SEC Number **1093**
PSE CODE
File Number

CENTROESCOLARUNIVERSITY
Company's Full Name

9 Mendiola Street
San Miguel, Manila
Company's Address

735-68-61 to 71
Telephone Number

March 31
Fiscal Year Ending
(Month & Day)

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE, SRC RULE 17(2)(b) THEREUNDER
Form Type

(Amendment Designation [If applicable])

First Quarter Report –June 30, 2018
Period Ended Date

N/A
(Secondary License Type and File Number)

cc: Philippine Stock Exchange

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17– Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC 17(2)(b)THEREUNDER

1.	For the quarterly period ended	June 30, 2018
2.	Commission identification number	1093
3.	BIR Tax identification No.	240-000-531-126
4.	Exact name of registrant as specified in its charter	**CENTRO ESCOLAR UNIVERSITY**
5.	Province, country or other jurisdiction of incorporation or organization	Manila, Philippines
6.	Industry Classification Code	_______ (SEC Use only)
7.	Address of registrant's principal office	9 Mendiola St. San Miguel, Manila
8.	Registrant's telephone number, including area code:	(02) 735-68-61 to 71
9.	Former name, former address and former fiscal year, if change since last report	N/A

10. Securities registered pursuant to Section 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class and amount of debt outstanding	Number of shares of common stock outstanding
Common Shares	372,414,400

11. Are any or all of the securities listed on the Philippine Stock Exchange?

Yes [√]　　　　No [ ]

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [√]　　　　No [ ]

(b) has been subject to such filing requirements for the past 90 days.

Yes [√]　　　　No [ ]

Part I. FINANCIAL INFORMATION

Item I. FINANCIAL STATEMENTS

The financial statements are attached to this SEC Form 17-Q.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the unaudited financial statements of the University for the three months ended June 30, 2018(First quarter of the University).

RESULTS OF OPERATIONS

For the three months ended June 30, 2018, the University had a gross revenue of ₱ 258,517,153 and a net loss of ₱ 70,210,191.

<u>Three months ended June 30, 2018 versus Three months ended June 30, 2017.</u>

For the three months ended June 30, 2018, the revenues amounted to ₱ 258,517,153 as compared to ₱259,638,654 for the same period in 2017. Net loss of ₱ 70,210,191 was registered for the three months ended June 30, 2018 as compared to ₱58,528,175 net loss for the same period in 2017.

Operating expenses increased to ₱ 328,727,344 for the three months period ended June 30, 2018 from ₱318,166,829 for the same period in 2017.

KEY PERFORMANCE INDICATORS (KPI)

Basic performance indicators are employed and comparisons are then made against internal targets and the previous periods performance.

Performance	First Quarter June 2018	First Quarter June 2017	Manner of computation	Significance
Revenue Growth	-7.91%	-0.18%	Difference between current and last year's tuition and other fees divided by last year's revenues	Measures revenue growth
Return on Revenue	-33.60%	-25.79%	Net income divided by tuition and other school fees	Shows how much profit is derived from every peso of tuition and other school fees
Dividend Pay-out Ratio	0	0	Dividends divided by net income	Indicates how earnings support dividend payment
Return on Equity	-2.30%	-1.96%	Net income divided by average total stockholder's equity	Measures extent of profit earned
Return on Assets	-1.63%	-1.43%	Net income divided by average total assets	Measures use of assets to generate income

LIQUIDITY

The principal sources of liquidity of the University are cash generated from operations. The principal uses of liquidity are for payment of liabilities, operating expenditures, capital expenditures and cash dividends.

The University's cash balance on June 30, 2018 increased to ₽ 407,075,247 from ₽ 290,181,009 as of March 31, 2018.

The University has always relied on internally generated cash to fund its working capital needs and capital expenditures.

The University's current ratio stands at 0.88:1 as of June 30, 2018. The University does not anticipate any liquidity problems in the next 12 months as it consistently maintains a strong cash position.

There is no trend/event or uncertainty that will have a material impact on the University's liquidity, net sales, revenues, and income from continuing operations.

The internal sources of liquidity are tuition and miscellaneous fees, the registrant being a University.

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

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the University with unconsolidated entities for the year ended June 30, 2018.

MATERIAL COMMITMENTS FOR CAPITAL EXPENDITURES

For SY 2018-2019, CEU approved the construction of five storey building to house integrated school in CEU Malolos. Renovation of rooms and renovation of various laboratories.

Segment Reporting

The University operates in three geographical segments – Manila, Malolos and Makati campuses. The financial information on the operations of these segments are based on segment assets, segment property and equipment (net), segment liabilities, segment revenues, operating expenses and net income/loss.

FINANCIAL CONDITION

The current assets of the University as of the first quarter ended June 30, 2018 were ₽1,152,248,473, as compared with ₽446,896,736 on March 31, 2018. The increase in current assets of ₽705,351,737 over March 31, 2018 balance was mainly due to increase in tuition and other receivables.

Receivables from tuition and other fees increased by ₽500,613,234 because majority of enrollees in the first semester of school year 2018 to 2019 were on installment basis. There were collectibles during the periodical examinations of the students.

This account consists of:		
	June 2018	March 2018
Students	649,523,089	148,909,855
Accrued interest receivable	207,878	145,577
Others:		
Advances to employees	13,920,084	13,015,260
Advance to CE-IS stockholders	1,250,000	1,250,000
Accrued rent receivable	1,645,557	1,645,557
Other receivable	77,987,105	1,799,153
	744,533,713	166,765,402
Less allowance for doubtful accounts	45,354,755	45,354,755
	699,178,958	121,410,647

The total current liabilities of the University as of June 30, 2018 were ₽1,313,126,500, higher by ₽847,061,117 from the balance as of March 31, 2018.

