CENTRO ESCOLAR UNIVERSITY

(Company's Full Name)

9 Mendiola Street
San Miguel, Manila

(Company's Address)

735-6861 to 71

(Telephone Numbers)

DEFINITIVE INFORMATION STATEMENT
SEC FORM 20-IS

Pursuant to SRC RULE 20

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 — **CENTRO ESCOLAR UNIVERSITY**

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

4. SEC Identification Number — 1093

5. BIR Tax Identification Code — 000-531-126-000

6. Address of principal office — 9 Mendiola Street
   San Miguel, Manila 1005

7. Registrant's telephone number, including area code — (02) 735-6861

8. Date, time and place of the meeting of security holders — July 24, 2018, 2:00 P.M.
   Information Science Center
   Mezzanine Floor
   9 Mendiola Street
   San Miguel, Manila

9. Approximate date on which the Information Statement is first to be sent or given to stockholders — July 3, 2018

10. In case of Proxy Solicitation:

    Name of Person Filing the Statement/Solicitor: Not Applicable
    Address and Telephone Number : Not Applicable

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 or Amount of Debt Outstanding
Common Stock	372,414,400

12. Are any or all of registrant's securities listed on a Stock Exchange?
    Yes __√__ No ________

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    Philippine Stock Exchange, Inc.

CENTRO ESCOLAR UNIVERSITY
SEC Form 20-IS

PART I.
INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

a)	Date of Meeting	July 24, 2018
	Time of Meeting	2:00 P.M.
	Place of Meeting	Information Science Center Mezzanine Floor 9 Mendiola St., San Miguel, Manila
	Registrant's Mailing Address	9 Mendiola St., San Miguel, Manila 1005
b)	Approximate Date when the Information Statement is first to be sent or given to security holders	July 3, 2018

THE PARENT COMPANY IS NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

Item 2. Dissenters' Right of Appraisal.

There are no corporate matters or actions that will entitle dissenting stockholders to exercise their right of appraisal as provided in Title X of the Corporation Code.[1]

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

a. The incumbent directors and officers have no substantial interest in any matter to be acted upon other than their election to office.

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

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[1] The right of appraisal means the right of a dissenting stockholder to demand payment of the fair market value of his shares in the instances provided under the Corporation Code. In such instances the right may be exercised by any stockholder who shall have voted against the proposed action by making a written demand to the corporation within 30 days after the date on which the vote was taken for payment of the fair market value of his shares. Failure to make the demand shall be deemed a waiver of such right.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof.

a) As of May 31, 2018 the University has 372,414,400 issued and outstanding common stock at ₱1.00 per share. All the shares of stock[2] are entitled to vote.

b) Only stockholders of record at the close of business on June 28, 2018 are entitled to notice and to vote at the Annual Stockholders' Meeting.

c) A stockholder entitled to vote at the meeting shall have the right to do so in person or by proxy. With respect to the election of directors, in accordance with Section 24 of the Corporation Code of the Philippines, a stockholder may vote the number of shares held in his name in the University's stock and transfer book as of June 28, 2018, and may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as 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, That the total number of votes cast by him shall not exceed the number of shares owned by such stockholder as shown in the books of the University multiplied by the total number of directors to be elected.

d) Security Ownership of Certain Record and Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners

Owners of record of more than five percent (5%) of the University's shares of stock as of May 31, 2018 are as follows:

Title of Class	Name & Address of Record Owner* & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares Held	Percent (%)
Common	USAUTOCO, Inc. 1000 United Nations Ave., Ermita, Manila Authorized Representative – Basilio C. Yap Relationship to Issuer-Stockholder	USAUTOCO, Inc. Authorized Representative – Basilio C. Yap Position – President	Filipino	126,620,891	34.00%
Common	U.S. Automotive Co., Inc. 1000-1046 United Nations Ave., cor. San Marcelino, Ermita, Manila Authorized Representative – Basilio C. Yap Relationship to Issuer – Stockholder	U.S. Automotive Co., Inc. Authorized Representative – Basilio C. Yap Position – President	Filipino	55,963,803	15.02%

[2] All the shares are held by Filipinos.

Common	PCD Nominee Corp. – Filipino	Alejandro C. Dizon Beneficial Owner	Filipino	50,033,412	13.43%
Aggregate Number of Shares and Percentage of All Beneficial/Record Owners as a Group				232,618,106	62.46%

The proxies designated by each stockholder will be known by July 13, 2018.

2. Security Ownership of Management

The following tables show the security ownership of CEU's directors and officers as of May 31, 2018 are as follows:

Title of Class	Directors	Amount of Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Basilio C. Yap (Chairman)	1001 (d)	Filipino	0.0003
Common	Ma. Cristina D. Padolina (Vice Chairman/President)	38,316 (d)	Filipino	0.0103
Common	Angel C. Alcala*	1 (d)	Filipino	Nil
Common	Emil Q. Javier*	1 (d)	Filipino	Nil
Common	Benjamin C. Yap	800 (d)	Filipino	0.0002
Common	Alejandro C. Dizon**	50,033,412 (d)	Filipino	13.43
Common	Emilio C. Yap III	344,833 (d)	Filipino	0.0925
Common	Corazon M. Tiongco (Assistant Treasurer)	10,115,604 (d)	Filipino	2.7162
Common	Johnny C. Yap	1,000 (d)	Filipino	0.0003
	Total	60,534,968 (d)		16.25%

Title of Class	Officers	Amount of Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Ma. Cristina D. Padolina	38,316 (d)	Filipino	0.0103
Common	Cesar F. Tan	19,735 (d)	Filipino	0.0053
Common	Teresa R. Perez	3,226 (d)	Filipino	0.0009
Common	Maria Clara Perlita Erna V. Yabut	4,000 (d)	Filipino	0.0011
Common	Olivia M. Limuaco	12,153 (d)	Filipino	0.0033
Common	Ma. Flordeliza F. Anastacio	1,302 (d)	Filipino	0.0003
Common	Corazon M. Tiongco	10,115,604 (d)	Filipino	2.7162
Common	Bernardita T. Traje	753 (d)	Filipino	0.0002
-	Ma. Rolina S. Servitillo	0 (d)	Filipino	0
-	Carlito B. Olaer	0 (d)	Filipino	0
-	Rhoda C. Aguilar	0 (d)	Filipino	0
-	Jericho P. Orlina	0 (d)	Filipino	0
-	Bella Marie L.Fabian	0 (d)	Filipino	0
Total (excluding shares of Ma. Cristina D. Padolina and Corazon M. Tiongco)		41,169 (d)		0.0110
Aggregate Number of Shares and Percentage of All Security Ownership of Management as a Group		60,493,799(d)		16.24%

*Independent Director

**Dr. Alejandro C. Dizon has 51,837 shares registered in his name in addition to 49,981,575 shares lodged with PCD Nominee Corporation.

3. There is no voting trust or similar agreement with respect to any portion of the outstanding shares, nor any agreement which may result in a change in control of the University.

Item 5. Directors and Executive Officers.

a. 1. The following are the incumbent directors and officers of the University:

DIRECTORS[3]

BASILIO C. YAP, 68 years old, Filipino, was elected Board member and Chairman of the Board of Directors of the University on April 25, 2014. In 1972, he graduated from De La Salle University with the degree of Bachelor of Science in Commerce major in Accounting, (*cum laude*). He is a Certified Public Accountant. In 1978, he earned his masters degree in Business Management from Asian Institute of Management. He is also the Chairman, President and Director of U.S. Automotive Co. Inc., USAUTOCO Inc., Philtrust Realty Corporation, Manila Prince Hotel, Cocusphil Development Corporation, U.N. Properties Development Corporation and Seebreeze Enterprises, Vice Chairman of Philtrust Bank, Chairman and Director of Manila Hotel Corporation, Chairman of the Board of Manila Bulletin Publishing Corporation. He is also the Chairman of Centro Escolar University Hospital, Inc. and Centro Escolar Las Piñas, Inc.

MA. CRISTINA D. PADOLINA, 72 years old, Filipino, is the President, Vice Chairman and Chief Academic Officer of the University. She was elected as a member of the Board of Directors and President of the University on August 18, 2006, and as Vice Chairman on July 25, 2008. She graduated from the University of the Philippines with the degree of Bachelor of Science in Chemical Engineering. She also holds a degree of Master of Science (Chemistry) from the Ateneo de Manila University and the degree of Doctor of Philosophy (Inorganic Chemistry) from the University of Texas at Austin. On secondment from her post as Professor of Chemistry at UP Los Baños, she served as Chancellor of the Open University from 1995 to 2001 and as Commissioner of the Commission on Higher Education from 2001 to 2005. She is Professor Emeritus of the University of the Philippines, Los Baños. She is also a Director of Centro Escolar University Hospital, Inc., Centro Escolar Integrated School and Vice-Chairman and President of Centro Escolar Las Piñas, Inc.

ANGEL C. ALCALA, 89 years old, Filipino, is an independent director. He became a member of the Board of Directors of the University on July 22, 2008. He is currently a member of the University's Audit Committee. He graduated from Silliman University with a degree in B.S. Biology *(magna cum laude)*, and obtained his M.A. Biological Sciences and Ph.D., Biological Sciences from the Stanford University. He received a Doctor of Humanities *(Honoris Causa)* degree from Xavier University. He is Academician and National Scientist, He is a member of the National Academy of Science and Technology. He was formerly the President of Silliman University; Deputy Executive Director of Philippine Council for Aquatic and Marine Research and Development, Department of Science and Technology (DOST); Secretary of Department of Environment and Natural Resources (DENR); and Chairman of the Commission on Higher Education (CHED). He is presently the Chairman of the Silliman University-Angelo

[3] All directors hold office for one (1) year and until their successors are elected and qualified. All directors, except for the independent directors, are nominated on the floor.

King Center for Research and Environmental Management (SUAKCREM), PATH Foundation Philippines, National Network of Quality Assurance Agencies, Inc., Professor Emeritus, Siliman University, Member, Board of Trustees, Silliman University and President of Cap College, Makati.

EMIL Q. JAVIER, 77 years old, Filipino, is an independent director. He became a member of the Board of Directors of the University in July 2002. He is currently the Chairman of the University's Audit Committee and a member of the Nomination Committee. He graduated from the University of the Philippines, Los Baños with a degree of B.S. Agriculture *(cum laude).* He also holds a degree of M.S. Agronomy from the University of Illinois and Ph.D. in Plant Breeding from Cornell University. He is Chairman of the Coalition for Agricultural Modernization in the Philippines, a Trustee of the Asia Rice Foundation, Head Advisor of the Biotech Coalition of the Philippines and Academician of the National Academy of Science and Technology (Phil.). He is likewise a Board Member of the International Service for the Acquisition of Agri-Biotech Applications (South East Asia Center), and Chairman, Nutrition Center of the Philippines. He is also an Independent Director of Centro Escolar University Hospital, Inc., Centro Escolar Las Piñas, Inc. and Independent Director of Del Monte Pacific Ltd. and Member, Advisory Committee of Japan International Cooperation Agency (JICA), Philippines.

BENJAMIN C. YAP, 72 years old, Filipino, was elected as a member of the Board of Directors on July 22, 2014. He graduated from University of the East with a degree of Bachelor of Science in Business Administration. He is currently the President and Chairman of the Board of Benjamin Favored Son, Inc., Chairman of the House of Refuge, Director of USAUTOCO, Inc. and Director of Manila Hotel Corporation. He is also a Director of Centro Escolar University Hospital, Inc.

ALEJANDRO C. DIZON, 57 years old, Filipino, was elected as a member of the Board of Directors on August 31, 2007. Dr. Dizon graduated from the UERMMMC College of Medicine and passed the Philippine Medical Licensure Examination in 1986. He finished his residency in General Surgery at St. Luke's Medical Center and passed his Specialty Board Examination in General Surgery to become a Diplomate of the Philippine Board of Surgery, Inc. in 1992. He took his postgraduate fellowship training as a G.B. Ong Surgical Scholar at the Queen Mary Hospital, University of Hong Kong. He is a fellow and President of the Philippine College of Surgeons, a Fellow of the American College of Surgeons, Charter Fellow of the Philippine Society of General Surgeons Inc., and Examiner and member of the Board of Directors and Governors of the Philippine Board of Surgery Inc. He is currently the Vice President for Quality and Patient Safety and Chief Quality Officer and an Active Consultant in the Institute of Surgery of St. Luke's Medical Center Quezon City & Global City. He holds an Assistant Professor position in the faculty of UERMMMC College of Medicine.

EMILIO C. YAP III, 46 years old, Filipino, was elected as a member of the Board of Directors on September 1, 2009. He graduated from De La Salle University with the degree of Bachelor of Science in Accountancy. He was conferred with the degree of Doctor of Philosophy in Journalism, *honoris causa* by Angeles University Foundation on March 1, 2009, and Doctor of Business Administration, *honoris causa* by the Pamantasan ng Lungsod ng Maynila on April 16, 2010. He is currently the Chairman of the Board of Manila Prime Holdings, Inc., Director and Vice Chairman of the Board of Manila Bulletin Publishing Corporation, and Director of Manila Hotel, Philtrust Bank and US Automotive Co., Inc.

CORAZON M. TIONGCO, 69 years old, Filipino, has been a member of the University's Board of Directors since 2000. She has been the Assistant Treasurer since August 12, 2005. She obtained her Bachelor of Arts degree from the College of the Holy Spirit. She is currently a member of the Nomination Committee, Head of the Purchasing Committee and the Purchasing Department. She is also a Director of Centro Escolar University Hospital, Inc.

JOHNNY C. YAP, 45 years old, Filipino, was elected as a member of the Board of Directors on October 26, 2007. He graduated from De La Salle University with the degree of Bachelor of Science in Management of Financial Institutions. He was conferred with the degree of Doctor of Philosophy in Humanities, *honoris causa* by Foundation University on March 21, 2010. He is presently the Vice Chairman and Treasurer of Euromed Laboratories, Philippines, Inc., Chairman of the Board of Café France Corporation, Board member of Philtrust Bank, and Director of Centro Escolar Las Piñas, Inc.

Under the Securities Regulation Code (SRC), any corporation with a class of equity shares listed for trading in an Exchange is required to have at least two (2) independent directors or have such independent directors which shall constitute at least twenty percent (20%) of the membership of such board, whichever is the lesser. Presently, CEU's incumbent independent directors are Angel C. Alcala and Emil Q. Javier.

The nomination, pre-screening and election of independent directors will be made in accordance with Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code and Section 7, Article 1 of the University's By-laws.[4]

Based on the pre-screening and evaluation by the Nomination Committee[5] during its meeting on May 25, 2018, the nominees for Independent Directors are:

(1) Dr. Emil Q. Javier, 77 years old, Filipino is the owner of record of one (1) share of common stock (0%). Dr. Javier was recommended as a nominee for Independent Director by Jeneta Bravo-Retardo, Milagros Borabo, Aleli Lozano, Teresa Perez, Pricila Retardo, Edna Rodriguera, Ma. Dolores Delacruz and Tessie Avenilla-Ramirez, all stockholders of record. All of said stockholders have no relationship with Dr. Javier.

(2) Dr. Angel C. Alcala, Filipino, 89 years old, is owner of record of one (1) share of common stock (0%). Dr. Alcala was nominated by Erna Yabut, Bernardita Traje, Rodolfo Gabat, Cecilia Uncad, Jaime Lopez, Cynthia Gaspar, Olivia Limuaco, and Zenaida Los Baños, all stockholders of record. All of said stockholders have no relationship with Dr. Alcala.

The nominees for regular directors will be nominated and elected on the floor during the stockholders' meeting.

[4]The Nomination Committee is composed of Dr. Ma. Cristina D. Padolina, chairman; Dr. Emil Q. Javier, Ms. Corazon M. Tiongco and Atty. Sergio F. Apostol, members.
[5]During the stockholders' meeting on July 27, 2004, the stockholders approved the grant of annual medical allowance and related bonuses to the members of the Board of Directors.

OFFICERS

SERGIO F. APOSTOL, 83 years old, Filipino, was elected as the University's Corporate Secretary and Compliance Officer on February 26, 2010. He graduated from Letran College with the degree of Associate in Arts, Bachelor of Laws at Ateneo de Manila University. He is a member of the Board of Directors of Manila Hotel and Chairman and Chief Executive Officer of Kaytrix Agri-Aqua Corporation. He is a member of the Audit and Nomination Committee of Centro Escolar University. He is a Member of the House of Representatives 16th Congress.

CESAR F. TAN, 64 years old, Filipino, was elected as Treasurer on April 11, 2006 and is a member of the Procurement Committee. He graduated from the Far Eastern University with a degree of B.S.C. Accounting and is a career service professional. He was formerly Assistant Treasurer and Assistant Vice President of Liwayway Publishing, Inc. He is also the Treasurer of Centro Escolar Integrated School, Centro Escolar University Hospital, Inc. and Centro Escolar Las Piñas, Inc.

TERESA R. PEREZ, 56 years old, Filipino, is the Vice President for Academic Affairs. She is a member of the Purchasing Committee. She graduated from CEU with the degree of B.S. Biology. She holds a Master's degree in Biology and a doctorate degree in Curriculum and Supervision, both from CEU. She has been a faculty member of the University since 1982 and also Vice President of Centro Escolar Integrated School.

MARIA CLARA PERLITA ERNA V. YABUT, 52 years old, Filipino, is the Vice President for Research and Evaluation. She graduated from the University of the Philippines with the degree of B.S. Secondary Education, major in Mathematics. She obtained a Master's and a doctorate degree in Mathematics Education, both from CEU. She has been with the University since 1990.

OLIVIA M. LIMUACO, 62 years old, Filipino, is the Vice President for Makati and General Dean of Studies. She graduated from CEU with the degree of Bachelor of Science in Pharmacy (*cum laude*). She obtained a Master's degree in Pharmacy and a doctorate degree in Science Education both from CEU. She has been a faculty member of the University since 1977 and holds the rank of University Professor. She became the Head of Science Laboratories from 1981 to 1990. She was appointed Dean of the School of Pharmacy from 1991 to July 2013. She is the Vice President of the Federation of Asian Pharmaceutical Association (FAPA) from 2014 to 2018. She was the Treasurer of PPhA from 2012 to 2014 and was elected as the President of Philippine Pharmacists Association from July 2014 to June 2016. She is also a member of the Council of Advisers of Philippine Association of Colleges of Pharmacy (PACOP).

MA. FLORDELIZA L. ANASTACIO, 58 years old, Filipino, is the Vice President and Dean of Studies of CEU Malolos. She earned her Bachelor's Degree in Accounting from La Consolacion College Manila. She is a Certified Public Accountant. She finished her MBA, PhD in Educational Management and Post Doctoral Course in Total Quality Management in Higher Education from Centro Escolar University Manila. She is the President of the International Academy of Accountants for Business, Research and Education (IAABRE) and the former National President of the Philippine Society for Educational Research and Evaluation (PSERE) and the Philippine Council of Deans and Educators in Business (PCDEB). She is an International Visiting Professorial Fellow, Research Fellow and Senior Fellow in Accountancy of the Royal Institute of Singapore. She completed her Post Doctoral Program in International

Deans' Course (IDC) in Germany as a DAAD Scholar. At present, she is one of the 3 IDC Mentors/Experts of Southeast Asia.

CARLITO B. OLAER, 54 years old, Filipino, is the Vice President for Student Affairs. He served as the Head of the Religion Department and was the Campus Minister of CEU before his appointment as VP for Student Affairs. He holds the degree of A.B. Philosophy (*magna cum laude*) from the Dominican House of Studies and Bachelor of Sacred Theology (*cum laude*) from the University of Santo Tomas. He obtained his Masters in Theology (*magna cum laude*) from San Sebastian College and his doctoral degree in Educational Management from CEU (*with the highest academic distinction*). He has been with the University since 1991.

MA. ROLINA S. SERVITILLO, 49 years old, Filipino, is the Vice President for Administration and Accounting. She earned a degree of Bachelor of Science in Commerce, major in Accounting (*cum laude*) from the Centro Escolar University, Malolos Campus. She is a Certified Public Accountant (CPA) and former Head, Internal Audit Department of the University.

JERICHO P. ORLINA, 52 years old, Filipino, is the Assistant Vice President for Business Affairs. He graduated from Ateneo de Naga University with the degree of Bachelor of Science in Commerce, major in Accounting. He is a Certified Public Accountant. He completed the Post-Graduate Management Development Program of Asian Institute of Management. He is a member of Philippine Institute of Certified Public Accountants (PICPA) and Institute of Internal Auditors.

BELLA MARIE L. FABIAN, 55 years old, Filipino, is the Assistant Vice President for Administration. She graduated from University of the East with a degree of Bachelor of Science in Business Administration-Accounting. She obtained her Masters degree in Business Administration-Management and doctorate degree of Doctor of Philosophy in Business Management.

RHODA C. AGUILAR, 45 years old, Filipino, is the University Registrar. She is a member of the Administrative Council. She graduated from CEU with the degree of BSE major in Mathematics (*magna cum laude*). She obtained her Master's degree in Mathematics Education and doctorate degree in Curriculum and Supervision. She is a career service professional (exempted given to honor student) and the Professional Board Examination for Teachers (*8th place*).

BERNARDITA T. TRAJE, 57 years old, Filipino, is the University's Assistant Controller. She served as Assistant Treasurer from August 2001 to August 2006. She graduated from the Polytechnic University of the Philippines. She is a Certified Public Accountant (CPA). She has been with the University since 1980.

2. Significant Employees

All employees are expected to make reasonable contribution to the success of the business of the University. There is no "significant employee" as defined in Part IV(A)(2) of the SRC Rule 12 (i.e., a person who is not an executive officer of the registrant but who is expected to make a significant contribution to the business).

3. Family Relationships

Mr. Basilio C. Yap and Mr. Benjamin C. Yap are relatives within the second degree of consanguinity, while Dr. Emilio C. Yap III and Dr. Johnny C. Yap are relatives within the second degree of consanguinity. Mr. Basilio C. Yap and Mr. Benjamin C. Yap who are relatives within the second degree of consanguinity and Dr. Emilio C. Yap III and Dr. Johnny C. Yap who are also within the second degree of consanguinity are relatives within the third degree of consanguinity.

4. Pending Legal Proceedings

The University is not aware of any legal proceeding in the past five (5) years to date involving its directors and officers which are material to the evaluation of the ability and integrity of any director or officer of the University.

No director or officer has been convicted by final judgment during the last five (5) years up to the present of any offense punishable by Philippine laws or by the laws of any other country.

Likewise, the University has no knowledge of pending legal proceedings against any of its directors or executive officers involving: (a) any bankruptcy petition filed by or against any business of which its directors or executive officers is subject; or (b) any judgment or decree permanently or temporarily limiting or suspending their involvement in any type of business, securities, commodities or banking activities; or, (c) any violation of a securities or commodities law or regulation and the judgment has not been reversed, suspended or vacated.

5. Certain Relationships and Related Transactions

The University entered into a 25-year lease contract with Philtrust Bank on July 29, 2004. The lease covers the use of Philtrust Bank's land, building and improvements thereon located at 259-263 Sen. Gil Puyat Avenue and Malugay Street, Makati City. The lease commenced on January 1, 2005 for the operation of the CEU-Makati Extension Campus for school year 2005-2006. Lease of the building from Philtrust Bank Building is for the exclusive purpose of maintaining and operating an extension campus in Makati City, and to conduct therein all such activities necessary to provide adequate educational instruction and other services to its students, including authorized extra-curricular activities. The consideration for the lease was principally based on the valuation of the property by Asian Appraisal, Inc. and on the financial advisory by Buenaventura, Echauz and Partners. Except for the respective parties' covenants under said lease contract between CEU and Philtrust Bank, there is no further contractual or other commitment resulting from the arrangement that would pose any risk or contingency. There are no other parties involved in this transaction.

The University, in line with its expansion program and for marketing purposes, avails of advertising services of Manila Bulletin Publishing Corporation. The terms of said advertising transactions are based on terms similar to those offered to non-related parties.

The University has rented room and facilities of Manila Hotel, an affiliate of the University, as venue for commencement exercises.

For a detailed discussion on related party transactions, please see Note 21 of the 2018 Audited Financial Statements.

b. There is no director who has declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting because of disagreement with the University on matters relating to operations, policies and practices.

Item 6. Compensation of Directors and Officers

1. The aggregate compensation paid or accrued during the last two (2) fiscal years and to be paid in the ensuing calendar year to the University's President and five (5) most highly compensated executive officers as a group are as follows:

Name and Position	Fiscal Year	Annual Salary	Bonus	Other Annual Compensation	Total Compensation
Dr. Ma. Cristina D. Padolina, President Dr. Erna V. Yabut, VP - Research & Evaluation Dr. Olivia M. Limuaco, VP – Makati Campus Dr. Teresa R. Perez, VP - Academic Affairs Dr. Ma. Flordeliza L. Anastacio, VP- Malolos Campus	2016-2017 2017-2018 2018-2019***	₱11,004,308.45 ₱10,806,381.88 ₱10,806,381.88	₱1,557,422.45 ₱1,573,957.29 ₱1,573,957.29	N.A. N.A. N.A.	₱12,561,730.90 ₱12,380,339.17 ₱12,380,339.17

2. The aggregate compensation paid or accrued during the last two (2) fiscal years and to be paid in the ensuing calendar year to all other officers and directors as a group are as follows:

Name And Position	Fiscal Year	Annual Salary	Bonus	Other Annual Compensation	Total Compensation
All Officers and Directors as a Group	2016-2017 2017-2018 2018-2019***				₱30,373,126.49 ₱33,793,677.35 ₱33,793,677.35

3. The Directors do not receive compensation for services provided as a director other than reasonable per diems for attendance at meetings of the Board or any of its committees.[6]

***Figures are estimated amounts.

[6]During the stockholders' meeting on July 27, 2004, the stockholders approved the grant of annual medical allowance and related bonuses to the members of the Board of Directors.

4. There are no bonus, profit sharing stock options warrants, rights of other compensation plans or arrangements with directors or officers that will result from their resignation, retirement, termination of employment or change in the control of the University.

The duties and responsibilities of the elected corporate officers are specified in the University's By-laws and/or Manual of Corporate Governance.

Other officers whose duties and responsibilities are set by Management are considered regular employees of the University.

5. There are no outstanding warrants or options held by the University's President, executive officers and directors.

Item 7. Independent Public Accountants.

The accounting firm of Sycip, Gorres, Velayo & Co., Inc. (SGV) served as the University's external auditors for the last fiscal year. The handling partner of SGV is Ms. Djole S. Garcia. There was no change in or disagreement with the external auditor on accounting and financial disclosures.

The University's Manual on Corporate Governance and SRC Rule 68 provide that the University's external auditor shall either be rotated or the handling partner changed every five (5) years or earlier.[7] The University is in compliance with SRC Rule 68, paragraph 3(b)(iv).

The Board, upon recommendation of the Audit Committee[8] proposed the appointment of SGV as the external auditor for fiscal year ending 2016. The approval of the appointment of SGV as external auditors for the current year will be one of the matters to be undertaken during the annual meeting.

SGV representatives will be present during the stockholders' meeting and will have an opportunity to make a statement if they desire to do so. It is also expected that the attending representatives will be able to respond to appropriate questions.

There was no change in or disagreement with the external auditor on accounting and financial disclosures.

[7] SGV has served as the University's external auditor since 2000, with Mr. Arnel F. de Jesus (2000-2005), Mr. Ramon D. Dizon (2006-Feb.2009), Ms. Janet Alvarado-Paraiso (March 2009-July 2013) and Mr. Christian Lauron (Aug.2013-Sept.2014), Ms. Josephine Adrienne A. Abarca (Oct. 2014-March 2018) Ms. Djole S. Garcia (April 2018 up to present) as handling partners.

[8] The Audit Committee is composed of Dr. Emil Q. Javier, (independent director) chairman, Dr. Angel C. Alcala, Dr. Alejandro C. Dizon and Atty. Sergio F. Apostol, members.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The approval of the minutes of the annual stockholders' meeting held on July 25, 2017 will be taken up during the meeting.

Agenda for annual stockholders' meeting on July 24, 2018:

1. Call to Order
2. Proof of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting on July 25, 2017
4. Chairman's Address
5. Approval of the Annual Report of the Board of Directors
6. Election of Directors
7. Appointment of External Auditor
8. Other Matters
9. Adjournment

Item 17. Amendment of Charter, Bylaws or Other Documents

There are no specific acts of the Board of Directors and Management for ratification by the stockholders.

Item 19. Voting Procedures

a. The vote required for approval or election

Sec. 24 of the Corporation Code provides that at all elections of directors, there must be present, either in person or by representative authorized to act by written proxy, the owners of majority of the outstanding capital stock. Candidates receiving the highest number of votes shall be declared elected.

Article I, Section 3 of the By-laws provides that in case of election of directors, every stockholder entitled to vote shall have the right to cumulate his 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.

b. The method by which votes will be counted

Article I, Section 3 of the By-laws provides that except as otherwise provided by the Corporation Law, at each meeting of the stockholders, every stockholder entitled to vote thereat shall be entitled to one (1) vote in person or by proxy for each share of stock of the University subscribed for by him or held by him and registered in his name on the books of the University.

The SGV auditors will assist in the counting of votes.

PART III
SIGNATURE PAGE

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 hereunto duly authorized.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Manila on July 2, 2018.

CENTRO ESCOLAR UNIVERSITY

By:

SERGIO F. APOSTOL
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ANGEL C. ALCALA,** Filipino, of legal age and a resident of Silliman Park, Dumaguete City, Negros Oriental, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Centro Escolar University Board of Directors.

