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CENTRO ESCOLAR
UNIVERSITY
MANILA · MAKATI · MALOLOS
CIENCIA Y VIRTUD

Office of the Corporate Secretary

July 2, 2019

Mr. Vicente Graciano P. Felizmenio, Jr.
Director
Markets & Securities Regulation Department
Securities and Exchange Commission
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City

Re: **Preliminary Information Statement of Centro Escolar University**

Gentlemen:

This is in response to your letter dated June 19, 2019 on CEU's Preliminary Information Statement (SEC Form 20-IS) filed with the Commission on June 18, 2019.

The Definitive Information Statement and Management Report is submitted with your checklist; clearance from the Commission prior to said distribution is requested; and response to said checklist is hereby provided:

CHECKLIST OF REQUIREMENTS:	
(A) (1) Identify Directors, including Independent Directors and Executive Officers	
(1) Company is advised SEC Memo Circular No. 4, Series of 2017 re: Term Limit of Independent Directors (2) Submit updated Certification on the Qualifications and Disqualifications of Independent Directors pursuant to SEC Memo Circular No. 5, Series of 2017; (3) Submit final list of nominees for independent directors for CGFD validation before you obtained clearance of the Commission prior to said distribution (4) Identify the persons who nominated the candidates for Independent Directors and their relationship, if any	Please see attached SEC 17-C
AUDITED FINANCIAL STATEMENTS	Please see attached 2019 CAFS
Market Price and Dividends required by Part V of Annex C	
(1) Discussion of the Registrant's Financial Condition, Changes in Financial Condition and Results of Operations for each of the last 3 fiscal years. (2) If FS shows losses from operation, explain the causes	Please see attached 2019 CAFS

underlying these losses and the steps the registrant has taken or is taking to address the cause. (3) Past and future financial condition and results of operation, with particular emphasis on the prospects of the future. b) Interim Period: Comparable discussion to assess material changes (last fiscal year and comparable interim period in the preceding year). Disclose the required information under subparagraph (2) (a) (I) to (viii) above	See attached 3rd Quarter Report
INFORMATION ON INDEPENDENT ACCOUNTANT	
EXTERNAL AUDIT FEES (MC No. 14 Series of 2004)	
(a) Under the caption Audit and Audit-Related Fees, the aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by the external auditor for:	
1. The audit of the registrant's annual financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings and engagements for those fiscal years;	Page 9 of the Management Report
Market Price of and Dividends required by Part V of Annex C	
(1) Market Information	
(b) If the information called for by paragraph (A) of this Part is being presented, the document shall also ***include the price information as of the latest practicable trading date***, and in the case of securities to be issued in connection with an acquisition, business combination or other reorganization, as of the trading date immediately prior to the public announcement of such transaction.	See attached Page 31 MD & A

AUDITED FINANCIAL STATEMENTS	
Statement of Management Responsibility on the Financial Statement (as prescribed by SRC Rule 58, As Amended (financial reporting bulletin No. 1)	Please see attached
The Management of (name of reporting company) is responsible for the preparation and fair presentation of the financial statements of the year (s) ended (date), including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and the implementing internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. The Board of Directors or Trustees reviews and approves the	Please see attached

financial statements and submit the same to the stockholders or members. (Name of Auditing Firm), the independent auditors, appointed by the stockholders has examined the financial statements of the company in accordance with Philippine Standards and Auditing, and in its report to the stockholders or members has exposed opinion on the fairness of presentation upon completion of such examination. Signature (Printed Name of the (1) Chairman of the Board (2) Chief Executive Officer (3) Chief Financial Officer)	
ADDITIONAL COMPONENTS OF FINANCIAL STATEMENTS	
Legal matter paragraph in the Auditor's report on each component. Reconciliation of Retained Earnings available for dividend declaration. A map of the conglomerate or group of companies showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates	Please see attached CAFS
ADDITIONAL DISCLOSURE REQUIREMENTS	
Additional disclosures set forth in Annex 68-D shall appear on the face of the balance sheets or related notes and in the Statement of comprehensive income or related notes filed and on the face of financial statements. Disclosures of receivable4/payables with related parties eliminated during consolidation (Annex 68-D)	Please see attached CAFS
ADDITIONAL DISCLOSURE REQUIREMENTS (SRC Rule 68, as amended Oct. 2011)	
A schedule showing financial soundness indicators in two comparative periods as follows: (1) current/liquidity ratios; (2) solvency ratios, debt-to-equity ratio; (3) assets-to-equity ratio; interest rate coverage ratio; (5) profitability ratio; and (6) other relevant ratio as the Commission may prescribe.	Please see attached list of financial ratios
Undertaking in bold face prominent type to provide without charge to each person solicited on the written request of any such person, a copy of the registrant's annual report on SEC Form 17-A and shall **indicate the name** and address of the person to whom such a written request is to be directed. 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 exhibits.	See attached

We trust that our Company's SEC Form 20-IS are now in full compliance with SRC rules and can be distributed to the stockholders.

Thank you.

Very truly yours,

CESAR F. TAN
Compliance Officer

COVER SHEET

P W 1 0 9 3

S.E.C. Registration Number

C E N T R O   E S C O L A R   U N I V E R S I T Y

(Company's Full Name)

9 M E N D I O L A   S T .   S A N   M I G U E L

M A N I L A

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

Contact Person

735-6861 to 71

Company Telephone Number

0 3 — 3 1

Month *Day*

Fiscal Year

2 0 - I S

FORM TYPE

DEFINITIVE INFORMATION STATEMENT

0 7 — 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

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 23, 2019, 2:00pm
   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 2, 2019

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 23, 2019
	Time of Meeting	2:00pm
	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 2, 2019

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 Revised 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, 2019 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 July 2, 2019 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 23 of the Revised 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 27, 2019, 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, 2019 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 18, 2019.

2. Security Ownership of Management

The following tables show the security ownership of CEU's directors and officers as of May 31, 2019 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)	10,115,904 (d)	Filipino	2.7163
Common	Johnny C. Yap	1,000 (d)	Filipino	0.0003
	Total	60,535,268 (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	10,115,904 (d)	Filipino	2.7163
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		60,494,099(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, 69 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, 73 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, 90 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 King Center for Research and Environmental Management (SUAKCREM), PATH Foundation

[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.

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, 78 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, 73 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, 58 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, 47 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, 70 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, 46 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 June 28, 2019, the nominees for Independent Directors are:

(1) Dr. Emil Q. Javier, 78 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 Sally Hubag, Lolita Balboa, Adelma Obciana, Raul Caparas, and Felicita Diolanda, all stockholders of record. All of said stockholders have no relationship with Dr. Javier.

(2) Dr. Angel C. Alcala, Filipino, 90 years old, is owner of record of one (1) share of common stock (0%). Dr. Alcala was nominated by Cristeta Sumiran, Cirila Agno, Pearly Lim, Paz Lucido, Andrea Cuarto, Patricia Alviar, and Angelina Calixtro, 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, 84 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, 65 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.

JAYSON O'S. RAMOS, 38 years old, Filipino, is the Legal Counsel of the University. He graduated from De La Salle University with the degree of BS Commerce major in Business Management in 2000 and Bachelor of Laws at San Beda College in 2006. He passed the Bar examination in 2006. Attended various seminars and trainings in his field of expertise. In July 2017, he was elected Assistant Compliance Officer. He is also the Corporate Secretary of Centro Escolar Integrated School, Inc.

TERESA R. PEREZ, 57 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 and Centro Escolar Las Piñas, Inc.

MARIA CLARA PERLITA ERNA V. YABUT, 53 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. At present, she is the National President of the Philippine Society for Research and Evaluation (PSERE), Chair of U-Belt Research Consortium, CEU Research and Development Foundation and Executive Secretary of the National Research Council of the Philippines Research Foundation (NRCPRF).

OLIVIA M. LIMUACO, 63 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, 59 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, 55 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, 50 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. She is also the Vice President for Accounting and Administration of Centro Escolar Las Piñas, Inc. and Centro Escolar Integrated School, Inc.

JERICHO P. ORLINA, 53 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. He is also the Assistant Vice President of Centro Escolar University Hospital, Inc.

BELLA MARIE L. FABIAN, 56 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, 46 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, 58 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 2019 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, Vice President – Research and Evaluation Dr. Olivia M. Limuaco, Vice President – Makati Dr. Teresa R. Perez, Vice President - Academic Affairs Dr. Carlito Olaer, Vice President for Student Affairs	2017-2018 2018-2019 2019-2020***	₱ 10,806,381.88 ₱ 11,185,995.22 ₱ 11,185,995.22	₱ 1,573,957.29 ₱ 1,581,274.73 ₱ 1,581,274.73	N.A. N.A. N.A.	₱ 12,380,339.17 ₱ 12,767,269.95 ₱ 12,767,269.95

***Figures are estimated amounts.

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	2017-2018 2018-2019 2019-2020***				₱ 33,793,677.35 ₱ 33,401,558.89 ₱ 33,401,558.89

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]

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.

