBO, MAKATI CITY
 SC Roll No. 62179/01-26-2017
 IBP NO. 022957/01-01-2018/Pasig City
 PTR NO MKT-6614639, 01-03-2018
 MCLE Compliance No. 2018-01-01-2018