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

Company/Organization	Position/Relationship	Period of Service
Silliman University-Angelo King Center for Research & Environmental Management	Chairman	2010
Silliman University	Professor Emeritus	2007
Cap College, Makati	President	Since 2010
Silliman University	Member, Board of Trustees	2010-2014
PATH Foundation Philippines	Chairman	2013 up to present
National Network of Quality Assurance Agencies, Inc.	Chairman	2014 up to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Centro Escolar University, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

5. I shall inform the corporate secretary of Centro Escolar University of any changes in the abovementioned information with five days from its occurrence.

Done, this _____ day of JUN 19 2018 _____, at Manila.

ANGEL C. ALCALA

SUBSCRIBED AND WORN to before me this JUN 19 2018 day of _________ at Manila, affiant personally appeared before me and exhibited to me his Philippine Passport No. EC3866446 issued at DFA, Manila on April 7, 2015.

ATTY. GARY CAMITAN AURE
NOTARY PUBLIC, ROLL NO. 60777
PTR No. 7006124 Issued on Jan. 12, 2018 Until Dec. 31, 2018 Manila
IBP Lifetime No. 014599 Issued on Feb. 2, 2016
Commission No. 2018-72 Issued on Feb. 28, 2018 Until Dec. 31, 2019 Manila
MCLE No. V-0014541 Issued on March 1, 2016 Valid Until April 14, 2019
Office Address: Room 306 3F NFWC Bldg. Escoda Corner San Marcelino St. Ermita, Manila
TIN No. 189-331-246

Doc. No. 52
Page No. 11
Book No. IX
Series of 2018.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **EMIL Q. JAVIER,** Filipino, of legal age and a resident of 9941 Mt. Makiling St., Los Baños Subd. College, Los Baños, Laguna, after having been sworn to in accordance with law do hereby declare that:

1. I am an independent director of Centro Escolar University Board of Directors.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
National Academy of Science and Technology Phils.	Academician	1982 to date
Asia Rice Foundation, Inc.	Trustee	1999 to date
Biotech Coalition of the Phils.	Head Advisor	2004 to date
International Service for the Acquisition of Agri-Biotech Applications (South East Asia Center)	Board Member	2000 to date
Nutrition Center of the Phils.	Chairman	2017 to date
Centro Escolar University Hospital	Independent Director	2008 to date
Del Monte Pacific Ltd.	Independent Director	2007 to date
Japan International Cooperation Agency (JICA)-Philippines	Member, Advisory Com.	2011 to date
Coalition for Agricultural Modernization in the Phils. (CAMP)	Chairman	2015 to date
Centro Escolar Las Piñas, Inc.	Independent Director	April, 2016

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Centro Escolar University, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
5. I shall inform the corporate secretary of Centro Escolar University of any changes in the abovementioned information with five days from its occurrence.

Done, this _____ day of JUN 19 2018, at Manila.

EMIL Q. JAVIER

SUBSCRIBED AND WORN to before me this JUN 19 2018 day of __________ at Manila, affiant personally appeared before me and exhibited to me his Philippine Passport No. P4047095A issued at DFA, Manila on August 15, 2017.

ATTY. GARY CAMITAN AURE
NOTARY PUBLIC, ROLL NO. 60777
PTR No. 7006124 issued on Jan. 12, 2017 Until Dec. 31, 2018 Manila
IBP Lifetime No. 014559 Issued on Feb. 6, 2016
Commission No. 2018-72 Issued on Feb. 28, 2018 Until Dec. 31, 2019 Manila
MCLE No. V-0014541 Issued on March 1, 2016 Valid Until April 14, 2019
Office Address: Room 306 3F NFWC Bldg. Escoda Corner San Marcelino St. Ermita, Manila
TIN No. 186-331-246

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CENTRO ESCOLAR UNIVERSITY

Office of the Corporate Secretary

CERTIFICATION

I, **SERGIO F. APOSTOL,** Corporate Secretary of Centro Escolar University (CEU), a corporation duly registered under Philippine laws, with address at 9 Mendiola Street, San Miguel, Manila certify that none of the Directors and Officers of the University work in government or any government agency.

June 19, 2018, Manila.

SERGIO F. APOSTOL
Corporate Secretary

ATTESTED BY:

DR. MA. CRISTINA D. PADOLINA
President and Vice Chairman

SUBSCRIBED AND SWORN to before me this JUN 19 2018 day of June 2018 at the City of Manila, affiant exhibiting to me his Philippine Passport No. EC7889755 issued on February 6, 2016 at Manila.

ATTY. GARY CAMITAN AURE
NOTARY PUBLIC, ROLL NO. 60777
PTR No. 7006124 Issued on Jan. 12, 2018 Until Dec. 31, 2018 Manila
IBP Lifetime No. 014599 Issued on Feb. 2, 2016
Commission No. 2018-72 Issued on Feb. 28, 2018 Until Dec. 31, 2019 Manila
MCLE No. V-0014541 Issued on March 1, 2016 Valid Until April 14, 2019
Office Address: Room 306 3F NFWC Bldg. Escoda Corner San Marcelino St. Ermita, Manila
TIN No. 188-331-246

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COVER SHEET

P	W	1	0	9	3				

S.E.C. Registration Number

CENTRO ESCOLAR UNIVERSITY

(Company's Full Name)

9 MENDIOLA ST. SAN MIGUEL
MANILA

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

Contact Person

735-6861 to 71

Company Telephone Number

03	31
Month	Day

Fiscal Year

17-C

FORM TYPE

07	4th-Tuesday
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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. June 20, 2018
   Date of Report (Date of earliest event reported)

2. SEC Identification Number 1093 3. BIR Tax Identification No. 240-000-531-126

4. CENTRO ESCOLAR UNIVERSITY
   Exact name of issuer as specified in its charter

5. PHILIPPINES
   Province, city or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. No. 9 Mendiola St., San Miguel, Manila
   Address of principal office

   1005
   Postal Code

8. (02) 735-6861 to 71
   Issuer's telephone number, including area code

9. N/A
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	372,414,400

11. Indicate the item numbers reported herein: Item 9. Other Events

Item 9. Other Events.

Based on the nominations, pre-screening and evaluation by the Nomination Committee during its meeting on June 20, 2018, the nominees for Independent Directors are:

(1) Dr. Angel C. Alcala, 89 years old, Filipino, is an independent director. He is currently a member of the University's Audit Committee. He graduated from Silliman University with a degree in B.S. Biology *(magna cum laude)*, and obtained his M.A. Biological Sciences and Ph.D., Biological Sciences from the Stanford University. He received a Doctor of Humanities *(Honoris Causa)* degree from Xavier University. He is Academician and National Scientist, He is a member of the National Academy of Science and Technology, He was formerly the President, Silliman University; Deputy Executive Director, Philippine Council for Aquatic and Marine Research and Development, Department of Science and Technology (DOST); Secretary, Department of Environment and Natural Resources (DENR); and Chairman, Commission on Higher Education (CHED). He is presently the Chairman of the Silliman University-Angelo King Center for Research and Environmental Management (SUAKCREM), PATH Foundation Philippines, National Network of Quality Assurance Agencies, Inc., Professor Emeritus, Silliman University, Member, Board of Trustees, Silliman University and President of Cap College, Makati.

Dr. Alcala was nominated by Zenaida Los Baños, Bernardita Traje, Rodolfo Gabat, Cecilia Uncad, Jaime Lopez, Cynthia Gaspar, Olivia Limuaco and Erna Yabut, all stockholders of record. All of said stockholders have no relationship with Dr. Alcala.

(2) Dr. Emil Q. Javier, 77 years old, Filipino, is an independent director. He is currently the Chairman of the University's Audit Committee and a member of the Nomination Committee. He graduated from the University of the Philippines, Los Baños with a degree of B.S. Agriculture *(cum laude)*. He also holds a degree of M.S. Agronomy from the University of Illinois and Ph.D. in Plant Breeding from Cornell University. He is Chairman of the Coalition for Agricultural Modernization in the Philippines, a trustee of the Asia Rice Foundation, Head Advisor of the Biotech Coalition of the Philippines; Member, National Academy of Science and Technology (Phil.). He is likewise a Board Member of the International Service for the Acquisition of Agri-Biotechnology Applications (South East Asia Center), and Chairman, Nutrition Center of the Philippines. He is also a Director of Centro Escolar University Hospital, Inc. and Centro Escolar Las Piñas and Independent Director of Del Monte Pacific Ltd. and Member, Advisory Committee of Japan International Cooperation Agency (JICA) Philippines.

Dr. Javier was recommended as a nominee for Independent Director by Jeneta Bravo-Retardo, Milagros Borabo, Aleli Lozano, Teresa Perez, Pricila Retardo, Edna Rodriguera, Ma. Dolores Delacruz and Tessie Avenilla-Ramirez, all stockholders of record. All of said stockholders have no relationship with Dr. Javier.

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 hereunto duly authorized.

CENTRO ESCOLAR UNIVERSITY
Issuer

By:

SERGIO F. APOSTOL
Corporate Secretary

June 20, 2018

CENTRO ESCOLAR UNIVERSITY
(Company's Full Name)

9 Mendiola Street
San Miguel, Manila
(Company's Address)

735-6861 to 71
(Telephone Numbers)

MANAGEMENT REPORT
TO STOCKHOLDERS

For the fiscal year ended March 31, 2018
in accordance with SRC Rule 20.4

MANAGEMENT REPORT TO STOCKHOLDERS
UNDER SRC RULE 20.4

Item 1. Financial Statements

The audited consolidated financial statements are hereto attached.

Item 2. Changes in and Disagreements with External Accountants on Accounting and Financial Disclosure

There was no change in nor disagreement with External Accountants on accounting and financial disclosures.

Item 3. Management's Discussion and Analysis (MD&A) or Plan of Operation

Financial Performance (2017-2018; 2016-2017)

Tuition and Other School Fees decreased by 11% to ₱1,371,104,081 from the previous year's ₱1,535,004,059 and 9% decrease from ₱1,691,890,018 in 2016. This account consists of Tuition Fees, Other Fees, and Income from Other School Services. Other fees are comprised of fees for electricity, registration materials, miscellaneous classroom expenses, laboratory materials, health services fees, library fees and development fees. Income from Other School Services comprise of fees for diploma and certificates, transcript of records, entrance examinations and various collections for specific items or activities. Interest income were reported at ₱3,405,522 in 2018 and ₱3,721,167 in 2017.

The total revenues decreased to ₱1,414,254,996 in 2018 from ₱1,580,353,686 last year and ₱1,733,656,306 in 2016. While the Operating Expenses were reported at ₱1,256,717,449 in 2018 from ₱1,291,748,297 last year and ₱1,374,404,542 in 2016.

Net income of the University for 2018 was ₱110,216,392 from ₱263,449,832 last year and ₱345,171,764 in 2016.

The decrease in tuition and other school fees resulted to a net income of ₱110,216,392 or 58% lower than last year amounting to ₱263,449,832.

Financial Condition

The University reported a healthy cash position as of March 31, 2018. Cash and cash equivalents were at ₱290,181,009 as compared to last year's balance of ₱435,796,757 and ₱366,434,352 in 2016. Tuition and other receivables were at ₱121,410,647 as compared to ₱87,039,659 last year and ₱62,377,048 in 2016. The University's receivables consist of tuition receivables, interest receivables, and employee and lessee receivables (classified as Other Receivables). There are no receivables from unconsolidated subsidiaries or related parties.

Inventories, consisting of materials, uniforms and supplies, were at ₱12,880,554 Other current assets, which consist largely of Prepayments stood at ₱22,424,526.

Available for Sale (AFS) Investments, reported under Other Noncurrent Assets in 2018, had a market value of ₱512,157 as compared to ₱524,829 last year. Other Noncurrent Assets also include Advances to Suppliers and Contractors at ₱24,982,852 compared to ₱6,466,959 last year.

The current assets of the University as of fiscal year ended March 31, 2018 were ₱446,896,736 as compared to ₱558,055,542 for March 31, 2017.

Property and Equipment were reported at ₱1,884,026,292 revalued amount compared to last year's ₱1,863,505,003 and at cost amounting to ₱1,391,689,051 from ₱1,337,278,704 last year.

Total non-current assets were at ₱3,506,221,963 and Total Assets were at ₱3,953,118,699 at the end of the fiscal year.

Accounts payable and accrued expenses increased to ₱355,306,220 from ₱280,606,407 last year and ₱332,915,525 in 2016. Dividends payable were at ₱107,787,994 compared to ₱108,225,615 last year and ₱110,877,745 in 2016. Income tax payable of this year was reported at ₱2,971,169 compared to ₱9,953,732 in 2017 and none in 2016. Total current liabilities were at ₱466,065,383 at fiscal year end.

Total non-current liability as of March 31, 2018 decreased to ₱361,670,607 from ₱412,431,405 last year and ₱379,611,054 in 2016. Because schools are allowed to claim 10% of its capital as an advanced tax credit, it can no longer claim the depreciation on these capital assets as tax deduction. Instead, the unamortized portion of these tax credits are lodged under deferred tax liability, and is amortized yearly in congruence with the depreciation of the capital assets. Deferred tax liabilities were at ₱277,071,817. Retirement liability refers to the portion of the Retirement Fund that needs to be funded over the course of the expected working lives of the employees. As of March 2018, retirement liability was at ₱84,598,790.

The University's stockholder's equity stood at ₱3,125,382,709 as of March 2018 as compared to ₱3,009,043,862 in March 2017.

Key Performance Indicators

Key	2018	2017	2016	Manner of Computation	Significance
Revenue Growth	-10.68%	-9.27%	2.02%	Difference between current and last year's tuition and other school fees divided by last year's revenues	Measures Revenue growth
Return on Revenue	8%	17%	20%	Net income divided by Tuition and other school fees	Shows how much profit is derived from every pesos of tuition and other school fees
Dividend Pay-out Ratio	68%	28%	43%	Dividends divided by net income	Indicates how earnings support dividend payment
Return on Equity	4%	9%	13%	Net income divided by average total stockholder's equity	Measures extent of profit earned

Return on Assets	3%	7%	9.54%	Net income divided by average total assets	Measures use of assets to generate income

Liquidity

The University relies on internally generated cash to fund its working capital needs, capital expenditures and cash dividends. It can satisfy the cash requirements and have no plan to raise additional funds.

Cash flows provided by operating activities were at ₱268,201,397 for fiscal year ended March 31, 2018 as compared to cash flows provided by operating activities of ₱287,291,135 for the previous fiscal year and ₱451,851,223 in March in 2016.

Cash used in investing activities was ₱339,150,879 during fiscal year ended March 31, 2018, as compared to cash used in investing activities of ₱101,329,661 for previous fiscal year and ₱350,059,491 in March 2016.

Cash used in financing activities was at ₱74,920,501 during the current fiscal year. This was primarily used for the payment of dividends. Cash used for financing activities was at ₱117,135,010 for fiscal year ended March 31, 2017 and ₱252,190,991 in fiscal year ended March 31, 2016.

Segment Reporting

The University operates in four geographical segments – Mendiola, Malolos, Makati-Gil Puyat and Legaspi campus. The financial information on the operations of these segments are disclosed in terms of segment assets, segment property and equipment (net), segment liabilities, segment revenues, operating expenses and net income/loss.

The segment report is included in Note 20 of the financial statements.

Known Trends

Effect of Government Regulation with Respect to Increase in Tuition Fees

The Commission on Higher Education (CHED) promulgates guidelines to be followed by Higher Education Institutions (HEIs) intending to increase their tuition and other fees. Notable among them follows:

> "A Certificate of Intended Compliance (COIC) stating that (70%) of the proceeds to be derived from the tuition fee increase shall be used for the payment of the salaries, wages, allowances and other benefits of its teaching and non-teaching personnel and other staff x x x.
>
> "The 20% shall go to the improvement of the following:
>
> 1. Modernization of buildings
> 2. Equipment
> 3. Libraries

4. Laboratories
5. Gymnasium and similar facilities and
6. Payment of other cost of operations.

"Only 10% is left for return on investment."

Education Trends

For school year 2017-2018, the University registered downward trends in enrollment due to K-12 program of the government.

For school year 2016-2017, The University registered upward trends in Dentistry, Pharmacy and Medical Technology while nursing course continued to experience downward enrollment due to lesser demand in the United States and United Kingdom.

Key Variable and Other Qualitative and Quantitative Factors

Currently, there are no known trends, events, or uncertainties that have a material impact on the University's liquidity.

The Registrant does not know of any event that will trigger any director or contingent financial obligation that may be material to the company, including default or acceleration of an obligation.

There are no known material off-balance sheet transactions, arrangements, or obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

For school year 2017-2018, there are commitments for capital expenditures such as improvements and renovations of existing laboratories, repairs and repainting of administration offices, improvements and maintenance of information and communications technology and procurement of computer for Computer Education Department and different offices which is being done every year which funding shall be derived from the increase in tuition fees in accordance with the guidelines of the Commission of Higher Education (CHED).

Currently, there are no known trends, events or uncertainties that have material impact on sales, aside from downward enrollment on nursing course, tourism and hotel and restaurant management courses.

All income is derived from the normal course of operations or through interest income on money market placements. There are no significant elements of income or loss.

Material changes from FY 2017 to FY 2018 include a decrease of 11% in total revenues which resulted from the decrease in tuition and other school fees and miscellaneous income of 11% and 5% respectively. For costs and expenses, posted was a 4% decrease in cost of services resulting from decreased cost of laboratory, other student-related services, materials and uniforms. General and administrative expenses increased by 7% due to increases in the repairs and maintenance for Las Piñas and Manila facilities, janitorial and security services, membership dues, clinical and insurance expenses. On other income and expenses, 8% decrease in interest income was reported due to lower placements and lower interest rates. Interest expense posted an increase of 1279% resulting from the payment of interests for two-year tax assessment. There was a decrease of 53% in foreign exchange gains because of lower foreign currency placements, and an increase of 13% in loss on retirement of assets due to the value of condemned furniture and equipment. These material changes resulted to a decrease of 58% in net income after tax.

New Accounting Standards

The University presented its consolidated financial statements to comply with accounting principles generally accepted in the Philippines (Philippine GAAP) as set forth in Philippine Financial Reporting Standards (PFRS). New and revised accounting standards, consisting of Philippine Accounting Standards (PAS) and PFRS became effective for financial reporting purposes.

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

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

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 the 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.

The University engaged the services of Sycip, Gorres, Velayo & Co. (SGV) in SY 2007-2008 to undertake the external quality assessment review of its internal audit activity in compliance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA), specifically Standard 1312 - External Assessments. The purpose of said external quality assessment review was to determine and, as appropriate, to improve the internal audit activity's compliance with ISPPIA.

SGV completed the external quality assessment review of the University's internal audit activity last January 28, 2008 and rendered the overall opinion that "the internal audit activity of CEU *Partially Complies* to the Standards. 'Partially Complies' means that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organization."

The audit was completed in the last fiscal year and the University is committed to move in the direction of the risk-based auditing process. The plan will be set forth by the University's Quality Management Systems Group along with the Internal Audit Department.

Information on Independent Accountant

Audit Fees and Related Fees

The appointment of Sycip, Gorres, Velayo and Co. (SGV) as external auditor of the University for the fiscal year ending March 31, 2018 was approved by the stockholders during the annual meeting on July 25, 2017.

In compliance with Securities Regulation Code (SRC) Rule 68, Ms. Djole S. Garcia and Ms. Josephine Adrienne A. Abarca were designated as partner in-charge in FY 2018 and FY2016 and 2017 respectively while Mr. Christian Lauron was designated as partner in-charge in FY 2014-2015. Ms. Janet Alvarado-Paraiso has been the partner in-charge for five years. Her appointment started in 2009.

In 2018 and 2017, the University paid ₱987,500 and ₱924,000 respectively, VAT exclusive, to Sycip, Gorres, Velayo and Co. (SGV) for the audit of the University's annual financial statements, as well as assistance in the preparation of the annual income tax returns.

There is no other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the University financial statements.

Tax Fees

In 2011, the University paid ₱240,000, VAT exclusive to Sycip, Gorres, Velayo and Co (SGV) for the performance of a tax compliance review for the fiscal year ended March 31, 2010 covering income tax, expanded withholding tax, fringe benefit tax and withholding tax on wages. The review involved a study of the University's opposition and practices and procedures in relation to specific tax laws, regulations and rulings. The objectives were to determine whether or not the tax position, practices and procedures adopted and maintained are in compliance with the tax laws and regulations; top identify areas where non-compliance are noted and quantify, if possible, the extent of the University's exposure thereon, and to provide recommendations to improve or correct the University's tax practices and procedures in compliance with the tax laws and BIR regulations.

Other Fees

There are no other services provided by the external auditor, other than the services reported.

Audit Committee Pre-approval Policy

CEU's Audit Committee is composed of the Chairman, Dr. Emil Q. Javier, (independent director) and members, Dr. Angel C. Alcala, Dr. Alejandro C. Dizon and Atty. Sergio F. Apostol.

The Audit Committee is required to pre-approve all audit and non-audit services rendered and approve the engagement fees and other compensation to be paid to the external auditor.

The Audit Committee found the services and fees for external audit reasonable and approved the same following a conference with the external auditors and the University's financial officers to clarify the scope, extent and details of the audit.

Item 4. Description and General Nature and Scope of the Business

Centro Escolar University, an institution of higher learning established in 1907 by Librada Avelino and Carmen de Luna, is committed to the furtherance of its founders' philosophy *Ciencia y Virtud* (knowledge and virtue), and aims to cultivate the mind, the spirit, and the body for service to God, country and the family.

In pursuit of this goal, it seeks to educate students:

1. to develop wholesome values and attitudes;
2. to be proficient in their chosen vocations; and
3. to be involved in the promotion of progressive nationalism within the context of one world.

CEU, a stock corporation, was first incorporated in 1932 to exist for 50 years, or until 1982. On March 31, 1982 the corporate life was extended for another 12 years to last until 1994. On March 31, 1994, the Articles of Incorporation was amended extending the life of CEU for another 50 years.

There was no bankruptcy, receivership or similar proceeding that happened to the corporation.

A stock split was approved by SEC on March 31, 2000, effectively reducing the par value from ₱100 to ₱1 per share. PSE correspondingly adjusted the par value on August 3, 2000.

Business Development During the Past Three Fiscal Years (2015-2018)

School Year 2015-2016

Student Enrolment

The University had an enrolment of 22,055 for the first semester and 20,993 for the second semester of school year 2015-2016. the total enrolment for the three campuses for both the First and Second semesters decreased by 3.06% and 2.13%, respectively compared to that of SY 2014-2015. The total first year (freshmen, transferees) enrolment decreased by 6.29% as compared to the enrolment of the previous school year.

Foreign Student Enrolment

Foreign student enrolment for SY 2015-2016 was at 650 and 576 for the first and second semesters, respectively. A decrease of 18.95% and 22.27% for the first and second semesters, respectively, was noted compared to that of the previous school year. The programs where most of the foreign students enrolled are in Dentistry and Graduate School.

Performance in Board Examination

Making excellence as its culture, CEU has proven once again its commitment to provide world-class quality education as its graduates garnered top spots in different licensure examinations conducted by the Professional Regulation Commission (PRC). Optometry graduates took the top 9 spots in the licensure examination, Medical Technology graduates snatched the 1st and the 10th places, a total of eight (8) Dentistry graduates placed in the top 10 of Dentistry Licensure Examination for June and December, and one (1) each from the Psychometrician, Nursing and Education Licensure Examination.

CEU Makati Medical Technology program was awarded as the 2nd Top Performing School ion the Licensure Examination for Medical Technologists. Furthermore, College of Optometry was given a special citation for producing a graduate who obtained the highest rating (topnotcher) in the Optometry board examination.

The passing percentage of CEU graduates was higher than the national passing percentage in almost all licensure examinations taken by the graduates in the previous year.

Accreditation and Recognition

Centro Escolar University continues to build up its status as an institution of higher learning and as the University of first choice by bringing its academic standards on par with internationally recognized accrediting agencies. The University successfully earned the ASEAN University Network-Quality Assurance (AUN-QA) accreditation of Biology, Hotel and Restaurant Management, Pharmacy, Dentistry, Tourism Management and Business Administration programs.

The Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) awarded CEU for being the institution with the highest number of Level IV accredited programs and the CEU College of Optometry received a special citation for producing a graduate who obtained the highest rating (topnotcher) in the Optometry board examination.

The Education program was awarded the CHED Center of Excellence for Teachers Education. Meanwhile, the School of Accountancy and Management and the College of Optometry were designated as a Center of Development (COD) in Business and Administration, and Optometry, respectively.

Likewise, CEU Makati's Business Administration – major in Management, Computer Science, Hotel and Restaurant Management and Tourism Management programs were granted Level 1 accreditation status by PACUCOA as certified by the Federation of Accrediting Association of the Philippines (FAAP).

The Bachelor of Accountancy program in CEU Manila was visited by the PACUCOA for its Level 1 accreditation.

Centro Escolar University was awarded a Plaque of Excellence for Outstanding Performance by First Place, Inc., the University's accredited partner for work and travel program in the Unit6ed States, in promoting the ideals and vision of cultural exchange with students and graduates for CEU Manila.

International Linkages

Dr. Julieta Dungca, Dean of the School of Science and Technology, together with Dr. Luzviminda Cruz, attended the 6th International Conference on Natural Products for Health and Beauty, with the theme "New Frontiers in Natural Products for Health and Longevity." This paved way for Dean Dungca to establish linkages with Assoc. Prof. Dr. Surapol Natakankutkul, President of the Society of Cosmetic Chemists of Thailand, and a faculty of Pharmacy of Chiang Mai University, and Assoc. Prof Paiboon Daosodsal, Dean, Faculty of Pharmaceutical Sciences, Khon Khaen University. Dr. Surapol promised to assist the CEU BSD cosmetic Science students in looking for industry partners for their Practicum, while Dean Daosodsal assured the CEU team of opening the doors for a future tie-up through the Sandwich/Exchange program for both the faculty and the graduate students.

The University established a linkage with Dr. Thimon Bune, Executive Manager-TASD of the Department of Higher Education of Papua New Guinea. He assisted Dr. Rhoda Aguilar and Dr. Pearly Lim in giving entrance examinations to 72 registrants.

Five (5) Indonesian students from Budi Luhur Institute of Health Sciences under Credit Transfer Program were enrolled this Second Semester of 2015-2016 in the School of Nursing. The said institute also expressed interest in Research Collaboration titled "Comparison of Nursing Education Curriculum in Pediatric Nursing subject in Indonesia and Philippines". This will be led by Mrs. Joylyn Mejilla and Dr. Sofia Magdalena Robles. Two Indonesian schools, Polytechnic University of Semarang and Nahdlatul Ulama University of Surabaya expressed interest in the credit transfer program of the University.

Also, Stikes Buleleng Singaraja requested the School of Nursing to conduct Research and Diabetes Educators capability trainings for their faculty on June 6-17, 206. This is part of the faculty research collaboration between the two schools. Memorandum of Agreement from both institutions were forged.

The College of Optometry is affiliated with the Association of Schools and Colleges of Optometry in USA and the Asia Pacific Council of Optometry in Hongkong.

The School of Science and Technology has existing linkages with University of Malaya (UM), University of Nottingham and Monash University in Malaysia, Naresuan University and Prince of Songkla University both in Thailand, Malaysia, and Green Tech Advanced Solution, Osaka, Japan. MOA for UM and Green Tech Advanced Solution was forged.

The School of Accountancy and Management developed linkages with the PICPA Dubai Chapter through the International Academy of Accountants for Business and Research during the CPA board examination passers' oath taking ceremonie3s and research presentation.

Quality Assurance

The continuous improvement program of CEU includes various programs coordinated by its Quality and Risk Management System Committee. These are Management Review, 7S, Quality Circle, Customer Feedback, and CEU STARS. The majority of CEU work areas in the 3 campuses attained level 4 compliance in a scale of 5, in each component of the 7S program (Sort, Sweep, Systematize, Standardize, Safety, Security, Self Disciplined). To further improve service to various clientele, Customer Feedback was incorporated in the visitor's form to obtain feedback from external clients.

To calibrate internal auditors' knowledge, skills and attitude, an Internal Quality Audit orientation and re-orientation was held on August 5, 7 and 18, 2015 for Makati, Malolos and Manila, respectively. The same activity was also held for 7S evaluators on July 6, 2015. Orientation for 7S evaluation was also conducted last July 6, 2015 and was followed by orientation of data and document custodian on July 23 for Manila and Makati and July 24 for Malolos.

SGS surveillance visit was conducted on April 14-15, 2015 and the auditors recommended the continuation of the certified status.

Faculty Achievements

The Professional Regulation Commission (PRC) awarded Dr. Teresita Roda I. Barcelo, Dean of the School of Nursing as Outstanding Professional Nurse for 2015. Dr. Olivia M. Limuaco, Vice President for CEU Makati, received the 2015 Outstanding Accredited professional Organization for Philippine Pharmacists Association where she is the current President. Special citations were given to Dr. Carmencita H. Salonga, Head of the Guidance and Counseling Department, in the field of Guidance and Counseling, and Dr. Milagros L. Borabo, Head of the Professional and Continuing Education, in the field of Teaching.

Centro Escolar University's research on "CEU's Transformation Through 35 Years of Voluntary Accreditation", the entry to PACUCOA's Search for the Best Research paper, was named the Best Research. The awarding ceremonies took place on December 1, 2015 during the 26th General Assembly of the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) at the City of Dreams. Dr. Erna V. Yabut, Vice President for Research and Evaluation presented the paper and received the award on behalf of the researchers. Besides Dr. Yabut, other researchers are Dr. Aileen Patron, Dr. Avelina Raqueño, Ms. Heidi Albano and Dr. Ma. Dolores Delacruz.