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[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.
[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.

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.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The approval of the minutes of the annual stockholders' meeting held on July 24, 2018 will be taken up during the meeting.

Agenda for annual stockholders' meeting on July 23, 2019:

1. Call to Order
2. Proof of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting on July 24, 2018
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 1, 2019.

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 11 2019, at Manila.

ANGEL C. ALCALA

SUBSCRIBED AND WORN to before me this JUN 11 2019 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. HENRY D. ADASA
NOTARY PUBLIC
COMMISSION 17-23
PASADENIA ST., PASAY CITY
IBP NO. 047427 - 01/03/19 PASIG
PTR NO. 5826667 - 01/03/19 P.C.
MCLE COMPLIANCE NO. VI-0002830 - 4/14/2022
ROLL NO. 29679

Doc. No. 190
Page No. 261
Book No. XI
Series of 2019.

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 1 1 2019, at Manila.

EMIL Q. JAVIER

SUBSCRIBED AND WORN to before me this JUN 1 1 2019 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. HENRY D. ADASA
NOTARY PUBLIC
COMMISSION 17-23
PASADENIA ST., PASAY CITY
IBP NO. 047427 - 01/03/19 PASIG
PTR NO. 5826667 - 01/03/19 P.C.
MCLE COMPLIANCE NO. VI-0002830 - 4/14/2022
ROLL NO. 29679

Doc. No. 490
Page No. 20
Book No. XI
Series of 2019.

1907
CENTRO ESCOLAR
UNIVERSITY
MANILA · MAKATI · MALOLOS
CIENCIA Y VIRTUD

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 18, 2019, 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 11 2019 day of June 2019 at the City of Manila, affiant exhibiting to me his Philippine Passport No. EC7889755 issued on February 6, 2016 at Manila.

Doc. No. 492
Page No. 210
Book No. XI
Series of 2019.

ATTY. HENRY D. ADASA
NOTARY PUBLIC
COMMISSION 17-23
PASADENIA ST., PASAY CITY
IBP NO. 047427 - 01/03/19 PASIG
PTR NO. 5826667 - 01/03/19 P.C.
MCLE COMPLIANCE NO. VI-0002830 - 4/14/2022
ROLL NO. 29679

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

0 3 | 3 1

Month Day

Fiscal Year

1 7 - C

FORM TYPE

0 7 | 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 28, 2019
   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   1005
   Address of principal office   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

Based on the nominations, pre-screening and evaluation by the Nomination Committee during its meeting on June 28, 2019, the nominees for Independent Directors are:

(1) Dr. Angel C. Alcala, 90 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 Cristeta Sumiran, Cirila Agno, Pearly Lim, Paz Lucido, Andrea Cuarto, Patricia Alviar, and Angelina Calixtro, all stockholders of record. All of said stockholders have no relationship with Dr. Alcala.

(2) Dr. Emil Q. Javier, 78 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 Sally Hubag, Lolita Balboa, Adelma Obciana, Raul Caparas and Felicita Diolanda, 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 28, 2019

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, 2019
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 (2018-2019; 2017-2018)

Tuition and Other School Fees increased by 4.17% to ₱1,428,330,595 from the previous year's ₱1,371,104,081 and 11.95% decrease from ₱1,535,004,059 in 2017. 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. Other Revenues such as rental income, donation income and dividend income amounting to ₱17,390,887, ₱7,091,000 and ₱3,226 respectively were reported separately in the financial statements in 2019. Interest income were reported at ₱5,258,829 in 2019 and ₱3,405,522 in 2018.

The total revenues increased to ₱1,497,760,970 in 2019 from ₱1,414,254,996 last year and ₱1,580,353,686 in 2017 while the Operating Expenses were reported at ₱1,308,549,798 in 2019 from ₱1,256,717,449 last year and ₱1,291,748,297 in 2017.

Net income of the University for 2019 was ₱187,111,756 from ₱110,216,392 last year and ₱263,449,832 in 2017.

Financial Condition

The University reported a healthy cash position as of March 31, 2019. Cash and cash equivalents were at ₱312,995,338 as compared to last year's balance of ₱290,181,009 and ₱435,796,757 in 2017. Tuition and other receivables were at ₱123,286,977 as compared to ₱121,410,647 last year and ₱87,039,659 in 2017. 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 ₱13,813,863 Other current assets, which consist largely of Advances to Suppliers, Creditable withholding Taxes and Prepayments stood at ₱53,614,227.

The current assets of the University as of fiscal year ended March 31, 2019 were ₱503,710,405 as compared to ₱446,896,736 for March 31, 2018.

Property and Equipment were reported at ₱4,807,822,273 in 2019 from ₱3,275,715,343 last year.

Total non-current assets were at ₱5,033,294,454 and Total Assets were at ₱5,537,004,859 at the end of the fiscal year.

Accounts payable and accrued expenses increased to ₱404,363,704 from ₱355,306,220 last year and ₱280,606,407 in 2017. Dividends payable were at ₱104,576,634 compared to ₱107,787,994 last year and ₱108,225,615 in 2017. Total current liabilities were at ₱511,001,552 at fiscal year end.

Total noncurrent liabilities as of March 31, 2019 increased to ₱575,150,461 from ₱361,670,607 last year and ₱412,431,405 in 2017. Because schools are allowed to claim 10% of its capital assets 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 ₱415,538,927. 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 2019, retirement liability was at ₱159,611,534.

The University's stockholder's equity stood at ₱4,450,852,846 as of March 2019 as compared to ₱3,125,382,709 in March 2018.

Key Performance Indicators

Key	2019	2018	2017	Manner of Computation	Significance
Revenue Growth	4.17%	-10.68%	-9.27%	Difference between current and last year's tuition and other school fees divided by last year's revenues	Measures Revenue growth
Return on Revenue	13%	8%	17%	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	40%	68%	28%	Dividends divided by net income	Indicates how earnings support dividend payment
Return on Equity	5%	4%	9%	Net income divided by average total stockholder's equity	Measures extent of profit earned
Return on Assets	4%	3%	7%	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 ₱269,485,064 for fiscal year ended March 31, 2019 as compared to cash flows provided by operating activities of ₱268,201,397 for the previous fiscal year and ₱287,291,135 in March in 2017.

Cash used in investing activities was ₱167,111,098 during fiscal year ended March 31, 2019, as compared to cash used in investing activities of ₱339,150,879 for previous fiscal year and ₱101,329,661 in March 2017.

Cash used in financing activities was at ₱79,319,240 during the current fiscal year. This was primarily used for the payment of dividends. Cash used for financing activities was at ₱74,920,501 for fiscal year ended March 31, 2018 and ₱117,135,010 in fiscal year ended March 31, 2017.

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 years 2018-2019 and 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 2018-2019, there are commitments for capital expenditures such as continuous 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 2018 to FY 2019 include a increase of 5.9% in total revenues which resulted from the increase in tuition and other school fees and miscellaneous income of 4.17% and 4.16% respectively. In addition, higher rental income and donation income were reported for this fiscal year. For costs and expenses, posted was a 3.04% increase in cost of services resulting from higher cost of manpower, light and water, sports and academic development, other student-related services, materials and uniforms. General and administrative expenses increased by 10.44% due to increases in janitorial and security services, repairs and maintenance for Las Piñas and Manila facilities and provision for expected credit losses/doubtful accounts. On other income and expenses, 54.42% increase in interest income was reported due to higher amount of money market placement and higher interest rates. No interest expense was reported for this

fiscal year. Foreign exchange loss was due to lower foreign currency exchange rates. A higher loss on retirement /disposal of assets in the amount of ₱2.1M was due to the value of condemned furniture and equipment. These material changes resulted to an increase of 69.76% 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 that the Group has adopted the following new accounting pronouncements starting April 1, 2018. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance, unless otherwise discussed.

- **Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share- based* Payment Transactions**
- **PFRS 9, *Financial Instruments***
- **Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share based Payment Transactions**

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

The Group applied PFRS 9 prospectively, with an initial application date of April 1, 2018. The Group did not restate the comparative information which

continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings and other components of equity.

The effects of adopting PFRS 9 as at April 1, 2018 were as follows:

(a) Classification and measurement

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

The assessment of the Group's business model was made of the date of initial application, April 1, 2018, and then applied prospectively to those financial assets that were not derecognized after April 1, 2018. The assessment of whether contractual cash

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

The Group adopted PFRS 15 using the modified retrospective approach with an initial application date of April 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at that date. The Group elected to apply the standard to all contracts as at April 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 18 and related interpretations.

