SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

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

1. Check the appropriate box:

☐ Preliminary Information Statement

☑ Definitive Information Statement

2. Name of Registrant as specified in its charter

iPeople, inc.

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

Makati City, Metro Manila

4. SEC Identification Number

166411

5. BIR Tax Identification Code

000-187-926-000

6. Address of principal office

3F Grepalife Building 219 Sen Gil Puyat Ave. Makati City, Metro Manila Philippines
Postal Code
1200

7. Registrant's telephone number, including area code

(632) 815-9636

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

June 28, 2019, Yuchengco Institute for Advanced Studies, 5th Floor Tower II, RCBC Plaza, Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City

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

Jun 6, 2019

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

Attty. 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 or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares - Listed	1,044,263,197
Amount of Debt Outstanding as of 31-March 2019	3,760,553,180

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

☑ Yes ☐ No

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

Philippine Stock Exchange, Inc., Common Stock

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

iPEOPLE

iPeople, inc.
IPO

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

Date of Stockholders' Meeting	Jun 28, 2019
Type (Annual or Special)	Annual
Time	2:30 pm
Venue	Yuchengco Institute for Advanced Studies, 5th Floor, Tower II, RCBC Plaza, Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City, Philippines
Record Date	May 29, 2019

Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	May 31, 2019

Other Relevant Information

Please see attached copy of Definitive Information Statement of the Company in connection with the Annual Meeting of the Stockholders to be held on June 28, 2019.

Filed on behalf by:

Name	Ma. Esperanza Joven
Designation	Vice President

COVER SHEET

1	6	6	4	1	1					

S.E.C. Registration Number

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

(Company's Full Name)

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

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

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

Atty. Denise Jordan P. Arenillo
Contact Person

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

12 31
Month Day
Fiscal Year

DEFINITIVE SEC FORM 20 – IS
FORM TYPE

06 28
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. Of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks= pls. Use black ink for scanning purposes

iPeople
A YGC Member

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of **iPeople, inc.** will be held on **Friday, June 28, 2019 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 Stockholders' Meeting held on June 29, 2018 and Special Stockholders' Meeting held on December 12, 2018
4. Approval of the Management Report and Audited Financial Statements for 2018
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 2018
6. Election of Directors for 2019-2020
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 29, 2019** 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 27, 2019.

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, May 15, 2019

ATTY. SAMUEL V. TORRES
Corporate Secretary

IPEOPLE, INC.

PROXY

I, the undersigned holder of shares of stock of iPeople, inc. ("Corporation"), do hereby constitute, name and appoint the **Chairman of the Meeting**, or in his absence, **the Secretary of the Meeting**, as my attorney and proxy, to represent me and to vote all the shares registered under my name in the Books of the Corporation at the Annual Meeting of the Stockholders of the Corporation on **June 28, 2019** and any adjournment(s) thereof. In particular, I hereby direct my said proxy to vote on the matters set forth below as I have expressly indicated by marking the same with an "X". **If I fail to indicate my vote on the items specified below, I authorize my proxy full discretion to act and I understand that my proxy shall vote in accordance with the recommendation of the Management. Management recommends a "FOR ALL" vote for proposal 1 and a "FOR" for proposals 2 through 5.**

PROPOSAL	ACTION		
	FOR ALL	**WITHHOLD FOR ALL**	**EXCEPTION**
1. Election of Management's Nominees as Directors **Management Nominees are:** 1. Reynaldo B. Vea 2. Gerardo C. Ablaza, Jr. 3. Medel T. Nera 4. Alfredo Antonio I. Ayala 5. Lorenzo V. Tan 6. Yvonne S. Yuchengco **Independent Directors:** 7. Renato C. Valencia 8. Cesar A. Buenaventura 9. Herminia S. Jacinto **INSTRUCTIONS:** *To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list name(s) under.*			
	FOR	**AGAINST**	**ABSTAIN**
2. Approval of the Minutes of the Annual Stockholders' Meeting held on June 29, 2018.			
3. Approval of the Management Report and Audited Financial Statements for 2018.			
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 2018.			
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 27, 2019, 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 27, 2019.

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 28. 2019, 2:30PM, Yuchengco Institute for Advanced Studies, 5th Floor Tower II, RCBC Plaza, Ayala Avenue cor. Sen. Gil J. 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 5, 2019**.

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 J. 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: ₱3.56 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 2019 Annual Meeting of the Stockholders of iPeople, inc. (the "Company or Corporation") will be held at Rooms 526 to 528, Yuchengco Institute for Advanced Studies, 5th Floor, Tower II, RCBC Plaza, Ayala Avenue corner Sen. Gil J. Puyat Avenue, Makati City, Philippines on **June 28, 2019 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 5, 2019**

Item 2: Dissenters' Right of Appraisal

Pursuant to Title X, Section 80 of the Revised Corporation Code of the Philippines (the "Revised Corporation Code"), a stockholder shall have the right to dissent and demand payment of the fair value of his/her shares in the following instances:

a. In case an amendment to the Corporation's articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
c. In case of merger or consolidation; and
d. In case of investment of corporate funds for any purpose other than the primary purpose of the Corporation.

A stockholder who shall have voted against a proposed corporate action may seek payment of the value of his/her shares by submitting to the Corporation a written demand for such payment within thirty (30) days after the vote was taken. Failure to make such demand within the said period shall be deemed as a waiver of the stockholder's appraisal right. The failure of a dissenting stockholder to submit his/her certificates of stock with the Corporation (for notation that such are dissenting shares) within ten (10) days after the required written demand has been made shall also be deemed as a waiver of the dissenting stockholder's appraisal right.

If, within sixty (60) days from the approval of the corporate action by the stockholders, the dissenting stockholder and the Corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after the same is made.

Upon payment of the value of his/her 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.

A dissenting stockholder's demand for payment may not be withdrawn unless the Corporation consents thereto. If, however, such demand is withdrawn with the Corporation's consent, or if the proposed corporate action is abandoned, rescinded or disapproved, or if it is determined that the stockholder is not entitled to the appraisal right, then the right of the stockholder to be paid the fair value of his/her shares shall cease, the status of the stockholder shall be restored, and all dividends which would have accrued on the shares shall be paid to the stockholder.

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, 2019.

Only holders of the Company's stock of record at the close of business on May 29, 2019 are entitled to notice and to vote at the Annual Meeting to be held on June 28, 2019.

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

Security Ownership of Certain Beneficial Owners and Management

As of April 30, 2019, IPO knows of no one who beneficially owns in excess of 5% of IPO's common stock except as set forth in the table below:

1. **Owners of more than 5% of voting securities as of April 30, 2019.**

The following table shows the beneficial owners directly or indirectly owning more than 5% of the Company's capital stock as of April 30, 2019:

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%

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

[2] Direct and indirect holdings A. Soriano Corp.

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	**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
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
5/11/17	361,800	12.2126	7/27/17	1,900	12.5800

Date	# of Shares Purchased	Price	Date	# of Shares Purchased	Price
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
9/5/17	1,000	12.3400			

2. Security Ownership of Management

Securities beneficially owned by the directors, nominees, officers, other than qualifying shares, as of April 30, 2019 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	Cesar A. Buenaventura	Filipino	Indirect	68,850	0.0092%
Common	Ermilando D. Napa*	Filipino	Indirect	5	0.0000%
Common	Reynaldo B. Vea	Filipino	Direct	5	0.0000%
Common	Ernest K. Cuyegkeng*	Filipino	Indirect	5	0.0000%
Common	Lorenzo V. Tan	Filipino	Direct	5	0.0000%
Common	Milagros V. Reyes*	Filipino	Direct	55,218	0.0074%
Common	Medel T. Nera	Filipino	Direct	100	0.0000%
Common	Yvonne S Yuchengco	Filipino	Direct Indirect	6,500 68,000	0.0009% 0.0091%
Common	Alfredo Antonio I. Ayala **	Filipino	Indirect	5	0.0000%
Common	Gerardo C. Ablaza, Jr. **	Filipino	Indirect	5	0.0000%
Common	Herminia C. Jacinto **	Filipino	Indirect	5	0.0000%
Sub-Total				**199,988**	**0.0267%**
Total Common Shares				**748,933,221**	**100.0000%**

* Resigned as of May 06. 2019
** Elected as of May 06. 2019

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, 2019, there are 532,624 shares or 0.07% 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**
Dr. Reynaldo B. Vea	President	3 years
Mr. Lorenzo V. Tan	Director	1 Year
Mr. Ernest K. Cuyegkeng *	Director	3 Years
Mr. Medel T. Nera	Director	6 Years
Mrs. Milagros V. Reyes *	Director	13 Years
Ms. Yvonne S. Yuchengco	Director	6 Years
Mr. Alfredo Antonio I. Ayala **	Director	not applicable
Mr. Gerardo C. Ablaza, Jr. **	Director	not applicable

INDEPENDENT DIRECTORS		
Name	**Position**	**Length of Service**
Mr. Renato C. Valencia	Chairman	14 Years
Mr. Cesar A. Buenaventura, OBE	Director	28 Years
Mr. Ermilando D. Napa *	Director	1 Year
Ms. Herminia S. Jacinto **	Director	not applicable

EXECUTIVE OFFICERS	
Name	**Position**
Dr. Reynaldo B. Vea	President
Ms. Gema O. Cheng ***	EVP and Chief Finance Officer
Mr. Joselito D. Estrella *	Chief Information Officer
Ms. Ma. Esperanza F. Joven *	VP – Finance
Ms. Maria Teresa T. Bautista *	Controller
Atty. Lalaine P. Monserate *	Legal and Compliance Officer
Atty. Samuel V. Torres	Corporate Secretary
Atty. Ma. Elvira Bernadette G. Gonzalez	Asst. Corporate Secretary
Mr. Alfredo Antonio I. Ayala **	Chief Operating Officer
Ms. Shirley Q. Earnhart **	Treasurer
Ms. Pamela Q. Wu **	Chief Human Resources Officer
Mr. Danilo R. Tiongco **	Chief Information Officer
Mr. Victor V. Rafael **	VP – Finance and Investor Relations
Mr. Jonathan M. Lopez **	Controller
Atty. Denise Jordan P. Arenillo **	Legal and Compliance Officer

* Resigned effective of May 06. 2019
** Elected / Appointed May 06. 2019
*** Change in Designation as of May 06, 2019

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

Board of Directors:

RENATO C. VALENCIA, 76, Filipino, is the **Chairman of the Board** from 2004 to present. He is also a **Director** of EEI Corporation, Malayan Insurance Co., Inc., GT Capital Holdings, Inc., and Anglo Philippine Holdings Corp.; **Member** of Financial Executives Institute of the Philippines and Management Association of the Philippines. ***His past experiences include:*** President & 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, 67, 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 Massachusettes Intitute of Technology, USA; and Bachelor of Science in Mechanical Engineering (magna cum laude) from University of the Philippines.

MEDEL T. NERA, 63, 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., and YGC Corporate Services, Inc.; **Director and Treasurer** of Seafront Resources Corp.; **Independent Director** of National Reinsurance Corp. of the Philippines; ***His past experiences include:*** **Director and Chairman of Risk Committee** of Rizal Commercial Banking Corp.; **Director and Treasurer** of CRIBS Foundation, Inc., and **Senior Partner** at Sycip Gorres Velayo & Co. ***Educational Background:*** Master in Business Administration from Stern School of Business, New York University, USA and Bachelor of Science in Commerce from Far Eastern University, Philippines, International Management Program from Manchester Business School, UK, Pacific Rim Program from University of Washington, USA.

MILAGROS V. REYES, 77, Filipino, was a **Director** from 2005 to May 06, 2019. She is also a **Director and President** of PetroEnergy Resources Corp., PetroGreen Energy Corp., PetroSolar Corp., PetroWind Energy, Inc., Seafront Resources Corp.; **Director** of Maibarara Geothermal, Inc.: **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. YUCHENGCO, 65, Filipino is a **Director** since 2013 to present. She is also the **Chairperson** of First Nationwide Assurance Corp., RCBC Capital Corp. and XYZ Assets Corp..; **Chairperson and President** of 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 and 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., DS Realty, Inc., Enrique T. Yuchengco, Inc., First Nationwide Assurance Corp., GPL Holdings, Inc., House of Investments, Inc., HYDee Management & Resource Corp., La Funenaria Paz Sucat, Inc., Luisita Industrial Park Corp., Malayan Education System, Inc. (operating under the name Mapúa University), Malayan Colleges Laguna, Inc., Malayan Colleges Mindanao, Inc.. Malayan Insurance Co. (H.K.) Ltd., Malayan International Insurance Corp., Manila Memorial Park Cemetery, Inc., National Reinsurance Corp. of the Phils., Pan Malayan Express, Inc., Pan Malayan Realty Corp., , RCBC Capital Corp., Seafront 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. and Water Dragon, Inc.,; **Director, Treasurer and CFO** of Pan Malayan Management & Investment Corp.; **Trustee** of AY Foundation, Inc., Mapua Institute of Technology and Phil-Asia Assistance Foundation, Inc.,; **Advisory Member** of Rizal Commercial Banking Corp. ***Educational Background:*** Bachelor of Arts in Interdisciplinary Studies from Ateneo De Manila University, Philippines.

ERNEST K. CUYEGKENG, 72, Filipino, was a **Director** from 2016 to May 06, 2019. He is also the **Chairman and Director** of ArthaLand, Inc.; **President and Director of** Anscor Holdings, Inc., and Phelps Dodge Philippines Energy Products Corp.; **Director, Executive Vice President and Chief Financial Officer** of A. Soriano Corp.; **Director** of 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:*** **President and Director** of Cirrus Global, Inc. (formerly International Quality Manpower Services, Inc.); **Director** of ATRAM Investment Management Partners Corp. ***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, 89, 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., International Container Terminal Services Inc., **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:*** **Chairman** 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; **Member** of the Monetary Board; ***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, 57, Filipino, was elected as a **Director in January, 2018**. He is also the **Vice Chairman** of TOYM Foundation; **Director** of Digitel Telecommunications, EEI Corp., House of Investments, Inc., Malayan Insurance Company, Inc., Smart Communications, Inc., Sun Life Grepa Financial, Inc., and Phil Realty Holdings and Investment Corp.; **Board of Trustees** at De La Salle Zobel; Managing Director 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). As BAP president, he lead the Association in representing the BAP in the ASEAN Bankers Association (ABA), composed of the national banking associations from the 10-member countries in the Association of Southeast Asian Nations (ASEAN). ***Educational Background:*** Certified Public Accountant in Pennsylvania, USA and in the Philippines. Mr. Tan graduated from De La Salle University with a Bachelor of Science degree in Accounting and Commerce, and holds a Master in Management degree from the J.L. Kellogg Graduate School of Management, Northwestern University.

ERMILANDO D. NAPA, 69, Filipino, was an **Independent Director** from June 2018 to May 06, 2019. He is also the **Founding CEO** of Manila Consulting & Management Co., Inc., and Catanauan Resources and Development Corp.; **Independent Director** at the National Reinsurance Corporation of the Philippines (Nat Re) and House of Investments Inc.; **Chairman** of the Audit Committee of Nat Re, Risk Oversight Committee of House of Investments, Inc., Interim Governance Board of the National Life Insurance Company of the Philippines (NLIC), Court Appointed Board of Liquidators of Capitol Hills Golf and Country Club Inc. ***His previous professional experience include*** being a **President and CEO**, and **Vice Chairman** of the Board of Trade and Investment Development Corporation aka Philippine Export – Import Credit Agency, **Partner** of SyCip Gorres & Velayo Company (Philippines), a **Principal** of Kassim Chan & Company in Kuala Lumpur, Malaysia (a former member firm of SGV Group and Delloite Haskins & Sells International), and a **Manager** of Arthur Andersen in New York. In 2013, he was appointed as **Conservator** of the National Life Insurance Company (NLIC) and spearheaded its rehabilitation. ***Educational background:*** Attended special trainings and various courses such as Strategic Management and IMPACT Productivity Improvement in Chicago and Corporate Finance in New York and various corporate governance courses. He holds a bachelor's degree in Business Management from Aquinas University (1970) and a master's degree in Management from the Asian Institute of Management (1980).

ALFREDO ANTONIO I. AYALA, 58, Filipino, was elected as **Director and Chief Operating Officer** in May 06, 2019. He is also a **Managing Director** and member of the Management Committee of Ayala Corporation. He used to be **President and Chief Executive Officer** of AC Education, Inc. He currently serves as **President and Chief Executive Officer** of National Teachers College and LiveIt Investment Ltd., Ayala Corporation's holding company for its business process outsourcing investments. He is the **Chairman of the Board of Directors** of Affordable Private Education Center, Inc., National Teachers College, Linc Institute, and National Teachers College; the **Co-Chairman** of IBPAP Human Capital and Impact of Technology Technical Working Group; the **Vice-Chairman of the Board of Trustees** of University of Nueva Caceres; and a **Trustee** of Philippine Business for Education (PBEd) and Ayala Foundation, Inc. Mr. Ayala is also a **Member** of PBEd's National Industry Academe Council and Brown University's Humanitarian Innovation Initiative's Global Advisory Board. ***Educational background:*** Mr. Ayala holds an MBA from Harvard University and a BA in Development Studies (Honors) and Economics from Brown University.

GERARDO C. ABLAZA, JR., 65, Filipino, was elected as **Director** in May 06, 2019. He is also currently a **Management Consultant** of Ayala Corporation. He serves as **Director** of Manila Water Company, Inc., Bank of Philippine Islands, BPI Family Bank, BPI Capital, Advanced Info Services, PLC (Thailand), Asiacom Philippines, Inc., LiveIt Investments Ltd., AC Energy, Inc., and AC Infrastructure Holdings Corporation. He sits as a **Member of the Board of Trustees** of Ayala Foundation, Inc., and of various De La Salle schools in the country. Mr. Ablaza was previously the **President and Chief Executive Officer** of Manila Water Company, Inc. and Globe Telecom, Inc.

Educational Background: Graduated Summa Cum Laude from De La Salle University in 1974 with a degree in Liberal Arts, Major in Mathematics (Honors Program).

HERMINIA S. JACINTO, 80, Filipino, was elected as **Independent Director** in May 06, 2019. She is a Certified Public Accountant and currently the **Secretary General** of the Association of Insurers and Reinsurers of Developing Countries. She is an **Independent Director** of BDO Life Assurance Co. and Fortune Guarantee Insurance Corporation as well as a **Director** of Bankers Assurance Corporation. She previously served as **President** of Universal Malayan Reinsurance Corporation and Universal Reinsurance Corporation. She is well-known in the world reinsurance market especially in the ASEAN/Asian region.

Executive Officers:

GEMA O. CHENG, 54, Filipino, is the **Executive Vice President and Chief Finance Officer**. She also holds the following positions within the group: **Executive Vice President – Chief Operating Officer, Chief Financial Officer, and Treasurer of** House of Investments, Inc.; **Director, Chief Financial Officer and Treasurer** of Investment Managers, Inc.; **Director, Vice President for Finance and Treasurer** of Landev Corporation; **Director** of Malayan Colleges Laguna, Inc., Manila Memorial Park Cemetery, Inc., and La Funeraria Paz-Sucat. She was previously **Senior Vice President** of SM Investments Corp. with the following roles: **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. *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.

SHIRLEY Q. EARNHART, 46, Filipino, was appointed as **Treasurer** in May 06, 2019. She is a **Certified Treasury Professional** and, prior to her appointment to iPeople, inc., was a **Senior Manager and Head of Liquidity and Investment Management, Origination** with Ayala Corporation with twenty-six years of trading experience in money market, foreign exchange, equities and capital markets. ***Her past experiences:* Head of Liquidity and Foreign Exchange Department** of Banco de Oro Universal Bank and the USD and Multi-currency unit of Dao Heng Bank (Manila and Hong Kong Branches). *Educational Background:* Master of Science in Computational Finance and Bachelor of Science in Commerce, Major in Management of Financial Institutions from De La Salle University - Manila, Philippines.

ALEXANDER ANTHONY G. GALANG, 58, Filipino, was appointed as **Chief Audit Executive** in May 06, 2019. He is also the **Senior Vice President** for Internal Audit of House of Investments, Inc., the parent company of iPeople, inc. since 2009. ***His past experiences include:* Vice President** for Audit & Special Projects of Anglo Asian Strategic Management Inc.; **President** of Avrion Systems Inc.; **Deputy Managing Director** of Cala Paniman, Inc.; **Treasury Head** of Anglo Asian Holdings Corporation; **Regional Auditor** for Asia and Pacific of Triumph International, Inc.; **Finance Head** of Triumph International Vietnam, Inc.; **Senior International Corporate Auditor** of International Semi-Tech Microelectronics, Inc., then parent company of Singer Sewing Machine Co. USA.; **Internal Audit Manager** of Honda Philippines, Inc., **Finance Comptroller** of Midas Touch Foods Corp, et. al.; **Senior Auditor** at SGV and Co. CPAs.; **Member, Board of Trustees** of the Association of Certified Fraud Examiners - Philippine Chapter. He is a Certified Public Accountant (CPA) having placed 12th in the 1981 licensure exams. He has a Global Certification as a Certified Fraud Examiner (CFE) and a Certification in Risk Management Assurance (CRMA). *Educational Background:* Bachelor of Science in Business Administration Major in Accounting (Cum Laude) from the University of Sto. Tomas.

JOSELITO D. ESTRELLA, 54, Filipino, was the **Chief Information Officer** until May 06, 2019. 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:* Master of Science in Information Technology from De La Salle University; Bachelor of Science in Commerce Major in Management from San Beda College.

DANILO R. TIONGCO, 49, Filipino, was appointed **Chief Information Officer** in May 06, 2019. He is also the **I.T. Head** of Malayan Colleges Mindanao since June 2017. ***His past experiences include:*** **Integrated Management System Representative** of Development Office for Information Technology (DOIT) of Mapúa University, **Enrollment Czar and Director** of DOIT, Mapua. ***Educational Background:*** Bachelor of Science in Computer Engineering from Mapúa University *(formerly Mapúa Institute of Technology).*

MA. ESPERANZA F. JOVEN, 48, Filipino, was the **Vice President for Finance** until May 06, 2019. She is also the **Vice President for Finance** in House of Investments, Inc.; **Vice President for Finance & Treasurer** in HI-Eisai Pharmaceuticals, Inc.; and a **Director** in Manila Memorial Park Cemetery, Inc., Zamboanga Industrial Finance Corporation, and San Lorenzo Ruiz Institute of Health Sciences, Inc. ***Her past experiences include:*** **MSCF Program Coordinator** and **Assistant Professional Lecturer** at De La Salle University; **Assistant Vice President for Financial Reporting** at J.P.Morgan Chase Bank N.A. She also held the Series 7, 63, and 24 licences with the Financial Industry Regulatory Authority (FINRA), The Nasdaq Stock Market, and in the 52 states and territories of the USA under E*Trade Securities LLC. ***Educational Background:*** Master of Science in Computational Finance and Bachelor of Science in Applied Mathematics from De La Salle University-Manila, Philippines.

VICTOR V. RAFAEL, 45, Filipino, was appointed **Vice President for Finance and Investor Relations** in May 06, 2019. Prior to his appointment, he was **Senior Manager** for Financial Planning & Analysis (FP&A) with the House of Investments, Inc. since 2016. ***His past experiences include:*** **Assistant Vice President for FP&A and Treasury** at Prime Orion Philippines, Inc (POPI). He held several positions in POPI from 2008 to 2016 including **Corporate Planning Manager; Treasury Manager** and AVP for FP&A and Treasury. ***Educational Background:*** Bachelor of Science in Business Administration from the University of the Philippines - Diliman, Philippines.

MARIA TERESA T. BAUTISTA, 46, Filipino, was the **Controller** until May 06, 2019. She is also the **Vice President- Corporate Controller** of House of Investments, Inc.; **Chief Financial Officer** of Greyhounds Security and Investigation Agency Corp., People eServe Corp., Xamdu Motors, Inc., **Zamboanga Carriers, Inc. and Zambowood Realty and Development Corp.; CFO and Treasurer** of Hexagon Lounge, Inc.; **Treasurer** of Secon Professional Security. ***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.

JONATHAN M. LOPEZ, 46, Filipino, was appointed as **Controller** in May 06, 2019. Prior to joining iPeople, inc., he was the **Controller** of Malayan Education Systems, Inc (MESI). ***His past experiences include*****: Finance Director** of TVI Resource Development, Inc. from 2010 to 2014. ***Educational Background:*** Bachelor in Accountancy from the Polytechnic University of the Philippines. He is a Certified Public Accountant.

LALAINE P. MONSERATE, 54, Filipino, was **Assistant Vice President - Legal and Compliance Officer** until May 06, 2019. ***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 Caceres. She passed the Bar Examinations in 1999.