Vice President for CEU Makati and Dean of Studies, Dr. Olivia M. Limuaco is the President of the Philippine Pharmacists Association (PPhA) for 2014-23016. She is also one of the five Vice Presidents of FAPA for 2014-2018.

Dr. Erna V. Yabut, Vice President for Research and Evaluation, is the current President of the Philippine Society for Educational Research and Evaluation, Inc. (PSERE), chair of the University Belt Consortium Research and Extension Linkages and the Secretary of the National Research Council of the Philippines Research Foundation, Inc.

Dr. Carlito B. Olaer, Vice President for Student Affairs, was elected Business Manager of Philippine Association of Administrators of Student Affairs (PAASA).

Dr. Lolita D. Pablo, Program Head of the CEU Social Work Program and of the CEU Community Outreach Department, is the elected President of National Association of Social Work Inc., (NASWEI).

The Dean of the School of Nursing, Dr. Teresita I. Barcelo, is the elected Treasurer of Philippine Nurses Association Manila Chapter. Faculty members from the School of Nursing were also elected/appointed in several positions in national organizations. Dr. Pearl Ed Cuevas is the present Secretary of the Gerontology Nurses Association of the Philippines (GNAP); Mrs. Joylyn Mejilla is a Board member and Secretary of the Association of Diabetes Nurse Educators of the Philippines (ADNEP). Mrs. Mejilla is also a member of the core group on Patient Safety in Nursing (Academic Institutions), UP-Manila and WHO Collaborating Centers. Besides, Mrs. Mejilla, Mrs. Anjanette de Leon, and Mrs. May Mendinueto are Diabetes Nurse Health Educators of ADNEP and Philippine Association of Diabetes Educators (PADE).

Dr. Julieta Z. Dungca, Dean of the School of Science and Technology, is the elected secretary of the Philippines Society of Research (PSERE), Inc. and the Treasurer of the Philippine Society of Parasitology (PSP), Inc.

The Dean of the School of Pharmacy, Dr. Cecilia D. Santiago, is the present Treasurer of the Philippine Association of Colleges of Pharmacy (PACOP) and is also a PACUCOA accreditor.

Ms. Aleli V. Lozano, Head of the Physical Sciences Department, is the current Auditor of the Philippine Association of Chemistry Teachers.

Dr. Christopher Jay Cortado is the Secretary of the Speech Communication Organization of the Philippines, Inc. (SCOP), and Mr. Dante Gabano is the Assistant Treasurer.

Dr. Shirley S. Wong, Program Head of Dentistry at CEU Malolos and Dr. Desiree May D. Villamayor, a faculty member of the same campus, passed the written and practical examinations for Basic Life Support Course given by the American Heart Association (AHA).

Dr. Penuel David, a faculty member from CEU Malolos Pharmacy program won as Best Oral Presenter during the 3rd International Conference on Interdisciplinary Research Innovation.

Student Achievements

A student from the College of Medical Technology and President of the Honors Society was successfully chosen as one of the official delegates to the prestigious Ayala Young Leaders Congress (AYLC) 2016.

The USC President was awarded as one of the 10 Outstanding College Students of Manila.

CEU Singers Manila was named the 2015 Aliw Awards Best Choral Group. The singers represented NCR for the choir category at the National Music Competitions for Young Artists at the Cultural Center of the Philippines in November 2015.

The School of Dentistry continues top excel in various academic researches in 2015. Two (2) of their students received the IADR-SEA Division Young Investigator Travel Award during the 29th Annual Scientific Meeting of the IADR-SEA held at Bali, Indonesia. Among the five (5) undergraduate researches that participated for the Unilever Junior Travel Award, two of them were included in the top 10 and competed for the travel award competition.

School of Accountancy and Management joined the 2015 Business Idea and Development Award (BIDA) Competition sponsored by the Philippine Chamber of Commerce and emerged as the Grand Winner in the Non-Food Category.

Two (2) research papers and three (3) researches from the School of Nursing participated in the podium presentation and poster presentation, respectively during the 8th National Nursing Research Conference organized by the Philippine Nursing Research Society, Inc. held in Bayfront Hotel, Cebu City.

Cosmetic Science students' research works were presented as posters during the 6th International Conference on Natural Products for Health and Beauty held in Pullman Hotel, Khon Kaen, Thailand.

Dentistry students' research works were accepted for poster presentation during the 29th Annual Scientific Conference and International Association of Dental Research-Southeast Asia Division (IADR-SEA) held in Bali, Indonesia from August 11-14, 2015.

Students from the Schools of Accountancy and Management and Dentistry attended the 6th University Leadership at the HongKong Polytechnic University from August 1-7, 2015. The conference theme was "Enrich, Educate, Enlighten."

Two Mass Communication students from the School of Education, Liberal Arts, Music and Social Work (SELAMS) were qualified to compete at the World Championship of the Performing Arts (WCOPA), a prestigious California-based International Competition for singing, dancing, acting and variety arts.

Centro Escolar University was crowned as the Overall champion of the 45th Season of Women's National Collegiate Athletic Association last August 21, 2015 at the Rizal Coliseum. With three first places, second and third places and one fifth place from different sporting events, the lady athletes brought home the trophy as the Overall Champions.

CEU Scorpions copped its third straight National Athletic Association of Schools, Colleges and Universities (NAASCU) Seniors basketball championship by defeating archrival Saint Clare College of Caloocan Saints and sweeping the best-of-three-series last October 3, 2015. Likewise, the Lady Scorpions captures the Women's Division title over the Rizal Technological University (RTU) Lady Thunder. CEU Street Squad was declared the 2016 NAASCU and MNCAA hip-hop champions. CEU also won in the table tennis and badminton categories in the MNCAA. Also, the CEU Pep Squad bagged the championship title in the 46th Women's National Collegiate Athletic Association (WNCAA)

Cheerleading Competition held last February 20, 2016 at the Rizal Memorial Stadium. The University also won in the basketball, swimming and badminton.

CEU Makati and CEU Malolos students are as competitive as those from CEU Manila.

During the Dentsply contest held at the University of Baguio on July 2015, Dentistry students from CEU Makati won 1st and 2nd places in poster presentation and 2nd place in the Oral presentation. Another student from CEU Makati won as Best Paper Presenter during the International Tourism and Hospitality Students Convention in Baguio City and another student from the same campus bagged the 1st place for the Pagsusulat ng Sanaysay during the 36th Philippine Association of Campus Students Advisers (PACSA) Annual Convention.

At CEU Malolos, students from the College of Management and Technology won in the 4 categories during the National Marketing Management Students Conference and Competition conducted by the Association of Marketing Education (AME) in January 2016. They got the 2nd runner-up in Marketing Research, 6th place in Export Marketing and in the Digital Marketing. Furthermore, students from the college received "Provincial Gintong Kabataan Award Para sa Paglilingkod sa Pamayanan.

Dentistry student from CEU Malolos won 2nd place in the Dentsply CERAMX Contest, an esthetic contest and a skill competition, held last September 2015. Another Dentistry student from the same campus won 3rd place in the Dentsply Student Clinician Program which is a research competition held last March 2016.

Students' entry "Upos" from the College of Education, Liberal Arts and Science won 7 awards in the CINEMAPUA 2016 Film Festival. These include Best Film, Best Screenplay, Best Actor, Best Supporting Actor, Audience Choice, and Best Production. The same film is CEU's entry in the Singkwento International Film.

School Year 2016-2017

Student Enrolment

The University had an enrolment of 17,532 for the first semester and 16,632 for the second semester of school year 2016-2017. The total enrolment for the three campuses for both the first and second semester decreased by 20.51% and 20.77%, respectively compared to that of SY 2015-2016. The total first year (freshmen, transferees) enrolment decreased by 91.18% as compared to the enrolment of the previous school year due to the K-12 transition.

Foreign Student Enrolment

Foreign student enrolment for SY 2016-2017 stood at 500 and 461 for the first and second semesters, respectively. A decrease of 23.08% for the first and 19.97% for the second semester was noted compared to the enrolment of the previous school year. The programs where most of the foreign students enrolled are in Dentistry and Graduate School.

Performance in Board Examination

The sterling performance of Centro Escolar University graduates in the licensure examinations given by the Professional Regulation Commission (PRC) defines CEU's pursuit of academic excellence and conviction to continually raise up its academic programs to the standards of the world's best.

Escolarians dominated the Optometry Board Examination with six graduates in the top 10 in the July 2016 licensure examination. Meanwhile, the School of Dentistry proved its superiority as the school produced three top placers (1^{st}, 2^{nd}, 6^{th}) in the June 2016 board examination and another two from CEU Makati in the December 2016 licensure examination.

Another accolade to CEU was brought by the School of Pharmacy graduates grabbing the sixth place in the June 2016 Pharmacy board examination. On the other hand, CEU Malolos ranked 5^{th} in the September Licensure Examination for Teachers.

In February 2017 Medical Technology licensure examination, one of their graduates ranked 9^{th}.

The passing percentage of CEU graduates was higher than the national passing percentage in almost all licensure examinations taken by the graduates in the previous years. Programs such as the Nutrition-Dietitian, Library Science, Elementary Education as well as Dentistry in the practical phase of the licensure examination posted a remarkable 100% passing rate.

The brilliant performance of CEU graduates is a testament to the University's quest for academic excellence and quality education. Along with exceptional ratings, CEU provides a training ground for its students to become globally competent imbued with character and wit.

Accreditation and Recognition

In its mission to provide quality education, Centro Escolar University Nursing and Social Work programs were granted Level III accreditation status from 2017-2021 by the Philippine Accrediting Association of Schools, Colleges and Universities (PAASCU) and certified by the Federation of Accrediting Agencies of the Philippines (FAAP) last December 2016.

Centro Escolar University Accountancy program was granted Level 1 formal accreditation status by the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) last October 2016. The accredited program was also endorsed for certification to the Federation of Accrediting Agencies of the Philippines (FAAP).

CEU Malolos embarked on Level II PACUCOA accreditation for the Dentistry, Pharmacy, Nursing, Hotel and Restaurant Management and Tourism programs. Level I accreditation of the Information Technology program, and Preliminary Visit for the Education program.

PACUCOA awards Centro Escolar University for producing graduates who obtained the highest rating (topnotcher) in the Optometrists board examination and the highest rating (topnotcher) in the Dentistry board examination 2016.

The Commission on Higher Education (CHED) granted Centro Escolar University Malolos a three-year autonomous status that runs from April 1, 2016 until May 31, 2019. The Certificate of Autonomous status was awarded to CEU during the CHED awarding ceremony held last May 16, 2016.

Meanwhile, CEU School of Law and Jurisprudence (CEU-SLAJ) received awards during the Legal Education awards in the upcoming Legal Education awards night of the Legal Education Board. CEU-SLAJ is one of the 15 highest ranked Law schools in overall passing rate and one of the 15 highest ranked Law schools in the passing rate for first-time examinees.

The CEU School of Optometry reaped the title as this year's top performing school in the licensure examination with their overall rate of 92.06. School of Medical Technology Manila campus was also named as the 5th Top Performing school with a rating of 89.37% rating along with CEU Makati Medical Technology department as the 10th place with 80.26% rating in the Medical Technology board examination.

CEU Manila Pharmacy program had its 1st re-accreditation visit for Level 4 last January 12-13, 2017.

CEU Makati Pharmacy and Nursing programs were awarded with Level 1 in August and September 2016, respectively by PACUCOA. Meanwhile, its Doctor of Dental Medicine and Information Technology programs were given candidate status for Level I.

Meanwhile, programs of the CEU Graduate School had their preliminary/consultancy visit last September 29-30, 2016 and January 13-14, 2017 for the Pharmacy program.

International Linkages

In its continues effort to strengthen international ties, Centro Escolar University is now the first Philippine university to have a partnership with the Paradise Suites and the Paradise Hotel and Cruises in Halong Bay, Vietnam. The partnership is under the Student Internship Abroad Program (SIAP) of the Commission on Higher Education (CHED). CEU sent nine Tourism Management students as on-the-job trainees last January 2017.

The School of Nursing sent 6 Level IV Nursing students to Buleleng Institute of Health Sciences, Bali, Indonesia on January 7-21, 2017. This is the second time that the School of Nursing sent students to Indonesia. The students exchange program aims to provide opportunities for the senior nursing students to broaden students experience in giving nursing care in a community setting in another country like Indonesia and apply the concept of transcultural nursing.

CEU School of Nursing in collaboration with Sekolah Tinggi Llumu Kasehatan Buleleng recently conducted a 5-day Diabetes Capability Training in Buleleng Region in Bali, Indonesia. Furthermore, School of Nursing in coordination with the CEU-PACE conducted the 5th batch of the four-day training on Stroke Management to 25 Nursing students of Budi Luhur Institute of Health Sciences, Bandung, Indonesia and the members of the Budi Luhur International Network for Education (BIN for Edu).

CEU School of Science and Technology sent three of its incoming senior students for the on-the-job training in Bangkok, Thailand. The three students are required to complete 300 hours of their practicum in the three institutions: North Chiang Mai University, Manose Health and Beauty Research Center, and Bangkok Laboratory and Cosmetic Center, Ltd from April 6 to May 28, 2017. These academic, research and industry partners are generous enough to provide the three Escolarians free accommodation, in addition to the experiential training that will be given to them. Another group of Biology students went to University of Malaya in Kuala Lumpur, Malaysia for their practicum under the tutelage of Dr. Veeranoot Nissappatorn, a long time research collaborator of Dr. Julieta Dungca, Dean of the School of Science and Technology.

Ten students from 4 different schools of CEU Manila joined the Global Exchange Student Internship Program held at Daegu Health College in Daegu, South Korea on January 7-22, 2017. On the other hand, 10 students from Daegu Health College joined the Global Exchange Student Internship Program in CEU last February 12-25, 2017. The said program aims to widen international relationship of the university and provide high quality global training for participating student through hands-on training on the facilities and equipment of different prestigious hotels, hospitals, dental, and optometry clinics in Korea such as Kyungpook National University Medical Center which focuses on diagnosis and treatment of cancer.

Quality Assurance

The continuous improvement program of CEU includes various programs coordinated by its Quality and Risk Management System Committee. These are Management Review, 7S, Quality Circle, Customer Feedback, and CEU STARS. The majority of CEU work areas in the 3 campuses attained Level 4 compliance in a scale of 5, in each component of the 7S program (Sort, Sweep, Systematize, Standardize, Safety, Security, Self Disciplined). To further improve service to various clientele, Customer Feedback was incorporated in the visitor's form to obtain feedback from external clients and in the CEU Internal Customer Survey Instrument from internal clients/students.

Since the University applied of ISO 9001:2015, an orientation for Data and Document Custodian was conducted last June 17, 22 and 28 for Malolos, Manila and Makati, respectively. To calibrate internal auditors' knowledge, skills and attitude, an Internal Quality Audit orientation and re-orientation was held on July 8, 21 and 22, 2017 for Manila, Malolos and Makati, respectively. The same activity was also held for 7ñ evaluators on July 6, 2017. Orientation for 7S evaluation was also conducted last October 3, 4 and 7 at CEU Malolos, Makati and Manila, respectively. An orientation for ISO 9001:2015 version, SWOT and Risk Assessment Workshop were also conducted last August 19 and September 9, 2016. Several activities were conducted in preparation for the transition to ISO 9001:2015 version such as the stakeholders needs, SWOT and Risk assessment. Submission of work-area based stakeholders needs, SWOT and Risk and communication plan was on October 24, 2016. Alignment workshop was also conducted on February 11, 2017 and was continued on March 8, 2017. The institutional stakeholders needs, SWOT and Risk assessment was held last March 30, 2017 and the cluster was conducted last April 17, 2017.

SGS surveillance visit was conducted on March 15-17, 2017 and the auditors recommended that Centro Escolar University be certified with ISO 9001:2015 standard.

Faculty Achievements

CEU Manila School of Dentistry, Dr. Aaron Neal Y. Lu garnered 1st place in the Poster Presentation for his research titled “Periodontal Changes During Orthodontic Tooth Movement After Exposure to Mocha and Water: A Comparison at the 10th Biennial National Ortho Congress conducted by the Association of Philippine Orthodontists on August 2, 2016. The same research also garnered second place in Oral Presentation for Research Category for the Asia Pacific Ortho Congress held in Indonesia on September 1-3, 2016. Dr. Lu also garnered first place in Oral Presentation, Clinical Category for his research on “Treatment of Temporomandibular Joint Dysfunction Using Orthodontics and Orthodontic Mechanics” during the 1st Orthodontic Resident’s forum conducted by the Association of Philippine Orthodontics. On the same forum, Dr. Lorena C. Balacanao also won first place on Oral Presentation, Research Category for her research “The Effect of Orthodontic Adhesive on MC-7 Breast Cancer Cell”.

Mr. Vincent Raphael V. Manarang and Dr. Pearl Ed Cuevas placed first in Podium Presentation-Professional Category under Stream 1 Nursing and Academe during the Philippine Nursing Research Society (PNRS) 9th National Nursing Research Conference held at Punta Villa Resort, Arevalo in Iloilo City last November 23-25, 2016. Also won the highest rank in the Podium Presentation-Professional Category under Stream 2 Nursing and Caring were Ms. Anjanette S. de Leon and Dr. Josephine M. de Leon.

Dr. Ligaya C. Picazo, a CEU Medical Technology faculty-lecturer, placed 3rd in the oral presentation during the 2016 Medical Technology International Summit held at the University of Santo Tomas on September 8-9, 2016.

Dr. Maria Flordeliza Anastacio, Vice President for CEU Malolos, holds position as the Board of Adviser of the International Academy of Accountants for Business, Research, and Education (IAABRE) as well as the Treasurer of the Philippine Society for Educational Research and Evaluation (PSERE). Dr. Nilo V. Francisco, Dean of the College of Management and Technology at CEU Malolos is the chairman of the Bulacan Chamber of Commerce and Industry, Inc. (BCCI) and he is also the Board of Adviser of the People Management Association of the Philippines-Bulacan Chapter (PMAP-Bulacan).

Vice President for CEU Makati and Dean of Studies, Dr. Olivia M. Limuaco is one of the five Vice Presidents of FAPA for 2014-2018.

Dr. Erna V. Yabut, Vice President for Research and Evaluation, is the current President of the Philippine Society for Educational Research and Evaluation, Inc. (PSERE), chair of the University Belt Consortium Research and Extension Linkages and the secretary of the National Research Council of the Philippines Research Foundation, Inc.

Dr. Carlito B. Olaer, Vice President for Student Affairs, is the current President of the Philippine Association of Administrators of Student Affairs (PAASA)

Dr. Elvira L. Urgel, Dean of the School of Nursing, is a COMELEC member of the Philippine Nursing Association. Other faculty members of the School of Nursing holding important positions in the different Nursing professional organizations are Dr. Pearl Ed Cuevas, Mrs. Joylyn Mejilla, Mrs. Anjanette de Leon, Mrs. May Mendinueto, and Dr. Josephine de Leon. Dr. Cuevas is the present Secretary of the Gerontology Nurses Association of the Philippines (GNAP); Mrs. Joylyn Mejilla is the President of the Association of Diabetes Nurse Educators of the Philippines (ADNEP), Mrs. May Mendinueto is the treasurer of ADNEP while Dr. Josephine de Leon is the assistant secretary.

Dr. Teresita I. Barcelo, Dean of the Graduate School, is the Vice President of the Philippine Nursing Research Society (PNRS).

Dr. Cecilia D. Santiago, Dean of the School of Pharmacy is the Executive Vice President of the Philippine Association of Colleges of Pharmacy and an accreditor of PACUCOA.

Ms. Socorro Alma F. Gammad, a lecturer from the School of Nutrition and Hospitality Management, was awarded by the Philippine Association of Nutrition, Inc. (PAN) as Fellow Awardee (Community Nutrition) on July 7, 2016.

Dr. Regina Jazul from CEU Malolos Pharmacy Department is the auditor of the Philippine Association of Colleges of Pharmacy (PACOP).

Dr. Julieta Z. Dungca, Dean of the School of Science and Technology, is a the elected secretary of the Philippine Society of Research (PSERE), Inc. and the treasurer of the Philippine Society of Parasitology (PSP), Inc.

The Head of the Planning and Monitoring Department, Dr. Dolores Delacruz, is the present secretary of the Philippine Society for Quality (PSQ).

Ms. Aleli V. Lozano, Head of the Physical Science Department, is the current auditor of the Philippine Association of Chemistry Teachers (PACT).

Dr. Christopher Jay Cortado is the secretary of the Speech Communication Organization of the Philippines, Inc. (SCOP), and Mr. Dante Gabano is the assistant treasurer.

Student Achievements

CEU senior Medical Technology student and the First Vice President of the University Student Council qualified as one of this year's Top 40 Future Professionals of the Philippines on September 2, 2016 at the US Embassy, Manila. The event was in partnership with United States Embassy and Young Southeast Asian Leaders Initiative (YSEALI). He is also one of the 2016 Ayala Young Leaders Initiative selected amongst the thousands.

Two Escolarians bagged the highest awards (1st and 3rd places) in a Poster Making Contest spearheaded by the Food and Drug Administration (FDA) during an Educational Seminar held last November 23, 2016 at the Librada Avelino Auditorium at CEU Manila.

CEU Manila Dentistry students also soared high on different clinical competitions. One of their students garnered first place on the Ceram-X Contest launched by the

Dentsply Philippines last September 15, 2016. The same clinical work took the second place in the Ceram-X contest held in Hongkong on November 11, 2016 by the Dentsply-Asia-Pacific Region. Another Dentistry placed third in the Endo Case Contest by the Dentsply Philippines last September 16, 2016. Another Dentistry student received an Excellence in Research Awardee in the 5th China-ASEAN Forum on Dentistry held at Nanning, China on October 25-28, 2016. Another research by a group of Dentistry students was granted Jury's award at the Student Prevention Table Clinician Competition by the SEAADE-GC Dental Asia held in Ho Chi Minh, Vietnam on September 8-9, 2016. Meanwhile, Dentsply Philippines and IADR-SEA awarded a Dentistry student 2nde place in the Student Clinician Research Program Country Level.

CEU School of Nursing takes pride in winning four research awards in the Philippine Nursing Research Society (PNRS) 9th National Nursing Research Conference held at Punta Villa Resort, Arevalo in Iloilo City last November 23-25, 2016. The research of Nursing students bagged the second place in the podium presentation student category under stream 2 Nursing and Healing. Another group of students won second place in the poster presentation for the stream.

Pharmacy students won 2nd place in the Search for the Outstanding Undergraduate Thesis in Herbal Medicine 2016 by DOST PCIEERD-Gruppo Medica Award in Palawan.

From the School of Nutrition and Hospitality Management, a Nutrition and Dietetics student was named Outstanding Nutrition and Dietetics Student 2016 by the Philippine Association of Nutrition (PAN), Inc. on July 7, 2016. In the same activity, a group of Nutrition and Dietetics students won 2nd place in the PAN Student Digital Video Contest. A research group from the same program won 3rd place in the Undergraduate Student Research Competition (Nutrition Category) by the Food and Nutrition Research Institute on July 7, 2016.

The student research from the School of Medical Technology bagged the 1st place for the poster presentation in the 2016 Medical Technology International Summit held at the University of Santo Tomas on September 8-9, 2016.

A senior Mass Communication-Broadcast student of the School of Education, Liberal Arts, Music and Social Work (ELAMS) seized the second place during the 2nd Student Speech Competition held in Daegu, South Korea on August 1`2-13, 2016. She was pitted against 38 other contestants from other countries – Australia, Japan, Bangladesh, Indonesia, Thailand, Korea, and other Asian countries.

Meanwhile, a student from the CEU Malolos Pharmacy Department was elected the Assistant Secretary of the Federation of Junior Chapters Philippine Pharmacists Association.

Centro Escolar University once again showed its prowess in athletic meets. The CEU athletes proved their dominance in the 47th season of WNCAA (Women's National Collegiate Athletic Association) and 13th season of MNCAA (Men's National Collegiate Athletic Association) held at San Beda, Alabang last February 5 and 6, 2017. CEU Women's Badminton team was hailed as the champion this year and the player from the School of Dentistry grabbed the Most Valuable Player Award. The Escolarian athletes also bagged the title for the Women's Swimming competition. The Women's Taekwondo team also copped the Championship in this season and the player from the School of

Pharmacy bagged the MVP Award. The Women's table tennis team also brought home the bacon as the Champion and named MVP is an athlete from the School of Dentistry.

Likewise, the CEU male athletes couldn't be outdone. The Men's Badminton team managed to win during the 13th season of MNCAA. The Men's Table Tennis team placed 1st runner-up.

Furthermore, Centro Escolar University Scorpions claimed the first-ever Universities and Colleges Basketball League (UCBL) championship title last December 8, 2016 at the Olivarez Sports Center. Consistently victorious in basketball leagues, the Scorpions were also this year's 5th National Collegiate Basketball League (NCBL) champion held at the Technological Institute of the Philippines-Manila gym on September 20, 2016.

School Year 2017-2018

Student Enrolment

The University registered an enrolment of 12,929 for the first semester and 12,046 for the second semester of school year 2017-2018. The total enrolment for the three campuses for both the First and Second semesters decreased by 26.25% and 27.57%, respectively compared to that of SY 2016-2017. The decrease is due to the implementation of the K-12 wherein, the SY 2017-2018 has no first and second year students.

Foreign Student Enrolment

Foreign student enrolment for SY 2017-2018 stood at 370 and 315 for the first and second semesters, respectively. A decrease of 26.15% for the First and 31.82% for the second semester was noted compared to the enrolment of the school year 2016-2017. The programs where most of the foreign students enrolled are in Dentistry and Graduate School.

Performance in Board Examination

Escolarians ruled anew in the 2017 licensure examinations administered by the Professional Regulation Commission. The consistent outstanding performance of the graduates in the PRC exams affirms CEU's determination and commitment to an unrelenting pursuit of its vision to be the University of first choice, as well as indicative of its sincere effort and high intention to provide quality education among its clientele.

For three consecutive times, the CEU School of Dentistry has consistently set an excellent record of producing graduates who obtained the highest rating (topnotcher) in the 2017 Dentistry Licensure Examination. CEU Manila School of Dentistry scored five (5) spots (1st, 3rd, 4th, 5th, and 7th placers) in the May 2017 Board Exam and 4th placer in the December 2017-Januatry 2018 Board Exam.

The CEU Medical Technology of CEU Manila and the Medical Technology program of CEU Makati both reaped the title as this year's two top performing schools in the licensure examination with their overall ratings of 92.06%. School of Medical Technology

Manila campus was named as the 5th Top Performing School with a rating of 89.37% rating along with CEU Makati Medical Technology Department as the 10th place with 80.26% rating in the Medical Technology Board Examination. Furthermore, the School, both in Manila and Makati, was chosen by the Professional Regulation Commission as one of the ten (1) Medical Technology schools in the Philippines, where Philippine registered Medical Technologists can be qualified to attain U.SD. professional visa. This implies that Medical Technologists from CEU will b e allowed by the Hawaii Department of Health to obtain the Hawaii Medical Technologists license though they have not complied with the mandatory one (1) year work in a U.S. clinical laboratory.

CEU Manila graduate of Bachelor of Science in Nursing ranked 10th out of 5,875 board passers in the November 2017 Board Examination. A Nursing graduate from the same campus ranked 9th in the June 2017 Nursing Board Examination.

The CEU School of Optometry posted an excellent performance grabbing five (3rd, 6th, 7th, 8th and 9th) of the top ten spots. The passing percentage of CEU graduates of 88.46% was higher than the national passing percentage of 81.66%.

The sterling performance of CEU graduates is an indication of the University's quest for academic excellence and quality education. Along with the exceptional ratings, CEU provides a training ground for its students to become globally competent imbued with character and wit.

Accreditation and Recognition

CEU's adherence to its quality objectives and principles, as well as its compliance to documentary requirements, urges the academic community to seek for continuous improvement.

For CEU Manila, the University's Business Administration program was granted its Level IV First Reaccreditation status, but still awaiting the results of the first reaccreditation for Level IS of the following programs: Doctor of Dental Medicine and B.S. Nutrition and Dietetics both held on November 8-10, 2017. Furthermore, the B.S. Computer Engineering, B.S. Information Technology, and B.S. Computer Science programs visited last August 8-9, 2017 were likewise granted accreditation status for Level 1.

Centro Escolar University Pharmacy program was granted Level IV Re-accreditation status by the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) as certified by the Federation of Accrediting Agencies of the Philippines (FAAP).

Centro Escolar University continues to build up its status as an institution of higher learning and as the University of first choice by bringing its academic standards on par with internationally recognized accrediting agencies. On January 29-31, 2018, four programs were subjected to AUN-QA accreditation. The university successfully earned the ASEAN University Network-Quality Assurance (AUN-QA) accreditation of Nursing, Nutrition and Dietetics and Optometry programs.

This recognition serves as another testament to the University's commitment to quality and excellence.

International Linkages

CEU Manila School of Dentistry, is the first dental school peer reviewed by the SEAADE Peer Review Committee which reported areas of “Best Practice Situation”. Reports of SEAADE Peer Review Committee on their evaluation of the CEU in their official website. School of Dentistry established a linkage with the International Association for Dental Research-SEA (IADR-SEA) and the China ASEAN Forum on Dentistry (CAFD).