Deferred tuition fee and other school fees as of the first quarter of 2018 were ₱622,293,804. This amount was due to enrollment for the first semester of school year 2018-2019. These items were recognized as income upon realization and accrued until the end of first semester.

Unappropriated Retained Earnings decreased by ₱144,693,071 due to net loss of ₱70,2101,91 and dividend declaration amounting to ₱74,482,880.

The nature and amount of items affecting assets, liabilities, equity, net income and cash flow are ordinary and occur in the usual course of University operations.

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

There are no material changes in the estimates of amounts reported in prior interim periods of the current financial year. Thus, there is no effect on the amounts reflected in the current interim period.

There have been no material events subsequent to the end of the interim period, nor any other changes in the composition of the issuer. Also, there are no changes in contingent liabilities or contingent assets since the last annual balance sheet date. Neither does any material contingencies or events that are material to the understanding of the current interim period exist.

CEU operations are generally affected by seasonality. There is usually a 10% to 12% drop in the number of students in the second semester, as compared to the first semester. There are generally fewer students enrolled during summer months.

There are no issuances, repurchases or repayments of debt and equity securities.

Drop in enrollment, a seasonal aspect, had a material effect on the financial condition or results of operations of the university.

ADDITIONAL DISCLOSURES

In view of the global financial conditions, Centro Escolar University hereby assesses its financial risk exposures on its financial instruments as of date of these financial statements.

1. Financial Risk
    a. Currency risk
        i. The majority of the University's short-term investments is maintained in Peso government securities and time deposits. As of the end of June 2018, ₱131,510,912 .worth of money market placements were maintained in Peso government securities and time deposits.
        ii. As of the end of June 2018, US$114,968 were maintained in Dollar time deposits. The University maintains these deposits in order to service its academic purchases from the United States. Examples of these purchases are library books, subscriptions, as well as purchases of equipment used in education.

b. Interest risk
    i. The University has no purchases or transactions that bear interest.
c. Credit risk
    i. The University's clientele is composed of students who are admitted to the University only upon full or installment payment of tuition fees. When the student fails to pay for his/her tuition fee, the University allows the student to take the examinations but withholds his/her grades and clearance until the student settles his/her accounts.
    ii. The University maintains policies on providing for doubtful accounts. As of the end of June 2018, the provision for doubtful accounts was at ₱45.35million.

d. Market risk
    i. As of the end of June 2018, the University foresees no market risk until the end of its fiscal year March 31, 2018.

e. Liquidity risk
    i. The University maintains a sufficient cash balance to sustain its operations, as well as to provide dividends for shareholders. The University foresees no liquidity risk.

2. Disclosure regarding financial instruments

PFRS 9, Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2015. PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project.

After careful consideration of the result of its impact evaluation, the Group decided not to early adopt PFRS 9 for its 2013 reporting ahead of its effectivity date, and therefore the impact of the said standard on its quarterly financial statements is not reflected. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. The Group will conduct another impact evaluation using the consolidated financial statements as of and for the year ended March 31, 2015. Should the Group decide to early adopt the said standard for its 2016 financial reporting, its interim consolidated financial statements as of and for the period ending March 31, 2017 will reflect application of the requirement under the said standard and will contain the qualitative and quantitative discussions of the results of the Group's impact evaluation.

Except for the short-term placements as described above, the University maintains no other financial instruments.

DIVIDEND DECLARATION

During the regular board meeting of the University on June 20, 2018, the Board of Directors declared a cash dividend equivalent to twenty centavos (PHP0.20) per share to stockholders of record as of record date of July 12, 2018 with payment date on August 6, 2018.

EARNINGS/LOSS PER SHARE

The loss per share is ₱0.19 based on the outstanding common shares of 372,414,400 for the three-month period ended June 30, 2018, and loss per share of ₱0.16 for the same period of June 30, 2018.

PART II. OTHER INFORMATION

There are no other information not otherwise previously reported on SEC Form 17-C.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CENTROESCOLARUNIVERSITY

MA. CRISTINA D. PADOLINA President and Vice Chairman	**CESAR F. TAN** Principal Financial Officer
Date AUG 10 2018	Date 8/10/18

CENTRO ESCOLAR UNIVERSITY		
BALANCE SHEET		
As of June 30, 2018		
(With Comparative Figures for March 31, 2018)		
	Unaudited	**Audited**
	June 2018	**March 2018**
ASSETS		
Current Assets		
Cash and cash equivalents	407,075,247	290,181,009
Tuition and other receivables - net	699,178,958	121,410,647
Inventories	14,855,089	12,880,554
Other current assets	31,139,179	22,424,526
Total Current Assets	1,152,248,473	446,896,736
Noncurrent Assets		
Property and Equipment	3,275,623,833	3,275,715,343
Investment property	152,751,487	152,751,487
Goodwill	47,605,695	47,605,695
Other assets	36,253,181	30,149,438
Total Noncurrent Assets	3,512,234,196	3,506,221,963
	4,664,482,669	3,953,118,699
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	511,669,771	355,306,220
Dividends payable	179,041,215	107,787,994
Income tax payable	121,710	2,971,169
Deferred tuition fees	622,293,804	0
Total Current Liabilities	1,313,126,500	466,065,383
Noncurrent Liabilities		
Deferred income tax liability -net	279,599,794	277,071,817
Retirement liability	91,066,737	84,598,790
Total Noncurrent Liabilities	370,666,531	361,670,607
Total Liabilities	1,683,793,031	827,735,990
Stockholders' Equity		
Capital stock	372,414,400	372,414,400
Additional paid-in capital	664,056	664,056
Revaluation increment in property	1,350,002,971	1,350,002,971
Revaluation reserve on available-for-sale financial asse	100,298	100,298
Remeasurement loss on retirement plan - net	23,668,534	23,668,534
Retained earnings		
Unappropriated	232,807,410	377,500,481
Appropriated	996,000,000	996,000,000
Noncontrolling interest	5,031,969	5,031,969
Total Stockholders' Equity	2,980,689,638	3,125,382,709
	4,664,482,669	3,953,118,699