DENISE JORDAN P. ARENILLO, 40, Filipino, was appointed as **Legal and Compliance Officer** in May 06, 2019. She is also the **Head of the Legal Affairs Department** of Malayan Education System, Inc. (MESI) operating under the name Mapua University since 2012 and the **Corporate Secretary** of Mapua TechServ, Inc., Mapua TechPower, Inc. and San Lorenzo Ruiz School of Health Sciences, Inc. ***Her past experiences include:*** **Senior Associate** at Fortun Narvasa and Salazar Law Offices with expertise in Corporate, Labor and Family Law. ***Educational Background***: Juris Doctor from Ateneo De Manila University School of Law; Bachelor of Science in Management, Major in Legal Management from the Ateneo De Manila University.

PAMELA Q. WU, 47, Taiwanese, was appointed as **Chief Human Resources Officer** in May 06, 2019. She has served as the **Chief Human Resources Officer** of AC Education, Inc since 2013. ***Her past experiences include:*** **Vice President of Human Resources** (Philippines and China) of Stream Global Services from 2010 to 2012, **Vice President of Human Resources** of eTelecare Global Solutions, Philippine from 2005 to 2009. ***Educational***

Background: Bachelor of Science in Psychology from Ateneo de Manila University, Philippines; Certificate of Business Administration from Washington State University.

SAMUEL V. TORRES, 54, Filipino, is the **Corporate Secretary.** His other present positions include: **General Counsel & Corporate Secretary** of Pan Malayan Management & Investment Corporation and **Corporate Secretary** of A. T. Yuchengco, Inc., A Y Foundation, Inc., A.Y. Holdings, Inc., Bankers Assurance Corp., Bluehounds Security and Investigation Agency, Inc., Luisita Industrial Park Corp., RCBC Bankard Services, Inc., Enrique T. Yuchengco, Inc. Investment Managers, Inc., Sun Life Grepa Financial, Inc., Grepaland, Inc., Grepa Realty Holdings Corporation, PetroEnergy Resources Corp., Seafront Resources Corp., GPL Cebu Tower Office Condominium Corp., Hexagon Integrated Financial & Insurance Agency, Inc., Hexagon Lounge, Inc., 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., Malayan Colleges Foundation, Inc., Malayan Information Technology Center, Inc., Malayan Colleges Laguna, Inc Led by A Mapua School, 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 Express, Inc., Pan Malayan Realty Corp., Philippine Advertising Agency, Inc., 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, Ateneo De Manila University School of Law; Bachelor of Science in Business Economics, University of the Philippines.

MA. ELVIRA BERNADETTE C. GARCIA-GONZALEZ, 42, Filipino, is the **Assistant Corporate Secretary.** She is also the **Assistant General Counsel** of Pan Malayan Management & Investment Corporation and **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, Ateneo De Manila University School of Law; Bachelor of Arts in Political Science, Ateneo De Manila University.

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 2019-2020.

Regular Directors:
1) Dr. Reynaldo B. Vea
2) Mr. Alfredo Antonio I. Ayala
3) Mr. Medel T. Nera
4) Mr. Gerardo C. Ablaza, Jr.
5) Mr. Lorenzo V. Tan
6) Ms. Yvonne S. Yuchengco

Independent Directors
1) Mr. Renato C. Valencia
2) Mr. Cesar A. Buenaventura
3) Ms. Herminia S. Jacinto

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 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 2018-2019 are as follows:

COMMITTEE	EXECUTIVE	BOARD RISK OVERSIGHT	AUDIT	CORPORATE GOVERNANCE & NOMINATION	REMUNERATION
Chairman	Renato C. Valencia	Ermilando D. Napa*	Cesar A. Buenaventura	Renato C. Valencia	Renato C. Valencia
Member	Reynaldo B. Vea	Cesar A. Buenavetura	Medel T. Nera	Cesar A. Buenvanetura	Yvonne S. Yuchengco
Member	Lorenzo V. Tan	Yvonne S. Yuchengco	Renato C. Valencia	Ermilando D. Napa*	Ernest K. Cuyegkeng*
Member	Yvonne S. Yuchengco				
Member	Milagros V. Reyes*				
Member	Ernest K. Cuyegkeng*				

* Resigned effective of May 06. 2019

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 IPO 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
There is no person who is not an executive officer that is expected by the issuer to make significant contribution to the business.

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,** 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 April 30, 2019:

(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, EVP, CFO and Treasurer 3. Joselito D. Estrella, Chief Information Officer 4. Ma. Esperanza F. Joven, VP-Finance 5. Maria Teresa T. Bautista, Controller	2019	(Est) P0	(Est) P0	(Est) P0
	2018	P0	P0	P0
	2017	P0	P0	P0
All other officers and directors as group unnamed.	2019	(Est) P0	(Est) P0	(Est) P1,110,000
	2018	P0	P0	P840,000
	2017	P0	P0	1,000,000
TOTALS	2019	(Est) P0	(Est) P0	(Est) P1,110,000
	2018	P0	P0	P840,000
	2017	P0	P0	P1,000,000

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

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

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

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

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

Item 7: Independent Public Accountants

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

Pursuant to 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
2018	₱2,346,500
2017	₱2,225,250
2016	₱2,344,200

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, 2018, Management Discussion and Analysis, Market Price of Shares and Dividends and other date related to the Company's financial information are attached hereto as Annex "B" and "Annex A", respectively.

Item 12: Mergers, Consolidations, Acquisitions and Similar Matters

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

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

Item 13: Acquisition or Disposition of Property

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

Item 14: Restatement of Accounts

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

D. OTHER MATTERS

Item 15: Action With Regard to Reports

The Minutes of the previous stockholders meeting held on June 29, 2018 and the Management Report as set forth in the Annual Report will be submitted for stockholders approval.

Approval of the June 29, 2018 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes of the events that transpired during the said meeting, such as (a) 2017 annual report and audited financial statements, (b) ratification of actions of the Board of Directors, different Committees and Management during the year 2018, (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 29, 2018 for the period 2018 up to the date of meeting (June 28, 2019). 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 29, 2018 and Special Stockholders' Meeting held on December 12, 2018.
2. Approval of the Management Report and the Audited Financial Statements of the Company for the year ended December 31, 2018
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 2018.
4. Election of Directors for 2019-2020
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 the Manual on Corporate Governance

The Company has monitored its compliance with Securities and Exchange Commission (SEC) Memorandum Circulars as well as all relevant Philippine Stock Exchange (PSE) Circulars on Corporate Governance. The Company submitted its New Corporate Governance Manual last May 30, 2017 in compliance with SEC Memorandum Circular No. 19, dated November 22, 2016. It has complied with the leading practices and principles on good corporate governance and appropriate self-rating assessment and performance evaluation to determine and measure its compliance with the said New Manual.

In compliance with SEC Memorandum Circular No. 20 dated December 8, 2016, the Company has submitted its Integrated Annual Corporate Governance Report (IACGR), for the period covering the year 2017, last May 30, 2018. For the period covering the year 2018, the Company will submit its IACGR this May 30, 2019.

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

In its IACGR, the Company has complied with the majority of the provisions and recommendations in the New Manual on Corporate Governance.

(c) Deviation from the Manual on Corporate Governance

Except for a few recommendations in the New Manual on Corporate Governance which the Company failed to comply (based on the "comply or explain" policy of SEC), the Company committed to comply with the same in 2018. Said compliance will be reflected in the 2018 IACGR due on May 30, 2019.

(d) Plans to Improve Corporate Governance

In order to improve the Company's adherence to the leading practices in good corporate governance as well as the New Manual on Corporate Governance, the Company's Directors and top Management continuously 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 compliance with the New 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 2018 ANNUAL REPORT ON SEC FORM 17-A FREE OF CHARGE. ANY WRITTEN REQUEST FOR A COPY OF SEC 17-A SHALL BE ADDRESSED AS FOLLOWS:

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

SIGNATURE

After reasonable inquiry and to the best of our knowledge and belief, we certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on May 15, 2019.

iPeople, inc.
By:

Atty. Denise Jordan P. Arenillo
Compliance Officer

Atty. Samuel V. Torres
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME THIS DAY OF MAY 15 2019
CITY OF MAKATI AFFIANT EXHIBITED HIS/HER COMMUNITY TAX CERTIFICATE NO. ____
ISSUED ON ____ ISSUED AT ____

ATTY. JOSHUA P. LAPUZ
Notary Public Makati City
Until Dec. 31, 2019
Appointment No. M-52-(2018-2019)
PTR No. 7332098 /Jan. 3, 2019/Makati
IBP Lifetime No. 04897 /7-3-2003 /Roll No. 45790
MCLE Compliance No. VI-0016565 /1-14-19
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

DOC. NO. 387
PAGE NO. 75
BOOK NO. 123
SERIES OF 2019

ANNEX 1

CERTIFICATION OF INDEPENDENT DIRECTOR

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

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

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

Company/Organization	Position/ Relationship	Period of Service
Buenaventura, Echauz & Partners, Inc.	Chairman	2001 to Present
Bloomberry Cultural Foundation	Director	2015 to Present
Concepcion Industrial Corporation	Director	2014 to Present
D.M. Consunji, Inc.	Director	1995 to Present
DMCI Holdings, Inc.	Vice Chairman	1995 to Present
ICTSI Foundation	Director	2015 to Present
Mitsubishi Hitachi Power Systems Philippines, Inc.	Chairman	1996 to Present
Pilipinas Shell Foundation, Inc.	Director	1983 to Present
Pilipinas Shell Petroleum Corporation	Director	1970 to Present
Petroenergy Resources Corp.	Director	1995 to Present
Semirara Mining and Power Corp.	Director	1997 to Present
The Country Club	Director	2016 to Present
International Container Terminal Services Inc.	Director	2019 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 APR 16 2019 day of April 2019, at Makati City, Metro Manila, Philippines.

CESAR A. BUENAVENTURA
Affiant

APR 16 2019

SUBSCRIBED AND SWORN to before me this _______ day of April 2019 at Makati City, affiant personally appeared before me and exhibited to me his Philippine Passport No. P9713800A, issued at DFA-MANILA, and valid until 28 AUG 2024.

Doc. No. 167;
Page No. 35;
Book No. 103;
Series of 2019.

ATTY. JOSHUA P. LAPUZ
Notary Public Makati City
Until Dec. 31, 2019
Appointment No. M-82-(2018-2019)

ANNEX 2

CERTIFICATION OF INDEPENDENT DIRECTOR

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

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

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

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

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

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

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

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

6. I 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 APR 15 2019 day of April 2019, at Makati City, Metro Manila, Philippines.

RENATO C. VALENCIA
Affiant

SUBSCRIBED AND SWORN to before me this APR 15 2019 day of April 2019 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. 66;
Page No. 15;
Book No. 102;
Series of 2019.

ATTY. JOSHUA P. LAPUZ
Notary Public Makati City
Until Dec. 31, 2019
Appointment No. M-02-(2018-2019)
PTR No. [illegible] /Jan. 3, 2019 /Makati
IBP Lifetime No. [illegible] Roll No. 65790
MCLE Compliance No. V-0019672
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

ANNEX "A" - COMPANY/ORGANIZATION AFFILIATIONS

No.	Company/Organization	Position/Relationship	Period of Service/Status
1	Anglo Phil., Inc.	D	2006 to date
2	Aquaworld Corporation	I, D	Inactive
3	Asia Pacific Network Holdings	I,S,D, Vice Chair	Inactive
4	CNP Worldwide, Inc.	I,S,D, Chair	Inactive
5	Far East Savings Bank, Inc.	I, D	1997-98/acquired by BPI
6	Golden Paradise Ents. Inc.	D	not operational
7	Grepalife Dollar Bond Fund Corp	I, D	2006 to 2011
8	Grepalife Fixed Income Fund Corp.	D	2006 to 2011
9	House of Investments, Inc.	D	March 17, 2005 to 2016
10	Hypercash Payment Systems, Inc.	I, S, D, Chair	Inactive
11	Icash, Inc.	D	not operational
12	Independent Insight, Inc.	I, S, D, Vice Chair	June 27, 2001 to Oct. 2011
13	Intervest Consulting Group	I, S, D	Inactive
14	i-People, Inc.	D, Chair	June 26, 2006 to date
15	Malayan Insurance Co., Inc.	D	2006 to date
16	Metropolitan Bank & Trust Company	D	November 1998 to May 2017
17	My PaySwitch, Inc.	I, S, D, Pres.	Pre-Operating
18	NG.com, Inc.	I, S, D	Inactive
19	Philippine Coca Cola System Council	D	May 2, 2007 to Oct. 2011
20	Point Lobo Int'l Corp.	D, Pres.	Inactive
21	Reliant Ventures Holdings, Inc.	I, S, D, Chair	Inactive
22	Roxas & Co.	D	2006; 2010 to Oct. 2015
23	Roxas Holdings, Inc.	D	2006; 2010 to Oct. 2015
24	Triple Top AIM, Inc.	I, S, D	Inactive
25	EEI Corporation	D	Sep. 8, 2015 to date
26	GT Capital, Inc.	D	May 10, 2017 to date

N.B. I (Incorporator); S (Stockholder); D (Director)

ANNEX A

RENATO C. VALENCIA

Company / Organization	Position / Relationship	Period of Service
OMNIPAY, INC.	Chairman	3/26/2019 to Present
IPeople, Inc.	Chairman	9/2/2005 to Present
Anglo Philippine Holdings Corporation	Independent Director	3/19/2007 to Present
EEI Corporation	Independent Director	9/8/2015 to Present
GT Capital, Inc.	Lead Independent Director	5/10/2017 to Present
Malayan Insurance Company, Inc.	Independent Director	3/18/2005 to Present

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **HERMINIA S. JACINTO**, Filipino, of legal age and a resident of 75 JP Laurel St., BF Homes, East Phase 6, 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
BDO Life Assurance Co.	I. Director	7 Years
Fortune General Insurance Corp.	I. Director	5 Years
Bankers Assurance Co Inc	I. Director	5 Years

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 14 day of May 2019, at Makati City, Metro Manila, Philippines.

HERMINIA S. JACINTO
Affiant

SUBSCRIBED AND SWORN to before me this 14 day of May 2019 at MAKATI CITY, affiant personally appeared before me and exhibited to me her Passport No. EC7168279, issued at DFA NCR South, and valid until 19 Mar 2021.

Doc. No. 485;
Page No. 98;
Book No. XI;
Series of 2019.

Notarial DST pursuant to
Sec. 188 of the Tax Code
affixed on Notary Public's copy.

MARIA PAULA G. ROMERO-BAUTISTA
NOTARY PUBLIC
ROLL NO. 58335
MAKATI CITY, PHILS.

MARIA PAULA G. ROMERO-BAUTISTA
Notary Public – Makati City
Appt. No. 153 until December 31, 2019
Roll of Attorneys No. 58335
IBP No. 059414 – 01/09/19 – Makati City
PTR No. 7341730ME – 01/08/19 – Makati City
MCLE Compliance No. VI – 0009490 –06/20/2018
27th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

iPeople
A YGC Member

15 May 2019

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 28 June 2019 are government employees.

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

Very truly yours,

SAMUEL V. TORRES
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME THIS DAY OF MAY 15 2019 IN THE CITY OF MAKATI AFFIANT EXHIBITED HIS/HER COMMUNITY TAX CERTIFICATE NO. ______ ISSUED ON ______ ISSUED AT ______

ATTY. JOSHUA P. LAPUZ
Notary Public Makati City
Until Dec. 31, 2019
Appointment No. M-82-(2018-2019)
PTR No. 7333096 /Jan. 3, 2019/Makati
IBP Lifetime No. 04897 /7-3-2003 /Roll No. 45790
MCLE Compliance No. VI-0016565 /1-14-19
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

DOC. NO. 356
PAGE NO. 73
BOOK NO. 123
SERIES OF 2019

iPeople, inc.
A YGC Member

ANNEX "A"

MANAGEMENT REPORT

Financial and Other Information

Audited Financial Statements
The Statement of Management's Responsibility and Consolidated Audited Financial Statements of the Group as at December 31, 2018 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 technological university in the Philippines. Don Tomas Mapúa, the first registered Filipino architect, founded Mapúa Institute of Technology on January 25, 1925. Mapúa 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 Civil Engineering program and other seven programs with Level IV and III status, respectively. Through the accreditation, these programs are highly respected, having 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. CHED also recognized eight (8) of University's engineering programs as Centers of Excellence (COE) and one (1) as Center of Development (COD). Mapúa has the most number of engineering programs with COE status in the Philippines.

Mapúa University is also the first school in Southeast Asia to receive the prestigious accreditation from the United States' ABET (www.abet.org) for 11 of its engineering programs and three (3) of its computing programs. ABET accreditation ensures that graduates from the degree programs receive education and training comparable to similar degree programs in the US and Europe. The University currently holds the highest number of ABET-accredited programs in a single academic entity in the Philippines.

The University is also 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 also received program accreditations from the Philippine Computer Society - Information and Computing Accreditation Board (PICAB). The University now has eight (8) PTC-ACBET-accredited engineering programs and three (3) PICAB- accredited computing programs.

Further testifying to its academic excellence, Mapúa has been granted University status by the Commission on Higher Education on May 18, 2017. This milestone 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 three-star rating for excellence by the Quacquarelli Symonds (QS). 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.

The following year, Mapúa has been recognized as one of the best universities in Asia, earning a spot in the QS Asia Top 500 University Rankings for 2019. It is one of the eight Philippine universities that made it to the list.

In the same year, the University acquired an ISO certification on environmental management systems, or ISO 140001:2015, a testament to its dedication to reducing its carbon footprint. Mapúa is the first Philippine educational institution granted ISO 14001 certification by TÜV SÜD. Mapúa has also upgraded its ISO certification on quality management systems from 9001:2008 to 9001:2015, demonstrating Mapúa's processes and management systems' adherence to international standards.

Mapúa University continues to be among the top performing schools in licensure examinations regulated by the Professional Regulation Commission (PRC). Its graduates consistently place in the top ten of various board examinations. To date, Mapúa has produced a total of 361 topnotchers across 11 of PRC – administered licensure examinations since 2000.

Mapúa graduates also receive the highest average monthly salary for employees with one to four years experience, supervisors or employees with experience of five years or more, and assistant managers or managers, as revealed by a survey conducted by online publication Entrepreneur Philippines and online employment portal Jobstreet.com Philippines in July 2017.

MALAYAN COLLEGES LAGUNA, INC. (A MAPÚA SCHOOL)
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).

On the July 2017 Master Plumber Licensure Examination, MCL ranked as the no. 1 Top Performing School with an 85.71% passing rate.

MCL is also continuously producing topnotchers in different licensure and certification examinations.

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.

MCM looms along General Douglas MacArthur Highway in Matina, Davao City, and opened its doors to senior high school and college students last July 2, 2018. It was inaugurated by Philippine President Rodrigo Duterte and graced by the cordial presence of Davao City Mayor Sara Duterte, YGC Chairperson Mrs. Helen Yuchengco-Dee, and MCM President Dr. Reynaldo B. Vea. YGC executives and special guests from both public and private sectors attended the inauguration ceremony last July 7, 2018.

MCM has come to Davao City with the core vision of transforming students to become globally competitive professionals highly preferred by industries locally and abroad. The prestigious institution also distinguishes itself from rest of the colleges and universities in Mindanao through:

1. Learner-centered outcomes-based education
2. Blended online and face-to-face learning sessions
3. Industry Partnerships
4. Mindanao-centric Learning
5. Advanced Learning Facilities

With 14 baccalaureate programs in engineering, architecture, arts and sciences, information science, business, and complete senior high school academic and technical-vocational tracks, MCM has already reached its target number of enrollees in its first year of operation in Davao City.

For the school year 2019-2020, MCM expands global initiatives with new partners and opening of three additional programs under Alfonso T. Yuchengco College of Business namely, B.S. Accountancy, B.S. Management Accounting and B.S. Tourism Management.

Topped with cutting-edge learning facilities and resources, MCM equips students towards achieving excellence and relevance.

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 237 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 University, 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 2018 vs. Year 2017

Financial Position

Total consolidated assets increased from ₱7.89 billion to ₱9.97 billion, or a 26% growth compared to last year.

Consolidated current assets increased by 11% primarily because of 110% increase in receivables. The increase in receivables is due to the change in school calendars of MESI and MCL, and the start of school operations of MCM during the year. Receivables from related parties pertain to uncollected lease income from an affiliate. Prepaid expenses and other current assets went down from ₱111.39 million to ₱82.32 million mainly because of the application of deposit for the land purchased by MCM during the year.

The consolidated non-current assets grew by 28% due to the MESI acquisition of land for a new campus in Makati, development of new Makati campus and completion of MCM campus in Mindanao, acquisition of new furniture and equipment, and increase in value of land owned by the Group. Available-for-sale financial assets went down by 43% from last year due to lower market price as of the reporting date. Other non-current assets went down because the reservation deposit paid in 2017 was refunded in 2018.

Total consolidated liabilities increased from P1.87 billion to P3.56 billion. This is primarily due to additional loans availed to finance the acquisition of land and development of new campus in Makati and completion of school campus in Mindanao. Accounts payable and accrued expenses pertain largely to obligations to suppliers.

Unearned tuition fees are higher this year mainly due to the change in school calendar of MESI and MCL and the unearned tuition fees related to start of school operations of MCM. Dividends payable decreased by 18% from last year to lower dividend payable to non-controlling interest of MESI.

Total equity of the Group rose by 6%, primarily driven by other comprehensive income related to the revaluation increment on land.

Results of Operations

The Group posted a consolidated net income of ₱237.10 million, which is 43% lower as against ₱413.36 million last year.

The results of the first year of operation of MCM, contributed a significant part to the lower consolidated income of the Group. Additionally, MCM incurred losses because the school only catered to grade 11 senior high school and college freshmen students in its first year of operations. The future results of operations of MCM is expected to improve as it accepts more students in the succeeding years of operation.

Consolidated revenues decreased by 6%, from ₱1.93 billion to ₱1.81 billion, primarily because the of change in school calendar by moving the start of school year by one month and consequently, continuing negative effect in revenue of the K plus 12 program of CHED. Revenues from hardware reselling and services also dropped significantly due to cessation of business of the Group's IT Company effective July 2017.

Consolidated cost of sales and services is almost the same from last year at ₱1.28 billion. Cost of goods sold went down by ₱0.04 billion due to the cessation of the operations of Pan Pacific Computer Center, Inc. in July 2017, but this was offset by the additional costs related to the start of school operations of MCM in July 2018.

General and administrative expenses increased by 20% this year, from ₱206.33 million to ₱247.76 million. The increase is mainly due to the expenses related to the start operations of MCM in July 2018.

Interest expense and other finance charges significantly increased from ₱4.23 million to ₱36.03 million due to additional loans and increase in interest rates.
Interest income was lower by ₱1.61 million, from ₱12.95 million to ₱11.35 million because of lower volume of placements during the year.

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

CONSOLIDATED RESULTS - Year 2017 vs. Year 2016

Financial Position

Total consolidated assets increased from ₱6.53 billion to ₱7.89 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 ₱111.39 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 furniture and equipment. Available-for-sale financial assets grew by 47% from last year due to higher market price as of the reporting date. Other non-current assets include the reservation deposit 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 manage 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.

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 ₱413.36 million, which is 36% lower as against ₱643.27 million of last year.

Consolidated revenues decreased by 16%, from ₱2.30 billion to ₱1.93 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 ₱1.39 billion to ₱1.28 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, rental income of schools, 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 has 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 from ₱2.42 billion to ₱2.30 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 from ₱1.34 billion to ₱1.38 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.

Financial Ratios

Below are the financial ratios that are relevant to the Group's for the year ended December 31, 2018 and 2017:

Financial ratios		**2018**	2017
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**0.30:1**	0.56:1
Solvency Ratio *Shows how likely a company will be to continue meeting its debt obligations*	Net Income + Depreciation / Total Liabilities	**0.13:1**	0.33:1
Debt-to-equity ratio *Measures the Group's leverage*	Total Debt / Equity	**0.59:1**	0.33:1

Financial ratios		2018	2017
Asset to Equity Ratio *Shows how the company's leverage (debt) was used to finance the firm*	Total Assets / Equity	**1.55:1**	1.31:1
Interest Rate Coverage *Shows how easily a company can pay interest on outstanding debt*	EBIT / Interest Expense	**8.35**	109.89:1
Return on Average Stockholders' Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Equity	**3.81%**	7.16%
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income / Total Assets	**2.38%**	5.24%

Current ratio provides the liquidity position of the business by comparing current assets to current liabilities. The current ratio dropped from 0.56:1 in 2017 to 0.30:1 in 2018, primarily due to higher borrowing of the Group to partially finance its expansion programs.