Six senior nursing students of Centro Escolar University joined the 3rd International Student Exchange Program of the School of Nursing with STIKEs Budi Luhur in Cimahi, West Java, Indonesia from November 11 to 26, 2017. As part of their Intensive Nursing Practice, the students performed the complete family nursing process to selected families in Batujajar, Intonesia. They also participated in the International Competition wherein the CEU nursing students achieved several awards including third place in the Talent Competition, second in the CPR/BLS competition, first place in the Health Promotion Competition and first and second place in the Oral Presentation Competition. A cultural presentation capped the two-week student exchange program in Bandung, Indonesia where all participants had the opportunity to showcase their talent and respective national dances.

The Tourism Management Program of the School of Nutrition and Hospitality Management (SNHM) of the University has established International connections with different countries such as United States of America, Malaysia, Thailand and Vietnam, and CEU has been sending students for their international practicum training in conjunction with its goal of reinforcing the global competency of CEU students. The two of the Paradise group sectors, Paradise Suites and Paradise Hotels and Cruises, warmly received the second batch of interns from CDEU Manila for their on-board training from November 2017 to April 2018. Paradise Suites and Paradise Hotels and Cruises, the most recognized and diverse hospitality groups, expressed continued assistance to CEU students and graduates becoming world-class service providers in the tourism industry.

Six (6) Tourism Management students were accepted by the premier hospitality group in Vietnam, with joint efforts of Paradise Group Vietnam’s General Manager Mr. Edgar Cayanan, CEU Tourism Management Coordinator, Ms. Janelle Villamor, and with the recommendation of SNHM Dean, Dr. Cecilia C. Uncad and the University President, Dr. Ma. Cristina D. Padolina. CEU’s international internship program is in accordance to the guidelines under the Student Internship Abroad program (SIAP) of the Commission on Higher Education.

The Psychology Department is presently doing a research on Forgiveness in collaboration with Dr. Enright who represents the Department of Educational, University of Wisconsin.

The School of Medical Technology has an active Memorandum of Agreement with Daegu Health College, Daegu, South Korea, Khon Kaen University, Khon Kaen, Thailand and Kumamoto Health Science University, Kumamoto, Japan. Part of their linkage collaboration is an international symposium which is held on rotation among the four (4) countries. Likewise, research collaboration is one of the outputs.

Quality Assurance

CEU earned anew an International Organization for Standardization (ISO) 9001:2015 certification. The certification applies to all academic and support services functions in CEU-Manila campus excluding School of Medicine and Senior High School, as well as all academic and support services and functions of the organization in CEU Makati and CEU Malolos campuses excluding Senior High School and CEIS, respectively. The ISO 9001:2015 certification granted to CEU attests that the University's sustained quality assurance system is in compliance with the SGS requirements and standards.

The continuous improvement program of CEU includes various programs coordinated by its Quality and Risk Management System Committee: Management Review, 7S, Quality Circle, Customer Feedback, CEU STARS. The majority of CEU work areas in the 3 campuses attained level 4 compliance in a scale of 5, in each component of the 7S program (Sort, Sweep, Systematize, Standardize, Safety, Security, Self Disciplined). To further improve service to various clientele, Customer Feedback was incorporated in the visitor's form to obtain feedback from external clients and the CEU Internal Customer Survey Instrument from internal clients/students was administered.

Risk assessments, updates on the stakeholders needs and SWOT analysis was conducted last April 17, 2017 as inputs in the management review and strategic planning.

To calibrate internal auditors' knowledge, skills and attitude, an Internal Quality Audit orientation and re-orientations was held last July 31, August 1 and 2, 2017 for Manila, Makati, and Malolos, respectively. The yearly orientation for Data and Document Custodian was conducted last October 9, 13 and November 21, 2017 for CEU Makati, Manila and Malolos respectively. The same activity was also held for 7S evaluators.

Faculty Achievements

Dr. Ma. Cristina D. Padolina received the prestigious Juran Medal for promoting quality and excellence during the 2017 International Quality Conference Awards Night at Okada Manila Hotel. The Juran Medal Award is a tribute to Dr. Joseph Juran, renowned for his significant contributions in the promotion and advancement of quality management. This award is presented to a senior executive with remarkable contributions in promoting quality and quality management in the country. The Philippine Society for Quality (PSQ) chose to award the 2017 Juran Medal to Dr. Padolina to honor her exemplar quality and excellent management.

Dr. Erna V. Yabut, Vice-President for Research and Evaluation, is the current president of the Philippine Society for Educational Research and Evaluation, Inc. (PSERE), chair of the University Belt Consortium Research and Extension Linkages and the secretary of the National Research Council of the Philippines Research Foundation, Inc.

Dr. Carlito B. Olaer, the Vice President for Student Affairs is the present president of the Philippine Association of Administrators of Student Affairs, Inc. He is also the regional coordinator for ASIA and a contributor of the International Association of Student Affairs.

Vice-President for CEU-Makati and Dean of Studies, Dr. Olivia Limuaco is one of the five Vice-Presidents of FAPA for 2014-2018.

The dean of the School of Accountancy and Management (AM), Mr. Melito Salazar was awarded with the Golden Star Academic and Educational Excellence Award in Malaysia; World Association of Small and Medium Enterprises (WASME) for Outstanding Contribution in Service of SEMs at Miami, Florida, USA, Most Distinguished Alumnus in Government by UPCBA, and Professional Award in Business Administration – Management by UPAA. At present, he is the President of the Philippine Association of Collegiate Schools of Business (PACSB). Dr. Rosemarie So, the Assistant Dean of the School of AM is a fellow in Business Education and a board member of the PACSB. Dr. Leny Dellosa, Dr. Zenaida Diola, and Mr. Edgar Tichepco are the National Winner in the Search for Outstanding PETRON-PCDEB, National Winner in the Search for Outstanding PETRON-PCDEB Business Educator in Marketing,and Regional Winner in the Search for Outstanding PETRON-PCDEB respectively. Dr. Rowell Antonio, a professional course teacher, is the chair of the Entrepreneurship of Wadhwani Foundation.

CEU Manila School of Dentistry School Dean Dr. Pearly Lim was elected Councilor of the International Association of Dental Researchers (IADR-SEA), Dr. Stephen Almonte is the Executive Vice President of the Philippine Dental Association, Dr. Joann Joven and Dr. Marie Fullante are elected Vice President and the Assistant Secretary of the Philippine Prosthodontic Society respectively; Dr. Aaron Neal Lu is the Board of Director of the Philippine Academy of Esthetic Dentistry, and Dr. Antonio Mirador is the P.R.O. of the Philippine College of Oral and Maxillofacial Surgeons.

The Head of the Guidance and Counseling Department, Dr. Carmencita Salonga is the elected P.R.O. of the Philippine Guidance and Counseling Association and the treasurer of the Psychological Association of the Philippines.

Centro Escolar University School of Medical Technology Dean, Dr. Charito Bermido represented the Philippines in the panel discussion on the Accreditation of Medical Technology/Medical Laboratory Science (MT/MLS) programs and certification of graduates during the recent 2017 ASEAN Medical Laboratory Science Education Stakeholders Summit and Research Conference at Sofitel Philippine Plaza, Pasay City on November 29-December 1, 2017. Mr. Rogelio Cruz, a faculty member of the same school is a member of the Board of Directors of the Philippine Association of Schools of Medical Technology and Public Health Inc. (PASMETH).

Dr. Maria Flordeliza Anastacio, VP for CEU Malolos, holds position as the Board of Adviser of the International Academy of Accountants for Business, Research, and Education (IAABRE) as well as the Treasurer of the Philippine Society for Educational Research and Evaluation (PSERE). Dr. Nilo V. Francisco, Dean of the College of Management and Technology at CEU Malolos is the Chairman of the Bulacan Chamber of Commerce and Industry, Inc. (BCCI) and he is also the Board of Adviser of the People Management Association of the Philippines-Bulacan Chapter (PMAP-Bulacan).

Mrs. Luzette T. Mijares, the program head of Hotel and Restaurant Management of CEU Makati is elected as one of the Board of Trustees for the Hospitality and Tourism Council of Deans and Program heads (Host Code) by the CHED-NCR.

Dr. Teresita I. Barcelo, dean of the Graduate School is the chair of the Arbitration Commission of the Philippine Nurses Association, Inc., while Dr. Maricar Ching, the assistant to the dean of the Graduate School is a board member of the DOST-PCHRD Scholars' Society and the elected secretary of the NRCP-Division 3 Medical Sciences. Dr. Eden Kelemen, a faculty member, is the director of the Philippine Association for Graduate Education, NCR.

Dr. Julieta Z. Dungca, dean of the School of Science and Technology is the elected secretary of the Philippine Society of Educational Research and Evaluation (PSERE) and treasurer of the Philippine Society of Parasitology, Inc. (PSP). The head of the Biological Sciences Department, Dr. Zenaida Los Baños, is a board member of the Philippine Association of Laboratory Animal Science. Dr. Agnes Magnaye is a board member of the Biology Teachers Association of the Philippines and Mrs. Marilou Lanto is the board member of the Philippine Society for Developmental Biology.

Dr. Cecilia D. Santiago, dean of the School of Pharmacy is the Executive Vice President of the Philippine Association of Colleges of Pharmacy (PACOP).

Dr. Regina Jazul from CEU Malolos Pharmacy Department is the auditor of the Philippine Association of Colleges of Pharmacy (PACOP).

The Head of the Planning and Monitoring Department, Dr. Dolores Dela Cruz, is the present secretary of the Philippine Society for Quality (PSQ).

Ms. Aleli V. Lozano, head of the Physical Sciences Department, is the current auditor of the Philippine Association of Chemistry Teachers.

Dr. Christopher Jay Cortado is the secretary of the Speech Communication Organization of the Philippines, Inc., (SCOP), and Mr. Dante Gabano is the assistant treasurer.

Student Achievements

CEU Singers Malolos scored three (3) silver awards and certificates in the Sacred Music, Mixed Choir and Mixed Voice categories in the 10th Orientele Concentus Chorale Competition in Singapore. The group's outstanding performance in Singapore earned them a Plaque of Recognition from the Mayor of the City of Malolos, Hon. Christian Natividad, a Resolution of Recognition from the City Council, and the Governor and Board Members of the province of Bulacan for their contribution in promoting Philippine culture and arts and more importantly, bringing honor to the City of Malolos and the province of Bulacan. Before their stint in Singapore, which was their first international feat, CEU Singers Malolos under the baton of Mr. German de Guzman has won numerous awards and citations from national chorale competitions such as NAMCYA and MBC, and musical festivals in Bulacan and other Central Luzon provinces.

Two (2) graduate school students was awarded Best Paper and an honorable mention in the 2nd ASEANnale 2018 and 2nd International Symposium on ASEAN Studies held at the University of the Philippines on February 28-March 2, 2018 for their paper entitled "Finding Foucault in the Rohingya Discourses" and Examining the Philippine's State in the 21st Century Maritime Silk Road: A Competition of Old and New Financial Players" respectively.

A Computer Engineering student from the School of Science and Technology was proclaimed as one of the Most Outstanding International Students in the Philippines for academic year 2017-2018 during the 48th Search for Three Most Outstanding International Students in the Philippines . This is organized by the Philippine Friendship International and Understanding Association (PIFUA).

CEU Manila School of Dentistry students research entry entitled “Characteristics of Sodium Bentonite as A Possible Root Canal Sealer” bagged first runner-up of the SIBOL(Creative Research) College Category 2017 Regional Invention Contest and Exhibits (RICE) organized by the Department of Science and Technology (DOST) held at Technological Institute of the Philippines, Quezon City. Finalist during the said activity is the research on “Nano-hydroxyapatite from Pink Salmon (*Oncorhynchus gorbuscha*) Fish Bone as a Direct Pulp Capping Material. During the Dentsply Sirona Asia University Country Level conducted at Dentsply Headquarters, Makati, Dentistry student won 1st place and 3rd place in the Clinical Case Contest Restorative Dentistry Case and Endodontic Case Contest respectively.

From the School of Nutrition, Hospitality and Management Philippine Association of Nutrition-DELTA (PAN-Delta Chapter) was awarded as the 2017 Most Outstanding PAN Student Chapter by the Philippine Association of Nutrition, Inc. Furthermore, a BS Nutrition and Dietetics student was named as the Outstanding Nutrition and Dietetics Student by the same professional organization.

A School of Accountancy and Management student was one of the finalists in the Business Leadership Program by the American Chamber of Commerce of the Philippines (AmCham).

Bachelor of Science in Psychology students hold position as the auditor of the Psychological Societies Association in Mental Health, Treasurer of the Tatsulok-Alyansa ng mga Mag-aaral sa Sikolohiyang Pilipino, Director for Human Resource Training for Youth for Mental Health Coalition and National Executive Committee for Membership for Junior People Management Association of the Philippines.

A student of BS Pharmacy from CEU Manila was awarded as the champion of the 2017 Poster Making during the FDA National Consciousness Week. Another student won 1st Place during the PAAW Antimicrobial Resistance Quiz Bee and 2nd Place during the 5th Intercollegiate Quiz Bee organized by San Beda College of Medicine. Students from the same school won 2nd Place in the FJCPPhA’s Paligsahan 2018-Badminton and 3rd place in the volleyball.

The home of achievers, CEU athletes bagged numerous awards in the recently concluded 47th Women’s National Collegiate Athletic Association (WNCAA) and 13th Men’s National Collegiate Athletic Association (MNCAA) sports tournaments. In the WNCAA Athletics category, CEU teams were all hailed Champion in Badminton, Swimming and Taekwondo. For the individual recognitions, CEU students were named the Most Valuable Player (MVP) for Badminton, MVP for Swimming, and MVP for Taekwondo. CEU Badminton Team for the Men’s National Collegiate Athletic Association (MNCAA) also nabbed the Championship Award with Delos Santos as MVP.

Centro Escolar University Lady Scorpions remained undefeated with its 7-peat victory in the recent Women's National Collegiate Athletic Association (WNCAA) Seniors Basketball tournament held at the Rizal Memorial Coliseum.

For CEU Malolos, 2nd year students won as the overall champion for the Search for Radio Veritas Best Campus School Program, Best Program Counselling Segment and Best Anchor Person (Male).

Item 5. Directors and Executive Officers

Please refer to pages 6 to 11 of the Definitive Information Statement submitted to the Securities and Exchange Commission.

Item 6. Market Price and Dividends

The University's common equity is traded at the Philippine Stock Exchange. Following are the high and low prices for each quarter within the last two (2) fiscal years:

		High	Low
Fiscal Year Ended 2017			
April 2016 – June 2016	First Quarter	₱ 9.90	₱ 9.03
July 2016 – September 2016	Second Quarter	10.18	9.00
October 2016 – December 2016	Third Quarter	10.22	9.50
January 2016 – March 2017	Fourth Quarter	10.96	8.52
Fiscal Year Ended 2018			
April 2017 – June 2017	First Quarter	₱ 10.50	₱ 9.52
July 2017 – September 2017	Second Quarter	10.02	8.05
October 2017 – December 2017	Third Quarter	9.38	8.20
January 2018 – March 2018	Fourth Quarter	9.14	8.62

The closing price per share of the University's common shares as of June 30, 2018 was ₱8.80.

Holders

As of June 30, 2018, there are 1,026 common shareholders. The name of the top twenty (20) shareholders and the number of shares and the percentage of total shares outstanding held by each are as follows:

Stockholder	Number of Common Shares Held	Percentage of Total Shares (%)
1. USAUTOCO, INC.	126,620,891	34.0000
2. PCD Nominee Corp. – Filipino/Others	88,520,366	23.7693
3. U.S. Automotive Co., Inc.	55,963,803	15.0273
4. Jose M. Tiongco	13,439,614	3.6088
5. Corazon M. Tiongco	10,115,604	2.7162
6. Erlinda T. Galeon	9,252,982	2.4846
7. Generosa T. Cabrera	9,190,225	2.4677
8. Marie T. Sands	9,186,138	2.4666
9. Security Bank Corp. TA# 1090	8,072,299	2.1676

10. Alvin Anton C. Ong	1,344,308	0.3610
11. Fredrick C. Ong	1,000,000	0.2685
12. Maria Concepcion I. Donato	994,465	0.2670
13. Emma de Santos Oboza	758,190	0.2036
14. Alicia de Santos Villarama	758,190	0.2036
15. Estate of Trinidad V. Javellana	713,666	0.1916
16. Manuel M. Paredes	650,107	0.1746
17. Amado R. Reyes	650,107	0.1746
18. Ma. Alexa J. Intengan	634,621	0.1704
19. Leland and/or Melita Villadolid	560,523	0.1505
20. Angelo A.S. Suntay	453,186	0.1217

There are no transactions that relate to an acquisition, business combination or other reorganization which will affect the amount and percentage of shareholdings of any of the University's directors, officers (as a group) or any person owning more than 5% of the University's outstanding capital stock.

Dividends

Dividends declared for the two most recent fiscal years, i.e., Fiscal Year ended March 31, 2016 and Fiscal Year ended March 31, 2017, are as follows:

Fiscal Year Ended March 31, 2017
(April 1, 2016 – March 31, 2017)

1. Cash dividend of ₱0.20 per share was declared on July 26, 2016 in favor of stockholders of record as of August 16, 2016, payable on September 9, 2016.

Fiscal Year Ended March 31, 2018
(April 1, 2017– March 31, 2018)

1. Cash dividend of ₱0.20 per share was declared on September 29, 2017 in favor of stockholders of record as of October 20, 2017, payable on November 17, 2017.

Dividends shall be declared only from retained earnings.

There are no restrictions that limit the ability to declare dividends on common equity.

Recent Sale of Unregistered or Exempt Securities

The University did not sell any unregistered or exempt securities in the past three (3) years.

Item 7. Compliance on Corporate Governance

The University has complied with the provisions of its Manual on Corporate Governance. Continuous monitoring is being done by the Compliance Officer, Audit Committee, President, Chief Financial Officer and Internal Auditor to assure compliance.

On October 17, 2015, the Board of Directors attended seminar on Corporate Government conducted by the Institute of Corporate Directors.

On September 17, 2016, the Board of Directors attended seminar on Corporate Government conducted by the Institute of Corporate Directors.

On September 30, 2017, the Board of Directors attended seminar on Corporate Government conducted by the Institute of Corporate Directors.

CEU adheres to governance principles and best practices to attain its objectives. A system has been established to monitor and evaluate the performance of the University and its Management and CEU is committed. The University is committed to consistently abide by and ensure improved compliance with the requirements of good corporate governance.

UNDERTAKING

A copy of the University's annual report in "SEC Form 17-A (2018)" as amended, may be provided to any stockholder upon written request addressed to:

Office of the Corporate Secretary
Centro Escolar University
9 Mendiola Street
San Miguel, Manila

At the discretion of Management, a charge may be made for exhibits, provided such charge is limited to reasonable expenses incurred by the registrant in furnishing such copies.

CENTRO ESCOLAR UNIVERSITY

Office of the Corporate Secretary

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To the Stockholders of Centro Escolar University:

Notice is hereby given that the Annual Meeting of the Stockholders of CENTRO ESCOLAR UNIVERSITY (CEU) will be held on Tuesday, July 24, 2018, 2:00 P.M., at the University's Information Science Center, Mezzanine Floor, 9 Mendiola Street, San Miguel, Manila, to consider and take action upon the following matters:

1. Call to Order
2. Proof of Notice and Quorum
3. Approval of the Minutes of Annual Stockholders' Meeting on July 25, 2017
4. Chairman's Address
5. Approval of the Annual Report of the Board of Directors
6. Election of Directors
7. Appointment of External Auditor
8. Other Matters
9. Adjournment

All stockholders of record as of the close of business on June 28, 2018 are entitled to notice and to vote at the annual meeting and at any adjournment thereof. The stock and transfer book of the University will be closed from July 4, 2018 to July 24, 2018.

If you cannot attend the meeting personally, you may designate your authorized representative by submitting a PROXY instrument in accordance with Section 58 of the Corporation Code to the office of the stock transfer agent at the address below by July 13, 2018. Proxies will be validated on July 19, 2018.

Professional Stock Transfer, Inc.
10/F Telecom Plaza
316 Gil Puyat Avenue
Salcedo Village, Makati City

Manila, Philippines, July 3, 2018.

SERGIO F. APOSTOL
Corporate Secretary

Manila 9 Mendiola Street, San Miguel, Manila City (02) 735.6860 Email: ceuadmission@ceu.edu.ph • **Malolos** Km. 44 McArthur Highway, Malolos City, Bulacan (044) 791.9233 Email: ceumalolosadmission@ceu.edu.ph
Makati - Sen. Gil Puyat Avenue 259 Sen. Gil Puyat Avenue, Makati City (02) 889.8169 Email: ceumakatiadmission@ceu.edu.ph **Legazpi Village** 103 Esteban Street, Legazpi Village, Makati City (02) 893.2461

ANNUAL STOCKHOLDERS' MEETING
Tuesday, July 24, 2018
2:00 P.M.
CEU Information Science Center, Mezzanine Floor
9 Mendiola Street, San Miguel, Manila

AGENDA

1. **Call to Order**
2. **Proof of Notice and Quorum**
3. **Approval of the Minutes of the Annual Stockholders' Meeting on July 25, 2017**
4. **Chairman's Address**
5. **Approval of the Annual Report of the Board of Directors**
6. **Election of Directors**
7. **Appointment of External Auditor**
8. **Other Matters**
9. **Adjournment**

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING
CENTRO ESCOLAR UNIVERSITY

HELD AT THE CEU INFORMATION SCIENCE CENTER, MEZZANINE FLOOR
9 MENDIOLA STREET, SAN MIGUEL, MANILA
ON JULY 25, 2017, 3:00 P.M.

DIRECTORS PRESENT:

Mr. Basilio C. Yap, Chairman
Dr. Ma. Cristina D. Padolina, Vice-Chairman
Dr. Angel C. Alcala, Director
Dr. Emil Q. Javier, Director
Mr. Benjamin C. Yap, Director
Dr. Emilio C. Yap III, Director
Ms. Corazon M. Tiongco, Director
Dr. Johnny C. Yap, Director

ALSO PRESENT:

Mr. Cesar F. Tan
Atty. Sergio F. Apostol
Atty. Anna Rhea V. Samson
Atty. Nilo B. Peña
Atty. Jennifer C. Lee

ABSENT:

Dr. Alejandro C. Dizon, Director

No. of Shares Present in Person or Represented by Proxy	295,848,105 shares
No. of Outstanding Shares	372,414,400 shares
	79.4405%

I. OPENING PRAYER

Ms. Corazon M. Tiongco led the opening prayer.

II. CALL TO ORDER / NOTICE AND QUORUM

After ascertaining from the Corporate Secretary that notices were properly sent to the stockholders and that a quorum was present, Dr. Ma. Cristina D. Padolina, CEU President and Vice Chairman, called the meeting to order.

For records purposes, the proceedings of the annual stockholders' meeting were tape-recorded.

III. APPROVAL OF THE MINUTES OF ASM ON JULY 26, 2016

On motion duly seconded, the stockholders unanimously approved the Minutes of the Annual Stockholders' Meeting on July 26, 2016.

IV. APPROVAL OF THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

Dr. Padolina presented to the stockholders ***"A Century and a Decade,"*** highlighting accomplishments and recognitions of CEU for each decade of the 11 decades since its establishment in 1907.

Since the Annual Report for 2016-2017 had been distributed to the stockholders, they were requested to go over the same. On motion duly seconded, the stockholders unanimously approved the Annual Report of the Board of Directors. A copy of the annual report is made an integral part of the minutes.

V. ELECTION OF DIRECTORS

The President reported that the nomination of at least two (2) independent directors is a mandatory requirement for the University under the Securities Regulation Code ("SRC") and Rule 38 of the 2015 Implementing Rules and Regulations of the SRC. In compliance therewith, the Board of Directors created a Nomination Committee to nominate the independent directors. The Nomination Committee nominated Dr. Emil Q. Javier and Dr. Angel C. Alcala as independent directors. Therefore, only seven (7) board seats were open for nomination from the floor.

On motion duly seconded, the stockholders unanimously elected the following as directors for fiscal year 2017-2018, in addition to Dr. Emil Q. Javier and Dr. Angel C. Alcala as independent directors:

Mr. Basilio C. Yap
Dr. Ma. Cristina D. Padolina
Mr. Benjamin C. Yap
Dr. Alejandro C. Dizon
Dr. Emilio C. Yap III
Ms. Corazon M. Tiongco
Dr. Johnny C. Yap

VI. APPOINTMENT OF EXTERNAL AUDITOR

On motion duly seconded, the stockholders unanimously appointed Sycip Gorres Velayo & Co. (SGV) as external auditor.

VII. OTHER MATTERS

a. Ratification of Acts, Transactions and Resolutions of the Board of Directors and Management for Fiscal Year 2015-2016

After some discussions, on motion duly seconded, all acts, transactions and resolutions of the University's Board of Directors and of Management for fiscal year 2016-2017 were duly approved and ratified by the stockholders.

b. Stockholders' Questions

Dr. Padolina opened the floor for questions of stockholders, and requested the stockholder who wished to ask any question to state for the record his full name. There was no stockholder who asked any question or raised any matter/concern.

VIII. ADJOURNMENT

There being no further business to discuss, the meeting was adjourned. The stockholders were invited to join the Board for some refreshments.

(Sgd.) SERGIO F. APOSTOL
Corporate Secretary

Attested by:

(Sgd.) MA. CRISTINA D. PADOLINA
Vice Chairman

CENTRO ESCOLAR UNIVERSITY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Centro Escolar University (CEU) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended March 31, 2018 and 2017, 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 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.

SyCip, Gorres, Velayo & Co., the independent auditors, 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, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed this 28th day of June, 2018.

BASILIO C. YAP	**MA. CRISTINA D. PADOLINA**	**CESAR F. TAN**
Chairman	President/Vice Chairman	Treasurer

SUBSCRIBED AND SWORN TO before me this JUN 2 9 2018 day of__________, 2018, affiants exhibiting to me their respective Philippine Passports as follows:

	Passport No.	Date and Place of Issue
BASILIO C. YAP	EB0905297	September 8, 2010, Manila
MA. CRISTINA D. PADOLINA	P3754596A	July 22, 2017, Manila
CESAR F. TAN	EC1088843	May 14, 2014, Manila

ATTY. GARY CAMITAN AURE
NOTARY PUBLIC, ROLL NO. 60777
PTR No. 7006124 Issued on Jan. 12, 2018 Until Dec. 31, 2018 Manila
IBP Lifetime No. 014599 Issued on Feb. 2, 2016
Commission No. 2018-72 Issued on Feb. 28, 2018 Until Dec. 31, 2019 Manila
MCLE No. V-0014541 Issued on March 1, 2016 Valid Until April 14, 2019
Office Address: Room 306 3F ...

Doc. No. 214
Page No. 49
Book No. X
Series of 2018

Centro Escolar University and Subsidiaries

Consolidated Financial Statements
March 31, 2018 and 2017
and Years Ended March 31, 2018, 2017
and 2016

and

Independent Auditor's Report

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Building a better working world

A member firm of Ernst & Young Global Limited

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Centro Escolar University

Opinion

We have audited the consolidated financial statements of Centro Escolar University (the "University") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at March 31, 2018 and 2017, and the consolidated statements of income, 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 March 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 March 31, 2018 and 2017, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended March 31, 2018, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Impairment Testing of Goodwill

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. As of March 31, 2018, the Group's goodwill attributable to Centro Escolar Las Piñas, Inc. (CELPI) amounted to ₱47.61 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically revenue growth rate and discount rate.

The Group's disclosures about goodwill are included in Note 4 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include tuition fee rates, number of students, long-term growth rate and discount rate. We compared the tuition fee rates and number of students against the historical performance of the CGU and other relevant external data. We tested the long-term growth rate and the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Recoverability of Tuition Fee Receivables

As at March 31, 2018, the Group has tuition fee receivables amounting to ₱103.56 million, net of allowance for doubtful accounts amounting to ₱45.35 million. The Group determines the allowance for doubtful accounts on a portfolio basis by applying a loss rate determined based on a five-year average of historical losses. The determination of the loss rate involves management judgment, and the estimated losses could be significantly different from actual credit losses. Thus, we considered this area as a key audit matter.

Audit Response

We tested the tuition fee receivables schedule used in the impairment calculation by comparing the details to the source information systems and, on a test basis, to the underlying records such as the certificate of matriculation. We tested whether the loss rate used in the impairment calculation is based on historical cash collections. We also checked the mathematical accuracy of the impairment calculation.

The Group's disclosures about tuition fee receivables are included in Note 6 to the consolidated financial statements.

Valuation of Retirement Liability

The Group has a defined benefit plan covering all regular employees. The Group's retirement liability and expense amounted to ₱84.60 million and ₱25.87 million, respectively. The valuation of the retirement liability involves a significant management judgment in the use of assumptions. The valuation also requires the assistance of an external actuary whose calculations depend on certain assumptions, such as prospective salary increase and employee turnover rates, as well as discount rate and mortality rate, which could have a material impact on the results. Thus, we considered this as a key audit matter.

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The Group's disclosure about retirement liability are included in Note 17 to the consolidated financial statements.

Audit Response

We involved our internal specialist in the review of the scope, bases, methodology and results of the work by the Group's actuary, whose professional qualifications, capabilities and objectivity were also taken into consideration. We evaluated the key assumptions used by comparing the employee demographics and attrition rates against the Group's human resources data and the discount rate and mortality rate against external data. We inquired from management about the basis of the salary rate increase and compared it against the historical data.

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 March 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 March 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 Djole S. Garcia.

SYCIP GORRES VELAYO & CO.