CENTRO ESCOLAR UNIVERSITY		
STATEMENT OF INCOME		
FOR THE THREE MONTHS PERIOD ENDED JUNE 30, 2018 AND 2017		
	3 mos. Ended	**3 mos. Ended**
	June 2018	**June 2017**
REVENUES		
Tuition and other school fees	208,954,579	226,913,581
Interest income	729,058	936,941
Auxiliary services	21,226,311	12,123,874
Miscellaneous	27,607,205	19,664,258
	258,517,153	259,638,654
EXPENSES		
General and administrative expenses	328,727,344	318,166,829
Interest expense	0	0
	328,727,344	318,166,829
NET INCOME (LOSS)	(70,210,191)	(58,528,175)
Earnings (loss) Per Share	(0.19)	(0.16)

CENTRO ESCOLAR UNIVERSITY		
STATEMENT OF COMPREHENSIVE INCOME		
FOR THE THREE MONTHS PERIOD ENDED JUNE 30, 2018 AND 2017		
	3 mos. Ended	**3 mos. Ended**
	June 2018	**June 2017**
NET INCOME (LOSS)	**(70,210,191)**	**(58,528,175)**
OTHER COMPREHENSIVE INCOME(LOSS)		
Revaluation increment on land	0	0
Income tax effect	0	0
TOTAL COMPREHENSIVE INCOME (LOSS)	**(70,210,191)**	**(58,528,175)**

CENTRO ESCOLAR UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED JUNE 30, 2018 AND 2017

	3 mos. Ended June 2018	3 mos. Ended June 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	(70,210,191)	(58,528,175)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	23,004,206	22,339,887
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Tuition and other receivables	(577,768,311)	(490,189,539)
Inventories	(1,974,535)	792,964
Other current assets	(8,714,653)	165,948
Increase (decrease) in:		
Accounts payable and accrued expenses	156,363,551	(7,569,225)
Dividends payable	71,253,221	(2,496,145)
Income tax payable	(2,849,459)	(645,103)
Retirement liability	6,467,947	6,467,947
Deferred income tax liability	2,527,977	4,117,744
Deferred tuition and other school fees	622,293,804	613,465,871
Net cash provided by operating activities	220,393,557	87,922,174
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(22,912,696)	(28,358,491)
Other assets	(6,103,743)	(1,725,249)
Net cash used in investing activities	(29,016,439)	(30,083,740)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of cash dividends	(74,482,880)	0
Cash used in financing activities	(74,482,880)	0
NET INCREASE IN CASH AND CASH EQUIVALENTS	116,894,238	57,838,434
CASH AND CASH EQUIVALENTS AT BEGINNING	290,181,009	435,796,757
CASH AND CASH EQUIVALENTS AT END OF FIRST QUARTER	407,075,247	493,635,191

CENTRO ESCOLAR UNIVERSITY		
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY		
As of June 30, 2018		
(With Comparative Figures for June 2017)		
	June 2018	June 2017
CAPITAL STOCK = P1 par value		
Authorized - 800,000,000 shares		
Issued - 372,414,400 shares	372,414,400	372,414,400
ADDITIONAL PAID-IN CAPITAL	664,056	664,056
REVALUATION INCREMENT IN PROPERTY	1,350,002,971	1,350,002,971
UNREALIZED GAIN ON AVAILABLE-FOR-SALE INVESTMENT	100,298	112,970
REMEASUREMENT LOSS ON RETIREMENT PLAN - NET	23,668,534	(56,949,473)
NONCONTROLLING INTEREST	5,031,969	2,588,552
RETAINED EARNINGS		
Unappropriated		
Balance at beginning of year	**377,500,481**	**554,210,386**
Additional appropriated retained earning for the University expansion project	-	(210,000,000)
Balance	**377,500,481**	**344,210,386**
Comprehensive Income (Loss)	(70,210,191)	(58,528,175)
Other Comprehensive Income(Loss)	-	-
Total Comprehensive Income(Loss)	**(70,210,191)**	**(58,528,175)**
Cash dividends	(74,482,880)	-
Balance at end of quarter	**232,807,410**	**285,682,211**
Appropriated		
Balance at beginning of year	996,000,000	786,000,000
Additional appropriated retained earning for the University expansion project	-	210,000,000
Balance	**996,000,000**	**996,000,000**
Balance at end of quarter	**1,228,807,410**	**1,281,682,211**
TOTAL STOCKHOLDERS' EQUITY	**2,980,689,638**	**2,950,515,687**

CENTRO ESCOLAR UNIVERSITY
AGING OF ACCOUNTS RECEIVABLE
As of June 30, 2018

School Year	Amount	Percent
2018-2019	500,613,234	77.07%
2017-2018	148,909,855	22.93%
Total	649,523,089	100.00%

Please note that the terms of aging of accounts receivable is by school year or semester.

1.Corporate Information

The consolidated financial statements include the financial statements of Centro Escolar University (the University), Centro Escolar University Hospital, Inc. (the Hospital), a wholly owned subsidiary, Centro Escolar Integrated School (CEIS) and Centro Escolar Las Piñas (CELP) formerly Las Piñas College (LPC), a newly acquired business, (collectively referred to as the Group””).