Solvency ratio decreased from 0.33:1 in 2017 to 0.13:1 in 2018 due to lower net income because of the effect on change in school calendar, continuing effect of K plus 12 program of CHED and higher loans to partially finance its expansion programs.

Debt-to-Equity ratio measures the Group's leverage. The total debt-to-equity ratio of the Group is 0.59:1 for 2018 and 0.33:1 for 2017. This is because of additional loans availed by the group.

Asset to Equity ratio increased from 1.31:1 in 2017 to 1.55:1 in 2018 because of the increase in asset base relative to the acquisition of land in Makati, construction of new school buildings and higher valuation of land.

Interest Rate Coverage shows the capability of a company to pay interest on outstanding debt. Due to higher interest expense and lower income, interest rate coverage ratio significantly went down from 109.89:1 in 2017 to 8.35:1 in 2018.

Return on Average Stockholders' Equity (ROAE) measures the profitability of the Company in relation to the average stockholders' equity. The ROAE for 2018 has dropped to 3.8% from 7.2% in 2017 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 2018 dropped to 2.38%, from 5.24% in 2017. This is attributable to lower net income, and increase in total assets mainly due to the acquisition of new property in Makati and construction of school buildings in Makati and Mindanao.

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 Education System, Inc. (MESI) (operating under the name of Mapua University) is constructing a new campus on a 0.5-hectare property in Makati. Completion of the construction is expected in time for the Academic Year 2020-2021. The total project is estimated at around P2.5 billion and will be funded partially by debt.

Except for the construction of new campus of MESI, 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. Also, as a strategic response to the K Plus 12 developments, iPeople is actively seeking opportunities to expand its current education portfolio.

The Universal Access to Tertiary Education Act (RA10931) had its first time implementation this AY 2019-19. There was a decline in college freshman intake in private schools as a result. A large portion of the incoming freshman had applied with SUC/LUCs to avail of free education under the Act.

Other than the K plus 12 and RA10931, 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 Education System, 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 MESI 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 P0.28 in December 2018 compared to P0.51 and P0.80 in December 2017 and 2016, 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. ("HI") 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 MESI"). 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 three wholly-owned operating subsidiaries, the Malayan Colleges Laguna, Inc. (A Mapúa School) ("MCL"), Malayan Colleges Mindanao (A Mapua School), Inc. ("MCM") and the Malayan High School of Science, Inc. ("MHSS").

MCM is Mapúa University's recently incorporated school. MCM opened its doors to senior high school and college students last July 2, 2018.

On October 1, 2018, the Board of Directors (BOD) of the Parent Company executed a memorandum of agreement (MOA) for a proposed Plan of Merger between the Parent Company and AC Education, Inc. (AEI), the wholly owned education arm of Ayala Corporation (AC), with the Parent Company as the surviving entity with HI and AC owning 48.18% and 33.5%, respectively. The merger would bring together the educational arms of HI and AC.

The proposed merger was subsequently approved by the Parent Company's Stockholders on December 12, 2018 and was approved by the Philippine Competition Commission (PCC) on December 12, 2018. On April 24, 2019, the Company received from the Securities and Exchange Commission (SEC), the Certificate of Filing of the Articles and Plan of Merger approving the merger. On May 02, 2019, the merger by and between the Company and of AC Education became effective with iPeople, being the surviving corporation, is deemed to have acquired all the assets and to have assumed all the liabilities of AC Education, Inc. On May 09, 2019, the Company acquired the 281,642 MESI common shares owned by HI, which represents its 7% ownership in MESI. With the acquisition, iPeople now owns 100% of MESI.

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.

  The Universal Access to Tertiary Education Act (RA10931) had its first time implementation this AY 2018-19. There was a decline in college freshman intake in private schools as a result. A large portion of the incoming freshman had applied with SUC/LUCs to avail of free education under the Act.

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, 2019 (**latest practicable trading date**) is P10.98 per share (same high and low).

	STOCK PRICE	
PERIOD	HIGH	LOW

2019 First Quarter	15.00	10.40
2018 Fourth Quarter	14.80	10.02
2018 Third Quarter	13.80	11.80
2018 Second Quarter	13.38	12.50
2018 First Quarter	16.50	12.00
2017 Fourth Quarter	14.00	11.84
2017 Third Quarter4	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

b. Top 20 owners of common stock as of April 30, 2019

STOCKHOLDER	NUMBER OF SHARES	% OF TOTAL
HOUSE OF INVESTMENTS, INC.	501,940,749	67.02%
PCD NOMINEE CORP	181,162,284	24.19%
A. SORIANO CORPORATION	54,984,522	7.34%
HYDEE MANAGEMENT & RES. CORP.	653,800	0.09%
PCD NOMINEE CORP	473,648	0.06%
KHO, DAVID L.	343,900	0.05%
YAN, LUCIO	325,000	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%
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	113,100	0.02%
UY, JOHNNY S.	97,500	0.01%
UY-TIOCO, GEORGE	97,500	0.01%
SECOR HOLDINGS INC.	85,000	0.01%
UY TAN, JUANITA	82,500	0.01%
SUB TOTAL	***741,802,691***	***99.05%***
Others	7,130,530	0.95%
TOTAL	**748,933,221**	**100.00%**

IPO has a total of 2,018 shareholders owning a total of 748,933,221 shares as of April 30, 2019.

c. Dividends

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

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

The company has declared cash dividends as follows:

YEAR	DIVIDEND PER SHARE	TOTAL AMOUNT
Q1 2019	P0.06	P44.94MM
2018	P0.24	P179.74MM
2017	P0.24	P179.74MM
2016	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 2018.

Description of Registrant's Securities: Common Stock

The equity capital structure of the firm as of December 31, 2018 is shown:

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

iPEOPLE

ANNEX "B"

iPeople, inc. and Subsidiaries
Consolidated Financial Statements
December 31, 2018 and 2017
and
Report of Independent Auditors

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, 2018 and 2017, 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, 2018, 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, 2018 and 2017, 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.

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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 at December 31, 2018, the carrying value of the Group's land amounted to ₱5,521.01 million, representing 55% of the Group's total assets. In addition, the Group recognized a revaluation gain of ₱350.45 million in other comprehensive income for the year ended December 31, 2018. 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 5 to the consolidated financial statements for the relevant significant estimate, 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 at December 31, 2018, the Group's goodwill attributable to the acquisition of Malayan Education System, 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.

Refer to Note 5 to the consolidated financial statements for the relevant significant estimate, and Note 11 for the disclosure about goodwill.

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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 published market information. We tested the parameters used in the determination of discount rate against market data. In addition, we reviewed the Group's disclosures about those assumptions to which the outcome of the impairment tests are most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of the goodwill.

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, Revenue from Contracts with Customers, under the full retrospective approach. The adoption of PFRS 15 resulted in changes in the Group's revenue recognition policies, process and procedures.

The adoption of PFRS 15 is significant to our audit because this involves application of significant management judgment and estimation in: determining whether the criteria for the recognition of revenue from tuition fees and other matriculation fees is met, particularly for students with school-granted scholarships; and determining the timing of satisfaction of performance obligation.

The disclosures related to the adoption of PFRS 15 are included in Notes 3, 5, and 17 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's process in implementing the new revenue recognition standard. We reviewed the PFRS 15 adoption papers and accounting policies prepared by management which includes analysis of contracts.

We obtained the contracts which is the certificate of matriculation and assessment and reviewed whether the accounting policies appropriately considered the five-step model and cost requirements of PFRS 15.

We reviewed sample contracts and checked whether the performance obligations within the contracts have been identified. We reviewed sample contracts and checked whether the Group's timing of revenue recognition is based on when the performance occurs and control of the related services is transferred to the student.

We reviewed the application of the accounting policy in relation to the adoption of the new standard. We also reviewed the disclosures related to the transition based on the requirements of PFRS 15.

Assessment of Contingent Liabilities and Estimation of Provisions from Claims

The Group is involved in certain legal proceedings. The inherent uncertainty over the outcome of these claims is brought about by the difference in the interpretations and implementation of the relevant regulations. The assessment of whether the provision should be recognized and the estimation of the potential liability resulting from these assessments require significant judgment by management.

The disclosures on management judgment on assessment of contingent liabilities and estimation of provisions and amounts recognized are included in Notes 13 and 29 to the consolidated financial statements.

Audit Response

We inquired of the Group's legal counsel and management about the status of the claims and obtained legal opinion from the legal counsels, and representation from the Group management. We also inspected relevant correspondences with the regulatory bodies and other relevant parties. We involved our internal specialist in the evaluation of management's assessment on whether provision should be recognized and the estimation of such amount.

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, 2018, 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, 2018 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ana Lea C. Bergado.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

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. 7332529, January 3, 2019, Makati City

March 29, 2019

SGVFS033935

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, 2018, 2017 and 2016, 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.

SUBSCRIBED AND SWORN TO BEFORE ME
THIS APR 12 2019 AT PASAY CITY

RENATO C. VALENCIA
Chairman

DR. REYNALDO B. VEA
President & CEO

GEMA O. CHENG
EVP-Chief Financial Officer & Treasurer

ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DEC. 31, 2020
PTR NO. 6397931 PASAY CITY
IBP NO. 058411 PASAY CITY
ISSUED ON 1/3/2019
ROLL NO. 28761 PASAY CITY
MCLE COMPLIANCE NO. V-0024151/10/2...

Signed this 20th day of March, 2019
APR 12 2019

DOC NO. 453
PAGE NO. 84
BOOK NO. II
SERIES OF 2019

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

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017 (As restated, Note 3)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 14 and 28)	**₱587,838,922**	₱632,811,619
Receivables (Notes 7 and 28)	**327,765,719**	156,402,797
Receivables from related parties (Notes 14 and 28)	**844,735**	1,035,882
Prepaid expenses and other current assets (Notes 3 and 8)	**82,316,258**	111,385,708
Financial assets at fair value through profit or loss (Note 28)	**8,699,745**	8,461,820
Total Current Assets	**1,007,465,379**	910,097,826
Noncurrent Assets		
Property and equipment at cost (Note 9)	**3,246,597,467**	2,550,592,602
Land at revalued amounts (Notes 9 and 10)	**5,521,007,994**	3,939,773,600
Goodwill (Note 11)	**137,853,345**	137,853,345
Equity instruments at fair value through other comprehensive income (FVOCI) (Notes 3 and 28)	**14,389,673**	–
Available-for-sale (AFS) financial assets (Notes 3 and 28)	**–**	25,079,144
Net pension asset (Note 23)	**6,276,581**	1,881,243
Deferred tax assets - net (Note 21)	**5,129,252**	5,987,596
Other noncurrent assets (Note 12)	**33,770,600**	321,200,114
Total Noncurrent Assets	**8,965,024,912**	6,982,367,644
	₱9,972,490,291	₱7,892,465,470
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 3, 13 and 28)	**₱674,290,435**	₱629,970,393
Payables to related parties (Notes 14 and 28)	**13,014,439**	20,957,655
Income tax payable	**11,077,149**	6,746,071
Dividends payable (Notes 16 and 28)	**57,018,083**	69,343,445
Short-term loans (Notes 15 and 28)	**2,240,000,000**	810,000,000
Unearned income (Notes 3 and 13)	**314,947,490**	86,786,878
Total Current Liabilities	**3,310,347,596**	1,623,804,442
Noncurrent Liabilities		
Net pension liability (Note 23)	**40,008,432**	66,299,937
Deferred tax liabilities - net (Note 21)	**208,573,950**	177,270,677
Total Noncurrent Liabilities	**248,582,382**	243,570,614
Total Liabilities	**₱3,558,929,978**	₱1,867,375,056

(Forward)

	December 31	
	2018	2017 (As restated, Note 3)
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):		
Fair value reserve of equity instruments at FVOCI (Notes 3 and 28)	**(3,972,571)**	–
Unrealized gain on AFS financial assets (Notes 3 and 28)	**–**	6,716,900
Revaluation increment on land - net (Note 10)	**1,574,007,954**	1,248,233,353
Remeasurement gains on defined benefit plans (Note 23)	**35,093,161**	31,676,374
Retained earnings (Note 16)	**3,643,131,374**	3,611,840,138
	5,998,631,966	5,648,838,813
Less: Treasury stock (Note 16)	**209**	209
	5,998,631,757	5,648,838,604
Non-controlling interest in consolidated subsidiaries (Note 25)	**414,928,556**	376,251,810
Total Equity	**6,413,560,313**	6,025,090,414
	₱9,972,490,291	₱7,892,465,470

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017 (As restated, Note 3)	2016 (As restated, Note 3)
REVENUE FROM CONTRACTS WITH CUSTOMERS (Notes 3 and 17)			
Revenue from schools and related operations	**₱1,807,558,124**	₱1,884,198,632	₱2,156,434,587
Sale of services	**937,820**	2,721,362	19,179,504
Sale of goods	**37,062**	40,569,289	120,253,219
	1,808,533,006	1,927,489,283	2,295,867,310
COSTS AND EXPENSES			
Cost of schools and related operations (Notes 3 and 18)	**1,279,402,975**	1,237,000,483	1,252,683,100
Cost of services	**3,277,670**	4,103,788	19,830,350
Cost of goods sold (Note 18)	**30,280**	36,780,189	106,451,833
	1,282,710,925	1,277,884,460	1,378,965,283
GROSS PROFIT	**525,822,081**	649,604,823	916,902,027
GENERAL AND ADMINISTRATIVE EXPENSES (Note 19)	**(247,762,350)**	(206,330,030)	(223,404,409)
INTEREST AND OTHER FINANCE CHARGES (Note 20)	**(36,026,365)**	(4,233,169)	(9,089,294)
INTEREST INCOME (Note 20)	**11,346,401**	12,954,820	12,080,968
OTHER INCOME	**11,590,281**	8,937,832	25,630,670
INCOME BEFORE INCOME TAX	**264,970,048**	460,934,276	722,119,962
PROVISION FOR INCOME TAX (Note 21)	**27,874,800**	47,575,350	78,850,196
NET INCOME	**237,095,248**	413,358,926	643,269,766
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Revaluation increment on land - net of tax (Note 10)	**350,450,995**	283,187,880	251,820,578
Fair value reserve of equity instruments at FVOCI (Notes 3 and 28)	**(10,689,471)**	–	–
Remeasurement gains (losses) on defined benefit plans - net of tax (Note 23)	**3,679,402**	9,310,800	17,912,044
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods (Notes 3 and 28)			
Unrealized gains on AFS financial assets	–	8,017,103	2,672,368
	343,440,926	300,515,783	272,404,990
TOTAL COMPREHENSIVE INCOME	**₱580,536,174**	₱713,874,709	₱915,674,756
Net income attributable to:			
Equity holders of the parent (Note 24)	**₱211,035,192**	₱381,584,442	₱595,715,580
Non-controlling interest in consolidated subsidiaries (Note 25)	**26,060,056**	31,774,484	47,554,186
	₱237,095,248	₱413,358,926	₱643,269,766
Total comprehensive income attributable to:			
Equity holders of the parent	**₱529,537,109**	₱661,507,979	₱848,614,721
Non-controlling interest in consolidated subsidiaries (Note 25)	**50,999,065**	52,366,730	67,060,035
	₱580,536,174	₱713,874,709	₱915,674,756
Basic/Diluted Earnings Per Share (Note 24)	**₱0.2818**	₱0.5095	₱0.7954

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent Company										
	Common Stock (Note 16)	Additional Paid-in Capital	Unrealized Gain on AFS Financial Assets (Note 3 and 28)	Fair Value Reserve of Equity instruments at FVOCI (Note 3 and 28)	Revaluation Increment on Land - net of tax (Note 10)	Remeasurement Gains (Losses) on Net Defined Benefit Plans (Note 23)	Retained Earnings (Note 16)	Treasury Stock (Note 16)	Total	Non - controlling Interest (Note 25)	Total
					For the year ended December 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	–	–	–	–	–	–	211,035,192	–	211,035,192	26,060,056	237,095,248
Other comprehensive income	–	–	–	(10,689,471)	325,774,601	3,416,787	–	–	318,501,917	24,939,009	343,440,926
Total comprehensive income	–	–	–	(10,689,471)	325,774,601	3,416,787	211,035,192	–	529,537,109	50,999,065	580,536,174
Transfer of unrealized gain on AFS financial assets to fair value reserve of equity instruments at FVOCI (Note 3)	–	–	(6,716,900)	6,716,900	–	–	–	–	–	–	–
Dividends declared	–	–	–	–	–	–	(179,743,956)	–	(179,743,956)	(12,322,319)	(192,066,275)
Balances as at December 31, 2018	**₱748,933,221**	**₱1,438,827**	**₱–**	**(₱3,972,571)**	**₱1,574,007,954**	**₱35,093,161**	**₱3,643,131,374**	**(₱209)**	**₱5,998,631,757**	**₱414,928,556**	**₱6,413,560,313**
					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	–	–	–	–	–	–	381,584,442	–	381,584,442	31,774,484	413,358,926
Other comprehensive income	–	–	8,017,103	–	263,247,701	8,658,733	–	–	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	–	–	–	–	–	–	595,715,580	–	595,715,580	47,554,186	643,269,766
Other comprehensive income	–	–	2,672,368	–	233,540,728	16,686,045	–	–	252,899,141	19,505,849	272,404,990
Total comprehensive income	–	–	2,672,368	–	233,540,728	16,686,045	595,715,580	–	848,614,721	67,060,035	915,674,756
Dividends declared	–	–	–	–	–	–	(179,743,972)	–	(179,743,972)	(19,715,710)	(199,459,682)
Balances as at December 31, 2016	₱748,933,221	₱1,438,827	(₱1,300,203)	₱–	₱984,985,652	₱23,017,641	₱3,409,999,669	(₱209)	₱5,167,074,598	₱348,529,717	₱5,515,604,315

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱264,970,048**	₱460,934,276	₱722,119,962
Adjustments for:			
Depreciation and amortization (Notes 9, 12, 18 and 19)	**218,310,245**	209,283,243	206,736,094
Interest expense and other finance charges (Note 20)	**36,026,365**	4,233,169	9,089,294
Interest income (Note 20)	**(11,346,401)**	(12,954,820)	(12,080,968)
Provision for doubtful accounts (Notes 7 and 19)	**1,899,577**	10,000,476	6,323,039
Unrealized market gain on financial assets at FVPL	**(237,925)**	(122,177)	(133,870)
Unrealized foreign exchange gain	**(677,468)**	(25,376)	(1,049,899)
Loss (gain) on disposal of property and equipment	**8,453**	(19,137)	–
Operating income before working capital changes	**508,952,894**	671,329,654	931,003,652
Decrease (increase) in:			
Receivables	**(172,749,272)**	(21,771,528)	(2,933,793)
Prepaid expenses and other current assets	**27,935,513**	(28,239,427)	7,534,054
Increase (decrease) in:			
Accounts payable and accrued expenses	**46,409,141**	(34,029,811)	(97,235,370)
Unearned tuition fees	**228,160,611**	36,118,312	40,587,600
Net pension asset and liability	**(26,613,814)**	1,462,496	1,028,143
Net cash generated from operations	**612,095,073**	624,869,696	879,984,286
Interest paid	**(37,245,011)**	(3,040,458)	(10,071,961)
Income taxes paid	**(29,580,795)**	(48,500,025)	(86,114,100)
Interest received	**10,833,173**	13,076,957	12,635,733
Net cash flows from operating activities	**556,102,440**	586,406,170	796,433,958
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisitions of:			
Land (Notes 10 and 27)	**(1,191,844,400)**	–	(2,060,700)
Property and equipment (Notes 9 and 27)	**(914,664,384)**	(1,046,952,364)	(224,702,428)
Computer software (Note 12)	–	(2,030,619)	(4,985,281)
Proceeds from disposal of:			
Property and equipment	–	1,294,817	98,770
Decrease (increase) in:			
Receivables from related parties	**191,147**	2,679,123	(2,232,573)
Other noncurrent assets	**286,899,884**	(300,180,754)	(650,726)
Net cash flows used in investing activities	**(1,819,417,753)**	(1,345,189,797)	(234,532,938)

(Forward)

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS USED IN FINANCING ACTIVITIES			
Proceeds from short-term loans (Notes 15 and 27)	**₱2,860,000,000**	₱940,000,000	₱100,000,000
Payments of short-term loans (Notes 15 and 27)	**(1,430,000,000)**	(230,000,000)	–
Payments of long-term debt	**–**	–	(188,500,000)
Dividends paid to stockholders (Note 27)	**(204,391,637)**	(199,457,230)	(199,461,850)
Increase (decrease) in payables to related parties (Note 27)	**(7,943,215)**	7,669,169	(697,612)
Net cash flows from (used in) financing activities	**1,217,665,148**	518,211,939	(288,659,462)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**677,468**	25,376	1,049,899
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(44,972,697)**	(240,546,312)	274,291,457
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 (Notes 6 and 28)	**₱587,838,922**	₱632,811,619	₱873,357,931

See accompanying 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 (PPCCI) and People eServe Corporation (PEC). Parent Company has also 93% ownership in Malayan Education System, Inc. (MESI), Malayan Colleges Laguna, Inc. (MCLI), Malayan Colleges Mindanao, Inc. (MCMI), Malayan High School of Science, Inc. (MHSSI), Mapua Information Technology Center, Inc. (MITC), Mapua Techserv, Inc. (MTI), and San Lorenzo Ruiz Institute of Health Science, Inc. (SLRIHSI). Mapua Techpower, Inc. is 75% owned by the Parent Company through MTI.

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

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

Plan of Merger

On October 1, 2018, the Board of Directors (BOD) of the Parent Company executed a memorandum of agreement (MOA) for a proposed Plan of Merger between the Parent Company and AC Education, Inc. (AEI), the wholly owned education arm of Ayala Corporation (AC), with the Parent Company as the surviving entity with HI and AC owning 48.18% and 33.5%, respectively. The proposed merger was subsequently approved by the Parent Company’s Stockholders on December 12, 2018 and was approved by the Philippine Competition Commission (PCC) on December 12, 2018. The merger would bring together the educational arms of HI and AC. In line with the proposed merger, the BOD also authorized the Parent Company on the same date to purchase the 281,642 common shares owned by HI in MESI, which represents 7% ownership in MESI. The purchase will happen after the effectivity of the merger. The Parent Company and AEI filed the proposed merger with the Philippine SEC in February 2019 and SEC is in the process of reviewing the proposed merger.

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 (FVTPL) and listed equity instruments which are measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the Parent Company’s functional currency. Except as otherwise indicated, all amounts are rounded off to the nearest peso.

Statement of Compliance

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018, 2017 and 2016.

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

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

	Percentage of Ownership		
	2018	2017	2016
Malayan Education System, Inc. (Operating Under the Name of Mapua University) and subsidiaries	**93%**	93%	93%
Direct ownership of MESI on its subsidiaries:			
Malayan Colleges Laguna, Inc., A Mapua School, formerly Malayan Colleges Laguna, Inc., Led by a Mapua School of Engineering	**100**	100	100
Malayan Colleges Mindanao (A Mapua School), Inc.	**100**	100	–
Malayan High School of Science, Inc.	**100**	100	100
Mapua Information Technology Center, Inc.	**100**	100	100
Mapua Techserv, Inc.	**100**	100	100
Mapua Techpower, Inc.	**75**	75	75
San Lorenzo Ruiz Institute of Health Sciences, Inc.	**100**	100	100
People eServe Corporation	**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 that the Group adopted the following new accounting pronouncements starting January 1, 2018:

- PFRS 9, *Financial Instruments*, replaces PAS 39, *Financial Instrument: Recognition and Measurement*, for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group applied PFRS 9 using the modified retrospective approach, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39.

  The impact of the adoption is described below:

  (a) Classification and measurement
  Under PFRS 9, debt instruments are subsequently measured at FVTPL, amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

  The assessment of the Group's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact to the Group. The following are the changes in the classification of the Group's financial assets:

- Cash and cash equivalents, receivables and receivables from related parties previously classified as loans and receivables as at December 31, 2017, are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments or financial assets at amortized cost.

- Listed equity instruments in PetroEnergy Resources Corporation previously classified as AFS financial assets as at December 31, 2017 and with recycling of cumulative gains and losses to profit or loss, are now classified and measured as equity instruments at FVOCI with no recycling of cumulative gains and losses to profit or loss. The Group elected to classify irrevocably its equity instruments under this category as it intends to hold these for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.

The Group has not designated any financial liabilities as at FVTPL. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018.

		PFRS 9 measurement category		
PAS 39 measurement category		**Amortized cost**	**FVTPL**	**FVOCI**
Loans and receivables				
Cash and cash equivalents	₱632,811,619	₱632,811,619	₱–	₱–
Receivables*	145,894,555	145,894,555	–	–
Receivables from related parties	1,035,882	1,035,882	–	–
Financial assets at fair value through profit or loss				
Investments in unit investment trust fund (UITF)	8,461,820	–	8,461,820	–
AFS investments				
Listed equity instruments	25,079,144	–	–	25,079,144
	₱813,283,020	₱779,742,056	₱8,461,820	₱25,079,144

**excluding advances to officers and employees subject to liquidation*

(b) *Impairment*
The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at FVTPL.