Djole S. Garcia
Djole S. Garcia
Partner
CPA Certificate No. 0097907
SEC Accreditation No. 1285-AR-1 (Group A),
May 12, 2016, valid until May 12, 2019
Tax Identification No. 201-960-347
BIR Accreditation No. 08-001998-102-2015,
November 25, 2015, valid until November 24, 2018
PTR No. 6621265, January 9, 2018, Makati City

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱290,181,009**	₱435,796,757
Tuition and other receivables (Note 6)	**121,410,647**	87,039,659
Inventories (Note 7)	**12,880,554**	8,070,681
Other current assets (Note 8)	**22,424,526**	27,148,445
Total Current Assets	**446,896,736**	558,055,542
Noncurrent Assets		
Property and equipment (Note 9)		
At revalued amount	**1,884,026,292**	1,863,505,003
At cost	**1,391,689,051**	1,337,278,704
Investment property (Note 10)	**152,751,487**	–
Goodwill (Note 4)	**47,605,695**	47,605,695
Other noncurrent assets (Note 11)	**30,149,438**	13,816,077
Total Noncurrent Assets	**3,506,221,963**	3,262,205,479
TOTAL ASSETS	**₱3,953,118,699**	₱3,820,261,021
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 12)	**₱355,306,220**	₱280,606,407
Dividends payable (Note 13)	**107,787,994**	108,225,615
Income tax payable	**2,971,169**	9,953,732
Total Current Liabilities	**466,065,383**	398,785,754
Noncurrent Liabilities		
Deferred tax liabilities - net (Note 18)	**277,071,817**	242,128,875
Retirement liability (Note 17)	**84,598,790**	170,302,530
Total Noncurrent Liabilities	**361,670,607**	412,431,405
TOTAL LIABILITIES	**827,735,990**	811,217,159
Equity		
Equity Attributable to Equity Holders of the University		
Capital stock (Note 13)	**372,414,400**	372,414,400
Additional paid-in capital	**664,056**	664,056
Retained earnings (Note 13)		
Appropriated	**996,000,000**	786,000,000
Unappropriated	**377,500,481**	554,210,386
Revaluation increment on land - net (Notes 9 and 24)	**1,350,002,971**	1,350,002,971
Remeasurement gain (loss) on retirement obligation (Note 17)	**23,668,534**	(56,949,473)
Revaluation reserve on available-for-sale investments (Note 11)	**100,298**	112,970
	3,120,350,740	3,006,455,310
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries	**5,031,969**	2,588,552
Total Equity	**3,125,382,709**	3,009,043,862
TOTAL LIABILITIES AND EQUITY	**₱3,953,118,699**	₱3,820,261,021

See accompanying Notes to Consolidated Financial Statements.

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended March 31		
	2018	2017	2016
REVENUES			
Tuition and other school fees (Note 14)	**₱1,371,104,081**	₱1,535,004,059	₱1,691,890,018
Miscellaneous income (Note 15)	**43,150,915**	45,349,627	41,766,288
	1,414,254,996	1,580,353,686	1,733,656,306
COSTS AND EXPENSES			
Costs of services (Note 16)	**1,073,840,325**	1,120,358,938	1,227,687,910
General and administrative expenses (Note 16)	**182,877,124**	171,389,359	146,716,632
	1,256,717,449	1,291,748,297	1,374,404,542
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**157,537,547**	288,605,389	359,251,764
OTHER INCOME (EXPENSES)			
Interest expense (Note 18)	**(12,940,762)**	(938,489)	(4,385,740)
Interest income (Note 5)	**3,405,522**	3,721,167	6,933,117
Loss on retirement/disposal of assets (Note 9)	**(333,821)**	(295,689)	(447,082)
Foreign currency exchange gains - net	**254,235**	535,941	390,562
	(9,614,826)	3,022,930	2,490,857
INCOME BEFORE INCOME TAX	**147,922,721**	291,628,319	361,742,621
PROVISION FOR INCOME TAX (Note 18)	**37,706,329**	28,178,487	16,570,857
NET INCOME	**₱110,216,392**	₱263,449,832	₱345,171,764
Attributable to:			
Equity holders of the University	**₱107,772,975**	₱262,106,208	₱345,068,851
Non-controlling interests	**2,443,417**	1,343,624	102,913
	₱110,216,392	₱263,449,832	₱345,171,764
Basic/Diluted Earnings Per Share (Note 23)	**₱0.29**	₱0.70	₱0.93

See accompanying Notes to Consolidated Financial Statements.

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31		
	2018	2017	2016
NET INCOME	**₱110,216,392**	₱263,449,832	₱345,171,764
OTHER COMPREHENSIVE INCOME (LOSS)			
Item to be reclassified to profit or loss			
Change in revaluation reserve on available-for-sale investments (Note 11)	**(12,672)**	(24,048)	(63,072)
Items not to be reclassified to profit or loss			
Revaluation increment on land (Note 9)	**–**	–	38,402,165
Income tax effect (Note 18)	**–**	–	(3,840,216)
	–	–	34,561,949
Remeasurement gain (loss) on retirement obligation (Note 17)	**89,575,563**	(33,400,093)	75,752,916
Income tax effect (Note 18)	**(8,957,556)**	3,340,009	(7,575,292)
	80,618,007	(30,060,084)	68,177,624
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**80,605,335**	(30,084,132)	102,676,501
TOTAL COMPREHENSIVE INCOME	**₱190,821,727**	₱233,365,700	₱447,848,265
Attributable to:			
Equity holders of the University	**₱188,378,310**	₱232,022,076	₱447,745,352
Non-controlling interests	**2,443,417**	1,343,624	102,913
	₱190,821,727	₱233,365,700	₱447,848,265

See accompanying Notes to Consolidated Financial Statements.

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the University									
	Capital Stock (Note 13)	Additional Paid-in Capital	Retained Earnings (Note 13) Appropriated	Retained Earnings (Note 13) Unappropriated	Revaluation Increment on Land - net (Notes 9 and 18)	Remeasurement Gain (Loss) on Retirement Obligation (Notes 17 and 18)	Revaluation Reserve on Available-for-sale Investments (Note 11)	Total	Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries	Total Equity
Balances at April 1, 2015	**₱372,414,400**	**₱664,056**	**₱786,000,000**	**₱170,483,967**	**₱1,315,441,022**	**(₱95,067,013)**	**₱200,090**	**₱2,550,136,522**	**₱1,142,015**	**₱2,551,278,537**
Net income	–	–	–	345,068,851	–	–	–	345,068,851	102,913	345,171,764
Other comprehensive income (loss)	–	–	–	–	34,561,949	68,177,624	(63,072)	102,676,501	–	102,676,501
Cash dividends	–	–	–	(148,965,760)	–	–	–	(148,965,760)	–	(148,965,760)
Balances at March 31, 2016	**372,414,400**	**664,056**	**786,000,000**	**366,587,058**	**1,350,002,971**	**(26,889,389)**	**137,018**	**2,848,916,114**	**1,244,928**	**2,850,161,042**
Net income	–	–	–	262,106,208	–	–	–	262,106,208	1,343,624	263,449,832
Other comprehensive income (loss)	–	–	–	–	–	(30,060,084)	(24,048)	(30,084,132)	–	(30,084,132)
Cash dividends	–	–	–	(74,482,880)	–	–	–	(74,482,880)	–	(74,482,880)
Balances at March 31, 2017	**372,414,400**	**664,056**	**786,000,000**	**554,210,386**	**1,350,002,971**	**(56,949,473)**	**112,970**	**3,006,455,310**	**2,588,552**	**3,009,043,862**
Net income	–	–	–	107,772,975	–	–	–	107,772,975	2,443,417	110,216,392
Other comprehensive income (loss)	–	–	–	–	–	80,618,007	(12,672)	80,605,335	–	80,605,335
Cash dividends	–	–	–	(74,482,880)	–	–	–	(74,482,880)	–	(74,482,880)
Appropriation for business expansion	–	–	210,000,000	(210,000,000)	–	–	–	–	–	–
Balances at March 31, 2018	**₱372,414,400**	**₱664,056**	**₱996,000,000**	**₱377,500,481**	**₱1,350,002,971**	**₱23,668,534**	**₱100,298**	**₱3,120,350,740**	**₱5,031,969**	**₱3,125,382,709**

See accompanying Notes to Consolidated Financial Statements.

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱147,922,721**	₱291,628,319	₱361,742,621
Adjustments for:			
Depreciation and amortization (Notes 9,11 and 16)	**93,974,351**	88,882,264	83,110,144
Interest expense	**12,940,762**	938,489	4,385,740
Provision for credit losses (Notes 6 and 16)	**5,849,704**	8,049,897	2,556,621
Movement in retirement liability (Note 17)	**3,871,823**	6,903,755	6,136,689
Interest income (Note 5)	**(3,405,522)**	(3,721,167)	(6,933,117)
Provision for impairment losses (Notes 9 and 16)	**813,551**	–	–
Loss on retirement/disposal of assets (Notes 9 and 16)	**333,821**	295,689	447,082
Unrealized foreign exchange gains - net	**(254,235)**	(535,941)	(390,562)
Operating income before changes in operating assets and liabilities	**262,046,976**	392,441,305	451,055,218
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Tuition and other receivables	**(40,195,487)**	(32,732,572)	(26,129,359)
Inventories	**(4,809,873)**	1,913,956	(2,282,881)
Other current assets	**4,723,919**	(3,395,424)	(4,878,116)
Increase (decrease) in accounts payable and accrued expenses	**74,699,813**	(52,309,117)	67,144,102
Net cash generated from operations	**296,465,348**	305,918,148	484,908,964
Income taxes paid	**(18,703,506)**	(22,368,244)	(40,015,331)
Interest paid	**(12,940,762)**	–	–
Interest received	**3,380,317**	3,741,231	6,957,590
Net cash from operating activities	**268,201,397**	287,291,135	451,851,223
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 9)	**(168,253,491)**	(111,738,377)	(51,940,134)
Investment property (Note 10)	**(152,751,487)**	–	–
Software cost (Note 11)	**(105,000)**	(5,398,000)	–
Decrease in other noncurrent assets	**(18,101,616)**	15,806,716	(17,453,300)
Proceeds from sale of property and equipment (Note 9)	**60,715**	–	473,943
Acquisition of a subsidiary (Note 4)	**–**	–	(281,140,000)
Net cash used in investing activities	**(339,150,879)**	(101,329,661)	(350,059,491)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of cash dividends (Note 13)	**(74,920,501)**	(77,135,010)	(212,190,991)
Payments of installment payable	**–**	(40,000,000)	(40,000,000)
Cash used in financing activities	**(74,920,501)**	(117,135,010)	(252,190,991)
EFFECT OF FOREIGN CURRENCY RATE CHANGES ON CASH AND CASH EQUIVALENTS	**254,235**	535,941	390,562
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(145,615,748)**	69,362,405	(150,008,697)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**435,796,757**	366,434,352	516,443,049
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱290,181,009**	₱435,796,757	₱366,434,352

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

The consolidated financial statements include the financial statements of Centro Escolar University (the “University”) and the following subsidiaries (collectively referred to as the “Group”):

	Percentage of Ownership		
Subsidiary	**2018**	2017	2016
Centro Escolar University Hospital, Inc. (the “Hospital”)	**100.00%**	100.00%	100.00%
Centro Escolar Las Piñas, Inc. (CELPI) (formerly Las Piñas College)	**99.90%**	90.00%	90.00%
Centro Escolar Integrated School, Inc. (CE-IS)	**90.00%**	90.00%	90.00%

The University, a publicly listed entity, was organized in the Philippines 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 tertiary level. The University renewed its corporate life for another fifty years on March 31, 1994.

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) which were granted with 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.

The University’s Malolos campus was granted autonomous status for a period of five years effective from 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.

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 autonomous 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 registered principal office of the University is at 9 Mendiola Street, San Miguel, Manila.

The University incorporated the Hospital on June 10, 2008. 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. The registered principal office of the Hospital is at 103 Esteban corner Legaspi Streets, Legaspi Village, Makati City. In January 2016, the Hospital entered into an agreement with Hemotek Renal Center (Hemotek), a dialysis clinic, for the former to provide laboratory examinations to Hemotek patients. As at March 31, 2018, the Hospital is operating six Renal Centers, two of which are operated by the Hospital starting the second quarter of the current fiscal year.

CE-IS was incorporated on July 24, 2013 and is a learning institution which offers pre-school, primary and secondary education. The principal place of business of CE-IS is located at Km 44 MacArthur Highway, Longos, Malolos City.

CELPI was incorporated on June 1, 1975 and is primarily engaged as an educational institution offering a full range of programs from Kindergarten to Graduate school. On November 29, 2016, the Securities and Exchange Commission (SEC) certified and approved the filing of the amended Articles of Incorporation. One of the significant amendments to the Articles of Incorporation was the change in the corporate name to Centro Escolar Las Piñas, Inc. as approved by its Board of Directors (BOD) and stockholders on April 29, 2016. The principal place of business of CELPI is located at Dr. Faustino Uy Avenue, Pillar Village, Las Piñas City.

The consolidated financial statements were approved and authorized for issuance by the University's BOD on June 20, 2018.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for land classified under 'Property and equipment' which is measured at revalued amount, and available-for-sale (AFS) investments included under 'Other noncurrent assets' which is measured at fair value.

The consolidated financial statements are presented in Philippine Peso (₱ or Peso), which is also the Group's functional currency. All values are rounded to the nearest Peso, unless otherwise stated.

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

Presentation of Consolidated Financial Statements
The Group presents its assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for trading;
- Expected to be realized within 12 months after the statement of financial position date; or
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after the statement of financial position date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for trading;
- It is due to be settled within 12 months after the statement of financial position date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the statement of financial position date.

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent.

<u>Basis of Consolidation</u>
The consolidated financial statements comprise the financial statements of the University and its subsidiaries. Control is achieved when the University 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 University controls an investee if, and only if, the University has:

- Power over the investee (that is, 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.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the University has less than a majority of the voting or similar rights of an investee, the University 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 University's voting rights and potential voting rights.

The University reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the University obtains control over the subsidiary and ceases when the University loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the University gains control until the date the University ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the University's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the Group are eliminated in full on consolidation.

The financial statements of the subsidiaries was prepared for the same reporting years as the Group, except for CE-IS which was presented as at and for the years ended March 31, 2018 and 2017, using consistent accounting principles and policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. In such circumstances, the carrying amount of the controlling and non-controlling interests are adjusted by the Group to reflect the changes in its relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the University.

When a change in ownership interest in a subsidiary occurs, which results in loss of control over the subsidiary, the University:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Derecognizes the other comprehensive income (OCI) and recycle the same to the profit or loss to retained earnings;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained; and
- Recognizes any surplus or deficit in the consolidated statement of income.

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and the net assets not held by the University and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to the equity holders of the University. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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, 2017. Unless otherwise indicated, the adoption of these amendments did not have any impact on the Group.

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

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in Peso based on the exchange rates prevailing at the transaction dates. Foreign currency-denominated monetary assets and liabilities are translated in Peso based on the Philippine Dealing System closing rate prevailing at the reporting date. Foreign exchange differences between rate at transaction date and rate at settlement date or reporting date of foreign currency-denominated monetary assets or liabilities are credited to or charged against profit or loss in the period in which the rates changed. Non-monetary items that are measured at 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.

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 by 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 nonfinancial 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 reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of 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 and the level within the fair value hierarchy as explained above (see Note 25).

<u>Cash and Cash Equivalents</u>
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 placements and are subject to insignificant risks of changes in value. Cash and cash equivalents are carried at face value in the consolidated statement of financial position.

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>
Date of recognition
The Group recognizes financial instruments when, and only when, it becomes a party to the contractual terms 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. Settlement date accounting refers to:

a. The recognition of an asset on the day it is received by the Group; and
b. The derecognition of an asset and recognition of any gain or loss on disposal on the day that such asset is delivered by the Group.

Initial recognition
All financial instruments are initially measured 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 fair value through profit or loss (FVPL). The Group classifies its financial assets

in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities carried at amortized cost. The classification depends on the purpose for which the financial instruments are acquired and whether they are quoted in an active market, and for HTM financial assets, the ability and intention to hold the investment until maturity. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every statement of financial position date.

As at March 31, 2018 and 2017, the Group has no financial asset or liability at FVPL and HTM investments.

'Day 1' difference
Where the transaction price in a non-active market is different with 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 an observable market, the Group recognizes the difference between the transaction price and fair value ('Day 1' difference) in the profit or loss. In cases where the 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 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.

Loans and receivables
These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market other than those:
- That the Group intends to sell immediately or in the near term and those that the Group, upon initial recognition, designates as at FVPL;
- That the Group, upon initial recognition, designates as AFS; and
- For which the Group may not cover substantially all of its investments, other than because of credit deterioration.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for doubtful accounts. Amortization is determined using the effective interest method and is included under "Interest income" in the consolidated statement of income. Losses arising from impairment are recognized in "Provision for credit losses" under "General and administrative expenses" in the consolidated statement of income.

As at March 1, 2018 and 2017, the Group's loans and receivables include tuition and other receivables.

AFS investments
AFS investments are those which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirement or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS investments are recognized, net of tax, in the consolidated statement of comprehensive income as "Change in revaluation reserve on available-for-sale investments."

When the fair value of AFS investments cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted AFS investments, these investments are carried at cost, less any allowance for impairment losses. When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in "Others" under "Miscellaneous income" in the consolidated statement of income. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a weighted average basis.

Dividends earned on holding AFS investments are recognized in "Others" under "Miscellaneous income" in the consolidated statement of income when the right of the payment has been established. Losses arising from impairment of such investments are recognized as "Provision for credit losses" under "General and administrative expenses" in the consolidated statement of income.

The Group's AFS investments pertain to quoted and unquoted equity investments.

Other financial liabilities carried at amortized cost
These are issued financial instruments or their components, which are not designated as at FVPL and where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, financial liabilities not qualified and not designated as at FVPL 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 issuance and fees that are an integral part of the effective interest rate (EIR).

As at March 31, 2018 and 2017, other financial liabilities carried at amortized cost include accounts payable and accrued expenses (excluding statutory payables), dividends payable and installment payable.

<u>Impairment of Financial Assets</u>
The Group assesses, at each reporting date, whether there is objective evidence that 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 the 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 measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and 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 there is objective evidence that an impairment loss on loans and receivables 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). The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statement of income.

Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery. 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 consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. If a write-off is later recovered, the recovery is credited to "Others" under "Miscellaneous income" in the consolidated statement of income.

The Group impairs its receivables through the use of an allowance account.

AFS investments
In the case of equity investments classified as AFS investments, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

<u>Derecognition of Financial Instruments</u>
Financial assets
A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognized (that is, removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset 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 rights to receive cash flows from the asset; 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.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. 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 liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets 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 valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less marketing and distribution costs. The cost includes the invoice amount, freight in and other incidental costs and is determined using the first-in, first-out method.

Property and Equipment
Property and equipment, except for land, is carried at cost, less accumulated depreciation and amortization and accumulated allowance for impairment losses. The initial cost of property and equipment comprises its purchase price, including import duties, taxes 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 presented in OCI, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the consolidated statement of income, in which case, the increase is recognized in the consolidated statement of income. A revaluation decrease is recognized in the consolidated statement of income, except to the extent that it offsets an existing surplus on the same asset presented in OCI. Upon disposal, any revaluation surplus, net of tax effect, relating to the land being sold is transferred to retained earnings.

Construction in progress, included in property and equipment, is stated at cost.

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged against the consolidated statement of income 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.

The useful life and depreciation and amortization method are reviewed at least reporting date and adjusted prospectively, if appropriate.

Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives of the assets:

	Number of Years
Property and Equipment	10
Building	50
Furniture and Equipment	5
Leasehold Improvements	10 or lease term whichever is shorter

Construction in progress is not depreciated until such time that the relevant assets are completed and become available for intended use.

Fully depreciated property and equipment are retained in the accounts until these are no longer used and no further depreciation and amortization is charged to the consolidated statement of income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset by sale (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) and by write off, is recognized under “Miscellaneous income” and “Loss on retirement/disposal of assets,” respectively, in the consolidated statement of income in the year the asset is derecognized.

Investment Property

Investment property is measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired, unless the fair value of such an asset cannot be measured, in which case, the investment properties acquired are measured at the carrying amount of the asset given up. Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to the consolidated statement of income in the year in which the costs are incurred.

The investment property of the Group comprise of land being leased to a third party.

Subsequent to initial recognition, land is stated at fair value, which reflects the prevailing market conditions at the end of reporting period. Gains and losses from changes in the fair value of the land are recognized in the consolidated statement of income under “Fair value gain (loss) from investment properties.”

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the cost and the carrying amount of the property transferred do not change. If an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the accounting policy on property and equipment up to the date of change in use.

Investment property is derecognized when it has either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

Business Combinations 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 elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share in the recognized amounts of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and financial 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.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income.

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 in the consolidated statement of income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

When the seller agrees to contractually indemnify the acquirer for the outcome of a contingency or uncertainty related to a specific asset or liability, the acquirer recognizes an indemnification asset with an equivalent amount deducted from the consideration transferred for the business combination. Indemnification asset recognized at the acquisition date continues to be measured on the same basis as the related indemnified item subject to collectability and contractual terms until the asset is collected, sold, cancelled or expire in the post-combination period. The Group measures the indemnification asset on the same basis as the related item, subject to any restrictions in the contractual terms.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

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

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

- Represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Not be larger than an operating segment determined in accordance with PFRS 8.

When goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill allocated with disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation.

Impairment of Nonfinancial Assets

An assessment is made at each reporting date whether there is any indication of impairment of nonfinancial assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's or CGU's value-in-use or its fair value less cost to sell. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is assessed as part of the CGU to which it belongs.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU). In determining fair value less cost to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

An impairment loss is recognized only if the carrying amount of an asset (or CGU) exceeds its recoverable amount. An impairment loss is charged against the consolidated statement of income in the period in which it arises, unless the asset (or CGU) is carried at a revalued amount, in which case, the impairment loss is charged against the revaluation increment of the said asset (or CGU).

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 (or CGU), but not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is credited to current consolidated statement of income, unless the asset (or CGU) is carried at revalued amount, in which case, the reversal of the impairment loss is credited to the revaluation increment of the said asset (or CGU).

The following criteria are also applied in assessing impairment of specific assets:

Property and equipment

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and when the carrying values exceed the estimated recoverable amounts, the assets or CGUs are written down to their recoverable amounts.

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

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Other Assets
Advances to suppliers and contractors
Advances to suppliers and contractors, included under "Other noncurrent assets", represent amounts paid to suppliers and contractors for purchases not yet received as at the reporting date. This is subsequently reversed to an asset or expense account when the goods or services are received.

Prepayments
Prepayments, included under "Other current assets", are initially measured at the amounts paid and subsequently recognized as expense over the period in which the prepayments apply.

Software costs
Software cost includes all software which are currently use by the University which is carried at cost, less accumulated amortization and accumulated allowance for impairment losses.

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." When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received.

Retained earnings represent accumulated earnings of the Group less dividends declared.

Revenue Recognition
Revenue is recognized when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably. Revenue is measured at the fair value of consideration received. The following specific recognition criteria must also be met before revenue is recognized:

Tuition and other school fees, excluding income from other school services and rental income
Tuition and other school fees, excluding income from other school services, and rental income are recognized as income when earned on a straight-line basis over the corresponding school term.

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

Income from other school services and miscellaneous income
Revenue is recognized when services are rendered or goods are delivered.

Rental income
Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms and is recorded in the consolidated statement of income under "Miscellaneous income."

Expense Recognition
Expenses are recognized in the consolidated statement of income when a decrease in future economic benefits 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 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 an 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.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Retirement Benefits
The Group operates a defined benefit retirement plan which requires contribution to be made to a separately administered fund.

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

Retirement expense comprises the following:
- Service cost; and
- Net interest on the retirement liability.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by the independent qualified actuary.

Net interest on the retirement liability is the change during the period in the retirement liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the retirement liability. Net interest on the retirement liability is recognized as an expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on the retirement liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods.

The retirement liability is the aggregate of the present value of defined benefit obligation at the reporting date reduced by the fair value of plan assets, adjusted for any effect of limiting a net retirement 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. The 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

Income tax on income or loss for the year comprises current and deferred tax. Income tax is determined in accordance with Philippine tax laws. Income tax is recognized in the consolidated statement of income, except to the extent that it relates to items recognized directly in equity, in which case, the tax effect is recognized in the consolidated statement of comprehensive income.

Current tax

Current tax assets and current tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the statement of financial position date.

Deferred tax

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

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

a. When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
b. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

a. When the deferred tax liability arises from the initial recognition of goodwill or 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; or
b. In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Leases

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

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

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

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

Group as lessor

Leases where the Group does not transfer all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and are recognized over the lease term on the same basis as the rental income. Operating lease payments are recognized in the consolidated statement of income. Any rental payments are accounted for on a straight-line basis over the lease term and included under 'Miscellaneous income' in the consolidated statement of income. Contingent rentals are recognized as revenue in the period in which they are earned.

Group as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as "Rental" under "Cost of services" in the consolidated statement of income on a straight-line basis over the lease term. Contingent rental payable is recognized as expense in the period in which it is incurred.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the geographic locations, designated as the Group's campuses, 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 21.

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 calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive potential common shares.

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 assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

Events after the Statement of Financial Position Date
Post year-end events up to the date of approval of the BOD of the consolidated financial statements that provide additional information about the Group's position reporting 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 consolidated financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRS 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 continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Operating leases

- Group as lessor
  The University has entered into commercial property leases on its Mendiola, Malolos, Makati and Las Piñas campuses. The University has determined, based on an evaluation of the terms and conditions of the arrangements (that is, the lease does not transfer ownership of the asset

to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties. Thus, the leases are classified as operating leases.

- Group as lessee
  The University has entered into a lease on premises it uses for its Makati-Buendia campus. The University has determined, based on an evaluation of the terms and conditions of the arrangement (that is, the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and the lease term is not for the major part of the asset's economic life), that not all significant risks and rewards of ownership of the properties have been transferred to the University. Thus, the lease is classified as operating lease.

Estimates and Assumptions
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:

Estimation of allowance for doubtful accounts
The University determines the allowance for doubtful accounts on a portfolio basis by applying a loss rate determined based on a five-year average of historical losses. The determination of the loss rate involves management judgment, and the estimated losses could be significantly different from actual credit losses.

The carrying values of tuition and other receivables and allowance for doubtful accounts are disclosed in Note 6.

Determination of NRV of inventories
The University's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made and the amount at which the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the balance sheet date. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

No write-down of inventories is recognized for the years ended March 31, 2018 and 2017. The carrying value of inventories of the Group is disclosed in Note 7.

Estimation of useful lives of property and equipment and software cost
The useful lives of property and equipment and software cost are estimated based on the period over which these assets are expected to be available for use. The estimated useful lives of propertyand equipment and software costs are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological and environmental changes and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes

in these estimates brought about by changes in factors mentioned. Any reduction in the estimated useful lives of the property and equipment and software costs would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful lives of property and equipment and software costs are discussed in Note 2 to the consolidated financial statements. There is no change in the estimated useful lives of property and equipment and software costs as of March 31, 2018 and 2017.

The carrying values of depreciable property, plant and equipment (i.e., excluding land and construction in progress) and software costs with definite useful lives are disclosed in Notes 9 and 11.

Impairment of property and equipment and software costs
The Group assesses at each balance sheet date whether there is any indication that its property and equipment and software costs are impaired. Determining the fair value of these noncurrent non-financial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial position and financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

There are impairment indicators on the Group's property and equipment as of March 31, 2018 (nil in March 31, 2017). The carrying values of property and equipment are disclosed in Note 9. There are no impairment indicators on the Group's software costs as of March 31, 2018 and 2017. The carrying values of software costs as of March 31, 2018 and 2017 are disclosed in Note 11.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. The Group's value-in-use calculation involves significant management judgment in the use of assumptions, particularly the tuition fee rates, number of students, long-term growth rate and the discount rate.

The carrying value of goodwill of the Group is disclosed in Note 4.

Revaluation of land
The fair value of the Group's land at revalued amount was based on a third party appraisal with effective date of valuation of March 31, 2016, using sales comparison approach. Key assumptions used by the independent appraiser are disclosed in Note 24.

The revalued amount of land included under "Property and equipment" in the consolidated statement of financial position is disclosed in Note 9.

Retirement liability
The cost of the defined benefit retirement plan and the present value of defined benefit obligation are determined using an actuarial valuation. The actuarial valuation involves making assumptions about employee turnover rates, discount rates, prospective salary increases and mortality rate. Due to the complexity of the actuarial valuation, the underlying assumptions and long-term nature of this plan, such estimates are subject to significant uncertainty. All significant assumptions are reviewed at each reporting date.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at the reporting date. Future salary increases are assumed for all future years within the duration of the plan and take into account the inflation, seniority, promotion, merit, productivity and other market factors. Employee turnover rates are based on the probability of voluntary separation of service from the University prior to their retirement date.

The present value of defined benefit obligation and details about the significant assumptions used are disclosed in Note 17.

Recognition of deferred income taxes
Deferred tax assets are recognized for all deductible temporary differences and unused NOLCO to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and unused NOLCO can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The estimates of future taxable income indicate that all temporary differences will be realized in the future.

The recognized net deferred tax liabilities of the Group. Unrecognized deferred tax assets of the Group are disclosed in Note 18.

4. Business Combination

On August 24, 2015, the University entered into an agreement with the previous owners of CELPI (the "Sellers") to purchase their interest in CELPI shares, and real and other properties consisting of parcels of land and buildings and improvements which are owned directly by the Sellers but are used by CELPI.