The nature of the adjustments as at April 1, 2018 and the reasons for the significant changes in the consolidated statement of financial position as at March

31, 2019 and the consolidated statement of income for the year ended March 31, 2019 are described below:

(a) **Advances received for culminating activities, previously recognized as revenues in line with the completion of the school year, are now recognized as revenue upon transfer of the related services to the customer. These are currently classified as contract liability account under "Accounts payable and other current liabilities". Costs to fulfill the contract, previously recognized as expenses for co-curricular activities under "Cost of services", are now capitalized as Cost to fulfill a contract under "Other current assets" and are recognized as an expense consistent with the transfer of the related services to the customer.**

(b) **Advances received for the publication of yearbooks, previously recognized as revenues in line with the completion of the school year, are now recognized as revenue upon transfer of the related goods to the customer. These are currently classified as contract liability account under "Accounts payable and other current liabilities". Costs to fulfill the contract, previously recognized as expenses for co-curricular activities under "Cost of services", are now capitalized as Cost to fulfill a contract under "Other current assets" and are recognized as an expense consistent with the transfer of the related goods to the customer.**

(c) **The Group receives refundable advanced collections from customers to be applied to the next school year or semester. These are previously presented under accounts payable under "Accounts payable and other current liabilities". Under PFRS 15, the Group reclassified these to contract liability account under "Accounts payable and other current liabilities".**

(d) **Other reclassifications to present items not covered under PFRS 15.**

- **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)**
- **Amendments to PAS 40, *Investment Property, Transfers of Investment Property***
- **Philippine Interpretation on International Financial Reporting Interpretations Committee (IFRIC) 22, *Foreign Currency Transactions and Advance Consideration***
- **In the absence of a principal market, in the most advantageous market for the asset or liability.**

- **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 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, 2019 was approved by the stockholders during the annual meeting on July 24, 2018.

In compliance with Securities Regulation Code (SRC) Rule 68, Ms. Djole S. Garcia was designated as partner in-charge in FY 2019 and FY 2018 while Ms. Josephine Adrienne A. Abarca and Mr. Christian Lauron were designated as partner in-charge in FY 2016 to FY 2017 and FY 2014 to FY 2015 respectively. Ms. Janet Alvarado-Paraiso has been the partner in-charge for five years. Her appointment started in 2009.

In 2019 and 2018, the University paid ₱1,056,000 and ₱987,500 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 (2016-2019)

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 (1st, 2nd, 6th) 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 5th in the September Licensure Examination for Teachers.

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

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 (1^{st}, 3^{rd}, 4^{th}, 5^{th}, and 7^{th} placers) in the May 2017 Board Exam and 4^{th} 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 5^{th} Top Performing School with a rating of 89.37% rating along with CEU Makati Medical Technology Department as the 10^{th} 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 10^{th} out of 5,875 board passers in the November 2017 Board Examination. A Nursing graduate from the same campus ranked 9^{th} in the June 2017 Nursing Board Examination.

The CEU School of Optometry posted an excellent performance grabbing five (3^{rd}, 6^{th}, 7^{th}, 8^{th} and 9^{th}) 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).

School Year 2018-2019

Student Enrolment

The University had an enrolment of 12,270 for the first semester and 11,344 for the second semester of school year 2018-2019. The total enrolment for the three campuses for both the first and second semesters decreased by 5.10% and 5.83%, respectively compared to that of SY 2017-2018. The school year 2018-2019 was the start of the regular offering of first year after the K-12 transition.

Foreign Student Enrolment

Foreign student enrolment for SY 2018-2019 was 239 and 214 for the first and second semesters, respectively. A decrease of 35.41% and 32.06% for the first and second semesters, respectively, was noted compared to that of the previous school year. Dentistry and Graduate School are the programs where most of the foreign students enrolled.

Performance in Board Examination

Through the years, CEU graduates have remarkably excelled in the various professional licensure examinations given by the Professional Regulation Commission (PRC).

With an outstanding overall passing rate of 87.23%, CEU was the top 3 performing school for July 2018 Optometry Licensure Examination. CEU Optometry graduates also nailed the top places in the July 2018 board examination as they captured the 2nd, 5th, and 7th places.

CEU's Pharmacy program was listed in the top performing schools with CEU Malolos campus in rank 6 garnering a rating of 88.75%, Makati campus on the 7th spot with 87.95%, and Manila campus on the 8th place with 83.90%. A Pharmacy graduate from CEU Manila seized the 2nd place in the August 2018 board examination.

On March 2019 Medical Technology Licensure Examinations, CEU Manila was the top 7 performing school having 92.31% passing rate while CEU Makati was the top 10 with 80.88% passing percentage.

CEU Malolos Dentistry program has 100 percent passing rate in the board examination both for written and practical for the past four years. CEU-Manila School of Dentistry dominated in the May-June 2018 board examination as it produced the top three placers while CEU Malolos graduate got the 6th placer. The university continued its superiority as CEU Manila graduate obtained the 7th placer while CEU Makati grabbed the 9th placer in December 2018 board examination.

Other programs of CEU that produced topnotch graduates are CEU Makati Nursing program which took the 6th and the 8th places in the board examination, CEU Manila Guidance and Counseling graduate school at 6th place in the Guidance Counseling Licensure Examination, and Bachelor of Elementary Education Specialization Special Education graduate at 9th place in the Licensure Examination for Teachers-Elementary Level.

The first timer examinees in almost all the programs in the three campus obtained a higher passing rate than the national passing percentage.

Accreditation and Recognition

CEU prides itself in its continuous efforts to improve its academic programs that have resulted in its reaching another milestone in accreditation history. The CEU Manila graduate school programs Master of Science, Master of Arts, and Master of Business Administration were added to the list of highest level of accreditation, Level IV from the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) as certified by the Federation of Accrediting Association of the Philippines (FAAP).

On the other hand, six (6) undergraduate programs of CEU Manila were reaccredited Level IV by the same accrediting agency: Nutrition and Dietetics, Dentistry, Bachelor of Secondary Education and the Elementary Education, Liberal Arts, and Medical Technology. Computer Science and Computer Engineering currently received Level I accreditation. Meanwhile, Biology and Psychology programs are awaiting for the results of their 2nd reaccredited Level IV and Hotel and Restaurant Management and Tourism Management programs for their Level II visit last September 24-25, 2018

CEU Makati's Hotel and Restaurant Management, Tourism Management, Business Administration, and Computer Science were reaccredited Level II by PACUCOA while Information Technology and Dentistry received Level I accreditation.

Meanwhile, CEU Malolos Bachelor of Elementary Education program was granted Level I accreditation.

The university successfully earned the ASEAN University Network-Quality Assurance (AUN-QA) accreditation of Psychology program based on 15 AUN-QA criteria: expected learning outcomes, program satisfaction, program structure and content, teaching and learning process, student assessment, academic staff quality, support staff quality, student quality, student advice and support, facilities and infrastructure, stakeholders' feedback, output, and stakeholders satisfaction.

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

International Linkages

Determined to bring its academic programs up to international standards and to remain competitive, Centro Escolar University continues to expand its internationalizations thrusts.

For three consecutive years, the School of Science and Technology and the Biological Sciences Department join efforts in sending graduating students for international practicum. This school year 2018-2019, fourteen (14) students participated to complete the third batch for the international practicum held at Walailak University, Nakhon Si Thammarat,Thailand. Students were trained to engage in rigorous research works from sample collection, processing data gathering and analysis up to the writing of report. Their studies focus on waterborne protozoans and soil transmitted helminthes. Students were trained to do systematic review specifically in the area of Biology.

The CEU Manila and Makati School of Nursing sent five (5) graduating students in the 4th International Student Exchange Program at Sekolah Tinggi Ilmu Kasehatan Baiturrahim, Jambi, Indonesia last January 9 to 23, 2019. The program aimed to broaden the students' experience in giving nursing care in a community and hospital setting in another country like Indonesia and apply the concept of transcultural nursing. Furthermore, the program provided them excellent opportunity to gain new insights on the educational and health care delivery system of Indonesia.

Two students from CEU-Manila joined the Daegu's Health College's Global Student Leadership Program 2018. The activity provided students the opportunity to undertake a challenging extra-curricular program. The leadership program centered on the theme "Meeting the Global Challenge: Creativity, Profession, and Humanity," that targeted students who were interested to see their personal growth in inclusive environments and how student leadership could impact global issues and global change.

Together with two of the most recognized hospitality management establishments in Vietnam, the School of Nutrition and Hospitality Management of Centro Escolar University keeps up on committing with the standards for global competitiveness. Under the CHED Student Internship Abroad Program (SIAP), the School of NHM remains to be partner with Phu Hai Resort, a four-star hotel in Phan Thiet City and Paradise Suites, Hotels and Cruises and one of the top hospitality management companies in Halong Bay. With the support and approval of dean of the School of NHM and the University President and through the compassion and hard work of the Program Head of Tourism Management, the program provides a wide-range and world-class training that equips students with skills and knowledge as future professionals in the field of hospitality management. SIAP lasts for at least four to five months training for Tourism and HRM students. Furthermore, this international tie-up has given chances to student participants and alumni of CEU to work and be part of these two companies.