For cash and cash equivalents, management evaluated that these financial assets have low credit risk. Hence, the Group measured ECL on these instruments on a 12-month basis applying the low credit risk simplification. The Group uses external credit ratings both to determine whether these financial assets has significantly increased in credit risk and to estimate ECL.

For the Group's receivables, PFRS 9's simplified approach was applied where ECLs are calculated based on lifetime ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The

Group has established a provision matrix that is based on its historical credit loss experience, and considered forward-looking factors specific to the debtors and the economic environment.

The adoption of PFRS 9 did not have any significant impact on the Group's provision for impairment on its financial assets carried at amortized cost.

- PFRS 15, *Revenue from Contracts with Customers*, supersedes PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

  PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

  The Group adopted PFRS 15 using the full retrospective approach of adoption with January 1, 2018 as the date of initial application. The adoption of the standard resulted to changes in the presentation and classification of certain items included under revenue, costs and expenses, prepaid expenses and other current assets, and unearned income, which are summarized and presented in the tables below. The 2017 and 2016 statement of comprehensive income and the 2017 statement of financial position were also adjusted to conform with the 2018 presentation.

  Reclassification on statement of comprehensive income for the years ended December 31, 2017 and 2016

	2017	2016
Revenue, as previously reported under PAS 18	₱1,982,871,060	₱2,359,986,547
Adjustments to present:		
Scholarships and discounts as deduction from revenue (a)	(77,528,915)	(82,077,511)
Bookstore income presented at gross amount (b)	27,871,054	34,717,693
Rental income as other income (d)	(5,723,916)	(16,759,419)
Revenue, as re-presented*	₱1,927,489,283	₱2,295,867,310

**presented as revenue from contracts with customers in the statements of comprehensive income*

Costs and expenses, as previously reported	₱1,327,542,321	₱1,426,325,101
Adjustments to present:		
Scholarships and discounts as deduction from revenue (a)	(77,528,915)	(82,077,511)
Cost of bookstores as part of costs and expenses (b)	27,871,054	34,717,693
Costs and expenses, as re-presented	₱1,277,884,460	₱1,378,965,283

Reclassification on statement of financial position as at December 31, 2017

	2017
Prepaid expenses and other current assets, as previously reported	₱115,546,510
Reversal of deferred charges arising from unearned revenue on scholarships and discounts (c)	(4,160,802)
Prepaid expenses and other current assets, as re-presented	₱111,385,708
Unearned income, as previously reported	₱89,159,755
Reversal of deferred charges arising from unearned revenue on scholarships and discounts (c)	(4,160,802)
Reclassification of unearned rental income, seminar and interest from accounts payable and accrued expenses (d)	1,787,925
Unearned income, as re-presented	₱86,786,878

The nature of the above reclassifications are described below:

a) Scholarship grants and discounts to students, previously presented as student-related expenses under Cost of schools and related operations, are now presented as deduction from Revenue from schools and related operations (Notes 17 and 18).

b) Bookstore income and related cost, previously presented at net under revenue, is now presented at gross with bookstore income included under Revenue from schools and the related operations and related cost presented as part of Cost of schools and related operations (Notes 17 and 18).

c) Reversal of deferred charges and related unearned revenue representing the unearned revenue arising from students entitled to scholarship grants and discounts.

d) Other reclassifications to conform with the 2018 presentation.

The Group applied PFRS 15 retrospectively, with the initial application date of January 1, 2018 and adjusting the comparative information for the period beginning January 1, 2017. The Group did not present its consolidated statement of financial position as at December 31, 2016 since the adoption of PFRS 15 affected only the minimal amounts of prepaid expenses and other current assets and unearned income line items in the consolidated statement of financial position. It has no impact on the Group’s January 1, 2017 retained earnings.

Other than the foregoing, the adoption of this standard has no significant impact on the Group’s consolidated statements of financial position, consolidated statements of comprehensive income and consolidated cash flows but resulted to changes in the Group’s accounting policies and new disclosures (Notes 4, 13 and 17).

The Group also adopted the following new accounting pronouncements starting January 1, 2018. The adoption of these pronouncements did not have any significant impact on the Group’s financial position or performance.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- Amendments to Philippine Accounting Standards (PAS) 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

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 to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

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

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

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

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting IFRIC 23.

Adoption of the following pronouncements is currently not expected to have a significant impact in the Group. The Group intends to adopt the following pronouncement once they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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 2018 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

4. Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

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.

<u>Financial Instruments – Effective January 1, 2018</u>
Initial recognition and subsequent measurement
The Group recognizes a financial asset or a financial liability in the 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 settlement date.

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Financial assets - Initial recognition and measurement
Financial assets are classified, at initial recognition, as “subsequently measured at amortized cost”; FVOCI; and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flow that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group has financial assets at amortized cost (debt instruments), financial assets at FVTPL and financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Financial assets at amortized cost (debt instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

This accounting policy relates to the Group’s cash and cash equivalents, receivables and receivables from related parties.

Financial assets at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments at fair value through OCI when they meet the definition of equity under PAS 32,

Financial Instruments: Presentation, and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognized in profit or loss as income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at fair value through OCI are not subject to an impairment assessment.

The Group elected to classify irrevocably its listed equity investments in PetroEnergy Resources Corporation shares under this category.

Financial assets at fair value through profit or loss
A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. However, an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

The Group may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an ‘accounting mismatch’) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Included in this classification is the peso-denominated investment in UITF in Rizal Commercial Banking Corporation (RCBC).

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group’s statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

An impairment analysis is performed at each reporting date and the Group generally used the provision matrix to measure ECL. The mechanics of the ECL calculations and the key elements are, as follows:

a. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.

b. *Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
c. *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

The Group's debt instruments at amortized cost comprise of cash and cash equivalents that is considered to have low credit risk. Hence, it is the Group's policy to measure ECL on such instrument on a 12-month basis applying the low credit risk simplification and based on the PD which is publicly available. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses external credit ratings both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL.

For tuition and other fees receivables, the Group generally uses a provision matrix to calculate ECLs. The provision rates are based on days past due for groupings based on school term.

The provision matrix is initially based on the Group's historical observed default rates. The Group will then consider directly relevant forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are considered.

The Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities - Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate, and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and accrued expenses, payables to related parties, dividends payable and short-term loans.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss
- Loans and borrowings

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

This accounting policy applies primarily to accounts payable and accrued expenses, payables to related parties, dividends payable and short-term loans.

Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Financial Instruments – Effective Prior to January 1, 2018
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell the asset.

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

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

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

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

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 UITF in RCBC.

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

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

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

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

This accounting policy relates to the consolidated statement of financial position caption “Available-for-sale (AFS) financial assets” which pertain to 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 loans.

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.

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

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

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

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

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

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

	Years
Buildings and improvements	10-40
Office furniture and equipment	5-10
Transportation equipment	5

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

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

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

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

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

The appraisal increment (net of deferred tax) resulting from the revaluation is credited to the "revaluation increment on land - net" account under the equity section of the Group's consolidated statements of financial position and under the consolidated statements of changes in equity. Upon disposal, any revaluation increment relating to the land being sold is transferred to retained earnings.

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

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

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

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

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

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

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

recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity investments.

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

The Parent Company's retained earnings declarable as dividends amounted to ₱1,133.57 million and ₱1,167.11 million as at December 31, 2018 and 2017, respectively. Dividend distribution is approved by the BOD of the Parent Company.

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

Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer. Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the goods or service. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements.

Revenue from schools and related operations consist of the following:

Revenue from tuition and other matriculation fees

Revenue from tuition fees and other matriculation fees are recognized over time as revenue over the corresponding school term using the output method (i.e., time lapsed over the service period such as semester or school year, depending on the curriculum registered). Upon enrollment, students have the option to pay the tuition and other matriculation fees in full or in installment.

Other student-related income

Other student-related income are recognized at a point in time upon delivery of the promised goods to the customer or at point in time when services has been rendered. These mainly consist of the following:

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 (at point in time).

Bookstore income

Bookstore income is recognized when goods have been delivered to the buyer (at point in time).

Seminar income

Seminar income is recognized as income over the corresponding term or as the services are rendered (at point in time or over time).

Miscellaneous income

Miscellaneous income is recognized when earned (at point in time).

Sale of goods is recognized as revenue upon delivery of the goods to the buyer (at point in time).

Sale of services is recognized when services are rendered (over time).

Following are contract balances relative to adoption of PFRS 15:

Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to a customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. The Group's contract liabilities represent the unearned income on tuition fees (presented under unearned income) and accounts payable to students (presented under accounts payable and accrued expenses) and will be recognized as revenue when the related educational services are rendered. Accounts payable to students are advance collections from students to be applied to the next school year or school term.

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 schools and related operations
Cost of schools and related operations constitute expenses directly related to the Group's school and related operations which include expenses for salaries and wages of teaching and academic support personnel, student welfare activities, advertising, and all other student-related costs and expenses. Cost of schools and related operations 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, excluding capitalizable borrowing costs, is recognized as expense in the period in which it is incurred.

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.

Borrowing costs not qualified for capitalization are expensed as incurred.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Basic Earnings Per Share (EPS)
Basic earnings per common share is computed based on weighted average number of issued and outstanding common shares, less treasury shares, after giving retroactive effect for any stock dividends. Diluted earnings per share, if applicable, is computed on the basis of the weighted average

number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There are no dilutive potential common shares that would require disclosure of diluted earnings per common share in the consolidated financial statements.

As at December 31, 2018 and 2017, the Group has no potential dilutive common shares (Note 24).

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.

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

Recognition of tuition and other matriculation fees over time
The Group determined that tuition and other matriculation fees, the major source of revenue of the Group, are to be recognized over time using the output method on the basis of time lapsed over the service period since it provides a faithful depiction of the Group's performance in transferring control of the services to the students. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the customer or the student simultaneously receives and consumes the benefits of the Group's performance as it performs (Note 17).

Accounting for School-granted Scholarships to Students
With the adoption of PFRS 15, the Group assessed its arrangement with students who availed of school-granted scholarships. Based on management assessment, the arrangement with these students will not qualify as revenue from contracts with customers under PFRS 15 as there is no consideration involved in exchange for the educational services that the Group will render to these students. Accordingly, management changed its accounting on school-granted scholarships from presenting revenue and cost of service at gross in the statement of comprehensive income to presenting the related cost of service as deduction from revenue (Notes 3 and 17).

Allocation of costs and expenses
Management exercises judgment in determining the classification of costs and expenses as to whether cost of services or general and administrative expenses. In 2018 and 2017, the Group specifically identified the expenses directly related to the Group's school and related operations which include expenses for salaries and wages of teaching and academic support personnel, student welfare activities, and all other student-related costs and expenses (Notes 18 and 19).

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

Fair valuation of land
The Group measures land at revalued amount with changes in fair value being recognized in other comprehensive income. The Group engaged an independent firm of appraisers to determine the fair value as at December 31, 2018 and 2017. The key assumptions used to determine fair value are disclosed in Note 10. As at December 31, 2018 and 2017, the fair value of the land amounted to ₱5,521.01 million and ₱3,939.77 million, respectively (Note 10).

Estimation of allowance for doubtful accounts on receivables using the ECL model
The Group generally uses a provision matrix to calculate ECLs for tuition and other fees receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will then consider directly relevant forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are considered.

The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future.

Allowance for doubtful accounts on receivables amounted to ₱65.03 million as at December 31, 2018. The carrying value of receivables as at December 31, 2018 amounted to

₱327.77 million (Note 7). The carrying value of receivables from related parties as at December 31, 2018 amounted to ₱0.84 million (Note 14).

Estimation of allowance for doubtful accounts on receivables using the incurred loss model
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 as at December 31, 2017. The carrying value of receivables as at December 31, 2017 amounted to ₱156.40 million (Note 7). The carrying value of receivables from related parties as at December 31, 2017 amounted to ₱1.04 million (Note 14).

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

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

Impairment of goodwill is assessed at least on an annual basis. The goodwill recognized in the consolidated statement of financial position pertains to the acquisition of MESI. 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 cash flow projections based on financial budgets approved by management covering a five-year period. The cash flow projections considered the impact of the Enhanced K+12 Basic Education Program on 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 at December 31, 2018 and 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 years ended December 31, 2018 and 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 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 at December 31, 2018 and 2017, the net pension liability amounted to ₱40.01 million and ₱66.30 million, respectively, while net pension asset amounted to ₱6.28 million and ₱1.88 million as at December 31, 2018 and 2017, respectively (Note 23).

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 ₱5.13 million and ₱5.99 million as at December 31, 2018 and 2017, respectively (Note 21). The temporary differences on which deferred tax assets were not recognized amounted to ₱59.53 million and ₱49.52 million, respectively (Note 21).

Provisions and Contingencies
The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings (Notes 13 and 29).

6. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	**₱1,008,000**	₱995,454
Cash in banks (Note 14)	**163,609,680**	159,883,899
Cash equivalents (Note 14)	**423,221,242**	471,932,266
	₱587,838,922	₱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 ₱11.23 million, ₱12.82 million and ₱11.97 million in 2018, 2017 and 2016, respectively (Note 20).

7. Receivables

This account consists of:

	2018	2017
Tuition and other fees	**₱299,383,753**	₱153,016,719
Other receivables:		
Trade	**3,411,484**	7,830,758
Advances to officers and employees	**11,141,200**	10,508,242
Others	**78,857,790**	54,264,426
	392,794,227	225,620,145
Allowance for doubtful accounts	**(65,028,508)**	(69,217,348)
	₱327,765,719	₱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 advances subject to liquidation, interest-bearing receivables pertaining to car loan and noninterest-bearing telephone charges, hospitalization bill and library and printing charges. Receivables from employees are settled through salary deductions. Interest income from advances to officers and employees amounted to ₱0.12 million, ₱0.14 million and ₱0.11 million in 2018, 2017 and 2016, respectively (Note 20).

Other receivables mainly pertain to receivable from DepEd amounting to ₱60.14 million and ₱36.74 million as at December 31, 2018 and 2017, respectively, arising from the Senior High School (SHS) Voucher Program wherein qualified SHS students are given assistance on tuition fees. These receivables are noninterest-bearing and are generally collectible within one year.

The changes in allowance for doubtful accounts as at 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**
Provisions for the year (Note 19)	**1,091,430**	**808,147**	**–**	**1,899,577**
Write-off	**(1,829,559)**	**(4,258,858)**	**–**	**(6,088,417)**
Balance at end of year	**₱55,682,504**	**₱3,392,997**	**₱5,953,007**	**₱65,028,508**
Gross receivables	**₱299,383,753**	**₱3,411,484**	**₱89,998,990**	**₱392,794,227**

	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

	2018	2017
Prepaid expenses	**₱40,243,938**	₱38,937,645
Restricted funds (Note 14)	**21,356,004**	40,770,731
CWT	**8,593,986**	8,969,218
Books inventory	**3,445,034**	3,133,012
Input VAT	**539,583**	630,444
Office supplies	**41,319**	97,163
Deposits to real estate sellers	–	15,956,045
Others	**8,096,394**	2,891,450
	₱82,316,258	₱111,385,708

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

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.

Deposits to real estate sellers represent the deposits for future land acquisition. With the transfer of the ownership of the land to the Group in 2018, the deposits were then subsequently applied (Note 10).

Others relate to rent deposits and other supplies.

9. Property and Equipment

The rollforward analysis of this account follows:

	2018				
	Buildings and Improvements	**Office Furniture and Equipment**	**Transportation Equipment**	**Construction In Progress**	**Total**
Cost					
Balance at beginning of year	**₱1,898,233,022**	**₱1,397,207,373**	**₱33,304,524**	**₱1,164,165,969**	**₱4,492,910,888**
Acquisitions	**591,678,080**	**117,533,769**	**4,105,792**	**199,892,464**	**913,210,105**
Disposals	–	**(105,357)**	**(2,823,312)**	–	**(2,928,669)**
Reclassifications and adjustments	**1,118,909,718**	**55,372,018**	**1,322,880**	**(1,175,629,305)**	**(24,689)**
Balance at end of year	**3,608,820,820**	**1,570,007,803**	**35,909,884**	**188,429,128**	**5,403,167,635**
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)	**92,468,979**	**121,425,486**	**3,886,150**	–	**217,780,615**
Disposals	–	**(33,655)**	**(2,024,562)**	–	**(2,058,217)**
Reclassifications and adjustments	**(696,152)**	**(1,008,601)**	**234,237**	–	**(1,470,516)**
Balance at end of year	**969,272,676**	**1,167,519,518**	**19,777,974**	–	**2,156,570,168**
Net book value	**2,639,548,144**	**402,488,285**	**16,131,910**	**188,429,128**	**3,246,597,467**
Land at revalued amounts (Note 10)	–	–	–	–	**5,521,007,994**
Total	**₱2,639,548,144**	**₱402,488,285**	**₱16,131,910**	**₱188,429,128**	**₱8,767,605,461**

	2017				
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	Total
Cost					
Balance at beginning of year	₱1,854,287,331	₱1,311,626,463	₱25,618,551	₱146,770,038	₱3,338,302,383
Acquisitions	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 as at December 31, 2018 mainly includes the general cost of construction of MESI’s school building in the newly acquired land in Makati City from HI and other direct costs (Note 10).

Construction in progress as at December 31, 2017 mainly includes the general cost of construction of MCMI’s school building in Davao City and other direct costs. MCMI started school operations in July 2018.

Included also as part of the construction in progress is the interest expense on short-term loans obtained to finance the construction amounting to ₱23.77 million and ₱9.73 million in 2018 and 2017, respectively (Note 15).

10. Land at Revalued Amounts

This account, classified as property and equipment (see Note 9), consists of:

	2018	2017
Land at cost:		
Balance at beginning of year	**₱1,870,976,481**	₱1,870,976,481
Acquisitions (Notes 8 and 9)	**1,191,844,400**	–
Balance at end of year	**3,062,820,881**	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	**389,389,994**	314,653,200
Balance at end of year	**2,458,187,113**	2,068,797,119
	₱5,521,007,994	₱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.

Acquisitions during the year include the land purchased from HI in October 2018 amounting to ₱1,121.88 million, inclusive of other direct costs and taxes. Except for the recently acquired land from HI, the other parcels of land were appraised in January 2019 and 2018 by an independent firm of appraisers to determine the revalued amounts as at December 31, 2018 and 2017, 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.

For the acquired land from HI in October 2018, management assessed that the purchase price of the recently acquired land is reflective of the fair value of the land as at December 31, 2018. Based on comparison of recent sale transactions or offerings of similar properties done by the Group as at December 31, 2018, management assessed that there was no significant movement in the fair value of the land from date of acquisition until December 31, 2018.

Location	Valuation Techniques	Unobservable Inputs Used	Range (Weighted Average) 2018	2017
Sen. Gil Puyat Avenue corners Nicanor Garcia and Jupiter Streets, Bel-Air, Makati City	Market Approach	Price per square meter	**₱183,750 to ₱227,500 (₱210,287)**	₱168,000to ₱238,000 (₱200,000)
Muralla Street, Intramuros, Manila	Market Approach	Price per square meter	**₱42,075 to ₱55,575 (₱44,764)**	₱36,000 to ₱49,400 (₱44,000)
Paz Mendoza Guazon, Pandacan, Manila	Market Approach	Price per square meter	**₱56,525 to ₱68,400 (₱59,755)**	₱45,000 to ₱58,526 (₱52,000)
Barangay Pulo and Niyugan, City of Cabuyao, Laguna	Market Approach	Price per square meter	**₱8,289 to ₱31,350 (₱18,910)**	₱10,800 to ₱11,800 (₱11,300)
MacArthur Highway (Davao-Cotabato National Road), Brgy. Ma-a, Davao City	Market Approach	Price per square meter	**₱13,968 to ₱31,350 (₱25,835)**	₱6,863 to ₱30,600 (₱27,684)

Net adjustment factors arising from external and internal factors (i.e. market conditions, competitiveness, size/shape/terrain, and development) affecting the subject properties as compared to the market listing of comparable properties ranges from -20% to +20%.

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 ₱137.85 million as at December 31, 2018 and 2017 pertains to the excess of the acquisition cost over the fair values of the net assets of MESI acquired by iPeople in 1999.

For purposes of impairment testing of this asset, MESI was considered as the CGU. In 2018, 2017 and 2016, management assessed that no impairment loss should be recognized.

Key assumptions used in the value in use (VIU) calculation
As at December 31, 2018 and 2017, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU are most sensitive to the following:

- Future revenues, profit margins and revenue growth rates: Cash flow projections based on financial budgets approved by management covering a five-year period (2019-2023) and considers the impact of the K to 12 Basic Education Program on MESI's financial performance effective 2016.
- Long-term growth rates (*3.67% for 2018 and 5.25% for 2017*): The Long-term growth rate is the expected growth rate in the education industry sector.
- Discount rate (10.10% for 2018 and 9.06% for 2017): 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 Parent Company's capital structure.

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:

	2018	2017
Books and periodicals	**₱10,857,623**	₱–
Input VAT	**9,930,106**	7,946,013
Creditable withholding tax	**6,705,426**	6,705,426
Computer software	**5,822,141**	6,351,771
Reservation deposit (Note 14)	**–**	300,000,000
Miscellaneous deposits	**455,304**	196,904
	₱33,770,600	₱321,200,114

Reservation deposit as at December 31, 2017 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.

In 2018, HI and the Group agreed that MESI will purchase from HI the land and any building constructed thereon by HI. HI refunded the reservation deposit to the Group.

Books and periodicals represent the books and periodicals purchased by MCMI in its initial year of school operation. These are amortized over five years.

Computer software is amortized over a period of three years.

The rollforward analysis of computer software follows:

	2018	2017
Cost		
Balance at the beginning of the year	**₱37,147,970**	₱35,117,351
Additions	**–**	2,030,619
Balance at the end of the year	**37,147,970**	37,147,970
Accumulated Amortization		
Balance at the beginning of the year	**30,796,199**	30,161,283
Amortization (Notes 18 and 19)	**529,630**	634,916
Balance at the end of the year	**31,325,829**	30,796,199
Net Book Value	**₱5,822,141**	₱6,351,771

13. Accounts Payable and Accrued Expenses and Unearned Income

This account consists of:

	2018	2017
Accounts payable	**₱356,262,208**	₱353,378,775
Accrued expenses	**210,012,834**	194,257,337
Funds payable	**107,137,375**	80,688,909
Other payables	**878,018**	1,645,372
	₱674,290,435	₱629,970,393

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. Accounts payable also includes payables to students as disclosed under Unearned Income below.

Accrued expenses consist of:

	2018	2017
Provisions (Note 29)	**₱153,558,082**	₱142,976,418
Payable to suppliers	**11,004,917**	8,795,454
Withholding taxes and others	**7,827,505**	9,416,724
Insurance	**6,843,573**	5,928,269
Accrued salaries and wages	**6,782,080**	6,877,110
Accrued utilities	**4,063,613**	3,613,796
Accrued professional fees	**4,026,484**	3,879,705
Contracted services	**3,785,465**	1,312,282
SSS and other contributions	**3,615,970**	3,181,607
Accrued communication expense	**2,300,811**	2,073,406
Output VAT payable	**1,406,716**	1,798,704
Others	**4,797,618**	4,403,861
	₱210,012,834	₱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, 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.

Unearned Income
Unearned income mainly includes unearned tuition fees amounting to ₱310.88 million and ₱85.00 million as at December 31, 2018 and 2017, respectively.

The Group's contract liabilities represent the unearned tuition fees (presented under unearned income) and accounts payable to students (presented under accounts payable) and will be recognized as revenue when the related educational services are rendered. Payables to students are advance collections from students to be applied to the next school year or school term.

As at December 31, 2018, contract liabilities amounted to ₱325.31 million and these will be recognized as revenue in the following year. Contract liabilities as of January 1, 2018 amounting to ₱86.95 million were recognized as revenue in 2018. The increase in contract liabilities in 2018 is due to the increase in unearned tuition fees brought about by the change in start of school year from July to August which resulted to a one month unearned tuition fees as of December 31, 2018.

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.