Accordingly, the University obtained control of CELPI through the execution of the following agreements on September 1, 2015:

	Amount
Deed of Absolute Sale for the purchase of parcels of land, buildings and improvements	₱270,200,000
Deeds of Assignment for the purchase of CELPI shares representing 90% equity interest	3,600,000
	₱273,800,000

It was also agreed that the University will pay the Sellers the amount of ₱7.34 million to liquidate all liabilities of CELPI, including but not limited to, retirement/separation of all CELPI employees. The acquisition provides the University the opportunity to expand its operations in the Southern part of Metro Manila.

The fair values of the identifiable assets and liabilities of CELPI as at the date of acquisition follows:

	Fair value recognized on acquisition
Assets	
Cash	₱108,234
Receivables	10,000
Property and equipment	836,314
Other assets	6,650
	961,198
Liabilities	
Accounts payable and accrued expenses	197,496
Advances from officers	2,870,473
	3,067,969
Net liabilities	(₱2,106,771)

In addition to the above identifiable assets and liabilities, the Group recognized the fair value of real and other properties acquired as a result of the business combination amounting to ₱229.46 million and the related deferred tax asset of ₱4.07 million (see Note 18).

The fair values of land and buildings and improvements as at September 1, 2015 have been determined based on the valuation done by a professionally qualified appraiser accredited by the SEC. The fair values of these assets were derived based on sales comparison approach. Under this approach, the fair value of the land was determined considering sales and listings of comparable property in the same area as the land, also taking into account the economic conditions prevailing at the time the valuation was made. The actual sales and listings regarded as comparable are adjusted to account for differences in a property's location, size and time element. For buildings and improvements, the significant input considered in the valuation is the reproduction cost, which is the estimated cost to create a virtual replica of the existing structure, employing the same design and similar building materials.

The University has elected to measure the non-controlling interest in LPC at their proportionate share of CELPI's net identifiable assets.

Goodwill from the acquisition is computed as follows:

Consideration transferred	₱281,140,000
Fair value of net liabilities assumed	2,106,771
Less:	
Fair value of real and other properties acquired	(229,460,339)
Deferred tax asset on excess of acquisition cost over fair value of real and other properties acquired	(4,073,966)
Indemnification asset	(2,106,771)
Goodwill	₱47,605,695

The goodwill arising from the acquisition can be attributed mainly to expected synergies and increase in geographical presence and customer base.

The Sellers have contractually agreed to indemnify the University for all known liabilities until March 31, 2016, and consequently, the University recognized indemnification asset of ₱2.11 million at acquisition date.

Impairment Testing of Goodwill
As at March 31, 2018 and 2017, the carrying amount of goodwill amounted to ₱47.61 million. Management assessed that no impairment losses need to be recognized in 2018 and 2017.

Key assumptions used in the value-in-use calculation
As at March 31, 2018 and 2017, the recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections from the five-year strategic plan for CELPI. Tuition fee rates and number of students assumed to project revenues were based on externally available industry data and the Group's historical data and performance. The discount rate used for the computation of the net present value is the cost of equity and was determined by reference to comparable entities. In 2018 and 2017, the pre-tax discount rate applied to cash flow projections is 12.32% and 12.02%, respectively, while the long-term growth rate to project cash flows beyond the five-year period is 5.00% for both years.

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 the goodwill to materially exceed its recoverable amount.

5. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand and in banks (Note 21)	**₱210,478,247**	₱298,281,716
Short-term deposits (Note 21)	**79,702,762**	137,515,041
	₱290,181,009	₱435,796,757

Cash in banks earned interest rates ranging from 0.10% to 0.50% in 2018, 0.25% to 2.47% in 2017 and 0.25% to 0.50% in 2016. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earned interest rates ranging from 1.25% to 2.75% in 2018, 1.25% to 2.50% in 2017, and 1.70% to 2.50% in 2016. Interest income from cash in banks and short-term deposits amounted to ₱3.41 million in 2018,
₱3.72 million in 2017 and ₱6.93 million in 2016.

6. Tuition and Other Receivables

This account consists of:

	2018	2017
Tuition fee receivables	**₱148,909,855**	₱117,130,531
Advances to employees	**13,015,260**	5,959,758
Accrued rent receivable	**1,645,557**	1,646,460
Advances to CE-IS's stockholders	**1,250,000**	1,250,000

(Forward)

	2018	2017
Accrued interest receivable	**₱145,577**	₱120,372
Other receivables	**1,799,153**	437,589
	166,765,402	126,544,710
Less allowance for doubtful accounts	**45,354,755**	39,505,051
	₱121,410,647	₱87,039,659

Tuition fee receivables are noninterest-bearing and are generally on a 120-day term.

Advances to employees comprise of noninterest-bearing advances which are collectible through salary deduction and are generally on a 6 to 12-month term.

The allowance for doubtful accounts pertains to the Group's tuition fee receivables, which were impaired through collective assessment. The rollforward of allowance for doubtful accounts follows:

	2018	2017
Balance at beginning of year	**₱39,505,051**	₱31,455,154
Provision (Note 16)	**5,849,704**	8,049,897
Balance at end of year	**₱45,354,755**	₱39,505,051

As at March 31, 2018 and 2017, the aging analysis of tuition and other receivables follows:

	2018					
	Neither Past Due nor Impaired	**Past Due but not Impaired**			**Past Due and Impaired**	
		1-30 Days	**Over 30 Days**	**Over 60 Days**		**Total**
Tuition fee receivables	**₱–**	**₱–**	**₱–**	**₱103,555,100**	**₱45,354,755**	**₱148,909,855**
Accrued interest receivable	**145,577**	**–**	**–**	**–**	**–**	**145,577**
Advances to employees	**13,015,260**	**–**	**–**	**–**	**–**	**13,015,260**
Accrued rent receivable	**1,645,557**	**–**	**–**	**–**	**–**	**1,645,557**
Advances to CE-IS's stockholders	**1,250,000**	**–**	**–**	**–**	**–**	**1,250,000**
Other receivables	**1,799,153**	**–**	**–**	**–**	**–**	**1,799,153**
	₱17,855,547	**₱–**	**₱–**	**₱103,555,100**	**₱45,354,755**	**₱166,765,402**

	2017					
	Neither Past Due nor Impaired	Past Due but not Impaired			Past Due and Impaired	
		1-30 Days	Over 30 Days	Over 60 Days		Total
Tuition fee receivables	₱–	₱–	₱–	₱77,625,480	₱39,505,051	₱117,130,531
Accrued interest receivable	120,372	–	–	–	–	120,372
Advances to employees	5,959,758	–	–	–	–	5,959,758
Accrued rent receivable	1,646,460	–	–	–	–	1,646,460
Advances to CE-IS's stockholders	1,250,000	–	–	–	–	1,250,000
Other receivables	437,589	–	–	–	–	437,589
	₱9,414,179	₱–	₱–	₱77,625,480	₱39,505,051	₱126,544,710

7. **Inventories**

This account consists of:

	2018	2017
Uniforms and outfits	**₱9,840,065**	₱6,128,528
Supplies	**1,426,048**	999,958
Materials	**1,614,441**	942,195
	₱12,880,554	₱8,070,681

The cost of uniforms and outfits charged to "Cost of services - Uniforms and outfits" amounted to ₱8.64 million in 2018, ₱12.23 million in 2017 and ₱11.13 million in 2016 (see Note 16).

The cost of materials and supplies charged to "Cost of services - Material processing" amounted to ₱8.49 million in 2018, ₱10.11 million in 2017 and ₱2.23 million in 2016 (see Note 16).

8. Other Current Assets

This account consists of:

	2018	2017
Advances to suppliers	**₱20,603,190**	₱16,527,357
Creditable withholding taxes	**1,342,125**	892,298
Prepaid insurance and licenses	**479,211**	9,728,790
	₱22,424,526	₱27,148,445

9. Property and Equipment

The composition of and the movements in this account follow:

	2018								
		At Cost							
	Land (At Revalued Amount)	Land Improvements	Buildings and Leasehold Improvements	Furniture, Transportation and Auxiliary Equipment	Laboratory Equipment	Library Books	Construction in Progress	Subtotal	Total
Cost									
Balances at beginning of year	**₱1,863,505,003**	**₱31,828,832**	**₱1,690,217,895**	**₱522,085,615**	**₱352,507,181**	**₱116,709,067**	**₱–**	**₱2,713,348,590**	**₱4,576,853,593**
Additions	**20,521,289**	**–**	**3,144,358**	**34,173,981**	**19,947,205**	**8,692,884**	**81,773,774**	**147,732,202**	**168,253,491**
Retirements/disposals	**–**	**–**	**–**	**(11,506,309)**	**(2,148,699)**	**–**	**–**	**(13,655,008)**	**(13,655,008)**
Balances at end of year	**1,884,026,292**	**31,828,832**	**1,693,362,253**	**544,753,287**	**370,305,687**	**125,401,951**	**81,773,774**	**2,847,425,784**	**4,731,452,076**
Accumulated depreciation and amortization									
Balances at beginning of year	**–**	**29,286,332**	**610,481,741**	**411,018,718**	**242,700,666**	**77,287,705**	**–**	**1,370,775,162**	**1,370,775,162**
Depreciation and amortization (Note 16)	**–**	**270,000**	**37,659,192**	**21,314,668**	**25,498,528**	**7,371,380**	**–**	**92,113,768**	**92,113,768**
Retirements/disposals	**–**	**–**	**–**	**(11,313,701)**	**(1,946,771)**	**–**	**–**	**(13,260,472)**	**(13,260,472)**
Balances at end of year	**–**	**29,556,332**	**648,140,933**	**421,019,685**	**266,252,423**	**84,659,085**	**–**	**1,449,628,458**	**1,449,628,458**
Accumulated allowance for impairment losses									
Balance at beginning of the year	**–**	**–**	**–**	**–**	**5,294,724**	**–**	**–**	**5,294,724**	**5,294,724**
Impairment loss during the year (Note 16)	**–**	**–**	**–**	**–**	**813,551**	**–**	**–**	**813,551**	**813,551**
Balances at end of the year	**–**	**–**	**–**	**–**	**6,108,275**	**–**	**–**	**6,108,275**	**6,108,275**
Net book values	**₱1,884,026,292**	**₱2,272,500**	**₱1,045,221,320**	**₱123,733,602**	**₱97,944,989**	**₱40,742,866**	**₱81,773,774**	**₱1,391,689,051**	**₱3,275,715,343**

	2017								
		At Cost							
	Land (At Revalued Amount)	Land Improvements	Buildings and Leasehold Improvements	Furniture, Transportation and Auxiliary Equipment	Laboratory Equipment	Library Books	Construction in Progress	Subtotal	Total
Cost									
Balances at beginning of year	₱1,863,505,003	₱29,128,832	₱1,599,775,006	₱493,830,603	₱322,229,926	₱102,197,520	₱61,984,500	₱2,609,146,387	₱4,472,651,390
Additions	–	2,700,000	28,442,889	34,221,462	31,846,979	14,511,547	15,500	111,738,377	111,738,377
Retirements/disposals	–	–	–	(5,966,450)	(1,569,724)	–	–	(7,536,174)	(7,536,174)
Transfer of construction in progress	–	–	62,000,000	–	–	–	(62,000,000)	–	–
Balances at end of year	1,863,505,003	31,828,832	1,690,217,895	522,085,615	352,507,181	116,709,067	–	2,713,348,590	4,576,853,593
Accumulated depreciation and amortization									
Balances at beginning of year	–	29,128,832	573,377,689	395,832,993	219,901,921	70,891,948	–	1,289,133,383	1,289,133,383
Depreciation and amortization (Note 16)	–	157,500	37,104,052	21,096,775	24,128,180	6,395,757	–	88,882,264	88,882,264
Retirements/disposals	–	–	–	(5,911,050)	(1,329,435)	–	–	(7,240,485)	(7,240,485)
Balances at end of year	–	29,286,332	610,481,741	411,018,718	242,700,666	77,287,705	–	1,370,775,162	1,370,775,162
Accumulated allowance for impairment losses									
Balance at beginning and end of year	–	–	–	–	5,294,724	–	–	5,294,724	5,294,724
Net book values	₱1,863,505,003	₱2,542,500	₱1,079,736,154	₱111,066,897	₱104,511,791	₱39,421,362	₱–	₱1,337,278,704	₱3,200,783,707

In 2018, additional major developments accounted under construction in progress are as follows:

- Construction of 3-storey building in Malolos campus for Health Science Courses
- Construction of 5-storey building for CE-IS
- Construction of Centro Mall in Malolos campus
- Construction and major renovation of Manila and Makati school/colleges and administration offices.

As at March 31, 2017, the Group’s construction in progress pertaining to Malolos campus was completed and the related cost was transferred to buildings and leasehold improvements.

Allowance for impairment losses pertains to the Hospital's laboratory equipment.

As at March 31, 2018 and 2017, the University retired/disposed certain properties with aggregate cost amounting to ₱ 13.66 million and ₱7.54 million, respectively. Loss on retirement/disposal of these properties amounted to ₱0.33 million in 2018, ₱0.30 million in 2017, and ₱0.45 million in 2016. Proceeds from sale of property and equipment amounted to ₱0.06 million, nil and ₱0.47 million in 2018, 2017 and 2016, respectively.

As at March 31, 2018 and 2017, the cost of the Group's fully depreciated property and equipment still in use amounted to ₱776.72 million and ₱709.10 million, respectively.

The carrying amount of the Group's idle laboratory equipment amounted to ₱1.90 million as at March 31, 2017 (nil as at March 31, 2018).

Revaluation of Land

As at March 31, 2018 and 2017, land at revalued amounts consists of:

At cost as at March 31, 2017 and 2016	₱363,501,702
Additions	20,521,289
Revaluation increment	1,500,003,301
	₱1,884,026,292

Based on the University's policy, the appraisal of its properties is done within three to five years. The latest appraisal was done in May 2016 by a professionally qualified appraiser accredited by the SEC (see Note 25).

The fair value of the land as at March 31, 2018 and 2017 amounted to ₱1,884.02 million.

Deferred tax liability related to the revaluation surplus amounted to ₱150.00 million as at March 31, 2018 and 2017 (see Note 18).

10. **Investment Property**

On July 5, 2017, the University purchased a parcel of land for a total consideration of ₱152.75 million. At the time of the purchase, the parcel of land is under an operating lease agreement with a third party that will end in fiscal year 2019. On January 5, 2018, the lease agreement was amended to change the lessor from the previous owner to the University.

Land is stated at fair value, which is based on the purchase price. As at March 31, 2018, the purchase prices approximates the fair value since the purchase of the land occurred within less than one year from the reporting date.

The rental income arising from this lease amounted to ₱0.85 million in 2018 (nil in 2017 and 2016) and is recognized as "Rental" under "Miscellaneous income" in profit or loss (see Note 15).

11. **Other Noncurrent Assets**

This account consists of:

	2018	2017
Advances to contractors	**₱24,982,852**	₱6,466,959
Software costs	**3,642,417**	5,398,000
Refundable security deposits	**1,012,012**	1,426,289
AFS investments	**512,157**	524,829
	₱30,149,438	₱13,816,077

Advances to contractors pertain to advances paid to contractors for planned construction of various facilities and advances paid to suppliers for library subscriptions for academic year 2018-2019.

Software costs represent the costs incurred by the Group for its accounting and school management software. The composition of and movements in this account follow:

	2018	2017
Cost		
Balance at beginning of year	**₱5,398,000**	₱–
Additions	**105,000**	5,398,000
Balance at end of year	**5,503,000**	5,398,000
Accumulated amortization		
Amortization (Note 16)	**1,860,583**	–
	₱3,642,417	₱5,398,000

AFS investments pertain to shares in stocks of the University. The composition of this account follows:

	2018	2017
Quoted equity securities	**₱105,840**	₱118,512
Unquoted equity securities	**406,317**	406,317
	₱512,157	₱524,829

Cost of quoted equity investments and dividend income pertaining to these follow:

	2018	2017	2016
Cost of quoted equity investments	**₱5,542**	₱5,542	₱5,542
Dividend income	**₱7,778**	₱2,873	₱7,661

Movement in carrying value of AFS investments follow:

	2018	2017
Balance at beginning of year	**₱524,829**	₱548,877
Fair value losses	**(12,672)**	(24,048)
Balance at end of year	**₱512,157**	₱524,829

Changes in revaluation reserve on AFS investments follow:

	2018	2017	2016
Balance at beginning of year	**₱112,970**	₱137,018	₱137,018
Change in revaluation reserve on AFS investments	**(12,672)**	(24,048)	(24,048)
Balance at end of year	**₱100,298**	₱112,970	₱112,970

12. **Accounts Payable and Accrued Expenses**

This account consists of:

	2018	2017
Accounts payable	**₱271,512,575**	₱185,460,291
Accrued expenses:		
Employee benefits	**44,118,171**	63,443,899
Rent	**12,594,361**	10,594,361
Utilities	**10,340,990**	5,991,414
Others	**5,476,230**	7,723,854
Deposits	**5,833,820**	4,922,500
Alumni fees payable	**5,430,073**	2,470,088
	₱355,306,220	₱280,606,407

Accounts payable are noninterest-bearing and are generally on 30 to 60-day terms.

Other accrued expenses include accruals for Pag-ibig, SSS and Philhealth contributions, advertisement and other provisions.

Deposits include refundable deposits for toga rentals and security deposits on leases.

Alumni fees payable includes graduating students' payments for alumni registration and identification cards which are remitted to the alumni foundation.

13. **Equity**

Capital Stock

The University's shares are listed and traded in the Philippine Stock Exchange.

Details of capital stock as at March 31, 2018 and 2017 follow:

Shares Authorized	Shares Issued and Outstanding	Par Value	Amount
800,000,000	372,414,400	₱1	₱372,414,400

On the next page is the summary of the University's track record of registration of securities under the Securities Regulation Code (SRC):

Date	Number of Shares	Issue Price
November 10, 1986	305,000	₱100
August 9, 1988	152,500	100
February 23, 1994	297,375	100
September 18, 1995	993,174	100
March 17, 1998	2,237,356	100

As at March 31, 2018 and 2017, the total number of shares registered under the SRC are 372,414,400 shares being held by 1,026 and 1,061 stockholders, respectively.

Cash Dividends

The University's BOD approved the declaration of the following cash dividends:

Date of Declaration	Date of Record	Date of Payment	Amount	Dividend per Share
September 29, 2017	October 20, 2017	November 17, 2017	₱74,482,880	₱0.20
July 26, 2016	August 16, 2016	September 9, 2016	74,482,880	0.20
July 28, 2015	August 18, 2015	September 14, 2015	74,482,880	0.20
November 27, 2015	December 21, 2015	January 21, 2016	74,482,880	0.20

As at March 31, 2018 and 2017, the carrying value of dividends payable amounted to ₱107.79 million and ₱108.23 million, respectively.

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:

- 3-storey building for Science-related courses in CEU Malolos;
- Additional investments in CEIS for construction of building in anticipation of increased number of students in S.Y. 2020-2021;
- Additional investment in CELPI for construction of building in anticipation of increased number of students in S.Y. 2020-2021; and
- Modernization of CEU Manila campus.

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 construction of the following in the Malolos Campus:

- 5-storey dormitory for the students, faculty and employees of the University;
- 2-storey building for the 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 construction of a 3-storey building for the setting up of a pre-school, elementary and high school in preparation for the K-12 program and to support the five-year development plan for Malolos campus.

The estimated date of completion of the above projects as set by the University is within five years.

In accordance with SRC Rule 68, As Amended (2011), Annex 68-C, the University's retained earnings available for dividend declaration as at March 31, 2018 amounted to ₱369.47 million.

The consolidated retained earnings include the deficit of the CEUHI amounting to ₱33,221,833 and ₱30,000,956 as of March 31, 2018 and 2017, respectively.

14. Tuition and Other School Fees

This account consists of:

	2018	2017	2016
Tuition fees	**₱722,128,289**	₱768,058,665	₱809,149,220
Other fees	**379,217,716**	443,160,080	513,433,873
Income from other school services	**269,758,076**	323,785,314	369,306,925
	₱1,371,104,081	₱1,535,004,059	₱1,691,890,018

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, qualifying and special examinations, laboratory materials, application fees for foreign students, uniforms and outfits, and various collections for specific items or activities.

15. Miscellaneous Income

This account consists of:

	2018	2017	2016
Dental materials	**₱12,275,920**	₱11,808,764	₱10,185,501
Rental (Note 19)	**12,772,671**	9,347,271	8,515,501
Dental pre-board fees	**4,679,821**	5,206,759	3,705,716
Locker fees	**3,634,239**	4,047,054	3,581,116
Laboratory fees	**2,609,218**	1,695,364	449,133
Professional and continuing education	**1,602,747**	1,634,487	879,542
Photograph fees	**1,308,858**	1,054,568	992,146
Service commissions	**464,732**	575,516	643,531
Swimming fees	**309,762**	3,193,882	3,228,586
Insurance fees	**305,385**	319,864	385,365
Handling fees	**276,622**	326,095	405,416
Others	**2,910,940**	6,140,003	8,794,735
	₱43,150,915	₱45,349,627	₱41,766,288

Others include income from sale of promotional items, sale of scrap and penalty from students.

16. Costs and Expenses

This account consists of:

Cost of Services

	2018	2017	2016
Salaries and wages	**₱391,064,847**	₱388,671,930	₱354,031,494
SSS contributions and other employee benefits	**276,711,692**	338,133,330	477,117,869
Depreciation and amortization (Notes 9 and 11)	**93,974,351**	88,882,264	83,110,144
Light and water	**91,230,363**	83,117,589	88,860,032
Sports and academic development	**40,211,374**	36,795,754	41,577,795
Expenses for co-curricular activities (Note 21)	**33,332,094**	23,080,847	19,412,570
Retirement expense (Note 17)	**25,871,823**	23,903,756	30,136,689
Rental (Notes 19 and 21)	**24,693,403**	30,069,793	30,580,505
Management information	**21,482,519**	20,212,510	21,157,356
Stationery and office supplies	**15,009,300**	16,525,458	16,195,104
Library	**9,398,087**	8,285,936	9,349,704
Recruitment and placement (Note 21)	**9,017,264**	10,802,354	15,383,447
Uniforms and outfits (Note 7)	**8,635,048**	12,234,413	11,126,691
Material processing (Note 7)	**8,493,574**	10,111,739	2,232,936
Professional fees	**6,428,059**	6,576,529	5,034,956
Directors' and administrative committee	**4,909,006**	4,220,200	4,468,200
Affiliation	**3,441,087**	3,911,111	2,496,490
Instructional and academic expenses	**3,206,907**	4,392,548	3,097,591
Comprehensive and oral examinations	**2,144,421**	1,433,644	2,153,312
Registration expenses of students	**1,754,338**	2,418,774	4,840,112
Laboratory	**1,638,403**	5,152,664	2,714,236
Guidance and counseling	**825,530**	878,207	1,769,291
University chapel expenses	**302,623**	329,662	521,059
Publications	**64,212**	217,926	320,327
	₱1,073,840,325	₱1,120,358,938	₱1,227,687,910

General and Administrative Expenses

	2018	2017	2016
Janitorial and security services	**₱48,583,407**	₱43,427,065	₱36,671,551
Repairs and maintenance	**48,382,962**	43,063,412	29,403,386
Transportation and communications	**25,282,392**	24,936,484	26,963,355
Taxes and licenses	**20,438,362**	24,300,012	20,663,937

(Forward)

	2018	2017	2016
Clinical expenses	**₱16,235,509**	₱11,242,110	₱9,452,605
Entertainment, amusement and recreation	**6,874,009**	7,312,906	8,564,431
Provision for credit losses (Note 6)	**5,849,704**	8,049,897	2,556,621
Insurance	**4,127,403**	3,809,882	3,757,886
Membership fees and dues	**3,036,415**	1,105,331	4,964,598
Impairment loss (Note 9)	**813,551**	–	–
Advertisement	**414,455**	242,168	877,124
Bank charges	**301,408**	117,329	130,059
Miscellaneous	**2,537,547**	3,782,763	2,711,079
	₱182,877,124	₱171,389,359	₱146,716,632

17. Retirement Plan

The University has a funded, noncontributory defined benefit 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. Benefits are based on the employees' years of service and final plan salary.

The fund is administered by two trustee banks under the supervision of the Board of Trustees (BOT) of the plan. The BOT is responsible for the investment strategy of the plan.

In 2015, the University approved a new collective bargaining agreement with its employees with changes in the increments on employee retirement benefits.

The latest actuarial valuation study of the defined benefit retirement plan of the University was made as at March 31, 2018.

Changes in the retirement liability are as follows:

	2018											
		Retirement Expense in the Consolidated Statements of Income				**Remeasurements in OCI**						
	Balance at Beginning of Year	**Current Service Cost**	**Net Interest**	**Subtotal**	**Benefits Paid**	**Return on Plan Assets (Excluding Amount Included in Net Interest)**	**Experience Adjustments**	**Actuarial Changes Arising from Changes in Financial Assumptions**	**Actuarial Changes Arising from Changes in Demographic Assumptions**	**Subtotal**	**Contribution by Employer**	**Balance at End of Year**
Present value of defined benefit obligation	**₱388,367,933**	**₱17,855,350**	**₱19,078,501**	**₱36,933,851**	**(₱30,779,451)**	**₱–**	**(₱58,527,479)**	**₱800,859**	**(₱49,736,879)**	**(₱107,463,499)**	**₱–**	**₱287,058,834**
Fair value of plan assets	**(218,065,403)**	**–**	**(11,062,028)**	**(11,062,028)**	**30,779,451**	**17,887,936**	**–**	**–**	**–**	**17,887,936**	**(22,000,000)**	**(202,460,044)**
	₱170,302,530	**₱17,855,350**	**₱8,016,473**	**₱25,871,823**	**₱–**	**₱17,887,936**	**(₱58,527,479)**	**₱800,859**	**(₱49,736,879)**	**(₱89,575,563)**	**(₱22,000,000)**	**₱84,598,790**

	2017											
		Retirement Expense in the Consolidated Statements of Income				Remeasurements in OCI						
	Balance at Beginning of Year	Current Service Cost	Net Interest	Subtotal	Benefits Paid	Return on Plan Assets (Excluding Amount Included in Net Interest)	Experience Adjustments	Actuarial Changes Arising from Changes in Financial Assumptions	Actuarial Changes Arising from Changes in Demographic Assumptions	Subtotal	Contribution by Employer	Balance at End of Year
Present value of defined benefit obligation	₱395,729,153	₱17,234,823	₱19,733,353	₱36,968,176	(₱59,711,948)	₱–	₱5,750,582	₱3,571,374	₱6,060,596	₱15,382,552	₱–	₱388,367,933
Fair value of plan assets	(265,730,472)	–	(13,064,420)	(13,064,420)	59,711,948	18,017,541	–	–	–	18,017,541	(17,000,000)	(218,065,403)
	₱129,998,681	₱17,234,823	₱6,668,933	₱23,903,756	₱–	₱18,017,541	₱5,750,582	₱3,571,374	₱6,060,596	₱33,400,093	(₱17,000,000)	₱170,302,530

The number of plan members as at March 31, 2018 and 2017 is 716 and 700, respectively.

Actual return on plan assets as at March 31, 2018 and 2017 amounted to ₱6.83 million and ₱4.95 million, respectively.

The fair value of plan assets as at March 31, 2018 and 2017 follows:

	2018	2017
Long-term investments:		
Debt securities	**₱92,025,384**	₱99,314,872
Equity securities	**89,343,001**	98,838,253
Cash and cash equivalents	**12,004,247**	19,405,022
Others assets	**8,588,435**	1,792,042
Loans and receivables	**750,745**	–
Liabilities	**(251,768)**	(1,284,786)
	₱202,460,044	₱218,065,403

All plan assets do not have quoted prices in an active market, except for equity and debt securities. Cash and cash equivalents are with reputable financial institutions and are deemed to be standard grade.

The plan assets pertain to diversified investments and are not exposed to concentration risk.

The overall investment policy and strategy of the University's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risks of the retirement plan.

The Group expects to contribute ₱31.64 million to the defined benefit retirement plan in 2018.

The cost of defined retirement plan, as well as the present value of defined benefit obligation, is determined using actuarial valuation. The actuarial valuation involves making various assumptions. The principal assumptions used in determining the pension for the defined benefit retirement plan are shown below:

	2018	2017	2016
Discount rates	**6.95%**	5.03%	5.13%
Future salary increases	**3.00%**	3.00%	3.00%
Mortality rate	**2017 Philippine Intercompany Mortality**	1994 Group Annuity Mortality	1994 Group Annuity Mortality
Average expected future years of service	**14**	14	12
Turnover rate	**A scale ranging from 6% at age 18 to 0% at age 65**	A scale ranging from 6% at age 18 to 0% at age 60	A scale ranging from 25% at age 20 to 0% at age 45

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the statement of financial position date, assuming all other assumptions were held constant:

	Increase (Decrease) in Defined Benefit Obligation	
	2018	2017
Discount rates		
+1.00%	**(₱21,212,338)**	(₱33,744,788)
-1.00%	**24,251,090**	39,153,164
Future salary increases		
+1.00%	**26,691,723**	41,910,907
-1.00%	**(23,638,695)**	(36,634,473)

The methods and types of assumptions used in preparing the sensitivity analysis did not change as at March 31, 2018 and 2017.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2018	2017
Less than 1 year	**₱23,979,042**	₱18,147,364
More than 1 year to 5 years	**107,195,463**	130,680,566
More than 5 years to 10 years	**156,322,400**	181,101,646
More than 10 years to 15 years	**194,386,413**	216,703,692
More than 15 years to 20 years	**209,621,663**	266,465,776
More than 20 years	**338,685,971**	393,411,449

18. **Income Taxes**

All domestic subsidiaries qualifying as private educational institutions are subject to tax under Republic Act No. 8424, *An Act Amending the National Internal Revenue Code, as amended, and For Other Purposes*, which was passed into law effective January 1, 1998. Title II Chapter IV - Tax on Corporation - Sec 27(B) of the said Act defines and provides that: a "Proprietary Educational Institution" is any private school maintained and administered by private individuals or groups with an issued permit to operate from Department of Education, or CHED, or Technical Education and Skills Development Authority, as the case may be, in accordance with the existing laws and regulations and shall pay a tax of 10.00% on its taxable income. Regular corporations, which include the Hospital, is subject to regular corporate income tax of 30%.