Quality Assurance

To leverage the future of the University as the "University of first choice" and to strengthen its pursuit of its vision and mission, the CEU Management Council conducts a yearly review and strategic planning. The activity also serves as a venue for strengthening the working relationship among the different units of the University.

The annual Management Review for the SY 2017-2018 was held on April 24-26, 2018 and aimed to firm up CEU's strategic directions.. A Midyear Management Review was conducted on December 5, 2018 to review and improve the organizational performance and to apprise opportunities and threats for the next strategic planning. A periodic monitoring of the annual operation plan of the different units was conducted online by the Planning and Monitoring Office. A stakeholders' needs, and SWOT analysis workshop was held on January 30, 2019. It was followed by the risk assessment on February 14-15, 2019 and a pre-strategic planning on March 18, 2019.

An Internal Quality Audit orientation and re-orientation was held on August 14-16, 2018 to update and calibrate internal auditors' knowledge, skills and attitude. The same activity was also conducted for the Data and Document Custodian on September 4, 5, and 17 for Makati, Malolos, and Manila respectively. The orientation for the 7S evaluators was conducted on September 17, 19, and 21 for Manila, Malolos, and Makati campuses respectively.

To further improve service to various clientele, Customer Feedback Form (CFF) was incorporated in the visitor's form to obtain feedback from external clients. Collection and submission of the CFF to the Planning and Monitoring Office is done periodically. On the other hand, the CEU Internal Customer Survey Instrument and Student Personnel Services (SPS) Evaluation from internal clients/students are done annually.

SGS surveillance visit was conducted on May 2-3, 2019 and the auditors recommended that Centro Escolar University be certified with 9001:2015.

Faculty Achievements

Mr. Ian Gabriel Torres Corpuz, a Conservatory of Music alumnus-faculty, is one of the 55 artists who were honored by the National Commission for Culture and the Arts (NCAA) at the Diamond Hotel on February 14, 2019. It was based on his winning the first prize award in the Busan Choral Composition held in South Korea in 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), the 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 President of Philippine Association of Practitioners of Student Affairs and Services (PAPSAS). Dr. Maria Corazon L. Andoy, head of the Student Affairs of CEU Makati is the elected President of PAPSAS-NCR Chapter while Mr. Dante Gabano, Asst. to the VP for Student Affairs (Campus Organization) is the Business Manager.

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. Dr. Carmencita Salonga, head of the Guidance and Counseling Department is a board of director of Psychological Association of the Philippines. Dr. Maria Dolores Delacruz, head of the Planning and Monitoring Department is the treasurer of the Philippine Society for Quality Assurance (PSQ). Dr. Maricar Ching, the Asst. Dean of the Graduate School, is the secretary of both the Biology Teachers Association of the Philippines and the National Research Council of the Philippines (NRCP) Division 3. Dr. Ching is also a board member of the Department of Science and Technology Philippine Council for Health Research and Development (DOST-PCHRD) Scholars Society. Ms. Aleli Lozano, head of the Mathematics and Physical Sciences Department is the Asst. Treasurer of the Philippine Association of Chemistry Teachers. Dr. Agnes Magnaye, a faculty from the Biological Sciences Dept. is a board member of BIOTA Philippines.

Awarded by the Philippine Pharmacists Association (PPhA) and United Laboratories, Inc. as Most Outstanding Pharmacist in Education was Dr. Cecilia D. Santiago, dean of the School of Pharmacy. Dr. Santiago, together with Dr. Maria Donnabelle U. Dean, CEU Makati Pharmacy program head are directors of Philippine Association of Colleges of Pharmacy while Ms. Regina A. Jazul, CEU Malolos Pharmacy program head is the elected P.R.O. and Dr. Olivia Limuaco, Vice President of CEU Makati is one of the Council of Advisers.

Dr. Elena Borromeo, dean of the School of Optometry, is the Vice President of the Philippine Cornea and Contact Lens Institute (PCCLI) while Dr. Gregeny Nivin Blanco is the secretary. On the other hand, Dr. Maria Concepcion Anda and Dr. Fides Masanga are presidents of the Quezon City and Pasig Chapters Integrated Philippine Association of Optometrist (IPAO).

Philippine Nursing Association's COMELEC Chair is the dean of CEU School of Nursing, Dr. Elvira Urgel; her faculty, Mr. Sonny Pura and Dr. Sofia Magdalena Robles are COMELEX Commissioners and another faculty, Dr. Pearl Ed G. Cuevas, is the Board of Director of Zone 1 Chapter. The other faculty members of CEU School of Nursing hold positions in Association of Diabetes Nurse Educators of the Philippines (ADNEP). Ms. Anjanette S. De Leon is the secretary and Chair of Education Committee, Mrs. May P. Mendinueto is the treasurer and Chair of the Research Committee, and Mrs. Joylyn L. Mejilla is the immediate past president and Chair of the Ethics Committee

Dr. Maria Rita D. Lucas, dean of the School of Education, Liberal Arts, Music and Social Work, is the asst. secretary of the Philippine Association for Teachers and Educators while Dr. Milagros Borabo, head of the PACE, is the executive director. Dr. Lolita D. Pablo, head of the Community Outreach Department is the ex-officio of the

National Association for Social Work Education Incorporated, accreditor of PAASCU and a member of the CHED technical committee for Social Work program. Prof. Ricky Rosales, program head of the Mass Communication is a board member of the Philippine Association for Media and Information Literacy. Prof. Angelito E. Ayran Jr., Music program head, is the NCR coordinator of the Philippine Choral Directors Association. Dr. Arlene Salve-Opina, head of the Languages Department is the President and one of the founding members of the Global Educators' Organization. Mr. Dante Gabano is the assistant treasurer of the Speech Communication Organization of the Philippines, Inc. (SCOP) while Dr. Christopher Jay Cortado is one of the board of directors.

Dr. Pearly P. Lim, dean of the School of Dentistry is a councilor of the International Association for Dental Research. Some School of Dentistry faculty members have positions in professional organizations. Dr. Stephen Almonte is elected president of the Philippine Dental Association while Dr. Joann Joven and Dr. Marie France Fullante are vice president and asst. secretary of the Philippine Prosthodontic Society, respectively.

Dr. Rosemarie So, dean of the School of Accountancy and Management, is a board member of the Philippine Association of Collegiate Schools of Business (PACSB) and a fellow in Business Education. Prof. Zenaida S. Diola, a faculty of the same school a board member of the International Cooperative Alliance-Asia Pacific. Dr. Rowel Antonio is the Chair of the Entrepreneurship of Wadhwani Foundation.

Student Achievements

A senior BS Medical Technology student from CEU Manila was chosen to represent the Philippines in the 9th University Scholars Leadership (#USLS2018) at the united Nations, Bangkok, Thailand. There were 1,057 delegates from 87 different countries. The symposium was creatively planned to help the student leaders discover their hidden potentials and actively engaged them in learning experiences beyond the conference rooms. The event let them acquire robust confidence, goal setting capabilities, self-reliance and independence. It allowed them to sharpen their cutting edge as the next generation of 21st century leaders.

Centro Escolar University music student bagged the 3rd prize for the National Level-Guitar Category in the recent National Music Competitions for Young Artist (NAMCYA) at the Cultural Center of the Philippines on November 2018,

Education students joined and won in three competitions, EducGrid, Siklabanng Talino, and EduQuiz. Two BSE English major students and a BSE major in Biological Science student were hailed champions in the Inter-University Competition EducGrid at National Teachers' College on October 19, 2018. They won 2nd runner-up in the group category and 1st runner-up in the individual category.

The entry of the students from the Communication and Media Program of School of Education, Liberal Arts, Music and Social Work "Balita" made it as one of the top eight out of the 123 entries in the student short film category. "Balita" is the first ever short-film entry of the Centro Escolar University in the Metro Manila Film Festival (MMFF). The chosen top 8 short films were shown in cinemas together with the other full-length official entries during the festival period from December 25, 2018 to January 7, 2019. The MMFF Student Short Film Competition which started in 2016 aims at encouraging students to harness their creativity and talents in storytelling through filmmaking. The short film entry of CEU students also received the Guild of Educators, Mentors and Students (GEMS) "Special Award" category for its concept. They were awarded as Best Students' Short Film for Tertiary Level.