Following are the transactions with related parties and the balances as at December 31:

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Parent Company				
a) Payable to Parent Company (HI)				
	2018	**₱–**	**(₱9,770,860)**	**Noninterest-bearing; unsecured; due**
	2017	–	(16,236,214)	**and demandable**
Management fee and other professional fees (Notes 18 and 19)	**2018**	**46,940,072**	**–**	
	2017	59,932,921	–	
b) Receivable from Parent Company				
	2018	**–**	**203,120**	**Noninterest-bearing; unsecured; due**
	2017	–	370,195	**and demandable; no impairment**
Land and building acquisition (Notes 9 and 10)				
	2018	**1,222,228,989**	–	
	2017	–	–	

(Forward)

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Entities under common control of HI				
c) Receivables from related parties				
	2018	**₱–**	**₱623,351**	**Noninterest-bearing; unsecured; due**
	2017	–	404,376	**and demandable; no impairment**
Rental income (Note 17)				
	2018	**(1,853,233)**	**–**	**–**
	2017	(2,447,168)	–	–
d) Payables to related parties				
	2018	**–**	**(3,243,579)**	**Noninterest-bearing; unsecured; due**
	2017	–	(4,721,441)	**and demandable**
Contracted services (Notes 18 and 19)				
	2018	**46,006,107**	**–**	**–**
	2017	61,997,789	–	–
Reservation deposit (Note 12)				
	2018	**–**	**–**	
	2017	–	300,000,000	**Applied against land acquired**
e) Accounts payable (Notes 9 and 13)	**2018**	**162,655,973**	**(159,682,759)**	
	2017	876,697,819	(175,965,730)	**Noninterest-bearing; unsecured; payable on demand**
Entities under common control of PMMIC				
Cash and cash equivalents (Note 6)				
	2018	**–**	**532,976,320**	**Interest atprevailing deposit and short-term rates; unsecured; no**
	2017	–	534,473,668	**impairment**
Interest income (Note 20)				
	2018	**11,231,125**	**–**	**–**
	2017	12,815,093	–	–
f) Receivables from related parties	**2018**	**–**	**18,264**	**Noninterest-bearing; unsecured; due**
	2017	–	261,311	**and demandable; no impairment**
Rental income (Note 17)				
	2018	**–**	**–**	**–**
	2017	257,143	–	–
g) Payables to related parties				
	2018	**–**	**–**	**Noninterest-bearing; unsecured; due**
	2017	–	–	**and demandable**
Insurance expense				
	2018	**5,933,700**	**–**	
	2017	7,745,431	–	
Financial asset at FVPL (Note 28)				
	2018	**–**	**8,699,745**	**Carried at fair value; No impairment**
	2017	–	8,461,820	
Available for sale financial assets (Note 28)				
	2018	**–**	**14,389,673**	**Carried at fair value; No impairment**
	2017	–	25,079,144	
Restricted funds (Note 8)	**2018**	**–**	**21,356,004**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2017	–	40,770,731	

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).

e) *Accounts payable to HI*
Accounts payable pertains to the outstanding balance of general cost of construction of MCMI’s school buildings and other facilities and professional fees related to the building construction (Notes 9 and 13).

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

g) *Payables to entities under common control of PMMIC*
The Group obtains 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.

Other related party transactions follow:

a) The Group maintains its retirement fund with RCBC trust division. As at December 31, 2018 and 2017, the fair value of the plan assets of the retirement fund amounted to ₱181.42 million and ₱162.74 million, respectively (Note 23). Trust fees paid by the retirement plan to RCBC amounted to ₱0.09 million and ₱0.42 million for the years ended December 31, 2018 and 2017, respectively.

b) Compensation of key management personnel of the Group

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

	2018	2017	2016
Short-term benefits	**₱32,022,746**	33,954,200	₱59,468,310
Post-employment benefits	**1,132,219**	1,078,854	1,124,916
	₱33,154,965	₱35,033,054	₱60,593,226

Terms and conditions of transaction with related parties
Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. For the years ended December 31, 2018 and 2017, 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 2018 and 2017 amounted to ₱1,850.00 million and ₱940.00 million, respectively, with interest rates ranging from 3.00% to 5.50% p.a.

  In November and December 2018, the Group, through MCMI, obtained short-term loans from Land Bank of the Philippines amounting to ₱110.00 million, with annual interests ranging from of 5.60% to 6.25%. The loans remained outstanding as at December 31, 2018.

  Outstanding balance of short-term loans obtained by MCMI amounted to ₱1,540.00 million and ₱810.00 million as at December 31, 2018 and 2017, respectively.

- In 2018, the Group, through MESI, obtained unsecured peso-denominated short-term loans with BPI amounting to ₱900.00 million with annual interest rates ranging from 5.50% to 6.00%, to finance the acquisition of land from HI and the construction of MESI's school building in Makati City (Notes 9 and 10).

  Outstanding balance of short-term loans obtained by MESI amounted to ₱700.00 million as at December 31, 2018.

Interest expense charged to operations in 2018, 2017 and 2016 amounted to ₱31.90 million, ₱1.19 million and ₱1.28 million, respectively (Note 20).

Interest expense that was capitalized as part of construction of MESI and MCMI's building in 2018 and 2017 amounted to ₱23.77 million and ₱9.73 million, respectively (Note 9).

16. Equity

Capital Stock

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

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 at December 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	–	(16)
December 31, 2018	748,932,949	2,022

Note: Exclusive of 272 treasury shares.

Retained Earnings

In accordance with Securities Regulation Code (SRC) Rule No. 68, As Amended (2011), Annex 68-C, after reconciling items, the Group's retained earnings available for dividend declaration as at December 31, 2018 and 2017 amounted to ₱1,133.57 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 includes the accumulated equity in undistributed earnings of consolidated subsidiaries amounting ₱2,969.06 million and ₱2,818.57 million as at December 31, 2018 and 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 ₱209.

The BOD declared cash dividends as follows:

	2018	2017	2016
December 12, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of January 8, 2019, paid on February 1, 2019	**₱44,935,993**	₱–	₱–
October 1, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 26, 2018, paid on November 21, 2018	**44,935,993**	–	–
June 29, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 26, 2018, paid on August 17, 2018,	**44,935,977**	–	–
March 23, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 19, 2018, paid on May 16, 2018	**44,935,993**	–	–
November 24, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 21, 2017, paid on January 18, 2018	**–**	44,935,993	–
September 27, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of November 7, 2017, paid on November 29, 2017	**–**	44,935,993	–
June 30, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 28, 2017, paid on August 23, 2017,	**–**	44,935,993	–
March 24, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 21, 2017, paid on May 9, 2017	**–**	44,935,993	–
November 25, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 23, 2016, paid on January 18, 2017	**–**	–	44,935,993
September 15, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 13, 2016, paid on November 8, 2016	**–**	–	44,935,993
June 24, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 22, 2016, paid on August 16, 2016,	**–**	–	44,935,993
March 17, 2016, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 14, 2016, paid on May 15, 2016	**–**	–	44,935,993
	₱179,743,956	₱179,743,972	₱179,743,972

On March 29, 2019, the BOD declared ₱44.94 million cash dividends (₱0.06 per share) to stockholders of record as of April 15, 2019, payable on May 14, 2019.

Treasury Stock
As at December 31, 2018 and 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 during the years ended December 31, 2018 and 2017.

As at December 31, 2018 and 2017, the Group is not subject to externally imposed capital requirements.

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

	2018	2017
Liabilities (a)	**₱3,558,929,978**	₱1,867,375,056
Equity (b)	**5,998,631,757**	5,648,838,604
Debt-to-equity ratio (a/b)	**0.59:1.00**	0.33:1:00

17. Revenue from Contracts with Customers

Revenue from schools and related operations consists of:

	2018	2017	2016
Tuition and other matriculation fees	**₱1,758,502,761**	₱1,860,068,605	₱2,128,257,429
Less: Scholarship grants and discounts	**(87,006,639)**	(77,528,915)	(82,077,511)
	1,671,496,122	1,782,539,690	2,046,179,918
Other student-related income:			
Bookstore sales	**39,828,321**	36,227,197	45,210,388
Seminar fee income	**14,335,836**	2,951,960	3,114,307
Miscellaneous	**81,897,845**	62,479,785	61,929,974
	₱1,807,558,124	₱1,884,198,632	₱2,156,434,587

Miscellaneous income consists of other student-related income which are other than payment for tuition fees. These include, but not limited to, entrance examination fees, exit examination fees, oral examination fees, graduation fees, certification of grades, good moral and other school credentials, photocopying and printing, among others.

Disaggregation of the Group's 2018 revenue from contracts with customers based on the timing of revenue recognition:

	2018	2017	2016
Revenue from schools and related operations:			
Revenue from tuition and other matriculation fees (over time)	**₱1,671,496,122**	₱1,782,539,691	₱2,046,179,919
Other student-related income (at a point in time)	**136,062,002**	101,658,941	110,254,668
	1,807,558,124	1,884,198,632	2,156,434,587
Sale of service (over time)	**937,820**	2,721,362	19,179,504
Sale of goods (at a point in time)	**37,062**	40,569,289	120,253,219
	₱1,808,533,006	1,927,489,283	2,295,867,310

For the Group's receivables and contract liabilities, these are disclosed in Notes 7 and 13, respectively.

Sale of services includes sale of computer services from PPCCI and revenue from consultancy services of MTI:

	2018	2017	2016
Consultancy fees	**₱937,820**	₱556,248	₱1,810,687
Computer services	–	2,165,114	17,368,817
	₱937,820	₱2,721,362	₱19,179,504

18. Cost of Schools and Related Operations and Cost of Goods Sold

Cost of schools and related operations account consists of:

	2018	2017	2016
Personnel expenses (Note 22)	**₱608,761,306**	₱575,949,479	₱602,806,069
Depreciation and amortization (Note 18)	**187,188,731**	194,769,392	190,097,703
Management and other professional fees (Note 14)	**113,974,424**	113,628,794	106,690,199
Student-related expenses	**110,314,055**	95,179,659	99,424,800
Utilities	**84,042,240**	81,734,815	85,398,299
IT expense - software license	**36,622,759**	27,321,190	23,819,290
Tools and library books (Note 9)	**26,333,830**	30,198,284	26,008,973
Periodicals	**21,693,225**	19,665,658	15,625,679
Advertising	**19,901,017**	16,659,662	24,338,283
Repairs and maintenance	**15,720,212**	12,251,634	13,688,679
Seminar	**12,667,874**	18,995,992	14,250,241
Accreditation cost	**8,951,062**	7,242,083	9,483,202
Research and development fund	**8,806,118**	17,303,387	16,303,676
Office supplies	**7,405,855**	6,944,143	5,779,015
Insurance	**7,350,745**	6,619,921	5,149,653
Laboratory supplies	**3,810,433**	6,565,801	7,865,267

(Forward)

	2018	2017	2016
Transportation and travel	**₱1,844,524**	₱1,144,372	₱876,604
Taxes and licenses	**1,527,092**	1,800,770	2,003,163
Entertainment, amusement and recreation	**510,375**	387,474	327,857
Rent (Note 29)	**205,301**	624,492	945,095
Miscellaneous	**1,771,797**	2,013,481	1,801,353
	₱1,279,402,975	₱1,237,000,483	₱1,252,683,100

a. Details of depreciation and amortization follows:

	2018	2017	2016
Depreciation (Note 9)	**₱217,780,615**	₱208,648,327	₱206,096,719
Amortization (Note 12)	**529,630**	634,916	639,375
	₱218,310,245	₱209,283,243	₱206,736,094

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

	2018	2017	2016
Cost of schools and related operations	**₱187,188,731**	₱194,769,392	₱190,097,703
General and administrative expenses (Note 19)	**31,121,514**	14,513,851	15,725,426
Advertising cost	**–**	–	912,965
	₱218,310,245	₱209,283,243	₱206,736,094

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	**30,280**	36,764,385	106,109,369
Less merchandise inventory, end	**–**	–	15,804
	₱30,280	₱36,780,189	₱106,451,833

19. General and Administrative Expenses

This account consists of:

	2018	2017	2016
Management and other professional fees (Note 14)	**₱112,905,159**	₱86,520,831	₱93,213,344
Personnel expenses (Note 22)	**48,210,073**	54,482,008	61,838,183
Depreciation and amortization (Notes 9 and 12)	**31,121,514**	14,513,851	15,725,426
Utilities	**9,582,547**	5,769,687	2,669,055
Taxes and licenses	**9,377,079**	4,457,779	6,065,787
Advertising	**9,173,061**	3,917,970	9,340,876
Donations	**3,950,792**	6,698,883	5,553,719

(Forward)

	2018	2017	2016
Transportation and travel	**₱3,709,587**	₱3,604,808	₱2,821,994
Repairs and maintenance	**3,059,114**	2,238,337	2,470,234
Insurance	**2,757,193**	1,130,410	2,193,772
Office supplies	**2,184,813**	1,699,329	2,073,060
Provisions for doubtful accounts (Note 7)	**1,899,577**	10,000,476	6,323,039
Entertainment, amusement, and recreation	**1,813,027**	2,951,210	2,768,864
Seminar	**904,299**	819,036	1,222,802
Rent (Note 29)	**751,353**	1,760,152	646,297
Commission	**680,100**	622,100	907,718
IT expense - software license	**524,521**	788,611	2,764,801
Miscellaneous	**5,158,541**	4,354,552	4,805,438
	₱247,762,350	₱206,330,030	₱223,404,409

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)	**₱11,231,125**	₱12,815,093	₱11,966,815
Advances to officers and employees (Note 7)	**115,276**	139,727	114,153
	₱11,346,401	₱12,954,820	₱12,080,968

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

	2018	2017	2016
Short-term loans (Note 15)	**₱31,895,320**	₱1,189,370	₱1,278,284
Bank charges	**4,131,045**	3,043,799	3,295,082
Long-term debt	**–**	–	4,515,928
	₱36,026,365	₱4,233,169	₱9,089,294

21. Income Tax

Provision for income tax consists of:

	2018	2017	2016
Current	**₱35,045,809**	₱49,345,096	₱72,581,966
Deferred	**(7,171,009)**	(1,769,746)	6,268,230
	₱27,874,800	₱47,575,350	₱78,850,196

The reconciliation of statutory tax rate of 30% to effective income tax rate follows:

	2018	2017	2016
Income before income tax at statutory rate	**30.00%**	30.00%	30.00%
Add (deduct) reconciling items:			
Difference in income tax rate	**(20.37)**	(20.61)	(20.05)
Others	**0.89**	0.94	0.97
	10.52%	10.33%	10.92%

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:

	2018	2017
Deferred tax assets – net		
Retirement asset	**₱3,314,309**	₱3,995,398
Allowance for doubtful accounts	**1,816,008**	1,991,252
Unrealized foreign exchange loss (gain)	**(1,065)**	946
	5,129,252	5,987,596
(Forward)		
Deferred tax liabilities - net		
Revaluation increment on land	**₱245,818,711**	₱206,879,712
Allowance for inventory obsolescence	**(52,710)**	(52,710)
Allowance for doubtful accounts	**(4,997,405)**	(4,997,405)
Accruals	**(15,355,808)**	(8,525,245)
Retirement liability	**(7,419,180)**	(12,998,480)
NOLCO	**(9,659,057)**	(1,363,083)
Others	**239,399**	(1,672,112)
	208,573,950	177,270,677
	₱203,444,698	₱171,283,081

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

	2018	2017
Beginning	**₱171,283,081**	₱140,989,370
Provisions during the year	**(7,171,009)**	(1,769,746)
Tax effects of:		
Revaluation increment on land (Note 10)	**38,938,999**	31,465,320
Remeasurement gains on defined benefit plans (Note 23)	**393,627**	598,137
	₱203,444,698	₱171,283,081

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

	2018	2017
NOLCO	**₱49,462,220**	₱33,363,060
Allowance for doubtful accounts	**2,991,500**	2,991,503
Provision for retirement and others	**6,405,774**	8,394,229
Provision for impairment losses	**–**	4,258,858
Others	**671,812**	515,820
	₱59,531,306	₱49,523,470

As at December 31, 2018 and 2017, 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	
	2018	2017	**2018**	2017
Beginning balance	**₱53,500,754**	₱35,354,166	**₱835,029**	₱817,948
Additions	**35,182,645**	31,932,649	**86,273**	113,214
Expiration	**(9,978,103)**	(13,743,460)	**(268,600)**	(89,648)
Application	**–**	(42,601)	**–**	(6,485)
Ending balance	**₱78,705,296**	₱53,500,754	**₱652,702**	₱835,029

		NOLCO		MCIT	
Year Incurred	Expiration Date	**2018**	2017	**2018**	2017
2018	2021	**₱35,182,645**	₱–	**₱86,273**	₱–
2017	2020	**31,932,649**	31,932,649	**113,214**	113,214
2016	2019	**11,590,002**	11,590,002	**453,215**	453,215
2015	2018	**–**	9,978,103	**–**	268,600
		₱78,705,296	₱53,500,754	**₱652,702**	₱835,029

22. Personnel Expenses

a. Details of personnel expenses are as follows:

	2018	2017	2016
Compensation	**₱583,742,405**	₱569,352,192	₱593,465,566
Retirement benefits (Note 23)	**16,918,815**	18,622,873	25,920,349
Miscellaneous benefits	**56,310,159**	42,456,422	45,258,337
	₱656,971,379	₱630,431,487	₱664,644,252

Miscellaneous benefits pertain to honoraria and mandatory government benefits.

b. Personnel expenses as function of expense follows:

	2018	2017	2016
Cost of schools and related operations (Note 18)	**₱608,761,306**	₱575,949,479	®602,806,069
General and administrative expenses (Note 19)	**48,210,073**	54,482,008	61,838,183
	₱656,971,379	₱630,431,487	₱664,644,252

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 longterm benefit given to employees. Short-term benefits are expensed outright.

The most recent actuarial valuation was carried out in January 2019 for the retirement plan of the Group as at December 31, 2018.

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

	2018	2017
Pension expense (Note 22)	**₱16,918,815**	₱18,622,873
Net pension asset	**6,276,581**	1,881,243
Net pension liability	**40,008,432**	66,299,937

Components of pension expense follow:

	2018	2017	2016
Current service cost	**₱15,673,995**	₱16,590,239	₱17,252,506
Net interest cost on defined benefit obligation	**3,024,351**	3,312,949	4,135,269
Past service cost	**(1,779,531)**	(1,280,315)	4,532,574
Net pension expense	**₱16,918,815**	₱18,622,873	₱25,920,349

The net pension asset recognized in the consolidated statements of financial position as at December 31, 2018 and 2017 is as follows:

	2018	2017
Fair value of plan assets	**₱34,887,051**	₱5,333,804
Present value of defined benefit obligation	**(28,610,470)**	(3,452,561)
	₱6,276,581	₱1,881,243

The net pension liability recognized in the consolidated statements of financial position as at December 31, 2018 and 2017 is as follows:

	2018	2017
Fair value of plan assets	**₱146,536,601**	₱157,402,746
Present value of defined benefit obligation	**(186,545,033)**	(223,702,683)
	(₱40,008,432)	(₱66,299,937)

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

	2018	2017
At beginning of year	**₱64,418,694**	₱72,865,133
Contribution paid	**(42,970,884)**	(16,267,776)
Net pension expense	**16,918,815**	18,622,873
Withdrawal of plan asset	**728,168**	952,187
Amount to be recognized in OCI	**(4,123,260)**	(9,858,706)
Adjustments and reversals of defined benefit obligation	**(1,239,682)**	(1,895,017)
At end of the year	**₱33,731,851**	₱64,418,694

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:

	2018	2017
Actuarial losses (gains)	**(₱19,283,864)**	(₱9,911,226)
Return on assets excluding amount included in net interest cost	**15,160,604**	52,520
Total remeasurement losses (gains) recognized in OCI	**(₱4,123,260)**	(₱9,858,706)

Movement of cumulative remeasurement gains recognized in OCI:

	2018	2017
Balance at beginning of year	**₱38,870,017**	₱29,011,311
Remeasurement gains recognized in OCI	**4,123,260**	9,858,706
Total cumulative amounts recognized in OCI	**₱42,993,277**	₱38,870,017

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

	2018	2017
Beginning balance	**₱227,155,244**	₱237,013,302
Interest cost	**12,264,351**	11,862,270
Current service cost	**15,673,995**	16,580,761
Reversal	**(1,239,682)**	(1,733,630)
Benefits paid	**(17,635,010)**	(25,375,918)
Past service cost	**(1,779,531)**	(1,280,315)
Actuarial losses (gains) on obligation:		
Experience adjustments	**(2,875,494)**	959,456
Changes in demographic assumptions	**9,067,930**	(2,663,249)
Changes in financial assumptions	**(25,476,300)**	(8,207,433)
Ending balance	**₱215,155,503**	₱227,155,244

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

	2018	2017
Beginning balance	**₱162,736,550**	₱164,148,169
Expected return	**9,240,000**	8,539,843
Contribution paid during the year	**42,970,884**	16,267,776
Benefits paid	**(17,635,010)**	(25,375,918)
Withdrawal	**(728,168)**	(952,187)
Actuarial losses on plan assets	**(15,160,604)**	(52,520)
Adjustment to plan assets	**–**	161,387
Ending balance	**₱181,423,652**	₱162,736,550

The distribution of plan assets as at December 31, 2018 and 2017 is as follows:

	2018		2017	
	Amount	**%**	Amount	%
Cash and cash equivalents	**₱30,404,467**	**16.76%**	₱17,218,802	10.58%
Investments in:				
Government securities	**153,985,399**	**84.88%**	117,593,305	72.26%
Equity instruments	**1,456,666**	**0.80%**	26,984,814	16.58%
Interest and other receivables	**1,453,485**	**0.80%**	1,575,920	0.97%
Accrued trust fees	**(5,876,365)**	**-3.24%**	(636,291)	-0.39%
	₱181,423,652	**100.00%**	₱162,736,550	100.00%

Actual loss and actual return in plan assets amounted to ₱5.99 million and ₱8.49 million in 2018 and 2017, respectively.

The Group plans to contribute ₱26.29 million in 2019.

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

	2018	2017
Discount rate:		
Beginning	**4.70%-5.74%**	5.19%-5.67%
End	**7.26%-7.38%**	4.70%-5.74%
Salary increase rate:		
Beginning	**3.00%-5.00%**	3.00%-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.

As at December 31, 2018

	Rate	Increase (Decrease)	PVO
Discount rate	**7.46%**	**+100bps**	**(₱201,151,766)**
	6.64%	**-100bps**	**231,626,110**
Salary rate	**5.25%**	**+100bps**	**₱233,606,705**
	3.25%	**-100bps**	**(199,204,773)**

As at December 31, 2017

	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:

	2018	2017	2016
Net income attributable to equity holders of Parent Company (a)	**₱211,035,192**	₱381,584,442	₱595,715,580
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)	**₱0.2818**	₱0.5095	₱0.7954

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 Consolidated 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 2018 and 2017 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 at December 31 follows (in million pesos):

	2018	2017
Malayan Education System, Inc.	**₱339**	₱312
Malayan Colleges Laguna, Inc.	**100**	98
Malayan Colleges of Mindanao, Inc.	**53**	54
Malayan High School of Science, Inc.	**6**	4

Dividends paid to non-controlling interest in consolidated subsidiaries amounted to ₱12.32 million, ₱24.64 million and ₱19.72 million in 2018, 2017 and 2016, respectively.

As at December 31, 2018, 2017 and 2016, 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 Colleges Mindanao, Inc.			Malayan High School of Science, Inc.		
	2018	2017	2016	**2018**	2017	2016	**2018**	2017	2016	**2018**	2017	2016
Assets												
Current assets	**₱381**	₱467	₱540	**₱130**	₱81	₱119	**₱48**	₱13	₱146	**₱21**	₱30	₱35
Noncurrent assets	**6,147**	4,915	4,722	**1,508**	1,481	1,298	**2,469**	1,777	708	**262**	236	179
	₱6,528	₱5,382	₱5,262	**₱1,638**	₱1,562	₱1,417	**₱2,517**	₱1,790	₱854	**₱283**	₱266	₱214
Liabilities and Equity												
Current liabilities	**₱1,484**	₱762	₱647	**₱161**	₱93	₱202	**₱1,744**	₱1,002	₱70	**₱12**	₱14	₱14
Noncurrent liabilities	**196**	173	184	**49**	68	43	**12**	14	14	**193**	190	184
	1,680	935	831	**210**	161	245	**1,756**	1,016	84	**204**	204	198
Equity	**4,848**	4,447	4,431	**1,428**	1,401	1,172	**761**	774	770	**79**	62	16
	₱6,528	₱5,382	₱5,262	**₱1,638**	₱1,562	₱1,417	**₱2,517**	₱1,790	₱854	**₱283**	₱266	₱214
Attributable to:												
Equity holders of parent	**₱4,509**	₱4,136	₱4,121	**₱1,328**	₱1,303	₱1,090	**₱708**	₱54	₱716	**₱73**	₱58	₱15
Non-controlling interest	**339**	311	310	**100**	98	82	**53**	720	54	**6**	4	1
Net revenue	**₱1,264**	₱1,385	₱1,737	**₱468**	₱465	₱454	**₱59**	₱–	₱–	**₱23**	₱26	₱32
Gross profit (loss)	**371**	482	802	**154**	159	128	**8**	–	–	**(7)**	(3)	2
Net income (loss)	**352**	356	605	**102**	109	70	**(75)**	(9)	(2)	**(9)**	(6)	(1)
Attributable to:												
Equity holders of parent	**₱327**	₱331	₱563	**₱95**	₱101	₱65	**(₱70)**	(₱8)	(₱2)	**(₱8)**	(₱6)	(₱1)
Non-controlling interest	**25**	25	42	**7**	8	5	**(5)**	(1)	–	**(1)**	–	–

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.