The University, a publicly listed entity, was organized on June 3, 1907 to establish, maintain, and operate an educational institution or institutions, for the instruction and training of the youth in all branches of the arts and sciences, offering classes in primary, secondary, and tertiary levels.

In accordance with the Commission on Higher Education (CHED) Memorandum Order No. 32, the University's Mendiola and Makati campuses were granted Autonomous Status to be in force and in effect for five years from November 15, 2007 to November 14, 2012 per Resolution Nos. 087-2012 and 148-2012. Private Higher Education Institutions (HEIs) granted Autonomous Status in 2007 to 2009 and deregulated status in 2009 and 2010 shall retain their respective status until December 31, 2015 by virtue of CHED Memorandum Order No. 21, series of 2015. On May 16, 2016, the CHED extended the Autonomous Status of these two campuses until May 31, 2019. Under this Autonomous Status, the University is free from monitoring and evaluation of activities of the CHED and has the privilege to determine and prescribe curricular programs, among other benefits as listed in the Memorandum Order. The three general criteria used by the CHED for the selection and identification of institutions which shall receive autonomy status are as follows:

a. Institutions established as Centers of Excellence or Centers of Development and/or with Federation of Accrediting Agencies of the Philippines Level III Accredited programs;
b. With outstanding overall performance of graduates in the government licensure examinations; and
c. With long tradition of integrity and untarnished reputation.

The University's Malolos campus was granted Autonomous Status for a period of five years effective November 15, 2009 to November 14, 2014 per Resolution Nos. 087-2012 and 148-2012. Such Autonomous Status was extended until December 31, 2015 by virtue of CHED Memorandum Order No. 21, series of 2015. On May 16, 2016, the CHED extended the Autonomous Status of the University's Malolos campus until May 31, 2019.

The University invested in the Hospital, which was incorporated on June 10, 2008. The Hospital is consolidated beginning 2009. The primary purpose of the Hospital is to establish, maintain and operate a hospital, medical and clinical laboratories and such other facilities that shall provide healthcare or any method of treatment for illnesses or abnormal physical or mental health in accordance with advancements in modern medicine, and to provide education and training facilities in the furtherance of the health-related professions. In January 2016, the Hospital entered into an agreement with HemotekRenalCenter (Hemotek), a dialysis clinic, for the former to provide laboratory examinations to Hemotek patients.

The registered principal office of the Group is 9 Mendiola Street, San Miguel, Manila.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements are prepared using the historical cost basis, except for land, which is carried at revalued amount and available-for-sale (AFS) financial assets which are measured at fair value.

The consolidated financial statements are presented in Philippine Peso (₱), which is also the Group's functional currency.

Statement of Compliance

The accompanying consolidated financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements include the financial statements of the University and its wholly owned subsidiary, the Hospital, which were incorporated in the Philippines.

The financial statements of the Hospital are prepared for the same reporting year as the University.

A subsidiary is consolidated when control is transferred to the Group and ceases to be consolidated when control is transferred out of the Group. Control is presumed to exist when the University owns more than 50% of the voting power of an entity unless in exceptional cases, it can be clearly demonstrated that such ownership does not constitute control. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intercompany balances and transactions, intercompany profits and unrealized gains and losses have been eliminated in the consolidation.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to existing standards, which became effective beginning April 1, 2016.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption to have a significant impact on its consolidated financial statements.

Effective beginning on or after January 1, 2018 (FY2019 for the Group)

- Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share based Payment Transactions

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. The amendments allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in OCI, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

- PFRS 9, Financial Instruments

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

- PFRS 15, Revenue from Contracts with Customers

PFRS 15 was issued by International Accounting Standards Board in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

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

The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

• Amendments to 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)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at FVPL. The amendments also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

• Amendments to PAS 40, Investment Property, Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

• Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or nonmonetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the consolidated financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019 (FY 2020 for the Group)

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.

The Registrant has no knowledge of any seasonal aspects that had a material effect on the financial condition or results of the operations.

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 months or less from dates of placement, and are subject to an insignificant risk of change in value.

Inventories

Inventories are valued at cost or net realizable value (NRV), whichever is lower. NRV is the estimated selling price in the ordinary course of business, less costs of marketing and distribution. Cost includes the invoice amount, freight and other incidental costs, and is determined using the first-in, first-out method.

Financial Assets and Liabilities

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. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments which are classified at FVPL.

As of June 30, 2018 and March 31, 2018, the Group has no financial asset or liability at PL and HTM financial assets.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value based on 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 ('Day 1' difference) in the profit and loss, unless it qualifies for recognition as some other type of assets. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the profit and 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.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest rate method, and is included under interest income in the profit and loss. The losses arising from impairment of such financial assets are recognized in the profit and loss. Gains and losses are recognized in the profit and loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Included under this category are the Group's cash and cash equivalents and tuition and other receivables.

AFS Financial Assets
AFS financial assets are non-derivative instruments that are either designated in this category or are not classified in any of the other categories. AFS financial assets are carried at fair value in the consolidated statement of financial position.

Changes in the fair value of such assets are accounted for as other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognized as other comprehensive income is included in the profit and loss.

Classified under this category are the Group's investments in equity shares.

Other Financial Liabilities
Other financial liabilities pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder.

After initial recognition, these liabilities are subsequently measured at amortized cost using the effective interest rate 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 effective interest rate.

Other financial liabilities consist primarily of accounts payable and accrued expenses, dividends payable and long-term liability.