After winning in the Global Clinical Case Contest Country Level for 2018-2019 on February 13, 2019, Centro Escolar University School of Dentistry's junior clinician represented the country in the Asia Regional Clinical Case contest last April 2019 in Hong Kong. Dentsply Sirona Global Clinical Case Contest is a worldwide contest for dental students that features esthetic case studies by documenting a patient case with photographs using Ceram X restorative materials. Ms. Santiago of the School of Dentistry, Manila represented the Philippines in the Asia Regional Clinical Case contest after winning 1st place in the Dentsply Philippines Ceram X case contest held last February 2019 at Dentsply Philippines.

In the Asia Regional Clinical Case contest last, Ms. Cenry Santiago, won first place in the Dentsply Sirona Global Clinical Case Contest 2018-2019 Asia Regional Final held April 18, 2019 at Prince Philip Dental Hospital, The University of Hongkong. Five countries participated in this regional GCCC 2018/2019. Ms. Cenry will represent Asia in the global competition to be held in Constance, Germany in June 2019.

Another Dentistry student of CEU Manila won in the 3M University Direct Esthetic Restoration Competition held last March 27, 2019. He will represent the Philippines in the South East Asia Region Competition in Malaysia in July 2019. A group of students bagged the 3rd place in the Dentsply Sirona Regional Competition held on July 2018.

CEU Scorpions bagged the championship in the MNCAA for three straight years.

True to this season's theme, "Play Bold with a Heart of Gold," Centro Escolar University Lady Scorpions once again ruled the 49th Women's National Collegiate Athletic Association (WNCAA) League with three championship titles for Senior's Division in basketball, volleyball and hip hop dance competitions.

The CEU Basketball Team aced their 8th straight win with a CEU Basketball player as the Final's Most Valuable Player and another player as the Season's MVP.

The futsal team also bagged the 3rd place. Pumped up with their fierce yet graceful dance routines, the CEU Streetsquad also claimed the WNCAA's first- ever hip hop dance competition crown.

With great pride and honor, the squad bagged three major awards in the recent 12th Cheerleading Asia in International Open Competition in Takasaki Arena, Japan. Proudly representing the Philippines, the CEU Pep Squad won the Championship title and 1st Runner-up for the Group Students Co-Ed, and 2nd Runner-up for Team Cheer International. Five cheers for the CEU pep Squad for winning the championship on the 49th Season of the Women's National Collegiate Athletic Association (WNCAA). To date this is the squad's 5-peat championship.

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 2018			
April 2017 – June 2017	First Quarter	₱ 10.50	₱ 9.52
July 2017 – September 2017	Second Quarter	10.02	9.00
October 2017 – December 2017	Third Quarter	9.38	8.20
January 2018 – March 2018	Fourth Quarter	9.14	8.62
Fiscal Year Ended 2019			
April 2018 – June 2018	First Quarter	₱ 9.00	₱ 8.60
July 2018– September 2018	Second Quarter	8.99	6.14
October 2018 – December 2018	Third Quarter	8.15	7.03
January 2019 – March 2019	Fourth Quarter	8.39	7.60

The closing price per share of the University's common shares as of June 30, 2019 was ₱6.98.

Holders

As of June 30, 2019, 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, 2017 and Fiscal Year ended March 31, 2018, are as follows:

<u>Fiscal Year Ended March 31, 2018</u>
(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.

<u>Fiscal Year Ended March 31, 2019</u>
(April 1, 2018– March 31, 2019)

1. Cash dividend of ₽0.20 per share was declared on June 20, 2018 in favor of stockholders of record as of July 12, 2018, payable on August 6, 2018.

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 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.

On October 20, 2018, the Board of Directors attended seminar on Corporate Governance 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 (2019)" as amended, may be provided to any stockholder upon written request addressed to:

Atty. Sergio F. Apostol
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.

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 23, 2019, 2:00 pm, 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 24, 2018
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 July 2, 2019 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 3, 2019 to July 23, 2019.

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 12, 2019. Proxies will be validated on July 18, 2019.

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

Manila, Philippines, July 2, 2019.

SERGIO F. APOSTOL
Corporate Secretary

CENTRO ESCOLAR UNIVERSITY

1907

MANILA · MAKATI · MALOLOS

CIENCIA Y VIRTUD

Office of the Corporate Secretary

ANNUAL STOCKHOLDERS' MEETING
Tuesday, July 23, 2019
2:00pm
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 24, 2018**
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 24, 2018, 2:00 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. Alejandro C. Dizon, Director

ALSO PRESENT:
Mr. Cesar F. Tan
Atty. Nilo B. Peña
Atty. Jennifer C. Lee

ABSENT:
Dr. Johnny C. Yap, Director

No. of Shares Present in Person or Represented by Proxy	285,500,968 shares
No. of Outstanding Shares	372,414,400 shares
	76.6621%

I. OPENING PRAYER

Ms. Corazon M. Tiongco led the opening prayer.

II. CALL TO ORDER / NOTICE AND QUORUM

After ascertaining from Mr. Cesar Tan, the Secretary of the meeting, that notices were properly sent to all 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 body was notified that the proceedings of the stockholders' meeting were tape-recorded.

III. APPROVAL OF THE MINUTES OF ASM ON JULY 25, 2017

On motion duly seconded, the stockholders unanimously approved the Minutes of the Annual Stockholders' Meeting on July 25, 2017.

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

Dr. Padolina presented the highlights of the Annual Report to the stockholders including the four (4) strategic goals of the University. Since the Annual Report for 2017-2018 had been distributed to the stockholders, they were requested to go over the same.

The President also announced that on June 20, 2018, the Board of Directors declared a Php0.20 Cash Dividend per share to stockholders of record as of record date of July 12, 2018 with payment date on August 6, 2018.

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 2018-2019, 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 2017-2018

After a few clarifications, on motion duly seconded, all acts, transactions and resolutions of the University's Board of Directors and of Management for fiscal year 2017-2018 were 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.

Mr. Stephen Soliven asked why there was a decrease in the University's cash and cash equivalent for the current year and why there was an increase in tuition and other receivables. Dr. Padolina explained that the decrease in the University's cash and cash equivalent was an effect of the implementation of the K-12 program.

VP Servitillo also explained that the decrease in the University's cash and cash equivalent was due to decrease in enrollment. The increase in tuition and other receivables was due to the receivable from DepEd for Senior High School Vouchers and the timing difference wherein said receivable was collected during fiscal year 2018-2019.

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.) CESAR F. TAN
Secretary of the meeting

Attested by:

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

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, 2019 and 2018, 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, 2019.

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

SUBSCRIBED AND SWORN TO before me this JUN 28 2019 day of ________, 2019, affiants exhibiting to me their respective Philippine Passports as follows:

	Passport No.	Date and Place of Issue
BASILIO C. YAP	EC3334678	February 2, 2015, Manila
MA. CRISTINA D. PADOLINA	P3754596A	July 22, 2017, Manila
CESAR F. TAN	P9759990A	November 29, 2018, Manila

ATTY. GARY CAMITAN AURE
NOTARY PUBLIC, ROLL NO. 60777
PTR No. [illegible] Issued on Dec. 27, 2018 Until Dec. 31, 2019 Manila
IBP Lifetime No. [illegible] Issued on Feb. 2, 2016
Commission No. 2018-072 Issued on Feb. 28, 2018 Until Dec. 31, 2019 Manila
MCLE No. VI-0006796 Issued on Feb. 20, 2016 at Pasig City Valid Until April 14, 2022
Office Address: [illegible]

Doc. No. 232
Page No. 47
Book No. XXXII
Series of 2019

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P W 1 0 9 3

COMPANY NAME

C E N T R O   E S C O L A R   U N I V E R S I T Y   A N D

S U B S I D I A R I E S

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

9   M E N D I O L A   S T R E E T ,   S A N   M I G U E L ,

M A N I L A

Form Type	Department requiring the report	Secondary License Type, If Applicable
A C F S	C R M D	N A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
Not applicable	735-5991	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,019	7/23	3/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Cesar F. Tan	cftan@ceu.edu.ph	735-5991	–

CONTACT PERSON's ADDRESS

9 Mendiola Street, San Miguel, Manila

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

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

INDEPENDENT AUDITOR'S REPORT

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

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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended March 31, 2019, 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.

Adoption of Expected Credit Loss Model

On April 1, 2018, the Group adopted PFRS 9, *Financial Instruments*. PFRS 9, which replaced PAS 39, *Financial Instruments: Recognition and Measurement*, introduces a forward-looking expected credit loss (ECL) model to assess impairment on debt financial assets not measured at fair value through profit or loss. The Group adopted the modified retrospective approach in adopting PFRS 9.

The Group's adoption of the ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; determining the method to estimate lifetime ECL; defining default; determining assumptions to be used in the ECL model such as the expected life of the financial asset and timing and amount of expected net recoveries from defaulted accounts; and incorporating forward-looking information in calculating ECL.

The application of the ECL model did not result to any transition adjustment.