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

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

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

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

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

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

Segment assets and liabilities exclude deferred tax assets and liabilities.

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

Capital expenditures consist of additions to property and equipment.

(In million pesos)

	Education			Information Technology and Others			Elimination			Consolidated		
	2018	2017	2016	**2018**	2017	2016	**2018**	2017	2016	**2018**	2017	2016
Revenues												
Income from external customers	**₱1,808**	₱1,940	₱2,221	**₱1**	₱43	₱139	**₱–**	₱–	₱–	**₱1,809**	₱1,983	₱2,360
Inter-segment income	**118**	20	20	**163**	325	260	**(281)**	(345)	(280)	**–**	–	–
Total Revenues	**₱1,926**	₱1,960	₱2,241	**₱164**	₱368	₱399	**(₱281)**	(₱345)	(₱280)	**₱1,809**	₱1,983	₱2,360
Net Income attributable to Parent Company	**₱371**	₱452	₱677	**₱146**	₱298	₱244	**(₱306)**	(₱368)	(₱325)	**₱211**	₱382	₱596
Other Information												
Segment assets	**₱10,998**	₱9,037	₱7,782	**₱1,967**	₱2,009	₱1,920	**(₱2,993)**	(₱3,149)	(₱3,173)	**₱9,972**	₱7,897	₱6,529
Segment liabilities	**3,856**	2,326	1,366	**88**	110	145	**(385)**	(565)	(498)	**3,559**	1,871	1,013
Deferred tax assets	**5**	6	3	**–**	–	3	**–**	–	–	**5**	6	6
Deferred tax liabilities	**209**	177	147	**–**	–	–	**–**	–	–	**209**	177	147
Cash flows arising from:												
Operating activities	**633**	625	999	**(22)**	18	(30)	**(55)**	(18)	(173)	**556**	625	796
Investing activities	**(1,724)**	(1,250)	(412)	**260**	260	260	**(355)**	(355)	(83)	**(1,819)**	(1,345)	(235)
Financing activities	**941**	319	(364)	**(172)**	(176)	(179)	**449**	375	254	**1,218**	518	(289)
Interest expense	**41**	4	13	**–**	–	–	**(5)**	–	(4)	**36**	4	9
Provision for income tax	**28**	44	72	**–**	4	7	**–**	–	–	**28**	48	79
Capital expenditures	**2,127**	1,049	232	**–**	–	–	**(20)**	–	–	**2,107**	1,049	232
Depreciation and amortization	**218**	208	205	**–**	1	1	**0**	–	–	**218**	209	206

27. Notes on Consolidated Statements of Cash Flows

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

	2017	Non-cash Changes: Declaration of CashDividend	Non-cash Changes: Non-controlling interest	Cash Flows	2018
Short-term loans	₱810,000,000	₱–	₱–	₱1,430,000,000	₱2,240,000,000
Dividends payable	69,343,445	179,743,956	12,322,319	(204,391,637)	57,018,083
Payables to related parties	20,957,655		–	(7,943,215)	13,014,440
	₱900,301,100	₱179,743,956	₱12,322,319	₱1,217,665,148	₱2,310,032,523

	2016	Non-cash Changes: Declaration of CashDividend	Non-cash Changes: Non-controlling interest	Cash Flows	2017
Short-term loans	₱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 2018, 2017 and 2016 pertain to the revaluation of land amounting ₱389.89 million, ₱314.65 million and ₱279.8 million, respectively (Note 10) and liability for construction in progress amounting to nil and ₱180.97 million in 2018 and 2017, 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 at December 31, 2018 and 2017:

	Carrying Amount	**2018: Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:					
Financial assets at FVPL	**₱8,699,745**	**₱8,699,745**	**₱–**	**₱–**	**₱8,699,745**
Equity instruments at FVOCI	**14,389,673**	**14,389,673**	**–**	**–**	**14,389,673**

	Carrying Amount	2017: Level 1	Level 2	Level 3	Total
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

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 loans*- carrying amounts approximate fair values due to the short-term nature of these accounts.

- *Financial assets at FVTPL* - the fair values are based on net assets value per unit (NAVPU).

- *Equity instruments at FVOCI (AFS financial assets in 2017)* - 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:

	2018	2017	2016
As at January 1	**₱25,079,144**	₱17,062,041	₱14,389,673
Changes in fair value	**(10,689,471)**	8,017,103	2,672,368
As at December 31	**₱14,389,673**	₱25,079,144	₱17,062,041

The rollforward of unrealized gains (losses) are as follows:

	2018	2017	2016
As at January 1	**₱6,716,900**	(1,300,203)	(₱3,972,571)
Changes in fair value	**(10,689,471)**	8,017,103	2,672,368
As at December 31	**(₱3,972,571)**	6,716,900	(₱1,300,203)

The unrealized gain (loss) on listed equity investments are presented in the equity section of the consolidated statements of financial position.

As at December 31, 2018 and 2017, 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 2018 and 2017. 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, equity and other investments, accounts payable and accrued expenses, payables to related parties, dividends payable, and short-term loans. 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 due from related parties, financial assets at FVPL and listed equity investments, 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. As at December 31, 2018 and 2017, there are no collaterals held in relation to the Group's financial assets.

The table below shows the credit risk exposure on the Group's financial assets as at December 31, 2018:

	Gross carrying amount at default	Expected credit loss (Impaired)
Cash in banks	**₱163,609,680**	**₱–**
Cash equivalents	**423,221,242**	**–**
Receivables from:		
Tuition and other fees	**299,383,753**	**55,682,504**
Trade	**3,411,484**	**3,392,997**
Related parties	**844,735**	**–**
Others	**78,857,790**	**5,953,007**
Financial assets at FVTPL	**8,699,745**	**–**
Equity investments at FVOCI	**14,389,673**	**–**
	₱992,418,102	**₱65,028,508**

As disclosed in Note 4, the Group recognizes an allowance for ECLs for all debt instruments not held at fair value. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The mechanics of the ECL calculations and the key elements are, as follows:

a. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.

b. *Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
c. *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

The Group's debt instruments at amortized cost comprise of cash and cash equivalents that is considered to have low credit risk. Hence, it is the Group's policy to measure ECL on such instrument on a 12-month basis applying the low credit risk simplification and based on the PD which is publicly available. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses external credit ratings both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL.

For tuition and other fees receivables, the Group generally uses a provision matrix to calculate ECLs. The provision rates are based on days past due for groupings based on school term.

The provision matrix is initially based on the Group's historical observed default rates. The Group will then consider directly relevant forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are considered.

The Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The aging of tuition and other fees and the expected credit loss as at December 31 follows:

	2018					
	Current	< 1 quarter	1 - 2 quarters	> 2 quarters	Expected credit loss	Total
Tuition and other fees	₱227,619,873	₱10,615,569	₱2,047,423	₱58,892,815	(₱55,682,504)	₱243,701,249

The table below summarize the credit quality of the Group's neither past due financial assets as at December 31, 2017:

	2017					
	Neither past due nor impaired			Past due but		
	High Grade	Standard	Total	not impaired	Impaired	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	25,330,196	56,420,633	153,016,719
Trade	–	–	–	987,050	6,843,708	7,830,758
Related parties	–	–	–	1,035,882	–	1,035,882
Others	4,355,663	210,998	4,566,661	43,744,758	5,953,007	54,264,426
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
	₱736,378,628	₱4,811,052	₱741,189,680	₱71,097,886	₱69,217,348	₱881,504,914

The credit quality of the financial assets as at December 31, 2017 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.

c. *Financial assets at FVTPL and equity investments at FVOCI* - The Group categorizes these financial 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 credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecasts approved by BOD. As at December 31, 2018 and 2017, the Group has available short-term credit facilities with banks aggregating to ₱1.11 billion and ₱1.54 billion, respectively. In addition to this, the Group also has available long-term credit facilities with a bank amounting to ₱1.5 billion. Short-term loans obtained by the Group are renewable subject to the terms of the agreements. The Group intends to convert short-term loans obtained to finance capital expenditures into long-term loans.

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.

	2018			
	On demand	**Less than 1 year**	**More than 1 year**	**Total**
Financial assets at amortized cost				
Cash	**₱164,617,680**	**₱–**	**₱–**	**₱164,617,680**
Cash equivalents	**423,221,242**	**–**	**–**	**423,221,242**
Receivables*	**228,731,654**	**87,892,865**	**–**	**316,624,519**
Receivables from related parties	**844,735**	**–**	**–**	**844,735**
Financial assets at FVPL	**8,699,745**	**–**	**–**	**8,699,745**
Equity investments at FVOCI	**–**	**–**	**14,389,673**	**14,389,673**
	₱826,115,056	**₱87,892,865**	**₱14,389,673**	**₱928,397,594**

**excluding advances to officers and employees*

	2017			
	On demand	Less than 1 year	More than 1 year	Total
Loans and receivables:				
Cash	₱160,879,353	₱–	₱–	₱160,879,353
Cash equivalents	471,932,266	–	–	471,932,266
Receivables*	79,449,014	66,445,541	–	145,894,555
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	₱67,238,664	₱–	₱813,283,020

**excluding advances to officers and employees*

The tables below summarize the maturity profile of the Group’s other financial liabilities as at December 31 based on contractual undiscounted payments and contractual remaining maturities.

	2018		
	On demand	**Less than 1 year**	**Total**
Accounts payable and accrued expenses*	**₱374,254,777**	**₱26,490,010**	**₱400,744,787**
Payables to related parties	**13,014,439**	**–**	**13,014,439**
Dividends payable	**44,695,764**	**12,322,319**	**57,018,083**
Short-term loan	**–**	**2,240,000,000**	**2,240,000,000**
	₱431,964,980	**₱2,278,812,329**	**₱2,710,777,309**

**excluding payables to regulatory bodies, funds payable and provisions*

	2017		
	On demand	Less than 1 year	Total
Accounts payable and accrued expenses*	₱334,777,162	₱57,130,869	₱391,908,031
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
	₱401,652,270	₱891,775,507	₱1,293,427,777

**excluding payables to regulatory bodies, funds payable and provisions*

29. 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 follow:

	2018	2017
Within one year	**₱1,750,332**	₱1,967,496
More than one year but not more than five years	**4,005,587**	3,763,169
Later than five years	**1,369,753**	3,395,445
	₱7,125,672	₱9,126,110

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 ₱29,544. The lease agreement was renewed on December 4, 2017 for another one year until December 31, 2018. In January 2019, the lease was renewed again for a period of six months from January 1, 2019 to June 30, 2019 with a monthly rental of ₱30,980.

The future minimum rentals payable within one (1) year amounted to ₱371,760 and ₱354,516 as at December 31, 2018 and 2017, respectively, under the aforementioned lease agreements.

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 December 31, 2018 and 2017, total accumulated payments to faculty members amounted to ₱230.78 million. Related accruals as at December 31, 2017 amounting to ₱64.09 million was reversed by the Group in 2018. Management assessed that the liability already prescribed after applying the 10-year prescription period which ended in March 2018.

- 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. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external counsels handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings.

  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. Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, 2017 and 2016 were approved and authorized for issuance by the BOD on March 29, 2019.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

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, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 included in this SEC Form 17-A and have issued our report thereon dated March 29, 2019. 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

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. 7332529, January 3, 2019, Makati City

March 29, 2019

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

SUPPLEMENTARY SCHEDULES

Schedule	Content
I	Supplementary Information and Disclosures Required On 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

iPeople, inc. and Subsidiaries

Supplementary Information and Disclosures Required on SRC Rule 68 and 68.1, As Amended December 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 at December 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
Equity investments at fair value through other comprehensive income				
Quoted:				
PetroEnergy Resources Corporation	4,111,335	₱14,389,673	₱14,389,673	₱205,567

The basis in determining the value of equity securities is the market quotation as at December 31, 2018.

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, 2018:

Name	As at December 31, 2017	Additions	Liquidations/ Collections	As at December 31, 2018
Arenillo, Denise Jordan	₱53,062	₱398,720	₱62,584	₱389,198
Macayan, Jonathan	35,463	394,000	48,597	380,867
Uy, Francis Aldrine	46,141	396,500	75,879	366,762
Teodoro, Gloria	–	390,000	58,500	331,500
Tiongco, Danilo R.	417,100	–	92,689	324,411
Caparanga, Alvin	–	377,000	58,500	318,500
Camacho, Margarita	383,480	–	71,821	311,659
Robielos, Rex Aurelius	621,299	–	321,698	299,600
Hofilena, Joy	374,354	–	75,500	298,854
Kikuchi, Khristian	374,354	–	75,500	298,854
Medrano, Anthony H.	371,208	–	75,500	295,708
Salayo, John Vincent	371,190	–	75,482	295,708
Austria, Maria Rhodora	366,698	–	79,581	287,117
Costales, Aloysius Nathaniel	389,668	–	129,916	259,751
Lanuza, Dionisia	302,100	–	63,600	238,500
Sabino, Lilibeth	309,167	–	74,200	234,967
Agbulos, Erlin C.	312,827	–	89,374	223,453
Gochioco, Geraldine	297,584	–	76,733	220,851
Salvacion, Jonathan	286,363	–	73,901	212,461
Songsong, Maribel	272,800	–	74,400	198,400
Francisco, Ruth C.	232,374	–	82,825	149,549
Adanza, Carina Victoria T.	221,729	–	73,900	147,829
Tablante, Dennis H.	175,933	–	37,700	135,988
Doma, Bonifacio T. Jr.	175,518	–	37,950	138,233
Sauquillo, Dante	211,888	–	75,900	137,569
	₱6,602,300	₱1,956,220	₱2,062,230	₱6,496,289

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, 2018:

Name	Volume of transactions	Receivables	Terms
Pan Pacific Computer Center, Inc.	Share in expenses	₱1,104,410	Noninterest-bearing and to be settled within the year

Schedule D. Intangible Assets

As at December 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	–	(529,630)	5,822,141
	₱144,205,116	₱–	(₱529,630)	₱143,675,486

Schedule E. Long term debt

As at December 31, 2018, the Group has no outstanding long-term debt.

Schedule F. Indebtedness to Related Parties (Long Term Loans from Related Companies)

As at December 31, 2018, the Group has no outstanding long-term debt from/to related parties.

Schedule G. Guarantees of Securities of Other Issuers

As at December 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	-	600,576,067	199,988	148,157,166

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, 2018:

iPeople, inc. and Subsidiaries

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective at of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective at of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective at of December 31, 2018**		**Adopted**	**Not Adopted**	**Not Applicable**
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			✓
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners	✓		
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments	✓		
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective at of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

SCHEDULE III

iPeople, inc. and Subsidiaries

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION*

DECEMBER 31, 2018

Items	Amount	
Unappropriated retained earnings, *as adjusted to available for distribution, beginning*		**₱1,167,109,906**
Add: Net income actually earned/realized during the period		
Net income during the period closed to retained earnings	**₱146,207,897**	
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		**146,207,897**
Add (Less):		
Dividends declaration during the year	**(179,743,956)**	
Appropriations of retained earnings during the period	–	
Reversal of appropriations	–	
Effects of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	**(209)**	
		(179,744,165)
Total Retained Earnings, End Available for Dividend		**₱1,133,573,638**

**Based on December 31, 2018 Parent Company Supplementary Schedule.*

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group's for the years ended December 31, 2018 and 2017:

Financial ratios		**2018**	2017
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**0.30:1**	0.56:1
Solvency Ratio *Shows how likely a company will be to continue meeting its debt obligations*	Net Income+Depreciation / Total Liabilities	**0.13:1**	0.33:1
Debt-to-equity ratio *Measures the Group's leverage*	Total Debt / Equity	**0.59:1**	0.31:1
Asset to Equity Ratio *Shows how the company's leverage (debt) was used to finance the firm*	Total Assets / Equity	**1.55:1**	1.31:1
Interest Rate Coverage *Shows how easily a company can pay interest on outstanding debt*	EBIT* / Interest Expense	**8.35:1**	109.89:1
Return on Average Stockholders' Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Equity	**3.81%**	7.16%
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income / Total Assets	**2.38%**	5.24%

Earnings before interest and taxes (EBIT)

Consolidated Financial Statements of March 31, 2019 and December 31, 2018
and
Three Months Ended March 31, 2019, 2018 and 2017

iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited March 31, 2019	Audited December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 14)	**₱702,344,187**	₱587,838,922
Receivables (Note 7)	**322,804,935**	327,765,719
Receivables from related parties (Note 14)	**831,812**	844,735
Prepaid expenses and other current assets (Note 8)	**84,322,005**	82,316,258
Financial assets at fair value through profit or loss	**8,802,631**	8,699,745
Total Current Assets	**1,119,105,570**	1,007,465,379
Noncurrent Assets		
Property and equipment at cost (Note 9)	**3,394,840,884**	3,246,597,467
Land at revalued amounts (Notes 9 and 10)	**5,521,007,994**	5,521,007,994
Goodwill (Note 11)	**137,853,345**	137,853,345
Equity instruments at fair value through other comprehensive income (FVOCI) (Notes 3)	**17,062,041**	14,389,673
Net pension asset	**6,276,581**	6,276,581
Deferred tax assets - net	**5,620,863**	5,129,252
Other noncurrent assets (Note 12)	**33,934,387**	33,770,600
Total Noncurrent Assets	**9,116,596,095**	8,965,024,912
	₱10,235,701,665	₱9,972,490,291
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 3 and 13)	**₱701,938,537**	₱674,290,435
Payables to related parties (Notes 14)	**18,809,237**	13,014,439
Income tax payable	**27,264,725**	11,077,149
Dividends payable (Notes 16)	**44,695,852**	57,018,083
Short-term loans (Notes 15)	**2,474,900,000**	2,240,000,000
Unearned income (Notes 3 and 13)	**242,524,044**	314,947,490
Total Current Liabilities	**3,510,132,395**	3,310,347,596
Noncurrent Liabilities		
Net pension liability	**42,009,412**	40,008,432
Deferred tax liabilities - net	**208,411,373**	208,573,950
Total Noncurrent Liabilities	**250,420,785**	248,582,382
Total Liabilities	**₱3,760,553,180**	₱3,558,929,978

(Forward)

	Unaudited	Audited
	March 31, 2019	December 31,

	2018	
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):		
Fair value reserve of equity instruments at FVOCI	**(1,300,203)**	(3,972,571)
Revaluation increment on land - net (Note 10)	**1,574,007,954**	1,574,007,954
Remeasurement gains on defined benefit plans	**35,093,161**	35,093,161
Retained earnings (Note 16)	**3,694,688,385**	3,643,131,374
	6,052,861,345	5,998,631,966
Less: Treasury stock (Note 16)	**209**	209
	6,052,861,136	5,998,631,757
Non-controlling interest in consolidated subsidiaries	**422,287,349**	414,928,556
Total Equity	**6,475,148,485**	6,413,560,313
	₱10,235,701,665	₱9,972,490,291

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	January 1 to March 31		
	2019	2018	2017
REVENUE			
Tuition and other fees (Note 17)	**₱538,752,893**	₱470,197,047	₱505,766,297
COSTS AND EXPENSES			
Cost of tuition and other fees (Note 18)	**331,327,785**	302,653,532	292,856,284
GROSS PROFIT	**207,425,108**	167,543,515	212,910,013
GENERAL AND ADMINISTRATIVE EXPENSES (Note 19)	**(74,071,453)**	(55,145,998)	(56,304,875)
INTEREST AND OTHER FINANCE CHARGES (Note 20)	**(21,250,762)**	(734,632)	(654,394)
INTEREST INCOME (Note 20)	**6,181,442**	2,446,064	2,955,162
OTHER INCOME	**1,632,455**	4,628,828	4,241,575
INCOME BEFORE INCOME TAX	**119,916,790**	118,737,777	163,147,481
PROVISION FOR INCOME TAX	**16,064,993**	12,553,698	16,618,471
NET INCOME	**103,851,797**	106,184,079	146,529,010
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss):			
Fair value reserve of equity instruments at FVOCI (Notes 3)	**2,672,368**	(4,892,489)	–
Unrealized gain on AFS financial assets (Notes 3)	–	–	(575,587)
	2,672,368	(4,892,489)	(575,587)
TOTAL COMPREHENSIVE INCOME	**₱106,524,165**	₱101,291,590	₱145,953,423
Net income attributable to:			
Equity holders of the parent (Note 21)	**₱96,493,004**	₱98,620,414	₱136,044,781
Non-controlling interest in consolidated subsidiaries	**7,358,793**	7,563,665	10,484,229
	₱103,851,797	₱106,184,079	₱146,529,010
Total comprehensive income attributable to:			
Equity holders of the parent	**₱99,165,372**	₱93,727,925	₱135,469,194
Non-controlling interest in consolidated subsidiaries	**7,358,793**	7,563,665	10,484,229
	₱106,524,165	₱101,291,590	₱ 145,953,423
Basic Earnings Per Share (Note 21)	**₱0.1288**	₱0.1317	₱0.1817

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent Company										
	Common Stock (Note 16)	**Additional Paid-in Capital**	**Unrealized Gain on Available-for-Sale Financial Assets**	**Fair Value Reserve of Equity instruments at FVOCI**	**Revaluation Increment on Land - net of tax** (Note 10)	**Remeasurement Gains (Losses) on Net Defined Benefit Plans**	**Retained Earnings** (Note 16)	**Treasury Stock** (Note 16)	**Total**	**Non - controlling Interest**	**Total**
					For the quarter ended March 31, 2019						
Balances as at January 1, 2019	**₱748,933,221**	**₱1,438,827**	**₱-**	**(₱3,972,571)**	**₱1,574,007,954**	**₱35,093,161**	**₱3,643,131,374**	**(₱209)**	**₱5,998,631,757**	**₱414,928,556**	**₱6,413,560,313**
Net income	–	–	–	–	–	–	**96,493,004**	–	**96,493,004**	**7,358,793**	**103,851,797**
Other comprehensive income	–	–	–	**2,672,368-**	–	–	–	–	**2,672,368**	–	**2,672,368**
Total comprehensive income	–	–	–	**2,672,368**	–	–	**96,493,004**	–	**99,165,372**	**7,358,793**	**106,524,165**
Dividends declared	–	–	–	–	–	–	**(44,935,993)**	–	**(44,935,993)**	–	**(44,935,993)**
Balances as at March 31, 2019	**₱748,933,221**	**₱1,438,827**	**₱–**	**(₱1,300,203)-**	**₱1,574,007,954**	**₱35,093,161**	**₱3,694,688,385**	**(₱209)**	**₱ 6,052,861,136**	**₱422,287,349**	**₱6,475,148,485**
					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	₱6,025,040,414
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)
Total comprehensive income	–	–	–	(4,892,489)	–	–	98,620,417	–	93,727,925	7,563,662	101,291,587
Transfer of unrealized gain on AFS financial assets to fair value reserve of equity instruments at FVOCI (Note 3)	–	–	(6,716,900)	6,716,900	–	–	–	–	–	–	–
Adjustment on remeasurement losses	–	–	–	–	–	(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 (loss)	–	–	(575,587)	–	–	–	–	–	(575,587)	–	(575,587)
Total comprehensive income (loss)	–	–	(575,587)	–	–	–	139,609,591	–	135,469,194	10,484,229	145,953,423
Dividends declared	–	–	–	–	–	–	(44,935,993)	–	(44,935,993)	–	(44,935,993)
Balances as at March 31, 2017	₱748,933,221	₱1,438,827	(₱1,875,790)	₱–	₱984,985,652	₱23,017,641	₱3,501,108,457	(₱209)	₱5,257,607,798	₱359,013,946	₱5,616,621,744

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	January 1 to March 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱119,916,790**	₱118,687,547	₱163,147,480
Adjustments for:			
Depreciation and amortization (Notes 9, 12, 18 and 19)	**61,794,470**	53,240,138	52,173,148
Interest income (Note 20)	**(6,181,442)**	(2,446,063)	(2,955,162)
Interest expense and other finance charges (Note 20)	**21,250,762**	734,632	654,394
Unrealized market gain on financial assets at FVPL	**(102,886)**	(44,428)	(38,640)
Unrealized foreign exchange gain	**(58,281)**	(473,605)	(123,171)
Operating income before working capital changes	**196,619,413**	169,698,221	212,858,049
Decrease (increase) in:			
Receivables	**4,240,528**	10,267,009	14,109,721
Prepaid expenses and other current assets	**(2,005,746)**	5,783,185	(14,218,759)
Increase (decrease) in:			
Accounts payable and accrued expenses	**20,161,437**	91,859,828	22,708,663
Unearned tuition fees	**(72,423,446)**	(63,401,698)	(38,657,912)
Net pension asset and liability	**1,346,791**	845,737	1,146,366
Net cash generated from operations	**147,938,977**	215,052,282	197,946,128
Interest received	**6,901,698**	2,595,430	2,955,162
Interest paid	**(13,764,095)**	(734,632)	(654,394)
Income taxes paid	**122,583**	4,417,786	2,130,136
Net cash flows from operating activities	**141,199,163**	221,330,866	202,377,032
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 9)	**(209,905,480)**	(203,751,829)	(292,154,011)
Computer software (Note 12)	–	–	(225,000)
Decrease (increase) in:			
Receivables from related parties	**12,922**	(530,479)	2,797,830
Other noncurrent assets	**(296,194)**	(412,314)	(504,790)
Net cash flows used in investing activities	**(210,188,752)**	(204,694,622)	(290,085,971)

(Forward)

	January 1 to March 31		
	2018	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans (Note 15)	**₱904,900,000**	₱60,000,000	
Payments of short-term debts (Note 15)	**(670,000,000)**	–	145,000,000
Dividends paid to stockholders	**(57,258,225)**	(50,860,696)	(49,626,011)
Increase (decrease) in payables to related parties	**5,794,798**	2,079,872	14,799,000
Net cash flows from (used in) financing activities	**183,436,573**	11,219,176	110,172,989
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**58,281**	473,605	123,171
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**114,505,265**	28,329,024	22,587,221
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**587,838,922**	632,811,619	873,357,931
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱702,344,187**	₱661,140,643	₱895,945,152

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).