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

Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss is recognized in the profit and loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the profit and loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets
If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the profit and loss, is transferred from other comprehensive income to the profit and loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in the profit and loss. Increases in fair value after impairment are recognized under other comprehensive income.

Derecognition of Financial Assets and Liabilities
Financial Assets
The derecognition of financial asset takes place when the Hospital has either (a) transferred substantially all the risks and rewards of the ownership or (b) when it has neither transferred nor retained substantially all the risks and rewards but it no longer has control over the assets or a portion of the asset.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability expires, is discharged or cancelled.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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, where the related assets and liabilities are presented gross in the consolidated statement of financial position.

Property and Equipment
Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

Land is carried at revalued amount. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus net of tax effect is included under other comprehensive income except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the profit and loss, in which case the increase is recognized in the profit and loss. A revaluation decrease is recognized in the profit and loss, except to the extent that it offsets an existing surplus on the same asset recognized under other comprehensive income.

Construction in progress, included in property and equipment, is stated at cost. This includes cost of building construction. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul cost, are normally charged to income in the year 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.

Depreciation of property and equipment is computed using the straight-line method over 10 years except for buildings, which are depreciated over 50 years.

Leasehold improvements are amortized over the useful lives of the improvements or the lease term, whichever is shorter.

The useful life and depreciation and amortization method are reviewed at least at each statement of financial position date to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

<u>Impairment of Nonfinancial Assets</u>
The carrying values of nonfinancial assets (i.e., property and equipment) are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the profit and loss.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation or amortization) had no impairment loss been recognized for the asset in prior years. Any reversal of an impairment loss is credited to current operations.

<u>Other Current Assets</u>
Advances to suppliers and contractors
Advances to suppliers and contractors represent amounts paid to suppliers and contractors for purchases not yet received as of statement of financial position date. This is subsequently reversed to asset or expense accounts when the asset or services are received.

Prepayments
Prepayments are initially measured at the amounts paid and subsequently recognized as expense over the period on which the prepayments apply.

<u>Income Taxes</u>
Current Income Tax
Current income 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 statement of financial position date.

Deferred Income Tax
Deferred income tax is provided using the liability method on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused NOLCO can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply on the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Tuition and Other School Fees

Tuition and other school fees are recognized as income when earned over the corresponding school term.

Interest Income

Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Auxiliary Services and Miscellaneous Income

Revenue is recognized when services are rendered.

Retirement Costs

Retirement costs on the Group's defined benefit retirement plan are actuarially computed using the projected unit credit valuation method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

Retirement cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses to the extent recognized, past service cost to the extent recognized and the effect of any curtailment or settlement. Actuarial gains and losses are recognized as income or expense using the corridor approach. The excess of the net cumulative actuarial gains and losses over the greater of 10% of the present value of the defined benefit obligation at the end of the previous reporting period and of 10% of the fair value of any plan assets is distributed over the expected average remaining working life of the employees as income or expense.

The liability recognized in the consolidated statement of financial position with respect to the defined benefit retirement plan is the present value of the defined benefit obligation at the statement of financial position date and actuarial gains and losses not recognized less past service cost not yet recognized and the fair value of the plan asset. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using rates that have terms to maturity approximating the terms of the related retirement liability.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are vested immediately following the introduction of, or changes to, a retirement plan, past service cost is recognized immediately.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition, development, improvement and construction of a property that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the property.

The capitalization of borrowing costs as part of the cost of the property: (a) commences when the expenditures and borrowing costs for the property are incurred and activities that are necessary to prepare the property for its intended use; (b) is suspended during extended periods in which active development, improvement and construction of the property are interrupted; and (c) ceases when substantially all the activities necessary to prepare the property for its intended use are complete.

Equity

Capital stock is measured at par value for all shares issued. When the University issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to “Additional Paid-in Capital” account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the University, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained earnings represent accumulated earnings of the Group, less dividends declared. Unappropriated retained earnings represent accumulated earnings available for dividend declaration subject to certain adjustments per SEC Memorandum Circular No. 11, Series of 2008, while appropriated retained earnings represent portion appropriated by the University’s BOD for expansion of school facilities and laboratory equipment, payment of long-term liability and contribution to the retirement fund.

Expense Recognition

Expenses are recognized in the profit and loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in the consolidated statement of income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Lease payments are recognized on a straight-line basis over the lease term or based on a certain percentage of the net income of the leased property, pursuant to the terms of the lease contracts.

Foreign Currency Transactions and Translations

Transactions denominated in foreign currencies are recorded in Philippine Peso based on the exchange rates prevailing at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated to Philippine Peso at exchange rates prevailing at the statement of financial position date. Foreign exchange differentials between rate at transaction date and rate at settlement date or statement of financial position date of foreign currency denominated monetary assets or liabilities are credited to or charged against current operations.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign currency exchange gains or losses are recognized in the profit and loss.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS amounts are calculated by dividing net income by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the year and adjusted for the effect of dilutive options and dilutive convertible preferred shares, if any.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the geographic locations, designated as the Group branches, with each segment representing a strategic business unit that offers varying courses depending on demands of the market. Financial information on business segments is presented in Note 19.

Provisions

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

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They 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 Statement of Financial Position Date
Post year-end events that provide additional information about the Group's position at statement of financial position date (adjusting events) are reflected in the consolidated financial statements, if any. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3.Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in compliance with PFRS requires Management to make judgments, estimates and assumptions 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. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Operating Lease - Group as Lessee
The Group has entered into lease on premises it uses for its Makati-Buendia campus. The Group has determined based on an evaluation of (a) the terms and condition of the arrangement, (b) the economic life of the asset as against the lease term and (c) the minimum lease payments of the contract as against the fair value of the asset, that all significant risks and rewards of ownership of the properties are not transferrable to the Group, and so accounts for the contract as operating lease.