The disclosures related to the adoption of the expected credit loss model are included in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the approved methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used; (c) compared the definition of default against historical analysis of accounts and credit risk management policies and practices in place; (d) tested loss given default by inspecting historical recoveries including the timing, related direct costs, and write-offs; and (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's broader industry knowledge.

Further, we checked the data used in the ECL models, such as the historical analysis of defaults, and recovery data, by reconciling data from source reports to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source reports to the loss allowance analysis.

We recalculated impairment provisions. We checked the disclosures made in the financial statements on allowance for expected credit losses by tracing such disclosures to the ECL analysis prepared by Management.

Adoption of PFRS 15, Revenue from Contracts with Customers

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

The adoption of PFRS 15 is significant to our audit because this involves application of significant management judgment and estimation in: determining whether the criteria for the recognition of revenue from tuition fees, other school fees, fees for other school services and miscellaneous fees are met; determining whether there are other promises in the contract that are separate performance obligations; and determining the timing of satisfaction of performance obligation.

The disclosures related to the adoption of PFRS 15 are included in Note 2 to the consolidated financial statements.

Audit Response

We reviewed the PFRS 15 adoption papers and accounting policies prepared by management which includes analysis of contracts.

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

We reviewed sample contracts and checked whether the revenue from tuition fees, other school fees, fees for other school services and miscellaneous fees meet the criteria for recognition as revenue from contracts with customers and whether the performance obligations within the contracts have been identified. We reviewed sample contracts and checked whether the Group's timing of revenue recognition is based on (1) output method over the same period and (2) control of the related goods and services is transferred to the student.

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

Valuation of Land Classified as Property and Equipment and Investment Property

The Group accounts for its land classified as property and equipment and investment property using the revaluation model and fair value model, respectively. As at March 31, 2019, the carrying value of the Group's land classified as property and equipment and investment property amounted to ₱3,336 million and ₱152 million, respectively, representing 60% and 3%, respectively, of the Group's consolidated total assets. In addition, for the year ended March 31, 2019, the Group recognized a revaluation gain of ₱1,450 million in other comprehensive income and ₱0.77 million fair value losses in profit or loss. The valuation of the land classified as property and equipment and investment property requires the assistance of an external appraiser whose calculations involve certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors. This matter is significant to our audit because it involves significant judgment and estimates.

Refer to Note 2 to the consolidated financial statements for the relevant accounting policy, Note 3 for the disclosure on the relevant judgment and estimate and Notes 9 and 10 to the consolidated financial statements for the disclosures about the Group's land classified as property and equipment and investment property, respectively.

Audit Response

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

Impairment Testing of Property and Equipment Valued at Cost

The Group is adversely affected by the decline in its market capitalization. Since an impairment indicator is identified, an impairment assessment on the Group's property and equipment valued at cost was performed. As at March 31, 2019, the carrying value of the Group's property and equipment valued at cost amounted to ₱1,472 million representing 27% of the Group's consolidated total assets. The assessment of the recoverable amount of the property and equipment valued at cost requires significant judgment and involves estimation and is based on assumptions such as tuition fee rates, number of students and long-term growth rate, as well as discount rate, an external input. Hence, such assessment is a key audit matter in our audit.

Refer to Note 2 to the consolidated financial statements for the relevant accounting policy, Note 3 for the disclosure on the relevant judgment and estimate and Note 9 to the consolidated financial statements for the disclosure about the Group's property and equipment valued at cost.

Audit Response

We involved our internal specialist in evaluating the methodology 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 property and equipment valued at cost.

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, 2019, 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, 2019 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.

SGV
Building a better working world

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. A-832-A (Group A),
March 21, 2019, valid until July 21, 2019
Tax Identification No. 201-960-347
BIR Accreditation No. 08-001998-102-2018,
October 18, 2018, valid until October 17, 2021
PTR No. 7332555, January 3, 2019, Makati City

June 28, 2019

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱312,995,338**	₱290,181,009
Tuition and other receivables (Note 6)	**123,286,977**	121,410,647
Inventories (Note 7)	**13,813,863**	12,880,554
Other current assets (Note 8)	**53,614,227**	22,424,526
Total Current Assets	**503,710,405**	446,896,736
Noncurrent Assets		
Property and equipment (Note 9)		
At revalued amount	**3,335,613,002**	1,884,026,292
At cost	**1,472,209,271**	1,391,689,051
Investment property (Note 10)	**151,980,000**	152,751,487
Goodwill (Note 4)	**47,605,695**	47,605,695
Other noncurrent assets (Note 11)	**25,886,486**	30,149,438
Total Noncurrent Assets	**5,033,294,454**	3,506,221,963
TOTAL ASSETS	**₱5,537,004,859**	₱3,953,118,699
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 12)	**₱404,363,704**	₱355,306,220
Dividends payable (Note 13)	**104,576,634**	107,787,994
Income tax payable	**2,061,214**	2,971,169
Total Current Liabilities	**511,001,552**	466,065,383
Noncurrent Liabilities		
Deferred tax liabilities - net (Note 18)	**415,538,927**	277,071,817
Retirement liability (Note 17)	**159,611,534**	84,598,790
Total Noncurrent Liabilities	**575,150,461**	361,670,607
TOTAL LIABILITIES	**1,086,152,013**	827,735,990
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**	996,000,000
Unappropriated	**477,339,788**	377,500,481
Revaluation increment on land - net (Notes 9 and 24)	**2,655,373,698**	1,350,002,971
Remeasurement gain (loss) on retirement obligation (Note 17)	**(56,965,653)**	23,668,534
Revaluation reserve on:		
Financial assets at FVOCI (Note 11)	**(329,059)**	–
Available-for-sale investments (Note 11)	**–**	100,298
	4,444,497,230	3,120,350,740
Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries	**6,355,616**	5,031,969
Total Equity	**4,450,852,846**	3,125,382,709
TOTAL LIABILITIES AND EQUITY	**₱5,537,004,859**	₱3,953,118,699

See accompanying Notes to Consolidated Financial Statements.

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended March 31		
	2019	2018	2017
REVENUES FROM CONTRACTS WITH CUSTOMERS			
Tuition and other school fees (Note 14)	**₱1,428,330,595**	₱–	₱–
Miscellaneous fees (Notes 14 and 15)	**44,945,262**	–	–
	1,473,275,857	–	–
REVENUES			
Tuition and other school fees (Note 14)	–	1,371,104,081	1,535,004,059
Miscellaneous fees (Note 15)	–	43,150,915	45,349,627
	–	1,414,254,996	1,580,353,686
OTHER REVENUES			
Rental income (Notes 10 and 19)	**17,390,887**	–	–
Donation income (Note 9)	**7,091,000**	–	–
Dividend income (Note 11)	**3,226**	–	–
	24,485,113	–	–
COSTS AND EXPENSES			
Costs of services (Note 16)	**1,106,573,806**	1,073,840,325	1,120,358,938
General and administrative expenses (Note 16)	**201,975,992**	182,877,124	171,389,359
	1,308,549,798	1,256,717,449	1,291,748,297
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**189,211,172**	157,537,547	288,605,389
OTHER INCOME (EXPENSES)			
Interest income (Note 5)	**5,258,829**	3,405,522	3,721,167
Loss on retirement/disposal of assets (Note 9)	**(2,125,719)**	(333,821)	(295,689)
Fair value changes in investment property (Note 10)	**(771,487)**	–	–
Foreign currency exchange gains (losses) - net	**(240,397)**	254,235	535,941
Interest expense (Note 18)	–	(12,940,762)	(938,489)
Other income (Note 5)	**2,573,276**	–	–
	4,694,502	(9,614,826)	3,022,930
INCOME BEFORE INCOME TAX	**193,905,674**	147,922,721	291,628,319
PROVISION FOR INCOME TAX (Note 18)	**6,793,918**	37,706,329	28,178,487
NET INCOME	**₱187,111,756**	₱110,216,392	₱263,449,832
Attributable to:			
Equity holders of the University	**₱184,163,109**	₱107,772,975	₱262,106,208
Non-controlling interests	**2,948,647**	2,443,417	1,343,624
	₱187,111,756	₱110,216,392	₱263,449,832
Basic/Diluted Earnings Per Share (Note 23)	**₱0.49**	₱0.29	₱0.70

See accompanying Notes to Consolidated Financial Statements.