The provision for income tax represents the 10.00% income tax on special corporations, which consists of:

	2018	2017	2016
Current	**₱11,720,943**	₱32,321,976	₱10,559,593
Deferred	**25,985,386**	(4,143,489)	6,011,264
	₱37,706,329	₱28,178,487	₱16,570,857

The reconciliation of income before tax computed at statutory income tax rate to provision for income tax in the consolidated statements of income for the years ended March 31, 2018, 2017 and 2016 is shown on the next page.

	2018	2017	2016
Statutory provision for income tax	**₱14,792,272**	₱29,162,832	₱36,174,262
Tax effects of:			
Deductible temporary difference and carry forward benefits of NOLCO for which no deferred income tax was recognized	**12,134,233**	305,491	428,871
Nondeductible expenses*	**11,895,948**	–	414,499
Effect of higher tax rate of the Hospital	**(775,572)**	(917,719)	(312,714)
Interest income subjected to final tax	**(340,552)**	(372,117)	(693,312)
Effect of business combination	**–**	–	(19,440,749)
Effective provision for income tax	**₱37,706,329**	₱28,178,487	₱16,570,857

** Includes interest arising from deficiency VAT on the purchase of parcel of land in 2018.*

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

	2018	2017
Deferred tax assets on:		
Retirement liability	**₱8,459,879**	₱17,030,253
Accrued expenses	**6,974,695**	8,124,268
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**	3,950,505
Unamortized excess of contribution over the normal cost	**3,833,586**	4,106,046
Others	**25,851**	2,801,773
	27,358,661	40,086,811
Deferred tax liabilities on:		
Undepreciated cost of property and equipment	**154,404,724**	132,161,762
Revaluation gain on land	**150,000,330**	150,000,330
Unrealized foreign currency exchange gain	**25,424**	53,594
	304,430,478	282,215,686
Net deferred tax liabilities	**₱277,071,817**	₱242,128,875

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

The Group recognized deferred tax liability on revaluation increment on land amounting to nil in 2018 and 2017 and ₱3.84 million in 2016. The Group also recognized deferred tax asset on remeasurement loss on retirement liability amounting to ₱3.34 million in 2017 and deferred tax liability on remeasurement gain on retirement liability amounting to ₱8.96 million in 2018 and ₱7.58 million in 2017. The related deferred tax assets and liabilities were taken to equity.

The details of NOLCO which can be claimed in the future by the University and the Hospital as credit against the regular corporate income are shown on the next page.

Inception Year	2017	Amount	Expired	2018	Expiry Year
2018	₱–	₱113,470,960	₱–	₱113,470,960	2021
2017	1,018,303	–	–	1,018,303	2020
2016	1,429,571	–	–	1,429,571	2019
2015	1,512,255	–	(1,512,255)	–	2018
	₱3,960,129	₱113,470,960	(₱1,512,255)	₱115,918,834	

As at March 31, 2018 and 2017, the Group did not recognize deferred tax assets on the following temporary differences deemed to be not recoverable:

	2018	2017
NOLCO	**₱115,918,834**	₱3,960,129
Allowance for impairment losses	**6,108,275**	5,294,724
Allowance for doubtful accounts	**5,447,915**	–
	₱127,475,024	₱9,254,853

Tax Reform for Acceleration and Inclusion Act
Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

19. Operating Leases

Group as Lessor
The Group leases out portions of its spaces to concessioners which are renewable every two years. Total rent income recognized amounted to ₱10.32 million in 2018, ₱9.35 million in 2017 and ₱8.52 million in 2016 (see Note 15).

As lessor, future minimum rentals under operating leases are as follows:

	2018	2017
Within 1 year	**₱9,095,780**	₱8,081,629
After 1 year but not more than 5 years	**4,722,632**	10,680,446
More than 5 years	**3,260,413**	–
	₱17,078,825	₱18,762,075

Group as Lessee
On July 29, 2004, the University entered into a 25-year operating lease, which commenced on January 1, 2005, with Philtrust Bank for the lease of its land and building in Makati. The contract requires for ₱24.00 million fixed annual rentals plus 40.00% of the annual net income before tax of the Group's Makati-Buendia campus.

As lessee, future minimum rentals under the operating lease are as follows:

	2018	2017	2016
Within 1 year	**₱24,000,000**	₱24,000,000	₱24,000,000
After 1 year but not more than 5 years	**96,000,000**	96,000,000	96,000,000
More than 5 years	**162,000,000**	186,000,000	210,000,000
	₱282,000,000	₱306,000,000	₱330,000,000

The Group's rental expense for its Makati-Buendia campus follows:

	2018	2017	2016
Minimum lease payments	**₱24,000,000**	₱24,000,000	₱24,000,000
Contingent rents	**–**	5,529,253	5,816,994
	₱24,000,000	₱29,529,253	₱29,816,994

In addition, the University entered into a one-year operating lease with Kooler Industries for water services which will automatically be renewed for another year under the same terms and conditions. The University's rental expense arising from this contract amounted to ₱0.69 million, ₱0.54 million and ₱0.76 million in 2018, 2017 and 2016, respectively.

20. Segment Reporting

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

2018

	Mendiola	Malolos	Makati-Buendia	Makati-Legaspi	Makati-Legaspi Hospital (Pre-operating)	CE-IS	CELPI	Adjustments	Total
Segment assets	**₱2,278,456,577**	**₱815,083,267**	**₱118,033,770**	**₱569,715,990**	**₱25,208,884**	**₱58,354,360**	**₱40,660,156**	**₱47,605,695**	**₱3,953,118,699**
Segment liabilities	**310,022,464**	**14,393,552**	**19,332,607**	**6,520,030**	**259,134**	**3,037,387**	**1,741,046**	**472,429,770**	**827,735,990**
Capital expenditures	**137,806,312**	**6,939,123**	**4,438,337**	**8,092,415**	**–**	**313,039**	**10,664,265**	**–**	**168,253,491**
Segment revenues	**943,026,170**	**101,841,524**	**167,359,081**	**106,133,160**	**2,917,475**	**53,847,131**	**42,790,212**	**–**	**1,417,914,753**
Expenses	**820,509,771**	**128,020,019**	**166,162,536**	**89,262,725**	**6,138,352**	**20,778,492**	**39,120,137**	**–**	**1,269,992,032**
Depreciation and amortization expense	**56,461,024**	**11,054,496**	**9,115,635**	**14,735,034**	**734,874**	**14,688**	**1,858,600**	**–**	**93,974,351**
Net income (loss)	**122,516,399**	**(26,178,495)**	**1,196,545**	**16,870,435**	**(3,220,877)**	**33,068,639**	**3,670,075**	**(37,706,329)**	**110,216,392**

2017

	Mendiola	Malolos	Makati-Buendia	Makati-Legaspi	Makati-Legaspi Hospital (Pre-operating)	CE-IS	CELPI	Adjustments	Total
Segment assets	₱2,150,821,709	₱832,671,934	₱104,609,919	₱580,405,822	₱33,445,928	₱25,601,237	₱45,098,777	₱47,605,695	₱3,820,261,021
Segment liabilities	200,524,610	11,010,635	15,164,101	44,579,497	170,441	1,595,386	7,561,737	530,610,752	811,217,159
Capital expenditures	72,170,450	11,222,547	10,268,244	9,206,018	–	–	8,871,118	–	111,738,377
Segment revenues	1,083,417,048	141,051,648	178,537,820	124,954,198	293,613	16,264,560	40,091,907	–	1,584,610,794
Expenses	823,414,263	139,784,708	171,860,839	115,055,754	2,713,771	10,033,372	30,119,768	–	1,292,982,475
Depreciation and amortization expense	52,566,771	10,397,518	8,989,357	15,855,819	734,874	–	337,925	–	88,882,264
Net income (loss)	261,074,402	1,266,940	6,676,981	9,898,444	(724,690)	4,107,169	9,329,073	(28,178,487)	263,449,832

2016

	Mendiola	Malolos	Makati-Buendia	Makati-Legaspi	Makati-Legaspi Hospital (Pre-operating)	CE-IS	CELPI	Adjustments	Total
Segment assets	₱2,102,562,627	₱847,179,408	₱80,336,132	₱580,346,767	₱33,488,080	₱20,146,970	₱961,198	₱47,605,695	₱3,712,626,877
Segment liabilities	290,192,795	11,010,635	15,164,101	44,579,498	264,346	7,697,692	3,067,969	490,488,799	862,465,835
Capital expenditures	26,110,511	8,753,942	7,413,145	9,662,536	–	–	229,460,339	–	281,400,473
Segment revenues	1,202,653,863	189,498,142	191,289,122	151,620,679	449,133	5,469,046	–	–	1,740,979,985
Expenses	919,009,301	154,619,170	179,305,639	120,949,616	1,432,277	3,921,361	–	–	1,379,237,364
Depreciation and amortization expense	49,758,258	8,803,616	8,680,306	15,308,888	559,076	–	–	–	83,110,144
Net income (loss)	284,323,760	34,878,971	11,983,482	30,671,063	(1,143,790)	1,029,135	–	(16,570,857)	345,171,764

In 2018, 2017 and 2016, there were no intersegment revenues and all revenues are made to external customers.

As at March 31, 2018 and 2017, segment assets for each segment do not include "Goodwill" amounting to ₱47.61 million.

Segment liabilities for each segment do not include the following:

	2018	2017	2016
Deferred tax liabilities - net	**₱277,071,817**	₱242,128,875	₱249,612,373
Dividends payable	**107,787,994**	108,225,615	110,877,745
Retirement liability	**84,598,790**	170,302,530	129,998,681
Income tax payable	**2,971,169**	9,953,732	–
	₱472,429,770	₱530,610,752	₱490,488,799

Net income for each segment does not include "Provision for income tax" amounting to ₱37.71 million in 2018, ₱28.18 million in 2017 and ₱16.57 million in 2016.

21. 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.

Affiliates are entities that are subject to common control.

Significant transactions with related parties include the following:

		2018	
Category	**Amount/Volume**	**Outstanding Balance**	**Terms and Conditions/Nature**
Affiliates			
PhilTrust Bank			
Cash	**₱136,629,165**	**₱50,508,542**	Savings deposit with interest rate at 0.50%
Interest income	**122,863**	–	
Short-term deposits Interest income	**2,993,536**	**48,773,864**	Money market placements at 6 to 53 days with interest ranging from 2.08% to 3.20%
Rent	**24,000,000**	**12,594,361** –	Unsecured; Rent of building in Makati (see Note 19)
Manila Hotel			
Expenses for co-curricular activities (Note 16)	**699,993**	–	Rental of room and facilities for commencement exercises
Manila Bulletin Publishing Corporation			
Recruitment and placement (Note 16)	**7,048,332**	–	Advertising services, terms vary as to type and frequency of advertisements
Purchase of property and equipment	**203,843**	–	

Category	Amount/Volume	Outstanding Balance	Terms and Conditions/Nature
		2017	
Affiliates			
PhilTrust Bank			
Cash	₱105,960,320	₱191,509,845	Savings deposit with interest rate at 0.50%
Interest income	261,812	–	
Short-term deposits	(39,289,892)	107,404,419	Money market placements at 6 to 53 days with interest ranging from 2.08% to 3.20%
Interest income	2,826,930		
Accrued interest receivable	(10,365)	115,109	
Rent	29,529,253	10,594,361	Unsecured; Rent of building in Makati (see Note 19)
Manila Hotel			
Expenses for co-curricular activities (Note 16)	2,124,000	–	Rental of room and facilities for commencement exercises
Manila Bulletin Publishing Corporation			
Recruitment and placement (Note 16)	8,746,850	–	Advertising services, terms vary as to type and frequency of advertisements

Generally, related party transactions are settled in cash.

Transactions with Retirement Plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The University's retirement plan is in the form of a trust administered by two trustee banks. The carrying value of the fund, which approximates its fair value, amounted to ₱202.46 million and ₱218.07 million as at March 31, 2018 and 2017, respectively (see Note 17).

The assets of the fund consist mainly of cash and cash equivalents, government securities and equity securities.

As at March 31, 2017 and 2016, the retirement fund has 8,072,299 shares or 2.17% interest in the University. The total unrealized gains recognized from these investments amounted to ₱5.38 million and ₱7.27 million as at March 31, 2017 and 2016, respectively. No limitations and restrictions are provided and voting rights over these shares are exercised by a trust officer.

There are no other transactions by the Group or its related parties with the retirement fund as at March 31, 2018 and 2017.

Remuneration of Key Management Personnel

The Group's key management personnel include all management committee officers. The summary of compensation of key management personnel follows:

	2018	2017
Short-term employee salaries and benefits	**₱13,220,339**	₱12,561,730
Post-employment benefits	**14,090,442**	12,737,182
	₱27,310,781	₱25,298,912

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.

22. Notes to Consolidated Statements of Cash Flows

Noncash investing activities pertain to the following:

a. Retirement/disposal of assets - In 2018, 2017 and 2016, the University retired/disposed furniture and fixtures and laboratory equipment with aggregate cost of ₱13.66 million, ₱7.54 million and ₱7.07 million, respectively, and accumulated depreciation of ₱13.26 million, ₱7.24 million and ₱6.62 million, respectively (see Note 9).
b. Revaluation increment on the land - In 2016, the University engaged the services of an independent appraiser and obtained valuation for its land in Mendiola, Malolos and Legaspi-Makati. The appraisal resulted in the recognition of increases in revaluation increment on land of ₱38.40 million, gross of deferred income tax of ₱3.84 million, in 2016 (see Note 9).

23. Basic/Diluted EPS

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

	2018	2017	2016
Net income (a)	**₱107,772,975**	₱262,106,208	₱345,068,851
Weighted average number of outstanding common shares (b)	**372,414,400**	372,414,400	372,414,400
Basic/diluted earnings per share (a/b)	**₱0.29**	₱0.70	₱0.93

There were no potential dilutive financial instruments in 2018, 2017 and 2016.

24. Fair Value Measurement

The Group uses a hierarchy for determining and disclosing the fair value of its assets and liabilities.

The following tables summarize the carrying amounts and the fair values of the Group's financial and nonfinancial assets and liabilities as at March 31:

	2018			
		Fair Value Measurement Using		
	Carrying Value	**Quoted Prices in Active Markets** (Level 1)	**Significant Unobservable Inputs** (Level 3)	**Total Fair Value**
Assets measured at fair value:				
Financial assets				
AFS investments - quoted	**₱105,840**	**₱105,840**	**₱–**	**₱105,840**
Nonfinancial assets				
Land valued under revaluation model	**1,884,026,292**	**–**	**1,884,026,292**	**1,884,026,292**
Land classified as investment properties under fair value model	**152,751,487**	**–**	**152,751,487**	**152,751,487**
	₱2,036,883,619	**₱105,840**	**₱2,036,777,779**	**₱2,036,883,619**

	2017			
		Fair Value Measurement Using		
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets measured at fair value:				
Financial assets				
AFS investments - quoted	₱118,512	₱118,512	₱–	₱118,512
Nonfinancial assets				
Land valued under revaluation model	1,863,505,003	–	1,863,505,003	1,863,505,003
	₱1,863,623,515	₱118,512	₱1,863,505,003	₱1,863,623,515

As at March 31, 2018 and 2017, unquoted equity securities carried at cost amounted to ₱0.41 million.

The methods and assumptions used by the University in estimating the fair value of the financial and nonfinancial assets and liabilities are as follows:

<u>Cash and Cash Equivalents, Tuition and Other Receivables, Accounts Payable and Accrued Expenses (Excluding Statutory Obligations), Dividends Payable and Installment Payable</u>
Fair values approximate carrying amounts given the short-term nature of these accounts.

<u>Property and Equipment</u>
The table below summarizes the valuation techniques used and the significant unobservable inputs to the valuation of land under the revaluation model:

	Valuation Techniques	**Significant Unobservable Inputs**	**Range (Weighted Average)**
Land	Sales Comparison Approach/Market Approach	Internal factors:	
		Location	-5%
		Size	+3% to -18%
		Time Element	-2% to +1%

The range of the prices per square meter used in the valuation is shown below:

	Valuation Techniques	**Location**	**Range (Weighted Average)**
Land	Sales Comparison Approach/Market Approach	Comparable analysis: External factor (net price)	
		Manila - Site 1 and 2	₱62,500 to ₱90,000 per square meter (sqm)
		Makati	₱225,000 to ₱320,000 per sqm
		Malolos, Bulacan	₱9,000 to ₱11,500 per sqm

The description of the valuation technique and inputs used in the valuation of the Group's land are as follows:

Market Data Approach	A comparable method where the value of the property is based on sales and listings of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. Comparison would be premised on the factors of location, size and shape of the lot, and time element.
Size	Physical magnitude, extent or bulk, relative or proportionate dimensions. The value of the lot varies in accordance to the size of the lots. Basic rule of thumb is the bigger the lot size the lower the value, the smaller the lot size the higher the value.
Shape	Particular form or configuration. A highly irregular shape limits the usable area, whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	For a tract of land designated for a purpose or site occupied or available for occupancy, one of the key factors in land valuation is the location or area of preference.
Time Element	The measured or measurable period during action or condition exists. It is usually associated with the period in which the property can be sold in an open market within reasonable time.

Sensitivity analyses to the significant changes in unobservable inputs are shown below:
- Significant increases (decreases) in the price (per sqm) would result in a significantly higher (lower) fair value measurement.
- Significant improvements (deterioration) in the location would result in a significantly higher (lower) fair value measurement.
- Significant increases (decreases) in the size of the property would result in a significantly lower (higher) fair value (per sqm) measurement.
- Significant increases (decreases) in the period in which the property can be sold in an open market would result in a significantly lower (higher) fair value measurement.

The appraiser considers the highest and best use of the asset which takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

<u>Investment Property</u>
Fair value approximates carrying amount since the purchase of the investment property occurred within less than one year from the reporting date.

<u>Quoted Equity Securities Classified as AFS Investments</u>
Fair value is based on quoted prices.

<u>Unquoted Equity Securities Classified as AFS Investments</u>
Fair value could not be reliably determined due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value. There is no active market for

these investments and the Group does not intend to dispose these investments. These investments are carried at cost. Unquoted equity securities are not significant relative to the Group's portfolio of financial instruments.

In 2018 and 2017, there have been no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

25. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to fund the Group's operations and capital expenditures. The Group has various other financial instruments such as tuition and other receivables, accounts payable and accrued expenses excluding statutory payables and dividends payable that arise directly from operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency 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 receivables 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 at the reporting date, there are no significant concentrations of credit risk.

As at March 31, 2018 and 2017, the analysis of financial assets follows:

	2018			
	Neither Past Due nor Impaired	**Past Due but not Impaired**	**Past Due and Impaired**	**Total**
Loans and receivables:				
Cash and cash equivalents*	**₱289,845,769**	**₱–**	**₱–**	**₱289,845,769**
Tuition and other receivables				
Tuition fee receivables	**–**	**103,555,100**	**45,354,755**	**148,909,855**
Accrued interest receivable	**145,577**	**–**	**–**	**145,577**
Advances to employees	**13,015,260**	**–**	**–**	**13,015,260**
Accrued rent receivable	**1,645,557**	**–**	**–**	**1,645,557**
Advances to CE-IS's stockholders	**1,250,000**	**–**	**–**	**1,250,000**
Other receivables	**1,799,153**	**–**	**–**	**1,799,153**
AFS investments	**512,157**	**–**	**–**	**512,157**
	₱308,213,473	**₱103,555,100**	**₱45,354,755**	**₱457,123,328**

** Excluding cash on hand*

	2017			
	Neither Past Due nor Impaired	Past Due but not Impaired	Past Due and Impaired	Total
Loans and receivables:				
Cash and cash equivalents*	₱435,411,745	₱–	₱–	₱435,411,745
Tuition and other receivables				
Tuition fee receivables	–	77,625,480	39,505,051	117,130,531
Accrued interest receivable	120,372	–	–	120,372
Advances to employees	5,959,758	–	–	5,959,758
Accrued rent receivable	1,646,460	–	–	1,646,460
Advances to CE-IS's stockholders	1,250,000	–	–	1,250,000
Other receivables	437,589	–	–	437,589
AFS investments	524,829	–	–	524,829
	₱445,350,753	₱77,625,480	₱39,505,051	₱562,481,284

** Excluding cash on hand*

The Group's neither past due nor impaired receivables are high grade receivables which, based on experience, are highly collectible and exposure to bad debt is not significant.

As at March 31, 2018 and 2017, the age of the entire Group's past due but not impaired tuition fee receivables is over 60 days (see Note 6).

<u>Liquidity Risk</u>
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial assets and financial 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 and external financing, if needed.

The maturity profile of the Group's financial assets and financial liabilities as at March 31, 2018 and 2017 based on contractual undiscounted payments follows:

	2018				
	On Demand	**Less than 3 Months**	**3 to 6 Months**	**Over 1 Year**	**Total**
Cash on hand	**₱335,240**	**₱–**	**₱–**	**₱–**	**₱335,240**
Financial assets:					
Cash in banks and cash equivalents	**210,143,007**	**79,702,762**	**–**	**–**	**289,845,769**
Tuition and other receivables:					
Tuition fee receivables	**103,555,100**	**–**	**–**	**–**	**103,555,100**
Accrued interest receivable	**–**	**145,577**	**–**	**–**	**145,577**
Others:					
Advances to employees	**13,015,260**	**–**	**–**	**–**	**13,015,260**
Accrued rent receivable	**1,645,557**	**–**	**–**	**–**	**1,645,557**
Advances to CE-IS's stockholders	**1,250,000**	**–**	**–**	**–**	**1,250,000**
Other receivables	**1,799,153**	**–**	**–**	**–**	**1,799,153**
Refundable security deposits	**–**	**–**	**–**	**1,012,012**	**1,012,012**
AFS investments	**–**	**–**	**–**	**512,157**	**512,157**
	331,743,317	**79,848,339**	**–**	**1,524,169**	**413,115,825**

(Forward)

	2018				
	On Demand	**Less than 3 Months**	**3 to 6 Months**	**Over 1 Year**	**Total**
Financial liabilities:					
Accounts payable and accrued expenses:					
Accounts payable*	**₱250,982,365**	**₱–**	**₱–**	**₱–**	**₱250,982,365**
Accrued expenses	**28,411,580**	**44,118,171**	–	–	**72,529,751**
Deposits	**5,833,820**	–	–	–	**5,833,820**
Alumni fees payable	**5,430,073**	–	–	–	**5,430,073**
Dividends payable	**107,787,994**	–	–	–	**107,787,994**
	398,445,832	**44,118,171**	–	–	**442,564,003**
Net undiscounted financial assets	**(₱66,702,515)**	**₱35,730,168**	**₱–**	**₱1,524,169**	**(₱29,448,178)**

** Excluding statutory payables*

	2017				
	On Demand	Less than 3 Months	3 to 6 Months	Over 1 Year	Total
Cash on hand	₱385,012	₱–	₱–	₱–	₱385,012
Financial assets:					
Cash in banks and cash equivalents	297,896,704	137,515,041	–	–	435,411,745
Tuition and other receivables:					
Tuition fee receivables	77,625,480	–	–	–	77,625,480
Accrued interest receivable	–	120,372	–	–	120,372
Advances to employees	5,959,758	–	–	–	5,959,758
Accrued rent receivable	1,646,460	–	–	–	1,646,460
Advances to CE-IS's stockholders	1,250,000	–	–	–	1,250,000
Other receivables	437,589	–	–	–	437,589
Refundable security deposits	–	–	–	1,426,289	1,426,289
AFS investments	–	–	–	524,829	524,829
	385,201,003	137,635,413	–	1,951,118	524,787,534
Financial liabilities:					
Accounts payable and accrued expenses:					
Accounts payable*	164,341,762	–	–	–	164,341,762
Accrued expenses	24,309,629	63,443,899	–	–	87,753,528
Deposits	4,922,500	–	–	–	4,922,500
Alumni fees payable	2,470,088	–	–	–	2,470,088
Dividends payable	108,225,615	–	–	–	108,225,615
	304,269,594	63,443,899	–	–	367,713,493
Net undiscounted financial assets	₱80,931,409	₱74,191,514	₱–	₱1,951,118	₱157,074,041

** Excluding statutory payables*

The Group relies on internally-generated cash to fund its working capital needs, capital expenditures and cash dividends. The Group will continuously assess its overhead costs to determine opportunities to decrease them. As laid down in the Group's strategic plan, the Group is committed to attain its goal on sound financial position by accomplishing the objectives to implement cost saving measures, increase income of existing revenue generating programs and activities and expand revenue generating activities.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's principal transactions are carried out in Peso and its exposure to foreign currency risk arises primarily from cash in banks and short-term deposits that are denominated in United States dollar ($ or USD).

To mitigate the Group's exposure to foreign currency risk related to foreign currency-denominated accounts, management keeps the amount of these assets at a low level.

The following table shows the foreign currency-denominated accounts of the Group as at March 31, 2018 and 2017 in USD:

	2018	2017
Cash in banks	**$14,315**	$22,766
Short-term deposits	**114,655**	113,299
	$128,970	$136,065

In translating the foreign currency-denominated accounts to Peso amounts, the exchange rate used was ₱52.16 to $1.00 and ₱50.16 to $1.00 as at March 31, 2018 and 2017, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Peso/USD exchange rate, with all other variables held constant, of the Group's net income before tax. There is no impact on the Group's equity.

	2018		2017	
Percentage change in exchange rate	**-9.44%**	**9.44%**	**-33.51%**	**33.51%**
Effect on net income before tax	**(₱635,036)**	**₱635,036**	**(₱2,287,120)**	**₱2,287,120**

Interest Rate Risk
The Group's exposure to market risk for changes in interest rates is not significant to the consolidated financial statements. The financial instruments of the Group are either noninterest-bearing or has minimal interest rate exposure due to the short-term nature of the account (that is, cash equivalents).

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains 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 to the objectives and policies or processes during the years ended March 31, 2018, 2017 and 2016.

The Group monitors capital using a debt-to-equity ratio which is debt divided by total equity. The Group includes within debt accounts payable and accrued expenses.

The following table shows how the Group computes for its debt-to-equity ratio as at March 31, 2018 and 2017:

	2018	2017
Accounts payable and accrued expenses (a)	**₱355,306,220**	₱280,606,407
Total equity (b)	**₱3,125,382,709**	₱3,009,043,862
Debt-to-equity ratio (a/b)	**0.11:1**	0.09:1

26. **Changes in Liabilities Arising from Financing Activities**

Changes in the Group's dividends payable is presented below:

Beginning balance	₱108,225,615
Declaration of dividends	74,482,880
Cash payments	(74,920,501)
Ending balance	₱107,787,994

27. **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 non-monetary 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.

<u>Effective beginning on or after January 1, 2019 *(FY2020 for the Group)*</u>

- 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.

28. Events after the Reporting Date

On June 20, 2018, The University BOD approved the declaration of cash dividend of ₱0.20 per share payable on August 6, 2018 to stockholders of record as of the close business July 12, 2018.