Operating Lease - Group as Lessor
The Group has entered into commercial property leases on its Mendiola campus. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risk and rewards of ownership of these properties and so accounts for the contracts as operating leases.

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

Estimating Allowance for Doubtful Accounts

The Group maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of the allowance for doubtful accounts is evaluated by Management on the basis of factors affecting the collectibility of the receivables. In addition, a review of the age and status of receivables, designed to identify accounts to be provided with allowance, is made on a continuous basis. The carrying value of tuition and other receivables as of June 30, 2018 and March 31, 2018 amounted to ₱ 699.17 million and ₱121.41 million, respectively.

Estimating Useful Lives of Property and Equipment

The Group estimates the useful lives of its property and equipment based on the year over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

The carrying value of property and equipment as of June 30, 2018 and March 31, 2018 amounted to ₱3,275.62 million and ₱3,275.71 million, respectively.

Estimating Retirement Obligation and Other Retirement Benefits

The determination of the Group's obligation and cost for retirement and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts.

Those assumptions are described in Note 16 and include among others, discount and salary increase rates. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement obligations.

Retirement liability amounted to ₱91.06 million and ₱84.59 million as of June 30, 2018 and March 31, 2018.

Revaluation of Land

The Group engaged the services of an independent appraiser to determine the fair values of its land carried at revalued amount. Key assumptions used by the independent appraiser are disclosed in Note 9. The revalued amount of land included under property and equipment in the consolidated statements of financial position amounted to ₱1.86 billion and ₱1.86 billion as of June 30, 2018 and March 31, 2017, respectively .

4. Cash and Cash Equivalents and Short-term Investments

This account consists of:

	June 2018	March 2018
Cash on hand and in banks	217,799,394	210,478,247
Short-term deposits	189,275,853	79,702,762
	407,075,247	290,181,009

Cash in banks earns interest at the prevailing bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

5. Tuition and Other Receivables

This account consists of:

	June 2018	March 2018
Students	649,523,089	148,909,855
Accrued interest receivable	207,878	145,577
Others:		
Advances to employees	13,920,084	13,015,260
Advance to CE-IS stockholders	1,250,000	1,250,000
Accrued rent receivable	1,645,557	1,645,557
Other receivable	77,987,105	1,799,153
	744,533,713	166,765,402
Less allowance for doubtful accounts	45,354,755	45,354,755
	699,178,958	121,410,647

Other receivables comprise of Meralco refund and advances and loans to faculty members and employees, which are collectible through salary deductions.

The allowance pertains to the Group's tuition fee receivables which was impaired through collective assessment.

6. Inventories

This account consists of:

	June 2018	March 2018
Uniforms and outfits	6,569,000	9,840,065
Materials production	1,596,893	1,614,441
Supplies	6,689,196	1,426,048
	14,855,089	12,880,554

7. Other Current Assets

This account consists of:

	June 2018	March 2018
Advances to suppliers	21,302,872	20,603,190
Creditable witholding taxes	282,005	1,342,125
Prepayment	9,554,302	479,211
	31,139,179	22,424,526

8. Other Assets

This account consists of:

	June 2018	March 2018
Advances to contractors	31,162,845	24,982,852
Software costs	3,616,167	3,642,417
Refundable security deposits	962,012	1,012,012
Available-for-sales financial assets	512,157	512,157
	36,253,181	30,149,438

9. Property and Equipment

This account consists of:			
		Addition	
	March 2018	(deductions)	June 2018
Cost:			
Land	384,022,991	1,174,791	385,197,782
Land improvements	31,735,223	0	31,735,223
Buildings and improvements	1,690,601,024	3,129,410	1,693,730,434
Furniture ,Transportation and Auxiliary	544,753,287	6,626,567	551,379,854
Laboratory equipment	364,197,413	1,154,855	365,352,268
Library books	125,401,951	1,174,238	126,576,189
	3,140,711,889	13,259,861	3,153,971,750
Less accumulated depreciation	1,446,773,620	23,004,206	1,469,777,826
	1,693,938,269	-9,744,345	1,684,193,924
Appraisal increase:			
Land	1,500,003,300	0	1,500,003,300
Land improvements	93,609	0	93,609
Buildings and improvements	2,761,229	0	2,761,229
	1,502,858,138	0	1,502,858,138
Less accumulated depreciation	2,854,838	0	2,854,838
	1,500,003,300	0	1,500,003,300
Construction in progress	81,773,774	9,652,835	91,426,609
	3,275,715,343	(91,510)	3,275,623,833

10. Accounts Payable and Accrued Expenses

This account consists of:		
	June 2018	March 2018
Accounts payable	445,874,923	271,512,575
Accrued expenses	47,166,799	72,529,752
Deposits	8,085,245	5,833,820
Others	10,542,804	5,430,073
	511,669,771	355,306,220

Others include miscellaneous payables for culminating fees and alumni fees, among others.

11. Stockholders' Equity

Capital Stock

The University's capital stock consists of the following number of shares:

Common shares - ₱1 par value	
Authorized	800,000,000
Issued	372,414,400
Outstanding	372,414,400

Appropriated Retained Earnings

On June 23, 2017, the University's BOD approved the expansion projects of the University relating to the additional appropriated retained earnings amounting to ₱210.00 million. These projects include the planned construction of the following in Malolos campus:

- 3-storey building for Science-related courses;
- 4-storey building for the increased number of students in S.Y. 2019-2020; and
- 3-storey building to house of food court with student's area and commercial spaces.