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31		
	2019	2018	2017
NET INCOME	**₱187,111,756**	₱110,216,392	₱263,449,832
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)
Items not to be reclassified to profit or loss			
Change in revaluation reserve on financial assets at FVOCI (Note 11)	**(23,040)**	–	–
Revaluation increment on land (Note 9)	**1,450,411,919**	–	–
Income tax effect (Note 18)	**(145,041,192)**	–	–
	1,305,370,727	–	–
Remeasurement gain (loss) on retirement obligation (Note 17)	**(89,593,541)**	89,575,563	(33,400,093)
Income tax effect (Note 18)	**8,959,354**	(8,957,556)	3,340,009
	(80,634,187)	80,618,007	(30,060,084)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**1,224,713,500**	80,605,335	(30,084,132)
TOTAL COMPREHENSIVE INCOME	**₱1,411,825,256**	₱190,821,727	₱233,365,700
Attributable to:			
Equity holders of the University	**₱1,408,876,609**	₱188,378,310	₱232,022,076
Non-controlling interests	**2,948,647**	2,443,417	1,343,624
	₱1,411,825,256	₱190,821,727	₱233,365,700

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									Equity Attributable to Non-controlling Interests in Consolidated Subsidiaries	Total Equity
	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)	Revaluation Reserve on Financial assets at FVOCI (Note 11)	Total		
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 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**
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**
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**
Effect of adoption of new accounting standards (Note 2)	–	–	–	(9,840,922)	–	–	(100,298)	(306,019)	(10,247,239)	–	(10,247,239)
Balances at April 1, 2018, as restated	**372,414,400**	**664,056**	**996,000,000**	**367,659,559**	**1,350,002,971**	**23,668,534**	**–**	**(306,019)**	**3,110,103,501**	**5,031,969**	**3,115,135,470**
Net income	–	–	–	184,163,109	–	–	–	–	184,163,109	2,948,647	187,111,756
Other comprehensive income (loss)	–	–	–	–	1,305,370,727	(80,634,187)	–	(23,040)	1,224,713,500	–	1,224,713,500
Cash dividends	–	–	–	(74,482,880)	–	–	–	–	(74,482,880)	(1,625,000)	(76,107,880)
Balances at March 31, 2019	**₱372,414,400**	**₱664,056**	**₱996,000,000**	**₱477,339,788**	**₱2,655,373,698**	**(₱56,965,653)**	**₱–**	**(₱329,059)**	**₱4,444,497,230**	**₱6,355,616**	**₱4,450,852,846**

See accompanying Notes to Consolidated Financial Statements.

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱193,905,674**	₱147,922,721	₱291,628,319
Adjustments for:			
Depreciation and amortization (Notes 9, 11 and 16)	**94,214,963**	93,974,351	88,882,264
Movement in retirement liability (Note 17)	**(14,580,797)**	3,871,823	6,903,755
Donation income (Note 9)	**(7,091,000)**	–	–
Provision for expected credit losses/doubtful accounts (Notes 6 and 16)	**6,846,897**	5,849,704	8,049,897
Interest income (Note 5)	**(5,258,829)**	(3,405,522)	(3,721,167)
Loss on retirement/disposal of assets (Note 9)	**2,125,719**	333,821	295,689
Fair value adjustment in investment property (Note 10)	**771,487**	–	–
Unrealized foreign exchange gains (losses) - net	**240,397**	(254,235)	(535,941)
Interest expense	**–**	12,940,762	938,489
Provision for impairment losses (Notes 9 and 16)	**–**	813,551	–
Operating income before changes in operating assets and liabilities	**271,174,511**	262,046,976	392,441,305
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Tuition and other receivables	**(8,351,353)**	(40,195,487)	(32,732,572)
Inventories	**(933,309)**	(4,809,873)	1,913,956
Other current assets	**(10,922,293)**	4,723,919	(3,395,424)
Increase (decrease) in accounts payable and other current liabilities	**29,686,914**	74,699,813	(52,309,117)
Net cash generated from operations	**280,654,470**	296,465,348	305,918,148
Income taxes paid	**(16,056,361)**	(18,703,506)	(22,368,244)
Interest received	**4,886,955**	3,380,317	3,741,231
Interest paid	**–**	(12,940,762)	–
Net cash from operating activities	**269,485,064**	268,201,397	287,291,135
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 9)	**(168,250,269)**	(147,732,202)	(111,738,377)
Software cost (Note 11)	**(105,000)**	(105,000)	(5,398,000)
Investment property (Note 10)	**–**	(152,751,487)	–
Decrease (increase) in other noncurrent assets	**2,051,761**	(18,101,616)	15,806,716
Payment for additions to land (Note 9)	**(1,174,791)**	(20,521,289)	–
Proceeds from sale of property and equipment (Note 9)	**367,201**	60,715	–
Net cash used in investing activities	**(167,111,098)**	(339,150,879)	(101,329,661)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of cash dividends	**(79,319,240)**	(74,920,501)	(77,135,010)
Payments of installment payable	**–**	–	(40,000,000)
Cash used in financing activities	**(79,319,240)**	(74,920,501)	(117,135,010)
EFFECT OF FOREIGN CURRENCY RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(240,397)**	254,235	535,941
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**22,814,329**	(145,615,748)	69,362,405
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**290,181,009**	435,796,757	366,434,352
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱312,995,338**	₱290,181,009	₱435,796,757

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	**2019**	2018	2017
Centro Escolar University Hospital, Inc. (the "Hospital" or CEUHI)	**100.00%**	100.00%	100.00%
Centro Escolar Las Piñas, Inc. (CELPI) (formerly Las Piñas College)	**99.90%**	99.90%	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, 2019, the Hospital is operating eight 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 28, 2019.

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 financial assets at fair value through other comprehensive income (FVOCI) and equity investments included under 'Other noncurrent assets' and investment property which are 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 were 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, 2019 and 2018, 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 that the Group has adopted the following new accounting pronouncements starting April 1, 2018. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance, unless otherwise discussed.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based* Payment Transactions
- PFRS 9, *Financial Instruments*

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

  The Group applied PFRS 9 prospectively, with an initial application date of April 1, 2018. The Group did not restate the comparative information which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings and other components of equity.

  The effects of adopting PFRS 9 as at April 1, 2018 were as follows:

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

  The assessment of the Group's business model was made as of the date of initial application, April 1, 2018, and then applied prospectively to those financial assets that were not derecognized after April 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The following are the changes in the classification of the Group's financial assets:

- Cash in banks and short-term deposits, tuition and other receivables (excluding accrued rent receivables), and refundable security deposits previously classified as *Loans and receivables* as of March 31, 2018 are held to collect contractual cash flows and give rise to cash flows representing 'solely payments of principal and interest' (SPPI). These are now classified and measured as *debt instruments at amortized cost* beginning April 1, 2018. There are no changes in the measurement of these financial assets which are carried at amortized cost.
- Equity investments in listed and non-listed companies classified as *available-for-sale (AFS) investments* as at March 31, 2018 are classified and measured as *Equity instruments designated at FVOCI* beginning April 1, 2018. The Group elected to classify irrevocably its investments in quoted and unquoted equity securities under this category at the date of initial application as it intends to hold these investments for the foreseeable future.

As a result of the change in classification of the Group's unquoted equity investments, the revaluation reserve on AFS investments amounting to ₱100,298 as of March 31, 2018 was reclassified to revaluation reserve on financial assets at FVOCI as at April 1, 2018. In addition, decrease in fair value of AFS investments amounting to ₱406,317 was recognized as at April 1, 2018.

The Group has not designated any financial assets or liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

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

		PFRS 9 measurement category	
	Total	**Amortized cost**	**Fair value through other comprehensive income**
PAS 39 measurement category			
Loans and receivables			
Cash in banks and short-term deposits	₱289,845,769	₱289,845,769	₱–
Tuition and other receivables	119,765,090	119,765,090	–
Refundable security deposits	1,012,012	1,012,012	–
AFS investments*	512,157	–	105,840
	₱411,135,028	₱410,622,871	₱105,840

**The change in the carrying amount is a result of additional revaluation reserve. See discussion on measurement above.*

(b) Impairment

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

Adoption of PFRS 9 has no significant impact on the allowance for impairment of the Group as at April 1, 2018.

(c) Hedging
The Group has no existing hedging transactions. Thus, the adoption of the new standards relating to hedging does not have impact to the Group.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

The Group adopted PFRS 15 using the modified retrospective approach with an initial application date of April 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at that date. The Group elected to apply the standard to all contracts as at April 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 18 and related interpretations.