SGV
Building a better working world

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

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Centro Escolar University
9 Mendiola Street
San Miguel, Manila

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Centro Escolar University and Subsidiaries (the "Group") as at March 31, 2018 and 2017 and for each of the three years in the period ended March 31, 2018, and have issued our report thereon dated June 20, 2018. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic 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 basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Djole S. Garcia

Djole S. Garcia
Partner
CPA Certificate No. 0097907
SEC Accreditation No. 1285-AR-1 (Group A),
May 12, 2016, valid until May 12, 2019
Tax Identification No. 201-960-347
BIR Accreditation No. 08-001998-102-2015,
November 25, 2015, valid until November 24, 2018
PTR No. 6621265, January 9, 2018, Makati City

June 20, 2018

CENTRO ESCOLAR UNIVERSITY

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Annex I:	Schedule of retained earnings available for dividend declaration
Annex II:	Schedule of all Philippine Financial Reporting Statements (PFRS) [which consist of PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations] effective as at March 31, 2018
Annex III:	The map showing the relationships between and among the University and its subsidiaries
Annex IV:	Supplementary schedules to consolidated financial statements

CENTRO ESCOLAR UNIVERSITY

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

MARCH 31, 2018

Unappropriated parent company retained earnings, beginning of year	₱572,418,945
Add: Net income actually earned/realized during the fiscal year	81,534,826
Unappropriated parent company retained earnings, as adjusted before dividend declaration	653,953,771
Deduct:	
Appropriation for future business expansion	(210,000,000)
Dividends declared during the fiscal year	(74,482,880)
Unappropriated parent company retained earnings, as adjusted to available for dividend declaration, end of year	₱369,470,891

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS (PART 1,4J)

List of Philippine Financial Reporting Standards (PFRSs) [which consists of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at March 31, 2018, unless otherwise indicated:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRS Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		✓	
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9 with PFRS 4		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014 version)*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		*Deferred*	
PFRS 11 (Amended)	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard		✓	
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative			✓
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		✓	
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS12 and PAS27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

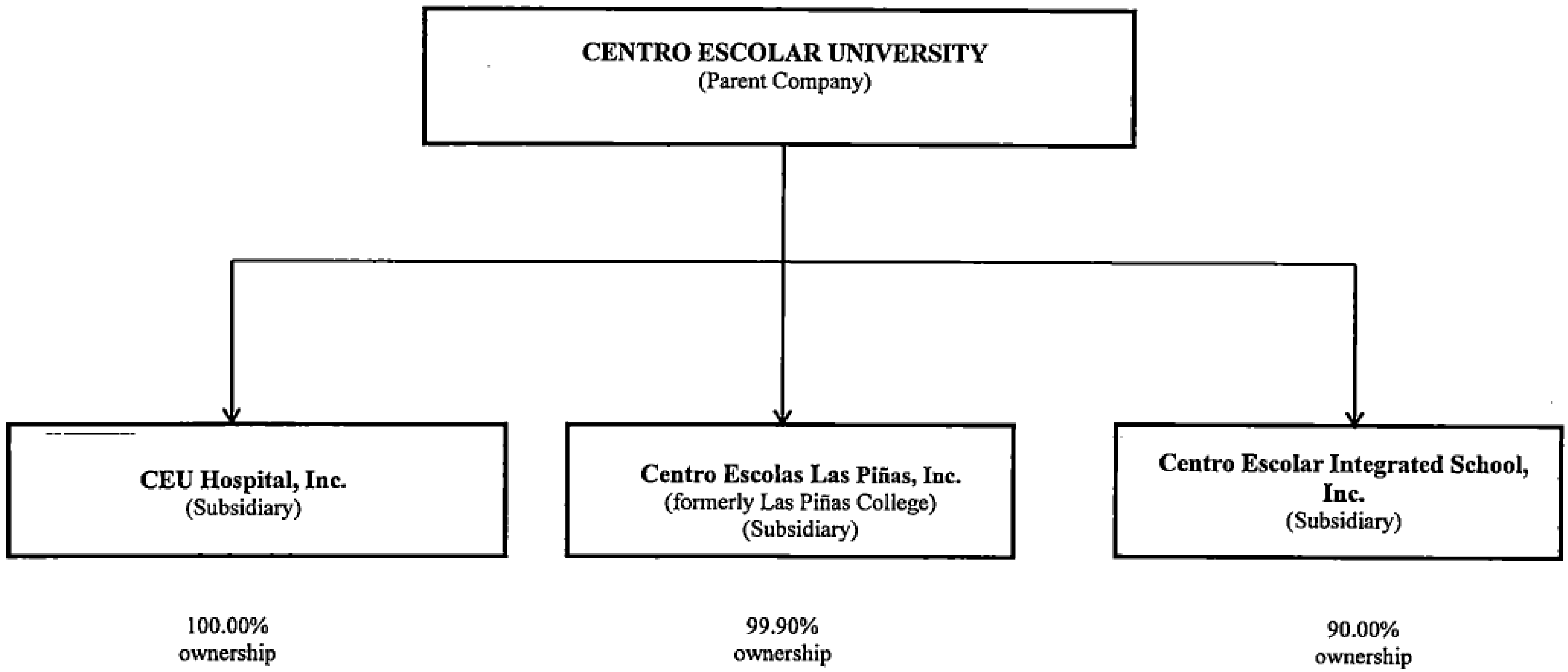
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 39 *(cont'd)*	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property	✓		
	Amendments to PAS 40: Transfers of Investment Property		✓	
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	**Determining Whether an Arrangement Contains a Lease**			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	**Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment**			✓
IFRIC 7	**Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies**			✓
IFRIC 8	**Scope of PFRS 2**			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	**Interim Financial Reporting and Impairment**			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 15	Agreements for the Construction of Real Estate*		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Considerations		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Amendment to SIC - 12: Scope of SIC 12			✓
	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Note: The Group has not early adopted standards and amendments which are not yet effective as at April 1, 2018.

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES

THE MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE UNIVERSITY AND ITS SUBSIDIARIES
MARCH 31, 2018



Centro Escolar University

Schedule A - Financial Assets

March 31, 2018

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
Available for sale investments				
Casino Español de Manila	1	₱200,000	₱200,000	₱–
PLDT- Common	72	118,512	105,840	(12,672)
Polymedic General Hospital	80	110,000	110,000	–
PLDT- Preferred	9,500	95,000	95,000	–
PLDT Comm & Energy Ventures, Inc. (formerly Pilipino Telephone Corp.)	300	1,317	1,317	–
	9,953	₱524,829	₱512,157	(₱12,672)

*The revaluation in AFS amounting to ₱24,048 was recognized in other comprehensive income.

Centro Escolar University

*Schedule B - Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Affiliates)**

March 31, 2018

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Ending Balance		Balance at end of period
			Amounts collected	Amounts written off	Current	Not current	
Housing Loan							
Agno, Cirila – Non-teaching Staff	₱150,000	₱–	₱40,000	₱–	₱110,000	₱–	₱110,000
CE-IS Stockholders							
Ma. Cristina D. Padolina – President	250,000	–	–	–	250,000	–	250,000
Corazon M. Tiongco	250,000	–	–	–	250,000	–	250,000
	₱650,000	₱–	₱40,000	₱–	₱610,000	₱–	₱610,000

Note: *This schedule pertains to advances above ₱100,000 only.

Centro Escolar University

Schedule C - Amounts Receivable from Related Parties which are eliminated during the Consolidation of financial assets

March 31, 2018

			Deductions		Ending balance	
Name of Related Companies	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current
Centro Escolar University Hospital, Inc.	₱776,443	₱3,138,312	₱–	₱–	₱3,914,755	₱–
Centro Escolar Las Piñas, Inc.	–	4,528,622	–	–	4,528,622	–
Centro Escolar Integrated School, Inc.	9,808,842	–	265,368	–	9,543,474	–
TOTAL	₱10,585,285	₱7,666,934	₱265,368	₱–	₱17,986,851	₱–

Centro Escolar University

Schedule D - Intangible Assets - Other Assets

March 31, 2018

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes Additions(deductions)	Ending balance
Goodwill	₱47,605,695	₱–	₱–	₱–	₱–	₱47,605,695
Software	5,398,000	105,000	1,860,583	–	–	3,642,417
TOTAL	₱53,003,695	₱105,000	₱1,860,583	₱–	₱–	₱51,248,112

Centro Escolar University

Schedule E – Long-term Debt

March 31, 2018

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current portion of Long-term debt" in related consolidated statement of financial position	Amount shown under caption "Long-term Debt" in related consolidated statement of financial position

As at March 31, 2018, the University has no long-term debt.

Centro Escolar University

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

March 31, 2018

Name of Related Companies	Balance at beginning of period	Additions	Deductions		Ending balance	
			Amounts paid	Amounts written off	Current	Not current
Centro Escolar Las Piñas, Inc.	₱–	₱29,770,720	₱–	₱–	₱29,770,720	₱–
Centro Escolar University Hospital, Inc.	8,243,172	–	–	–	8,243,172	–
Centro Escolar Integrated School, Inc.	2,356,802	389,100	–	–	2,745,902	–
TOTAL	₱10,599,974	₱30,159,820	₱–	₱–	₱40,759,794	₱–

The University does not have long-term loans from related parties.

Centro Escolar University

Schedule G - Guarantees of Securities of Other Issuers

March 31, 2018

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by persons for which statement is filed	Nature of guarantee

As at March 31, 2018, the University has no guaranteed securities by other issuers.

Centro Escolar University
Schedule H - Capital Stock
March 31, 2018

				Number of shares held by		
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Related parties	Directors, officers and employees	Others
Centro Escolar University	372,414,400	372,414,400	–	182,584,694	60,576,137	129,253,569

CENTRO ESCOLAR UNIVERSITY
LIST OF FINANCIAL RATIOS
MARCH 31, 2018

		2018	2017
Current ratio	Current assets / Current Liabilities	0.96:1	1.36:1
Debt to equity ratio	Accounts Payable+Accrued Expenses+Interest bearing loans / Total Equity (capital)	0.11:1	0.09:1
Interest rate coverage	Net income before income tax / Interest expense	-	310.74:1
Revenue growth	(Current period tuition+other school fees)-(Present period tuition+other school fees) / Present period tuition + other school fees	-10.68%	-9.27%
Return on Revenue	Net income / Tuition + other school fees	8%	17%
Return on Equity	Net Income / Average Stockholders' Equity	4%	9%
Return on assets	Net Income / Average total assets	3%	7%

SEC Number **1093**
PSE CODE
File Number

CENTRO ESCOLAR UNIVERSITY
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])

Third Quarter Report –December 31, 2017
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 — December 31, 2017

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 nine months ended December 31, 2017(Third quarter of the University).

RESULTS OF OPERATIONS

For the nine months ended December 31, 2017, the University had a gross revenue of ₽1.037,590,475 and a net income of ₽89,548,837.

<u>Three months ended December 31, 2017 versus Three months ended December 31, 2016.</u>

For the three months ended December 31, 2017, the revenues amounted to ₽391,153,561 as compared to ₽448,416,405 for the same period in 2016. Net income of ₽79,162,673 was registered for the three months ended December 31, 2017 as compared to ₽124,277,799 net income for the same period in 2016.

Operating expenses decreased to ₽311,990,888 for the three months period ended December 31, 2017 from ₽324,138,606 for the same period in 2016.

KEY PERFORMANCE INDICATORS (KPI)

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

Performance	Dec. 2017 (Nine Months)	Dec. 2016 (Nine Months)	Manner of computation	Significance
Revenue Growth	-10.08%	-8.65%	Difference between current and last year’s tuition and other fees divided by last year’s revenues	Measures revenue growth
Return on Revenue	9.01%	21.76%	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	120.23%	30.98%	Dividends divided by net income	Indicates how earnings support dividend payment
Return on Equity	2.97%	8.20%	Net profit divided by average stockholder’s equity	Measures extent of profit earned
Return on Assets	2.21%	6.09%	Net profit 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 December 31, 2017 decreased to ₱ 328,286,321 from ₱435,796,757 as of March 31, 2017.

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 0.99:1 as of December 31, 2017. 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 December 31, 2017.

MATERIAL COMMITMENTS FOR CAPITAL EXPENDITURES

For SY 2017-2018, CEU approved the construction of a 3-storey commercial building at CEU Malolos. Renovation of the Centrodome, Renovation and extension of buildings and 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 third quarter ended December 31, 2017 were ₱812,905,572, as compared with ₱541,528,185 on March 31, 2017. The increase in current assets of ₱271,377,387 over March 31, 2017 balance was mainly due to increase in tuition and other receivables.

Receivables from tuition and other fees increased by ₱377,852,785 because majority of enrollees in the second semester of school year 2017 to 2018 were on installment basis. There were collectibles during the periodical examinations of the students.

This account consists of:		
	December 2017	March 2017
Students	494,983,316	117,130,531
Accrued interest receivable	0	120,372
Others:		
Advances to employees	5,513,234	5,959,758
Advance to CE-IS stockholders	1,250,000	1,250,000
Accrued rent receivable	1,988,224	1,646,460
Other receivable	7,244,713	437,589
	510,979,488	126,544,710
Less allowance for doubtful accounts	39,505,051	39,505,051
	471,474,437	87,039,659

The total current liabilities of the University as of December 31, 2017 were ₱817,811,858 higher by ₱419,026,104 from the balance as of March 31, 2017.

Deferred tuition fee and other school fees as of the third quarter of 2017 were ₱373,008,548. This amount was due to enrollment for the second semester of school year 2017-2018. These items were recognized as income upon realization and accrued until the end of second semester.

Unappropriated Retained Earnings decreased by ₱194,934,143 due to net income of ₱89,548,837, dividends of ₱ 74,482,880 and additional appropriated retained earnings amounting to ₱210 million for expansion projects of the University.

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 December 2017, ₱105,042,064 worth of money market placements were maintained in Peso government securities and time deposits.
        ii. As of the end of December 2017, US$114,240 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 December 2017, the provision for doubtful accounts was at ₽39.50 million.

d. Market risk
    i. As of the end of December 2017, 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 September 29, 2017, the Board of Directors declared a cash dividend equivalent to twenty centavos (₽0.20) per share to stockholders of record (as of record date of October 20, 2017) with payment date on November 17, 2017.

EARNINGS/LOSS PER SHARE

The earnings per share is ₱0.24 based on the outstanding common shares of 372,414,400 for the nine-month period ended December 31, 2017, and earnings per share of ₱0.65 for the same period of December 31, 2016.

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	**CESAR F. TAN**
President and Vice Chairman	Principal Financial Officer
Date 02/12/2018	Date 02/12/2018

CENTRO ESCOLAR UNIVERSITY		
BALANCE SHEET		
As of December 31, 2017		
(With Comparative Figures for March 31, 2017)		
	Unaudited	**Audited**
	Dec. 2017	**March 2017**
ASSETS		
Current Assets		
Cash and cash equivalents	328,286,321	435,796,757
Tuition and other receivables - net	471,474,437	87,039,659
Inventories	4,044,162	8,070,681
Other current assets	9,100,652	10,621,088
Total Current Assets	812,905,572	541,528,185
Noncurrent Assets		
Property and Equipment	3,359,038,050	3,200,783,707
Goodwill	47,605,695	47,605,695
Other assets	58,325,349	30,343,434
Total Noncurrent Assets	3,464,969,094	3,278,732,836
	4,277,874,666	3,820,261,021
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	269,886,961	280,606,407
Dividends payable	174,916,349	108,225,615
Income tax payable	0	9,953,732
Deferred tuition fees	373,008,548	0
Total Current Liabilities	817,811,858	398,785,754
Noncurrent Liabilities		
Deferred income tax liability -net	246,246,619	242,128,875
Retirement liability	189,706,370	170,302,530
Total Noncurrent Liabilities	435,952,989	412,431,405
Total Liabilities	1,253,764,847	811,217,159
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 assets	112,970	112,970
Remeasurement loss on retirement plan - net	(56,949,473)	(56,949,473)
Retained earnings		
Unappropriated	359,276,343	554,210,386
Appropriated	996,000,000	786,000,000
Noncontrolling interest	2,588,552	2,588,552
Total Stockholders' Equity	3,024,109,819	3,009,043,862
	4,277,874,666	3,820,261,021

CENTRO ESCOLAR UNIVERSITY				
STATEMENT OF INCOME				
FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2017 AND 2016				
	3 mos. Ended	**3 mos. Ended**	**9 mos. Ended**	**9 mos. Ended**
	DEC. 2017	**DEC. 2016**	**DEC. 2017**	**DEC. 2016**
REVENUES				
Tuition and other school fees	376,704,496	431,531,875	993,792,873	1,105,217,394
Interest income	706,817	929,158	2,979,297	3,192,746
Auxiliary services	244,361	4,159,484	2,768,191	3,883,606
Miscellaneous	13,497,887	11,795,888	38,050,114	36,440,255
	391,153,561	448,416,405	1,037,590,475	1,148,734,001
EXPENSES				
General and administrative expenses	311,990,888	324,138,606	948,041,638	907,101,463
Interest expense	0	0	0	1,172,736
	311,990,888	324,138,606	948,041,638	908,274,199
NET INCOME (LOSS)	79,162,673	124,277,799	89,548,837	240,459,802
Earnings (loss) Per Share	0.21	0.33	0.24	0.65

CENTRO ESCOLAR UNIVERSITY				
STATEMENT OF COMPREHENSIVE INCOME				
FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2017 AND 2016				
	3 mos. Ended	**3 mos. Ended**	**9 mos. Ended**	**9 mos. Ended**
	DEC. 2017	**DEC. 2016**	**DEC. 2017**	**DEC. 2016**
NET INCOME (LOSS)	**79,162,673**	**124,277,799**	**89,548,837**	**240,459,802**
OTHER COMPREHENSIVE INCOME(LOSS)				
Revaluation increment on land	0	0	0	0
Income tax effect	0	0	0	0
TOTAL COMPREHENSIVE INCOME (LOSS)	**79,162,673**	**124,277,799**	**89,548,837**	**240,459,802**

CENTRO ESCOLAR UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD AND NINE MONTH PERIOD ENDED DECEMBER 31, 2017
(With Comparative Figures for the three month period and nine months period ended December 31, 2016)

	Three Months Period		Nine Months Period	
	December 2017	December 2016	December 2017	December 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	79,162,673	124,277,799	89,548,837	240,459,802
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	24,274,997	21,508,686	70,501,873	63,757,088
Provision for credit losses				
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Tuition and other receivables	(130,364,373)	(159,278,212)	(384,434,778)	(415,156,290)
Inventories	124,920	(267,553)	4,026,519	1,521,262
Other current assets	(1,436,003)	(4,482)	1,520,436	(3,036,003)
Increase (decrease) in:				
Accounts payable and accrued expenses	(6,299,972)	8,631,724	(10,719,446)	(129,299,185)
Dividends payable	(5,286,447)	(30,465)	66,690,734	243,209
Income tax payable	0	0	(9,953,732)	0
Retirement liability	6,467,947	(2,024,062)	19,403,840	9,927,815
Deferred income tax liability	0	0	4,117,744	0
Deferred tuition and other school fees	123,533,318	210,542,002	373,008,548	418,942,101
Net cash provided by operating activities	90,177,060	203,355,437	223,710,575	187,359,799
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	(29,091,064)	(116,198,389)	(228,756,216)	(175,204,138)
Other assets	(288,302)	(2,719,200)	(27,981,915)	7,427,620
Net cash used in investing activities	(29,379,366)	(118,917,589)	(256,738,131)	(167,776,518)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of long term liability	0	0	0	1,172,751
Payment of cash dividends	0	0	(74,482,880)	(74,482,880)
Net cash used in financing activities	0	0	(74,482,880)	(73,310,129)
NET INCREASE IN CASH AND CASH EQUIVALENTS	60,797,694	84,437,848	(107,510,436)	(53,726,848)
CASH AND CASH EQUIVALENTS AT BEGINNING	267,488,627	228,269,656	435,796,757	366,434,352
CASH AND CASH EQUIVALENTS AT THIRD QUARTER	328,286,321	312,707,504	328,286,321	312,707,504

CENTRO ESCOLAR UNIVERSITY		
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY		
As of December 31, 2017		
(With Comparative Figures for December 31, 2016)		
	Dec. 2017	**Dec. 2016**
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	112,970	137,018
REMEASUREMENT LOSS ON RETIREMENT PLAN - NET	(56,949,473)	(26,889,389)
NONCONTROLLING INTEREST	2,588,552	1,244,928
RETAINED EARNINGS		
Unappropriated		
Balance at beginning of year	**554,210,386**	**366,587,058**
Additional appropriated retained earning for the University expansion projects	(210,000,000)	
Balance	**344,210,386**	**366,587,058**
Comprehensive Income (Loss)	89,548,837	240,459,802
Other Comprehensive Income(Loss)	-	-
Total Comprehensive Income(Loss)	**89,548,837**	**240,459,802**
Cash dividends	(74,482,880)	(74,482,880)
Balance at end of quarter	**359,276,343**	**532,563,980**
Appropriated		
Balance at beginning of year	786,000,000	786,000,000
Additional appropriated retained earning for the University expansion projects	210,000,000	
Balance	**996,000,000**	**786,000,000**
Balance at end of quarter	**1,355,276,343**	**1,318,563,980**
TOTAL STOCKHOLDERS' EQUITY	**3,024,109,819**	**3,016,137,964**

CENTRO ESCOLAR UNIVERSITY		
AGING OF ACCOUNTS RECEIVABLE		
As of December 31, 2017		
School Year	Amount	Percent
2017-2018	406,551,772	82.13%
2016-2017	88,431,544	17.87%
Total	494,983,316	100.00%

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

CENTROESCOLARUNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 following new and amended standards and interpretations, which became effective beginning January 1, 2015. Unless otherwise indicated, adoption of these new and amended standards and interpretations did not have material impact on the University.

- Amendments to PFRS 10, PFRS 12 and Philippine Accounting Standards (PAS) 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*

- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

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 December 31, 2017 and March 31, 2017, 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.

<u>Impairment of Financial Assets</u>
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.

<u>Derecognition of Financial Assets and Liabilities</u>
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.

<u>Offsetting Financial Instruments</u>
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.

Impairment of Nonfinancial Assets
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.

Other Current Assets

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.

Income Taxes

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 December 31, 2017 and March 31, 2017 amounted to ₱ 471.47 million and ₱87.03 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 December 31, 2017 and March 31, 2017 amounted to ₱3,359.03 million and ₱3,200.78 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 ₱189.70 million and ₱170.30 million as of December 31, 2017 and March 31, 2017.

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 December 31, 2017 and March 31, 2017, respectively .

4. Cash and Cash Equivalents and Short-term Investments

This account consists of:

	December 2017	March 2017
Cash on hand and in banks	189,021,234	298,281,716
Short-term deposits	139,265,087	137,515,041
	328,286,321	435,796,757

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

	December 2017	March 2017
Students	494,983,316	117,130,531
Accrued interest receivable	0	120,372
Others:		
Advances to employees	5,513,234	5,959,758
Advance to CE-IS stockholders	1,250,000	1,250,000
Accrued rent receivable	1,988,224	1,646,460
Other receivable	7,244,713	437,589
	510,979,488	126,544,710
Less allowance for doubtful accounts	39,505,051	39,505,051
	471,474,437	87,039,659

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:

	December 2017	March 2017
Uniforms and outfits	1,738,146	6,128,528
Materials production	961,005	942,195
Supplies	1,345,010	999,958
	4,044,162	8,070,681

7. Other Current Assets

This account consists of:

	December 2017	March 2017
Prepayment	8,698,928	10,427,835
Others	401,724	193,253
	9,100,652	10,621,088

8. Other Assets

This account consists of:

Other Assets		
	December 2017	March 2017
Advances to suppliers and contractors	51,440,507	22,994,316
Software costs	5,398,000	5,398,000
Refundable security deposits	962,013	1,426,289
Available-for-sales financial assets	524,829	524,829
	58,325,349	30,343,434

9. Property and Equipment

This account consists of:			
		Addition	
	March 2017	(deductions)	December 2017
Cost:			
Land	363,501,702	142,927,969	506,429,671
Land improvements	31,735,222	0	31,735,222
Buildings and improvements	1,687,456,664	12,415,311	1,699,871,975
Furniture and equipment	497,983,747	21,873,184	519,856,931
Laboratory equipment	340,067,930	7,775,692	347,843,622
Library books	116,183,301	5,489,068	121,672,369
Transportation equipment	11,301,063	698,307	11,999,370
Auxiliary power equipment	9,479,705	0	9,479,705
	3,057,709,334	191,179,532	3,248,888,866
Less accumulated depreciation	1,356,928,928	70,501,873	1,427,430,801
	1,700,780,407	120,677,658	1,821,458,065
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	0	37,576,685	37,576,685
	3,200,783,707	158,254,344	3,359,038,050

10. Accounts Payable and Accrued Expenses

This account consists of:		
	December 2017	March 2017
Accounts payable	240,084,189	185,460,291
Accrued expenses	21,686,644	87,753,528
Deposits	2,798,465	4,922,500
Others	5,317,664	2,470,088
	269,886,961	280,606,407

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:

	December 2017	December 2016
Tuition fees	552,416,380	561,936,262
Other fees	253,102,754	310,005,429
Income from other school services	188,273,739	233,275,703
	993,792,873	1,105,217,394

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:

	Dec. 2017	Dec. 2016
Salaries ,SSS contributions and other employee benefits	432,850,081	461,532,555
Light and water	75,506,643	68,513,914
Depreciation and amortization	70,501,873	63,757,088
Development	25,073,761	23,750,828
Library	20,264,068	19,313,692
Rental	17,331,878	19,534,432
Janitorial and security services	36,397,931	28,835,072
Transportation and communications	20,797,462	20,727,382
Retirement expense	20,581,272	28,081,481
Recruitment and placement	11,099,429	12,934,612
Stationery and office supplies	13,336,280	13,984,344
Publications	1,175,322	786,895
Management information	16,604,455	18,594,891
Repairs and maintenance	31,637,549	29,843,268
Guidance and counseling	6,787,601	8,619,053
Laboratory	15,440,315	16,433,746
Instructional and academic expenses	8,759,970	7,316,377
Entertainment, amusement and recreation	4,829,097	6,110,717
Insurance	1,834,997	3,015,131
Directors' and administrative committee	3,872,332	3,685,800
Professional fees	3,605,499	4,312,816
Registration expenses of students	1,650,836	2,260,348
Taxes and Licenses and Membership fees and dues	21,516,822	12,434,455
Comprehensive and oral examinations	1,417,795	1,159,371
Affiliation	2,796,098	2,864,511
Miscellaneous	82,372,270	28,698,684
	948,041,638	907,101,463

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:

	December 2017	March 2017
Deferred income tax assets on:		
Retirement liability	17,030,253	17,030,253
Accrued expenses	4,006,524	8,124,268
Long-term liability	0	0
Unamortized excess of contribution over the normal cost	4,106,046	4,106,046
Excess of acquisition cost over fair value of net assets acquired from business combination	4,073,966	4,073,966
Allowance for doubtful accounts	3,950,505	3,950,505
Others	2,801,773	2,801,773
	35,969,067	40,086,811
Deferred income tax liabilities on:		
Revaluation increment on land	150,000,330	150,000,330
Undepreciated cost of property and equipment	132,161,762	132,161,762
Unrealized foreign currency exchange gain	53,594	53,594
	282,215,686	282,215,686
Net deferred tax liabilities	246,246,619	242,128,875

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:

December 2017	Mendiola	Malolos	Makati- Gil Puyat	Makati-Legaspi	Malolos Intergrated School	Makati-Legaspi Hospital (Pre-operating)	Las Piñas College	Total
Segment assets	2,502,921,624	839,230,876	132,762,303	602,424,566	65,463,458	33,958,305	101,113,533	4,277,874,666
Segment property and equipment - net	1,942,861,886	787,689,238	66,574,606	551,155,051	283,724	1,347,269	9,126,276	3,359,038,050
Segment liabilities	1,048,679,703	43,346,357	57,926,371	35,359,943	27,453,861	3,114,119	37,884,492	1,253,764,847
Segment revenues	688,153,433	72,078,465	116,315,952	76,746,195	44,673,440	2,069,540	37,553,451	1,037,590,475
Operating expenses	663,122,011	70,685,378	104,955,462	50,800,080	21,721,468	3,724,338	33,032,901	948,041,638
Depreciation expense	43,341,470	7,003,266	6,961,140	11,228,069	7,276	551,155	1,409,497	70,501,873
Net income (loss)	25,031,595	1,393,087	11,360,491	25,946,115	22,951,798	(1,654,798)	4,520,550	89,548,837

December 2016	Mendiola	Malolos	Makati- Gil Puyat	Makati-Legaspi	Malolos Intergrated School	Makati-Legaspi Hospital (Pre-operating)	Las Piñas College	Total
Segment assets	2,438,877,596	881,577,811	128,318,025	636,240,399	36,012,042	33,319,809	25,244,808	4,179,590,490
Segment property and equipment - net	1,849,688,040	798,212,580	67,944,508	566,406,791	-	2,082,142	5,336,272	3,289,670,333
Segment liabilities	930,070,120	53,322,999	58,005,939	82,420,207	18,246,577	642,220	20,744,464	1,163,452,526
Segment revenues	782,513,695	101,472,226	129,960,516	91,840,056	21,112,382	1,389,966	20,445,160	1,148,734,001
Operating expenses	643,821,687	75,804,889	100,352,181	56,005,497	15,343,053	1,936,111	13,838,045	907,101,463
Depreciation expense	39,956,694	7,000,977	6,905,522	8,878,337	-	551,155	464,403	63,757,088
Net income (loss)	138,692,010	25,667,336	29,608,335	34,661,822	5,769,329	(546,145)	6,607,115	240,459,802

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:

	December 2017	December 2016
Net income(loss)(a)	89,548,837	240,459,802
Weighted average number of outstanding		
common shares(b)	372,414,400	372,414,400
Basic/diluted earnings (loss) per share (a/b)	0.24	0.65

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, 2017 and quarter ended December 31, 2017.

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 December 31, 2017 and March 31, 2017.

	December 2017	March 2017
Accounts payable and accrued expenses (a)	269,886,961	280,606,407
Long-term liability (b)	0	0
Liabilities (c)	269,886,961	280,606,407
Total Stockholders' Equity (d)	3,024,109,819	3,009,043,862
Debt-to-Equity ratio (c/d)	0.09:1	0.09:1

CENTRO ESCOLAR UNIVERSITY
LIST OF FINANCIAL RATIOS
December 31, 2017

		Third quarter December 31, 2017	Third quarter December 31, 2016
Current ratio	Current assets / Current Liabilities	0.99:1	1.05:1
Debt to equity ratio	Accounts Payable+Accrued Expenses+Interest bearing loans / Total Equity (capital)	0.09:1	0.08:1
Interest rate coverage	Net income before income tax / Interest expense	-	68.61:1
Revenue growth	(Current period tuition+other school fees)-(Present period tuition+other school fees) / Present period tuition + other school fees	-10.08%	-8.65%
Return on Revenue	Net income / Tuition + other school fees	9.01%	21.76%
Return on Equity	Net Income / Average Stockholders' Equity	2.97%	8.20%
Return on assets	Net Income / Average total assets	2.21%	6.09%