On March 27, 2015, the University's BOD approved the detailed expansion program and projects of the University relating to the additional appropriated retained earnings amounting to ₱336.00 million. These projects include the budget for capital expenditures for the fiscal year April 2015 to March 2016 and the planned constructions of the following in Malolos Campus:

- 5-storey dormitory for students, faculty and employees of the University;
- 2-storey building for School of Dentistry;
- 2-storey building to house a food court with students' area in the ground floor and commercial spaces in the second floor;
- renovation of the Centrodome;
- multi-purpose activity center and swimming pool for use of students; and
- renovation and extension of buildings and various laboratories.

On April 26, 2013, the University's BOD approved the detailed expansion program and projects of the University relating to the appropriated retained earnings amounting to ₱450.00 million. These projects include the budget for capital expenditures for the fiscal year April 2013 to March 2015, the planned construction of a 3-storey building for the proposed setting up of a pre-school, elementary and high school in preparation for the K-12 program and to support the proposed five-year development plan for Malolos campus.

The estimated date of completion of the said projects as set by the University is within one (1) to five (5) years.

12. Tuition and Other School Fees

This account consists of:

	June 2018	June 2017
Tuition fees	109,814,220	112,539,732
Other fees	53,631,779	71,366,806
Income from other school services	45,508,580	43,007,043
	208,954,579	226,913,581

Other fees include registration fees, health services fees, library fees, laboratory fees, development fees, practicum fees, internship fees and review fees. Income from other school services comprise of fees for diploma and certificates, transcript of records, student handbooks, identification cards, entrance and qualifying examinations and various collections for specific items or activities.

13. Miscellaneous Income

Miscellaneous Income include rent, foreign currency exchange gains, swimming fee, dental pre-board fee, fee for dental materials, photograph fee, handling fee, insurance fee and others.

14. General and Administrative Expenses

This account consists of:

	June 2018	June 2017
Salaries, SSS contributions and other employee benefits	145,324,406	140,435,236
Light and water	17,324,277	15,866,707
Depreciation and amortization	23,004,206	22,339,887
Development	10,309,899	7,326,713
Library	6,830,740	6,466,338
Rental	8,340,200	10,073,632
Janitorial and security services	12,767,288	11,757,412
Transportation and communications	7,355,221	8,370,709
Retirement expense	6,467,947	7,645,378
Recruitment and placement	5,476,322	3,187,714
Stationery and office supplies	5,171,269	4,917,153
Publications	343,386	127,389
Management information	4,066,617	13,330,629
Repairs and maintenance	17,215,210	11,693,143
Guidance and counseling	3,296,538	2,349,208
Laboratory	2,872,026	4,147,643
Instructional and academic expenses	2,144,833	2,732,032
Entertainment, amusement and recreation	1,195,385	1,626,582
Insurance	8,482	513,390
Directors' and administrative committee	1,026,100	1,006,636
Professional fees	1,316,027	1,147,247
Registration expenses of students	596,328	967,850
Membership fees and dues	1,033,151	3,152,401
Comprehensive and oral examinations	744,201	132,493
Affiliation	995,596	802,100
Miscellaneous	43,501,692	36,051,208
	328,727,344	318,166,829

15. Retirement Plan

The Group has a funded, noncontributory retirement plan which provides for death, disability and retirement benefits for all of its permanent employees. The annual contributions to the retirement plan consist of a payment covering the current service cost for the year, plus payments toward funding the unfunded actuarial liabilities.

16. Income Taxes

The current provision for income tax represents the 10% income tax on special corporations.

The significant components of the Group's net deferred income tax liabilities follow:

	June 2018	March 2018
Deferred income tax assets on:		
Retirement liability	8,459,879	8,459,879
Accrued expenses	4,446,718	6,974,695
Long-term liability	0	0
Unamortized excess of contribution over the normal cost	3,833,586	3,833,586
Excess of acquisition cost over fair value of net assets acquired from business combination	4,073,966	4,073,966
Allowance for doubtful accounts	3,990,684	3,990,684
Others	25,851	25,851
	24,830,684	27,358,661
Deferred income tax liabilities on:		
Revaluation increment on land	150,000,330	150,000,330
Undepreciated cost of property and equipment	154,404,724	154,404,724
Unrealized foreign currency exchange gain	25,424	25,424
	304,430,478	304,430,478
Net deferred tax liabilities	279,599,794	277,071,817

The Group claims the tax deductions from capital expenditures for tax purposes when incurred.

17. Operating Lease

Group as Lessee
On July 29, 2004, the Group entered into a 25-year operating lease which commenced on January 1, 2005 with Philtrust Bank for the lease of its building in Makati. The contract requires for ₱24.00 million fixed minimum annual rentals, plus a percentage of the annual income of the Group's Makati-Buendia campus.

Group as Lessor
The Group leases out portions of its spaces to concessioners which is renewable every two (2) years.