<u>Plan of Merger</u>
On October 1, 2018, the Board of Directors (BOD) of the Parent Company executed a memorandum of agreement (MOA) for a proposed Plan of Merger between the Parent Company and AC Education, Inc. (AEI), the wholly owned education arm of Ayala Corporation (AC), with the Parent Company as the surviving entity with HI and AC owning 48.18% and 33.5%, respectively. The merger would bring together the educational arms of HI and AC.

The proposed merger was subsequently approved by the Parent Company’s Stockholders on December 12, 2018 and was approved by the Philippine Competition Commission (PCC) on December 12, 2018. On April 24, 2019, the Company received from the Securities and Exchange Commission (SEC), the Certificate of Filing of the Articles and Plan of Merger approving the merger. On May 02, 2019, the merger by and between the Company and of AC Education became effective with iPeople, being the surviving corporation, is deemed to have acquired all the assets and to have assumed all the liabilities of AC Education, Inc. On May 09, 2019, the Company acquired the 281,642 Malayan Education Systems, Inc. (MESI) common shares owned by HI, which represents its 7% ownership in MESI. With the acquisition, iPeople now owns 100% of MESI.

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.

<u>Statement of Compliance</u>
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, 2019 and December 31, 2018, and for each of the three years in the period ended March 31, 2019, 2018 and 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 March 31:

	Percentage of Ownership		
	2019	2018	2017
Malayan Education System, Inc. (Operating Under the Name of Mapua University) and subsidiaries	**93%**	93%	93%
Direct ownership of MESI on its subsidiaries:			
Malayan Colleges Laguna, Inc., A Mapua School, formerly Malayan Colleges Laguna, Inc., Led by a Mapua School of Engineering	**100**	100	100
Malayan Colleges Mindanao (A Mapua School), Inc.	**100**	100	–
Malayan High School of Science, Inc.	**100**	100	100
Mapua Information Technology Center, Inc.	**100**	100	100
Mapua Techserv, Inc.	**100**	100	100
Mapua Techpower, Inc.	**75**	75	75
San Lorenzo Ruiz Institute of Health Sciences, Inc.	**100**	100	100
People eServe Corporation	**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, 2018. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.

- PFRS 9, *Financial Instruments*, replaces PAS 39, *Financial Instrument: Recognition and Measurement*, for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group applied PFRS 9 using the modified retrospective approach, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39.

  The impact of the adoption is described below:

  (a) Classification and measurement
  Under PFRS 9, debt instruments are subsequently measured at FVTPL, amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

  The assessment of the Group's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.
  The classification and measurement requirements of PFRS 9 did not have a significant impact to the Group. The following are the changes in the classification of the Group's financial assets:

  - Cash and cash equivalents, receivables and receivables from related parties previously classified as loans and receivables as at December 31, 2017, are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments or financial assets at amortized cost.

- Listed equity instruments in PetroEnergy Resources Corporation previously classified as AFS financial assets as at December 31, 2017 and with recycling of cumulative gains and losses to profit or loss, are now classified and measured as equity instruments at FVOCI with no recycling of cumulative gains and losses to profit or loss. The Group elected to classify irrevocably its equity instruments under this category as it intends to hold these for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.

The Group has not designated any financial liabilities as at FVTPL. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018.

		PFRS 9 measurement category		
PAS 39 measurement category		**Amortized cost**	**FVTPL**	**FVOCI**
Loans and receivables				
Cash and cash equivalents	₱632,811,619	₱632,811,619	₱–	₱–
Receivables*	145,894,555	145,894,555	–	–
Receivables from related parties	1,035,882	1,035,882	–	–
Financial assets at fair value through profit or loss				
Investments in unit investment trust fund (UITF)	8,461,820	–	8,461,820	–
AFS investments				
Listed equity instruments	25,079,144	–	–	25,079,144
	₱813,283,020	₱779,742,056	₱8,461,820	₱25,079,144

**excluding advances to officers and employees subject to liquidation*

(b) *Impairment*
The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at FVTPL.

For cash and cash equivalents, management evaluated that these financial assets have low credit risk. Hence, the Group measured ECL on these instruments on a 12-month basis applying the low credit risk simplification. The Group uses external credit ratings both to determine whether these financial assets has significantly increased in credit risk and to estimate ECL.

For the Group's receivables, PFRS 9's simplified approach was applied where ECLs are calculated based on lifetime ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, and considered forward-looking factors specific to the debtors and the economic environment.

The adoption of PFRS 9 did not have any significant impact on the Group's provision for impairment on its financial assets carried at amortized cost.

- PFRS 15, *Revenue from Contracts with Customers*, supersedes PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Group adopted PFRS 15 using the full retrospective approach of adoption with January 1, 2018 as the date of initial application. The adoption of the standard resulted to changes in the presentation and classification of certain items included under revenue, costs and expenses, prepaid expenses and other current assets, and unearned income, which are summarized and presented in the tables below. The 2017 and 2016 statement of comprehensive income and the 2017 statement of financial position were also adjusted to conform with the 2018 presentation.

The Group applied PFRS 15 retrospectively, with the initial application date of January 1, 2018 and adjusting the comparative information for the period beginning January 1, 2017. It has no impact on the Group's January 1, 2017 retained earnings.

Other than the foregoing, the adoption of this standard has no significant impact on the Group's consolidated statements of financial position, consolidated statements of comprehensive income and consolidated cash flows but resulted to changes in the Group's accounting policies and new disclosures (Notes 4, 13 and 17).

The Group also adopted the following new accounting pronouncements starting January 1, 2018. The adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- Amendments to Philippine Accounting Standards (PAS) 28, *Investments in Associates and Joint Ventures*, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

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 to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

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

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

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

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.
  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting IFRIC 23.

Adoption of the following pronouncements is currently not expected to have a significant impact in the Group. The Group intends to adopt the following pronouncement once they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2018 on the Group’s consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

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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.

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.

<u>Financial Instruments – Effective January 1, 2018</u>
Initial recognition and subsequent measurement
The Group recognizes a financial asset or a financial liability in the 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 settlement date.

Financial assets - Initial recognition and measurement
Financial assets are classified, at initial recognition, as "subsequently measured at amortized cost"; FVOCI; and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flow that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group has financial assets at amortized cost (debt instruments), financial assets at FVTPL and financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Financial assets at amortized cost (debt instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

This accounting policy relates to the Group's cash and cash equivalents, receivables and receivables from related parties.

Financial assets at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation,* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognized in profit or loss as income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at fair value through OCI are not subject to an impairment assessment.

The Group elected to classify irrevocably its listed equity investments in PetroEnergy Resources Corporation shares under this category.

Financial assets at fair value through profit or loss
A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. However, an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

The Group may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Included in this classification is the peso-denominated investment in UITF in Rizal Commercial Banking Corporation (RCBC).

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks

and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

An impairment analysis is performed at each reporting date and the Group generally used the provision matrix to measure ECL. The mechanics of the ECL calculations and the key elements are, as follows:

a. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
b. *Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
c. *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

The Group's debt instruments at amortized cost comprise of cash and cash equivalents that is considered to have low credit risk. Hence, it is the Group's policy to measure ECL on such instrument on a 12-month basis applying the low credit risk simplification and based on the PD which is publicly available. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses external credit ratings both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL.

For tuition and other fees receivables, the Group generally uses a provision matrix to calculate ECLs. The provision rates are based on days past due for groupings based on school term.

The provision matrix is initially based on the Group's historical observed default rates. The Group will then consider directly relevant forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are considered.

The Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities - Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate, and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and accrued expenses, payables to related parties, dividends payable and short-term loans.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss
- Loans and borrowings

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

This accounting policy applies primarily to accounts payable and accrued expenses, payables to related parties, dividends payable and short-term loans.

Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

<u>Inventories</u>
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.

<u>Prepaid Expenses and Other Current Assets</u>
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.

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

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

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

<u>Property and Equipment</u>

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

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

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

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

	Years
Buildings and improvements	10-40
Office furniture and equipment	5-10
Transportation equipment	5

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

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

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

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

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

The appraisal increment (net of deferred tax) resulting from the revaluation is credited to the "revaluation increment on land - net" account under the equity section of the Group's consolidated statements of financial position and under the consolidated statements of changes in equity. Upon disposal, any revaluation increment relating to the land being sold is transferred to retained earnings.

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

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

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in 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 asset represents the Group's software cost for its financial systems which are carried at cost less amortization and impairment, if any. Software is amortized over a period of three (3) years.

Impairment of Nonfinancial Assets

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

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

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

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

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

Equity

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

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

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

Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer. Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the goods or service. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements.

Revenue from schools and related operations consist of the following:

Revenue from tuition and other matriculation fees

Revenue from tuition fees and other matriculation fees are recognized over time as revenue over the corresponding school term using the output method (i.e., time lapsed over the service period such as semester or school year, depending on the curriculum registered). Upon enrollment, students have the option to pay the tuition and other matriculation fees in full or in installment.

Other student-related income

Other student-related income are recognized at a point in time upon delivery of the promised goods to the customer or at point in time when services has been rendered. These mainly consist of the following:

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 (at point in time).

Bookstore income
Bookstore income is recognized when goods have been delivered to the buyer (at point in time).

Seminar income
Seminar income is recognized as income over the corresponding term or as the services are rendered (at point in time or over time).

Miscellaneous income
Miscellaneous income is recognized when earned (at point in time).

Sale of goods is recognized as revenue upon delivery of the goods to the buyer (at point in time).

Sale of services is recognized when services are rendered (over time).
Following are contract balances relative to adoption of PFRS 15:

Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to a customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. The Group's contract liabilities represent the unearned income on tuition fees (presented under unearned income) and accounts payable to students (presented under accounts payable and accrued expenses) and will be recognized as revenue when the related educational services are rendered. Accounts payable to students are advance collections from students to be applied to the next school year or school term.

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 schools and related operations
Cost of schools and related operations constitute expenses directly related to the Group's school and related operations which include expenses for salaries and wages of teaching and academic support personnel, student welfare activities, advertising, and all other student-related costs and expenses. Cost of schools and related operations 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, excluding capitalizable borrowing costs, is recognized as expense in the period in which it is incurred.

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.

Borrowing costs not qualified for capitalization are expensed as incurred.

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

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

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

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

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

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

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

Income Taxes

Current tax

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

Deferred tax

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

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

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

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

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

Leases

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.

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

Recognition of tuition and other matriculation fees over time
The Group determined that tuition and other matriculation fees, the major source of revenue of the Group, are to be recognized over time using the output method on the basis of time lapsed over the service period since it provides a faithful depiction of the Group's performance in transferring control of the services to the students. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the customer or the student simultaneously receives and consumes the benefits of the Group's performance as it performs (Note 17).

Accounting for School-granted Scholarships to Students
With the adoption of PFRS 15, the Group assessed its arrangement with students who availed of school-granted scholarships. Based on management assessment, the arrangement with these students will not qualify as revenue from contracts with customers under PFRS 15 as there is no consideration involved in exchange for the educational services that the Group will render to these students. Accordingly, management changed its accounting on school-granted scholarships from presenting revenue and cost of service at gross in the statement of comprehensive income to presenting the related cost of service as deduction from revenue (Notes 3 and 17).

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. 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.

Fair valuation of land
The Group measures land at revalued amount with changes in fair value being recognized in other comprehensive income. The Group engaged an independent firm of appraisers to determine the fair value. The key assumptions used to determine fair value are disclosed in Note 10. As at March 31, 2019 and December 31, 2018, the fair value of the land amounted to ₱5,521.01 million (Note 10).

Estimation of allowance for doubtful accounts on receivables using the ECL model
The Group generally uses a provision matrix to calculate ECLs for tuition and other fees receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will then consider directly relevant forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are considered.

The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future.

Allowance for doubtful accounts on receivables amounted to ₱65.52 million and ₱65.03 million as of March 31, 2019 and December 31, 2018, respectively. The carrying value of receivables as of March 31, 2019 and December 31, 2018 amounted to ₱322.80 million and ₱327.77 million, respectively (Note 7). The carrying value of receivables from related parties as of March 31, 2019 and December 31, 2018 amounted to ₱0.83 million and ₱0.84 million, respectively (Note 14).

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

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

Impairment of goodwill is assessed at least on an annual basis. The goodwill recognized in the consolidated statement of financial position pertains to the acquisition of MESI. 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 cash flow projections based on financial budgets approved by management covering a five-year period. The cash flow projections considered the impact of the Enhanced K+12 Basic Education Program on 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 2019, 2018 and 2017. As at March 31, 2019 and December 31, 2018, 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, 2019 and for the year ended December 31, 2018 (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 at March 31, 2019 and December 31, 2018, the net pension liability amounted to ₱42.01 million and ₱40.01 million, respectively, while net pension asset amounted to ₱6.28 million as at March 31, 2019 and December 31, 2018.

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 ₱5.62 million and ₱5.13 million as at March 31, 2019 and December 31, 2018, respectively.

Provisions and Contingencies
The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings (Notes 13 and 24).

6. Cash and Cash Equivalents

This account consists of:

	Unaudited March 2019	Audited December 2018
Cash on hand	**₱1,000,000**	₱1,008,000
Cash in banks (Note 14)	**80,274,940**	163,609,680
Cash equivalents (Note 14)	**621,069,247**	423,221,242
	₱702,344,187	₱587,838,922

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 ₱6.15 million, ₱2.06 million and ₱2.92 million in 2019, 2018 and 2017, respectively (Note 20).

7. Receivables

This account consists of:

	Unaudited March 2019	Audited December 2018
Tuition and other fees	**₱275,732,031**	₱299,383,753
Other receivables:		
Trade	**3,411,484**	3,411,484
Advances to officers and employees	**12,992,920**	11,141,200
Others	**96,188,618**	78,857,790
	388,325,053	392,794,227
Allowance for doubtful accounts	**(65,520,118)**	(65,028,508)
	₱322,804,935	₱327,765,719

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 advances subject to liquidation, interest-bearing receivables pertaining to car loan and noninterest-bearing telephone charges, hospitalization bill and library and printing charges. Receivables from employees are settled through salary deductions. Interest income from advances to officers and employees amounted to ₱0.03 million, ₱0.39 million and ₱0.03 million in 2019, 2018 and 2017, respectively (Note 20).

Other receivables mainly pertain to receivable from DepEd amounting to ₱78.84 million and ₱60.11 million as at March 31, 2019 and December 31, 2018, respectively, arising from the Senior High School (SHS) Voucher Program wherein qualified SHS students are given assistance on tuition fees. These receivables are noninterest-bearing and are generally collectible within one year. The changes in allowance for doubtful accounts as of March 31 and December 31 follow:

	March 2019			
	Tuition and other fees	**Trade**	**Others**	**Total**
Balance at beginning of year	**₱55,682,504**	**₱3,392,997**	**₱5,953,007**	**₱65,028,508**
Provisions for the year	**491,610**	**–**	**–**	**491,610**
Write-off	**–**	**–**	**–**	**–**
Balance at end of year	**₱56,174,114**	**₱3,392,997**	**₱5,953,007**	**₱65,520,118**
Gross receivables	**₱275,732,031**	**₱3,411,484**	**₱109,181,538**	**₱388,325,053**

	December 2018			
	Tuition and other fees	Trade	Others	Total
Balance at beginning of year	₱55,682,504	₱3,392,997	₱5,953,007	₱65,028,508
Provisions for the year (Note 19)	1,091,430	808,147		1,899,577
Write-off	(1,829,559)	(4,258,858)	–	(6,088,417)
Balance at end of year	₱55,682,504	₱3,392,997	₱5,953,007	₱65,028,508
Gross receivables	₱299,383,753	₱3,411,484	₱89,998,990	₱392,794,227

8. Prepaid Expenses and Other Current Assets

	Unaudited March 2019	Audited December 2018
Prepaid expenses	**₱42,285,145**	₱40,243,938
Restricted funds (Note 14)	**20,087,297**	21,356,004
CWT	**8,967,495**	8,593,986
Inventory	**3,048,932**	3,445,034
Input VAT	**535,508**	539,583
Office supplies	**41,319**	41,319
Others	**9,356,309**	8,096,394
	₱84,322,005	₱82,316,258

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

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.

Others relate to prepayment to local government unit, rent deposits and other supplies.

9. Property and Equipment

The rollforward analysis of this account follows:

	March 2019				
	Buildings and Improvements	**Office Furniture and Equipment**	**Transportation Equipment**	**Construction In Progress**	**Total**
Cost					
Balance at beginning of year	**₱3,608,820,820**	**₱1,570,007,803**	**₱35,909,884**	**₱188,429,128**	**₱5,403,167,635**
Acquisitions (Note 24)	**8,810,136**	**54,446,346**	**806,000**	**145,843,524**	**209,906,006**
Balance at end of year	**3,617,630,956**	**1,624,454,149**	**36,715,884**	**334,272,652**	**5,613,073,641**
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	**969,272,676**	**1,167,519,518**	**19,777,974**	**–**	**2,156,570,168**
Depreciation (Notes 18 and 19)	**29,232,008**	**30,996,889**	**1,433,166**	**–**	**61,662,063**
Reclassifications and adjustments	**–**	**526**	**–**	**–**	**526**
Balance at end of year	**998,504,684**	**1,198,516,933**	**21,211,140**	**–**	**2,218,232,757**
Net book value	**2,619,126,272**	**425,937,216**	**15,504,744**	**334,272,652**	**3,394,840,884**
Land at revalued amounts (Note 10)	**–**	**–**	**–**	**–**	**5,521,007,994**
Total	**₱ 2,619,126,272**	**₱ 425,937,216**	**₱ 15,504,744**	**₱ 334,272,652**	**₱ 8,915,848,878**

	December 2018				
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	Total
Cost					
Balance at beginning of year	₱1,898,233,022	₱1,397,207,373	₱33,304,524	₱1,164,165,969	₱4,492,910,888
Acquisitions (Note 24)	591,678,080	117,533,769	4,105,792	199,892,464	913,210,105
Disposals	–	(105,357)	(2,823,312)	–	(2,928,669)
Reclassifications and adjustments	1,118,909,718	55,372,018	1,322,880	(1,175,629,305)	(24,689)
Balance at end of year	3,608,820,820	1,570,007,803	35,909,884	188,429,128	5,403,167,635
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)	92,468,979	121,425,486	3,886,150	–	217,780,615
Disposals	–	(33,655)	(2,024,562)	–	(2,058,217)
Reclassifications and adjustments	(696,152)	(1,008,601)	234,237	–	(1,470,516)
Balance at end of year	969,272,676	1,167,519,518	19,777,974	–	2,156,570,168
Net book value	2,639,548,144	402,488,285	16,131,910	188,429,128	3,246,597,467
Land at revalued amounts (Note 10)	–	–	–	–	5,521,007,994
Total	₱2,639,548,144	₱402,488,285	₱16,131,910	₱188,429,128	₱8,767,605,461

Construction in progress mainly includes the general cost of construction of MESI's school building in the newly acquired land in Makati City from HI and other direct costs (Note 10).

Interest expense on short-term loans obtained to finance the construction, which was included as part of the construction in progress amounted to ₱19.39 million and ₱23.77 million as of March 2019 and December 2018, respectively (Note 15).

10. **Land at Revalued Amounts**

This account consists of:

	Unaudited March 2019	Audited December 2018
Land at cost:		
Balance at beginning of year	**₱3,062,820,881**	₱1,870,976,481
Capitalizable costs	–	1,191,844,400
Balance at end of year	**3,062,820,881**	3,062,820,881
Revaluation increment on land:		
Balance at beginning of year	**2,458,187,113**	2,068,797,119
Change in revaluation increment	–	389,389,994
Balance at end of year	**2,458,187,113**	2,458,187,113
	₱5,521,007,994	₱ 5,521,007,994

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.

Acquisitions during the year include the land purchased from HI in October 2018 amounting to ₱1,121.88 million, inclusive of other direct costs and taxes. Except for the recently acquired land from HI, the other parcels of land were appraised in January 2019 and 2018 by an independent firm of appraisers to determine the revalued amounts as at December 31, 2018 and 2017, 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.

For the acquired land from HI in October 2018, management assessed that the purchase price of the recently acquired land is reflective of the fair value of the land as at December 31, 2018. Based on comparison of recent sale transactions or offerings of similar properties done by the Group as at December 31, 2018, management assessed that there was no significant movement in the fair value of the land from date of acquisition until December 31, 2018.

			Range (Weighted Average)	
Location	**Valuation Techniques**	**Unobservable Inputs Used**	**2018**	2017
Sen. Gil Puyat Avenue corners Nicanor Garcia and Jupiter Streets, Bel-Air, Makati City	Market Approach	Price per square meter	**₱183,750 to ₱227,500 (₱210,287)**	₱168,000 to ₱238,000 (₱200,000)
Muralla Street, Intramuros, Manila	Market Approach	Price per square meter	**₱42,075 to ₱55,575 (₱44,764)**	₱36,000 to ₱49,400 (₱44,000)
Paz Mendoza Guazon, Pandacan, Manila	Market Approach	Price per square meter	**₱56,525 to ₱68,400 (₱59,755)**	₱45,000 to ₱58,526 (₱52,000)
Barangay Pulo and Niyugan, City	Market Approach	Price per square	**₱8,289to**	₱10,800 to

Location	Valuation Techniques	Unobservable Inputs Used	Range (Weighted Average) 2018	2017
of Cabuyao, Laguna		meter	**₱31,350 (₱18,910)**	₱11,800 (₱11,300)
MacArthur Highway (Davao-Cotabato National Road), Brgy. Ma-a, Davao City	Market Approach	Price per square meter	**₱13,968 to ₱31,350 (₱25,835)**	₱6,863 to ₱30,600 (₱27,684)

Net adjustment factors arising from external and internal factors (i.e. market conditions, competitiveness, size/shape/terrain, and development) affecting the subject properties as compared to the market listing of comparable properties ranges from -20% to +20%.

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 at March 31, 2019 and December 31, 2018 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 2019, 2018 and 2017, management assessed that no impairment losses should be recognized.
Key assumptions used in the value in use (VIU) calculation
As at December 31, 2018 and 2017, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU are most sensitive to the following:

- Future revenues, profit margins and revenue growth rates: Cash flow projections based on financial budgets approved by management covering a five-year period (2019-2023) and considers the impact of the K to 12 Basic Education Program on MESI’s financial performance effective 2016.
- Long-term growth rates (*3.67% for 2018 and 5.25% for 2017*): The Long-term growth rate is the expected growth rate in the education industry sector.
- Discount rate (10.10% for 2018 and 9.06% for 2017): 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 Parent Company’s capital structure.

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 2019	Audited December 2018
Books and periodicals	**₱10,508,587**	₱10,857,623
Input VAT	**10,393,388**	9,930,106
Creditable withholding tax	**6,666,175**	6,705,426

Computer software	**5,689,734**	5,822,141
Miscellaneous deposits	**676,503**	455,304
	₱ 33,934,387	₱33,770,600

Books and periodicals represent the books and periodicals purchased by MCMI in its initial year of school operation. These are amortized over five years.

Computer software is amortized over a period of three years.

The rollforward analysis of computer software follows:

	Unaudited March 2019	Audited December 2018
Cost		
Balance at the beginning of the year	**₱37,147,970**	₱37,147,970
Additions	–	–
Balance at the end of the year	**37,147,970**	37,147,970
Accumulated Amortization		
Balance at the beginning of the year	**31,325,829**	30,796,199
Amortization (Notes 18 and 19)	**132,407**	529,630
Balance at the end of the year	**31,458,236**	31,325,829
Net Book Value	**₱ 5,689,734**	₱5,822,141

13. **Accounts Payable and Accrued Expenses**

This account consists of:

	Unaudited March 2019	Audited December 2018
Accounts payable	**₱343,672,740**	₱356,262,208
Accrued expenses	**257,316,393**	210,012,834
Funds payable	**99,992,176**	107,137,375
Other payables	**957,228**	878,018
	₱701,938,537	₱674,290,435

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. Accounts payable also includes payables to students as disclosed under Unearned Income below.

Accrued expenses consist of:

	Unaudited March 2019	Audited December 2018
Provisions (Note 29)	**₱153,558,082**	₱153,558,082
Accrued salaries and wages	**39,282,791**	6,782,080
Payable to suppliers	**11,611,273**	11,004,917
Withholding taxes and others	**10,402,179**	7,827,505
Insurance	**7,836,748**	6,843,573
Accrued interest	**7,486,667**	–
Accrued utilities	**5,140,244**	4,063,613
Accrued professional fees	**4,413,771**	4,026,484
SSS and other contributions	**3,670,146**	3,615,970

Contracted services	**3,306,486**	3,785,465
Accrued communication expense	**2,893,913**	2,300,811
Output VAT payable	**1,512,014**	1,406,716
Others	**6,202,079**	4,797,618
	₱257,316,393	₱210,012,834

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, 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.

Unearned Income
Unearned income mainly includes unearned tuition fees amounting to ₱247.63 million and ₱310.88 million as at March 31, 2019 and December 31, 2018, respectively.

The Group's contract liabilities represent the unearned tuition fees (presented under unearned income) and accounts payable to students (presented under accounts payable) and will be recognized as revenue when the related educational services are rendered. Payables to students are advance collections from students to be applied to the next school year or school term.

As at March 31, 2019 and December 31, 2018, contract liabilities amounted to ₱270.36 million and ₱325.31 million, respectively.

14. Related Party Transactions

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

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Parent Company				
a) Payable to Parent Company (HI)				
	2019	**₱–**	**(₱10,320,314)**	**Noninterest-bearing; unsecured;**
	2018	–	(9,770,860)	**due and demandable**
Management fee and other professional fees (Notes 18 and 19)	**2019**	**17,633,569**	–	
	2018	46,940,072	–	
b) Receivable from Parent Company				
	2019	**–**	**173,376**	**Noninterest-bearing; unsecured; due and demandable; no**
	2018	–	203,120	**impairment**

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Entities under common control of HI				
c) Receivables from related parties				
	2019	**–**	**640,173**	**Noninterest-bearing; unsecured; due and demandable; noimpairment**
	2018	–	623,351	
Rental income				
	2019	**(625,185)**	**–**	
	2018	(1,853,233)	–	
d) Payables to related parties				
	2019	**–**	**(8,488,923)**	**Noninterest-bearing; unsecured; due and demandable**
	2018	–	(3,243,579)	
Contracted services (Notes 18 and 19)				
	2019	**10,683,084**	**–**	
	2018	46,006,107	–	
e) Accounts payable (Notes 9 and 13)	**2019**	**75,354,025**	**(235,036,784)**	
	2018	162,655,973	(159,682,759)	Noninterest-bearing; unsecured; payable on demand
Entities under common control of PMMIC				
f) Cash and cash equivalents (Note 6)				
	2019	**–**	**701,344,187**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2018	–	532,976,320	
Interest income (Note 20)				
	2019	**6,154,462**	**–**	
	2018	11,231,125	–	
g) Receivables from related parties				
	2019	**–**	**18,263**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2018	–	18,264	
h) Insurance expense				
	2019	**3,280,705**	**–**	
	2018	5,933,700	–	
i) Financial asset at FVPL				
	2019	**–**	**8,802,631**	**Carried at fair value; No impairment**
	2018	–	8,699,745	
j) Available for sale financial assets				
	2019	**–**	**17,062,041**	**Carried at fair value; No impairment**
	2018	–	14,389,673	
k) Restricted funds (Note 8)	**2019**	**–**	**20,087,297**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2018	–	21,356,004	

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).

e) 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).

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

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

h) *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

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-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.

  In November and December 2018, the Group, through MCMI, obtained short-term loans from Land Bank of the Philippines amounting to ₱110.00 million, with annual interests ranging from of 5.60% to 6.25%.

- In 2018, the Group, through MESI, obtained unsecured peso-denominated short-term loans with BPI amounting to ₱900.00 million with annual interest rates ranging from 5.50% to 6.00%, to finance the acquisition of land from HI and the construction of MESI's school building in Makati City (Notes 9 and 10).

  Total STL drawdowns in 2019 and 2018 amounted to ₱904.90 million and ₱1,850.00 million, respectively, with interest rates ranging from 3.00% to 5.00% p.a.

  Interest expense charged to operations in 2019 amounted to ₱20.08 million, nil and ₱0.62 million, respectively (Note 20).

  Interest expense that was capitalized as part of construction of MESI and MCMI's building in 2019 and 2018 amounted to ₱19.39 million and ₱6.52 million, respectively (Note 9).

16. **Equity**

Capital Stock

Capital stock consists of 2,000,000,000 authorized and 748,933,221 issued common shares as of 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, 2019:

Year	Number of shares registered	Number of holders of securities as at year end
January 1, 2018	748,932,949	2,038
Add (deduct) movement	–	(16)
December 31, 2018	748,932,949	2,022
Add (deduct) movement	–	(5)
March 31, 2019	748,932,949	2,017

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, 2019 and December 31, 2018 amounted to ₱1,089.88 million and ₱ 1,133.57 million, respectively. The Parent Company and its subsidiaries will declare dividends out of their retained earnings available for dividend declaration.

The retained earnings account in the equity includes the accumulated equity in undistributed earnings of consolidated subsidiaries amounting to ₱3,102.91 million and ₱2,969.06 million as of March 31, 2019 and December 31, 2018, 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:

	2019	2018	2017
March 29, 2019, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 15, 2019, payable on May 14, 2019	**₱44,935,993**	₱–	₱–
December 12, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of January 8, 2019, paid on February 1, 2019	–	₱44,935,993	–
October 1, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 26, 2018, paid on November 21, 2018	–	44,935,993	–
June 29, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 26, 2018, paid on August 17, 2018,	–	44,935,977	–
March 23, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 19, 2018, paid on May 16, 2018	–	44,935,993	–
November 24, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 21, 2017, paid on January 18, 2018	–	–	44,935,993
September 27, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of November 7, 2017, paid on November 29, 2017	–	–	44,935,993
June 30, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 28, 2017, paid on August 23, 2017,	–	–	44,935,993
March 24, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 21, 2017, paid on May 9, 2017	–	–	44,935,993
	₱44,935,993	**₱179,743,956**	₱179,743,972

Treasury Stock
As of March 31, 2019 and December 31, 2018, 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, 2019 and for the year ended December 31, 2018. As at March 31, 2019 and December 31, 2018, the Group is not subject to externally imposed capital requirements.

17. Revenue from Contracts with Customers

Revenue from schools and related operations consists of:

	2019	2018	2017
Tuition and other matriculation fees	**₱541,282,038**	₱465,704,399	₱503,776,218
Less: Scholarship grants and discounts	**31,602,308**	22,155,209	22,314,125
	509,679,730	443,549,190	481,462,093
Other student-related income:			
Bookstore sales	**6,460,922**	8,430,140	8,648,138
Seminar fee income	**3,076,650**	1,821,053	358,199
Miscellaneous	**19,535,591**	16,396,664	15,297,867
	₱538,752,893	₱470,197,047	₱505,766,297

Miscellaneous income consists of other student-related income which are other than payment for tuition fees. These include, but not limited to, entrance examination fees, exit examination fees, oral examination fees, graduation fees, certification of grades, good moral and other school credentials, photocopying and printing, among others.

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

Cost of tuition and other fees account consists of:

	2019	2018	2017
Personnel expenses	**₱158,489,666**	₱148,429,458	₱143,726,844
Depreciation and amortization (Notes 9 and 12)	**50,477,676**	49,435,516	47,396,503
Management and other professional fees (Note 14)	**30,476,210**	27,141,405	26,927,517
Student-related expenses	**23,149,118**	22,979,733	23,669,920
Utilities	**21,672,563**	19,143,394	19,968,566
IT expense - software license	**9,839,390**	7,964,233	5,659,086

	2019	2018	2017
Tools and library books (Note 9)	**9,196,018**	7,049,196	3,956,010
Periodicals and subscriptions	**5,856,365**	4,169,070	5,183,136
Research and development fund	**4,448,674**	1,450,090	1,850,628
Repairs and maintenance	**4,115,537**	3,694,595	3,095,965
Advertising	**3,579,378**	1,708,889	286,526
Insurance	**2,064,906**	1,291,398	1,765,949
Seminar	**2,010,153**	2,136,895	3,291,865
Office supplies	**1,880,308**	1,764,382	1,452,813
Accreditation cost	**1,327,049**	2,396,617	1,710,538
Laboratory supplies	**861,915**	615,638	1,394,737
Taxes and licenses	**774,326**	492,957	625,847
Transportation and travel	**335,715**	203,022	229,536
Entertainment, amusement and			118,546
recreation	**320,097**	138,841	
Rent (Note 24)	**54,850**	38,850	94,900
Miscellaneous	**397,871**	409,353	450,852
	₱331,327,785	₱302,653,532	₱292,856,284

a. Details of depreciation and amortization follows:

	2019	2018	2017
Depreciation (Note 9)	**₱61,662,063**	₱53,470,699	₱52,172,620
Amortization (Note 12)	**132,407**	86,407	78,759
	₱61,794,470	₱53,557,106	₱52,251,379

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

	2019	2018	2017
Cost of Services	**₱50,477,676**	₱49,435,516	₱47,396,503
General and administrative Expenses (Note 19)	**11,316,794**	4,121,590	4,854,877
	₱61,794,470	₱53,557,106	₱52,251,379

19. General and Administrative Expenses

This account consists of:

	2019	2018	2017
Management and other			
professional fees (Note 14)	**₱27,927,445**	₱21,126,403	₱21,735,201
Personnel expenses	**15,887,668**	14,358,243	15,724,532
Depreciation and amortization			
(Note 18)	**11,316,794**	4,121,590	4,854,877
Taxes and licenses	**4,044,741**	3,877,763	3,231,936
Seminar	**3,241,283**	172,588	149,508
IT expense - software license	**1,785,660**	79,297	208,110
Advertising	**1,723,606**	5,324,033	2,369,572
Repairs and maintenance	**1,710,362**	553,878	672,373
Utilities	**1,642,946**	1,223,232	2,073,310
Insurance	**1,215,799**	306,149	488,315
Transportation and travel	**656,292**	1,261,541	750,774
Office supplies	**594,153**	505,094	480,478

	2019	2018	2017
Entertainment, amusement, and recreation	**531,188**	385,883	751,925
Investor relations	**355,418**	443,933	418,756
Commission	**213,123**	151,499	124,768
Rent (Note 24)	**152,190**	142,295	545,453
Donations	–	50,000	–
Accreditation cost	–	10,000	–
Miscellaneous	**1,072,785**	1,052,577	1,724,987
	₱74,071,453	₱55,145,998	₱56,304,875

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:

	2019	2018	2017
Cash in banks and cash equivalents (Note 6)	**₱6,154,462**	₱2,060,624	₱2,924,584
Advances to officers and employees (Note 7)	**26,980**	385,440	30,578
	₱6,181,442	₱2,446,064	₱2,955,162

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

	2019	2018	2017
Bank charges	**₱1,170,229**	₱734,632	₱33,561
Short-term loan (Note 15)	**20,080,533**	–	620,833
	₱21,250,762	₱734,632	₱654,394

21. Earnings Per Share

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

	2019	2018	2017
Net income attributable to equity holders of Parent Company (a)	**₱96,493,004**	₱98,620,414	₱136,044,781
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)	**₱ 0.1288**	₱0.1317	₱0.1817

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

22. **Operating Segment Information**

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

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

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

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

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

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

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

Segment assets and liabilities exclude deferred tax assets and liabilities.

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

Capital expenditures consist of additions to property and equipment.

(In million pesos)

	Education			Information Technology and Others			Elimination			Consolidated		
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017
Revenues												
Income from external customers	**₱539**	₱487	₱523	**₱–**	₱1	₱20	**₱–**	₱–	₱–	**₱539**	₱488	₱543
Total Revenues	**₱539**	₱487	₱523	**₱–**	₱1	₱20	**₱–**	₱–	₱–	**₱539**	₱488	₱543
Net Income attributable to Parent Company	**₱104**	₱108	₱149	**₱1**	(₱2)	(₱3)	**(₱9)**	(₱8)	(₱10)	**₱96**	₱99	₱136
Other Information												
Segment assets	**₱11,178**	₱9,353	₱8,005	**₱1,927**	₱1,953	₱1,873	**(₱2,869)**	(₱3,253)	(₱3,088)	**₱10,236**	₱8,053	₱6,790
Segment liabilities	**3,931**	2,534	1,286	**88**	106	283	**(258)**	(668)	(396)	**3,761**	1,972	1,169
Deferred tax assets	**6**	6	3	**0**	0	4	**–**	–	–	**6**	6	7
Deferred tax liabilities	**208**	175	145	**–**	–	–	**–**	–	–	**208**	175	145
Interest expense	**21**	1	1	**0**	0	0	**0**	0	0	**21**	1	1
Provision for income tax	**16**	13	17	**0**	0	–	**–**	–	–	**16**	13	17
Depreciation and amortization	**62**	53	52	**0**	0	–	**–**	–	–	**62**	54	52

23. Notes on Consolidated Statements of Cash Flows

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

		Non-cash Changes			
	2018	Declaration of Cash Dividend	Non-controlling interest	Cash Flows	2019
Short-term loan	₱2,240,000,000	₱–	₱–	₱234,900,000	₱ 2,474,900,000
Dividends payable	57,018,083	44,935,993	–	(57,258,224)	44,695,852
Payable to related parties	13,014,440	–	–	5,794,797	18,809,237
	₱2,310,032,523	₱44,935,993	₱–	₱183,436,573	₱2,538,405,089

- Noncash investing activities as of March 2019, December 2018 and 2017 pertain to liability for construction in progress amounting to ₱235.04 million, ₱221.30 million, and ₱180.97 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 follow:

	2019	2018
Within one year	**₱1,750,332**	**₱1,750,332**
More than one year but not more than five years	**4,005,587**	**4,005,587**
Later than five years	**1,369,753**	**1,369,753**
	₱7,125,672	**₱7,125,672**

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 ₱29,544. The lease agreement was renewed on December 4, 2017 for another one year until December 31, 2018. In January 2019, the lease was renewed again for a period of six months from January 1, 2019 to June 30, 2019 with a monthly rental of ₱30,980.

The future minimum rentals payable within six (6) months and one (1) year amounted to ₱185,880 and ₱371, 760 as at June 30, 2019 and December 31, 2018, respectively, under the aforementioned lease agreements.

Provisions and Contingencies

- The Group is involved in certain claims arising from the ordinary conduct of business which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external counsels handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings.

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**

- iPeople inc. received from the SEC the Certificate of Filing of the Articles and Plan of Merger dated April 24, 2019, approving the merger by and between iPeople, inc. and AC Education, Inc., a wholly owned subsidiary of Ayala Corporation. iPeople, being the surviving corporation, is deemed to have acquired all the assets and to have assumed all the liabilities of AC Education.
- iPeople issued 295,329,976 common shares from its authorized and unissued capital stock in exchange for 1,993,477,338 AC Education shares, inclusive of 132, 789,395 AC Education shares to be subscribed by Ayala Corporation prior to filing of Merger application with the SEC, AC will then acquire additional 54,500,000 shares from exiting HI affiliates. Combining the iPeople shares issued to Ayala Corporation as a result of the merger and the additional iPeople shares it purchased, Ayala Corporation now owns a 33.5% stake in iPeople.

- The Company informed the Exchange of the increase in the number of issued and outstanding shares of the Company from 748,933,221 shares to 1,044,263,197 shares following of the issuance of 295,329,976 shares to Ayala Corporation in May 02, 2019 in accordance to the Plan of Merger as approved by the Securities and Exchange Commission.

IPEOPLE, INC. AND SUBSIDIARIES
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SUPPLEMENTARY SCHEDULES

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, 2019

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, 2019:

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 as at March 31, 2019	Income Received and Accrued
Available-for-sale financial assets				
Quoted:				
PetroEnergy Resources Corporation	₱4,111,335	₱17,062,041	₱17,062,041	₱–

The basis in determining the value of equity securities is the market quotation as at March 31, 2019. 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, 2019:

Name	**As of December 31, 2018**	**Additions**	**Liquidations/ Collections**	**As of March 31, 2019**
Arenillo, Denise Jordan	₱389,198	₱–	25,198	₱364,000
Quisaot, Concordio	–	394,000	–	394,000
Manuel, Mark Christian	–	394,000	6,567	387,433
Macayan, Jonathan	380,867	–	19,700	361,167
Uy, Francis Aldrine	366,762	–	19,825	346,937
Teodoro, Gloria	331,500	–	19,500	312,000
Tiongco, Danilo R.	324,411	–	23,172	301,238
Caparanga, Alvin	318,500	–	19,500	299,000
Camacho, Margarita	311,659	–	26,430	285,230
Robielos, Rex Aurelius	299,600	–	18,725	280,875
Hofilena, Joy	298,854	–	18,875	279,979
Kikuchi, Khristian	298,854	–	18,875	279,979
Medrano, Anthony H.	295,708	–	18,875	276,833
Salayo, John Vincent	295,708	–	18,875	276,833
Austria, Maria Rhodora	287,117	–	18,725	268,392
Costales, Aloysius Nathaniel	259,751	–	32,479	227,272
Lanuza, Dionisia	238,500	–	15,900	222,600
Sabino, Lilibeth	234,967	–	18,550	216,417
Agbulos, Erlin C.	223,453	–	22,343	201,110
Gochioco, Geraldine	220,851	–	19,912	200,940
Salvacion, Jonathan	212,461	–	18,475	193,986
Songsong, Maribel	198,400	–	18,600	179,800
Adanza, Carina Victoria T.	147,829	–	18,475	129,354
Tablante, Dennis H.	138,233	–	9,425	128,808
Doma, Bonifacio T. Jr.	137,569	–	9,488	128,081
Francisco, Ruth C.	149,549	–	21,492	128,056
Sauquillo, Dante	135,988	–	18,975	117,013
	₱6,496,289	₱788,000	₱496,956	₱6,787,333

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, 2019:

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, 2019, 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	5,822,141	–	(132,407)	5,689,734
	₱143,675,486	₱–	(₱132,407)	₱143,543,079

Schedule E. Long term debt

As of March 31, 2019, 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.

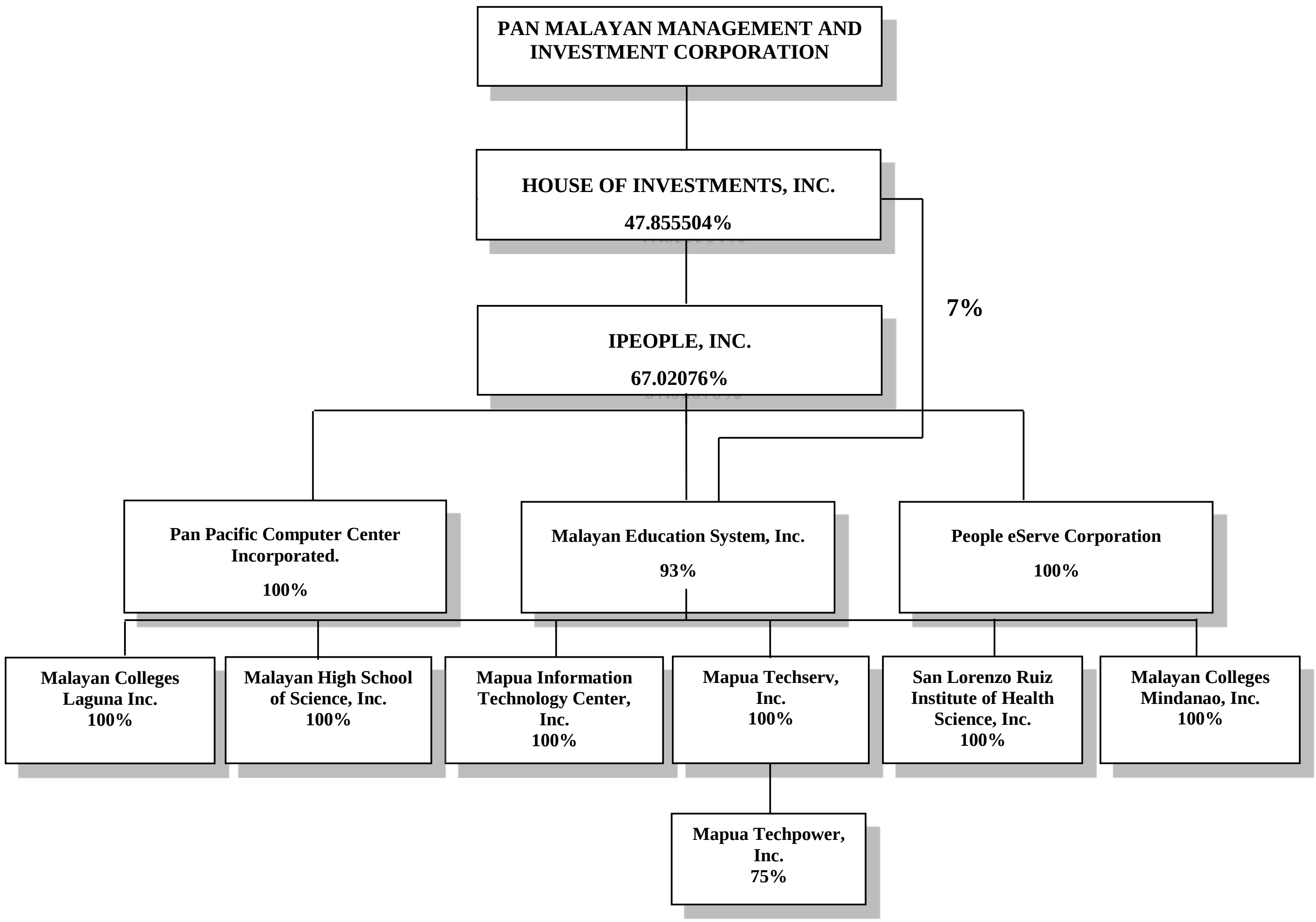
Schedule G. Guarantees of Securities of Other Issuers

As at March 31, 2019, 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	-	600,576,067	199,988	148,157,166

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, 2019:



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, 2019:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective at of March 31, 2019		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective at of March 31, 2019		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective at of March 31, 2019		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			✓
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners	✓		
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments	✓		
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine	Levies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective at of March 31, 2019		Adopted	Not Adopted	Not Applicable
Interpretation IFRIC-21				
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation 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, 2019. 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 MARCH 31, 2019

Items	Amount	
Unappropriated retained earnings, *as adjusted to available for distribution, beginning*		**₱1,133,573,847**
Add: Net income actually earned/realized during the period		
Net income during the period closed to retained earnings	₱1,243,719	
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		1,243,719
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		₱1,089,881,364

iPeople, inc. and Subsidiaries
Aging of Accounts Receivable
For the quarter ended March 31, 2019

	No. of days due			
	0-30	**31-60**	**Over 61 days**	**Total**
Education	**₱171,569,454**	**₱30,342,575**	**₱73,820,003**	**₱275,732,032**
Information technology	**–**	**–**	**3,411,484**	**3,411,484**
Parent and others	**19,224,658**	**10,941,965**	**79,014,914**	**109,181,537**
Total	**190,794,112**	**41,284,540**	**156,246,401**	**388,325,053**
Less: Allowance for doubtful accounts	**–**	**–**	**(65,520,118)**	**(65,520,118)**
	₱190,794,112	**₱41,284,540**	**₱90,726,283**	**₱322,804,935**