19. Segment Reporting

The University operates in geographical segments. Financial information on the operations of these segments are summarized as follows:

June 2018	Mendiola	Malolos	Makati- Gil Puyat	Makati-Legaspi	Malolos Intergrated School	Makati-Legaspi Hospital (Pre-operating)	Las Piñas College	Total
Segment assets	2,873,586,529	842,370,551	155,646,281	578,089,890	107,409,179	33,719,824	73,660,416	4,664,482,669
Segment property and equipment - ne	1,854,137,731	786,532,484	63,925,785	552,118,702	439,913	349,999	18,119,219	3,275,623,833
Segment liabilities	1,011,859,232	65,911,345	129,237,298	27,630,272	57,452,710	4,996,018	16,039,626	1,313,126,500
Segment revenues	177,301,020	14,683,295	18,107,739	7,106,679	24,102,264	661,646	16,554,510	258,517,153
Operating expenses	217,205,414	26,688,073	36,881,433	15,432,905	11,768,120	1,221,741	19,529,658	328,727,344
Depreciation expense	13,291,771	2,601,067	2,196,005	3,558,702	15,056		1,341,605	23,004,206
Net income (loss)	(39,904,394)	(12,004,778)	(18,773,694)	(8,326,226)	12,334,144	(560,095)	(2,975,148)	(70,210,191)

June 2017	Mendiola	Malolos	Makati- Gil Puyat	Makati-Legaspi	Malolos Intergrated School	Makati-Legaspi Hospital (Pre-operating)	Las Piñas College	Total
Segment assets	2,546,070,632	853,114,919	169,841,295	611,816,570	78,287,316	33,646,465	82,296,738	4,375,073,935
Segment property and equipment - ne	1,775,428,128	790,067,387	68,928,297	565,378,763	0	1,714,706	5,285,030	3,206,802,311
Segment liabilities	1,113,985,908	50,714,457	112,031,026	48,111,865	58,409,204	1,225,250	40,080,538	1,424,558,248
Segment revenues	180,654,171	12,410,031	18,158,469	14,883,104	14,862,211	606,070	18,064,598	259,638,654
Operating expenses	220,863,560	22,067,089	37,119,972	15,345,513	10,041,725	683,900	12,045,070	318,166,829
Depreciation expense	13,195,000	2,482,444	2,276,955	3,926,249		183,719	275,520	22,339,887
Net income (loss)	(40,209,392)	(9,657,056)	(18,961,503)	(462,408)	4,820,486	(77,830)	6,019,528	(58,528,175)

20. Related Party Transactions

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

Transaction with related parties are made at terms similar to those offered to third parties.

In the ordinary course of business, the Group has transactions with Philtrust Bank, an affiliate under common control, as follows:

a. Lease of a building in Makati as lessee
b. Savings account and short-term investments.

The Group avails of advertising services of Manila Bulletin Publishing Corporation, an affiliate under common control.

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plan.

21. Basic/Diluted EPS

The income and share data used in the basic/diluted EPS computations are as follows:

	June 2018	June 2017
Net income(loss)(a)	(70,210,191)	(58,528,175)
Weighted average number of outstanding		
common shares(b)	372,414,400	372,414,400
Basic/diluted earnings (loss) per share (a/b)	(0.19)	(0.16)

There were no dilutive financial instruments during the year.

22. Financial Assets and Liabilities

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, tuition and other receivables and accounts payable and accrued expenses* - due to short-term nature of these accounts, the fair values approximate the carrying amounts.

- *AFS financial assets* -fair values of quoted AFS financial assets are based on quoted prices published in markets. Fair values of unquoted AFS financial assets approximate carrying amounts due to the unpredictable nature of future cash flows and lack of suitable methods of arriving at reliable fair value.

- *Long-term liability* - fair value is estimated using the discounted cash flow methodology using the prevailing risk free rates, plus the applicable spread.

23. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, AFS investments and long-term liability. The main purpose of these financial instruments is to raise funds for the Group's operations and capital expenditures. The Group has various other financial instruments such as tuition and other receivables and accounts payable and accrued expenses that arise directly from operations.

The main risk arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risk.

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 risk management policy to mitigate credit risk on its accounts receivable from students include the refusal of the Group to release pertinent records like examination permit, transcript of records and transfer credentials, if applicable, until the student's account is cleared/paid. As of balance sheet date, there are no significant concentrations of credit risk.

Liquidity Risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial assets and liabilities. Liquidity risk may result from a counterparty failing on repayment of a contractual obligation or inability to generate cash inflows as anticipated.

The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and maturing debts. As an inherent part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds.

Foreign Currency Risk
The Group's foreign exchange risk results primarily from movements in the prevailing exchange rate between the Philippine Peso (PHP) and the United States Dollar (USD). The revenues and the operating expenses of the Group are denominated in PHP. However, the Group maintains certain deposits with banks which are denominated in USD.

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

There is no other impact on the Group's equity other than those already affecting income before income tax.

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 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 dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives and policies or processes during the year ended March 31, 2018 and quarter ended June 30, 2018.

The Group monitors capital using a debt-to-equity ratio which is debt divided by total stockholder's equity. The Group includes within debt, interest-bearing loans and accounts payable and accrued expenses.

The following table shows how the Group computes for its debt-to-equity ratio as of June 30, 2018 and March 31, 2018:

	June 2018	March 2018
Accounts payable and accrued expenses (a)	511,669,771	355,306,220
Total Stockholders' Equity (d)	2,980,689,638	3,125,382,709
Debt-to-Equity ratio (c/d)	0.17:1	0.11:1

CENTRO ESCOLAR UNIVERSITY			
LIST OF FINANCIAL RATIOS			
June 30, 2018			
		First Quarter	First Quarter
		June 2018	June 2017
Current ratio	Current assets	0.88:1	1.09:1
	Current Liabilities		
Debt to equity ratio	Accounts Payable+Accrued Expenses+Interest bearing loans	0.17:1	0.09:1
	Total Equity (capital)		
Interest rate coverage	Net income before income tax	-	-
	Interest expense		
Revenue growth	(Current period tuition+other school fees)-(Present period tuition+other school fees)	-7.91%	-0.18%
	Present period tuition + other school fees		
Return on Revenue	Net income	-33.60%	-25.79%
	Tuition + other school fees		
Return on Equity	Net Income	-2.30%	-1.96%
	Average Stockholders' Equity		
Return on assets	Net Income	-1.63%	-1.43%
	Average total assets		