The effect of adopting PFRS 15 as at April 1, 2018 was, as follows:

	Reference	**Increase (Decrease)**
Assets		
Other current assets	(a)	₱8,436,212
Liabilities		
Accounts payable and other current liabilities	(a),(b),(c)	19,370,570
Deferred tax liabilities - net	(a),(b)	(1,093,436)
Equity		
Retained earnings:		
Unappropriated	(a),(b)	(9,840,922)

Set out below are the amounts by which each consolidated financial statement line item is affected as at and for the year ended March 31, 2019 as a result of adoption of PFRS 15. The adoption of PFRS 15 did not have material impact on OCI or the operating, investing and financing cash flows. The first column shows amounts prepared under PFRS 15 and the second column shows the amounts that would have been had PFRS 15 not been adopted:

		Amounts prepared under		Increase
	Reference	PFRS 15	PAS 18	(Decrease)
Consolidated Statement of Financial Position				
Assets				
Other current assets	(a)	₱53,614,227	₱45,897,285	₱7,716,942
Liabilities				
Accounts payable and other current liabilities	(a),(b),(c)	404,363,704	378,514,105	25,849,599
Deferred tax liabilities - net	(a),(b)	415,538,927	417,352,192	(1,813,265)
Equity				
Retained earnings:				
Unappropriated	(a),(b)	477,339,788	493,659,180	(16,319,392)

		Amounts prepared under		Increase
	Reference	PFRS 15	PAS 18	(Decrease)
Consolidated Statement of Income				
REVENUE FROM CONTRACTS WITH CUSTOMERS				
Tuition and other school fees	(a),(b),(d)	₱1,428,330,595	₱1,436,100,658	(₱7,770,063)
Miscellaneous income	(d)	44,945,262	70,712,617	(25,767,355)
		1,473,275,857	1,506,813,275	(33,537,418)
OTHER REVENUES				
Rental income	(d)	17,390,887	–	17,390,887
Donation income	(d)	7,091,000	–	7,091,000
Dividend income	(d)	3,226	–	3,226
TOTAL REVENUE		1,497,760,970	1,506,813,275	(9,052,305)
COST AND EXPENSES				
Cost of services	(a),(b)	1,106,573,806	1,105,854,536	719,270
INCOME BEFORE INCOME OTHER INCOME (EXPENSES) AND INCOME TAX		189,211,172	198,982,747	(9,771,575)
OTHER INCOME (EXPENSE)				
Other income	(d)	2,573,276	–	2,573,276
INCOME BEFORE INCOME TAX		193,905,674	201,103,973	(7,198,299)
PROVISION FOR INCOME TAX	(a),(b)	6,793,918	7,513,747	(719,829)
NET INCOME		₱187,111,756	₱193,590,226	(₱6,478,470)

The nature of the adjustments as at April 1, 2018 and the reasons for the significant changes in the consolidated statement of financial position as at March 31, 2019 and the consolidated statement of income for the year ended March 31, 2019 are described below:

(a) Advances received for culminating activities, previously recognized as revenues in line with the completion of the school year, are now recognized as revenue upon transfer of the related services to the customer. These are currently classified as contract liability account under "Accounts payable and other current liabilities". Costs to fulfill the contract, previously recognized as expenses for co-curricular activities under "Cost of services", are now capitalized as Cost to fulfill a contract under "Other current assets" and are recognized as an expense consistent with the transfer of the related services to the customer.
(b) Advances received for the publication of yearbooks, previously recognized as revenues in line with the completion of the school year, are now recognized as revenue upon transfer of the related goods to the customer. These are currently classified as contract liability account under "Accounts payable and other current liabilities". Costs to fulfill the contract, previously recognized as expenses for co-curricular activities under "Cost of services", are now capitalized as Cost to fulfill a contract under "Other current assets" and are recognized as an expense consistent with the transfer of the related goods to the customer.
(c) The Group receives refundable advanced collections from customers to be applied to the next school year or semester. These are previously presented under accounts payable under "Accounts payable and other current liabilities". Under PFRS 15, the Group reclassified these to contract liability account under "Accounts payable and other current liabilities".
(d) Other reclassifications to present items not covered under PFRS 15.

- 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)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation on International Financial Reporting Interpretations Committee (IFRIC) 22, *Foreign Currency Transactions and Advance Consideration*

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 Bankers' Association of the Philippines and Philippine Dealing System closing rate prevailing at the reporting date in 2019 and 2018, respectively. 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 24).

<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 (Effective April 1, 2018)</u>
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or which the Group has applied the practical expedient are measured at transaction price determined under PFRS 15.

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at FVOCI for equity instruments without recycling
- Financial assets at FVTPL

Financial assets at amortized cost (debt instruments)
This category is most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

As of March 31, 2019, the Group's financial assets at amortized cost includes cash in banks and short-term deposits, tuition and other receivables (excluding accrued rent receivables) and refundable security deposits.

Financial assets at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as income in the consolidated statements of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in quoted and unquoted equity instruments under this category.

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

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

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 its 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.

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

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

Primary drivers like macroeconomic indicators of qualitative factors such as forward looking data on inflation rate, unemployment rate and consumer price index were added to the ECL calculation to reach a forecast supported by both quantitative and qualitative data points.

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual cash flows in full before considering any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, other financial liabilities carried at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and other current liabilities (excluding contract liabilities and statutory payables) and dividends payable.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

This category generally applies to interest bearing loans and borrowings.

Other financial liabilities carried at amortized cost

These are issued financial instruments or their components, which are not designated as at FVTPL 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 FVTPL 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.

This accounting policy applies primarily to the Group's accounts payable and other current liabilities (excluding contract liabilities and statutory payables) and dividends payable.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

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 there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Financial Instruments (Effective before April 1, 2018)
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 at 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, 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 31, 2018, the Group’s loans and receivables include cash in banks and short-term deposits, tuition and other receivables (excluding accrued rent receivables) and refundable security deposits.

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, other financial liabilities carried at amortized cost include accounts payable and other current liabilities (excluding statutory payables) and dividends payable.

Impairment of Financial Assets
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.

Derecognition of Financial Instruments
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.

<u>Inventories</u>
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.

<u>Property and Equipment</u>
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 every 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
Land Improvements	10
Building	50
Furniture and Equipment	5
Library Books	10
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 property."

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.

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

Advances to contractors
Advances to contractors, included under "Other noncurrent assets", represent amounts paid to contractors for purchases not yet received as at the reporting date. This is subsequently reversed to an asset 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 Group which is carried at cost, less accumulated amortization and accumulated allowance for impairment losses.

Cost to fulfill the contract (Effective April 1, 2018)
Cost to fulfill the contract, included under "Other current assets", are initially measured at amounts paid and subsequently recognized as expense upon performance of the related services to the students. The Group amortizes capitalized cost to fulfill a contract to expenses for co-curricular activities under "Cost of services".

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 from Contracts with Customers (Effective April 1, 2018)
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods, excluding the related taxes. The Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in its all of its revenue arrangements.

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

Income from other school services and miscellaneous income
Income from other school services and miscellaneous income are recognized at a point in time upon delivery of the promised goods to the customer or when services have been rendered.

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

Contract liability
A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs the obligations under the contract. The Group's contract liabilities represent payable to students and advance collections for culminating and yearbook fees presented under "Accounts payable and other current liabilities" and will be recognized as revenue when the related services are rendered. Payable to students are advanced collections from students to be applied to the next school year or semester.

Other Revenues (Effective April 1, 2018)
Interest income
Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

Rental income
Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms.

Donation income
Donation income is recognized as revenue when the right to receive, whether in money or in kind, is established.

Dividend income
Dividend income is recognized when the right to receive the payment is established.

Revenue Recognition (Effective before April 1, 2018)
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.

<u>Leases</u>
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 20.

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 have the most significant effect on the amounts recognized in the consolidated financial statements:

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

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 (see Note 19).

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 expected credit losses (Effective April 1, 2018)
The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed.

The assessment of the correlation between historically observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The carrying values of tuition and other receivables and allowance for doubtful accounts as at March 31, 2019 are disclosed in Note 6.

Estimation of allowance for doubtful accounts (Effective before April 1, 2018)
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 as at March 31, 2018 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 reporting 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, 2019 and 2018. 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 property and 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, 2019 and 2018.

The carrying values of depreciable property 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 reporting 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 is an impairment indicator on the Group's property and equipment as of March 31, 2019 (nil in March 31, 2018). Hence, the Group performed impairment analysis as of March 31, 2019. The Group's value-in-use calculation involves significant management judgment in the use of assumptions, particularly tuition fee rates, number of students, long-term growth rate and discount rate. 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, 2019 and 2018. The carrying values of software costs as of March 31, 2019 and 2018 are disclosed in Note 11.

As at March 31, 2019, the recoverable amount of the CGU has been determined based on the value-in-use calculation using cash flow projections from the five-year strategic plan for the University. Tuition fee rates and number of students assumed to project revenues were based on approved tuition fee increase and the University's historical data and performance. The discount rate used for the computation of the net present value is the cost of the equity and was determined by reference to comparable entities. In 2019, the pre-tax discount rate applied to cash flow projections is 11.14%, while the long-term growth rate to project cash flows beyond the five-year period is nil.

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, 2019, 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" and "Investment property" in the consolidated statement of financial position is disclosed in Notes 9 and 10, respectively.

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.

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 agreements outlined in the next page 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, 2019 and 2018, the carrying amount of goodwill amounted to ₱47.61 million. Management assessed that no impairment losses need to be recognized in 2019 and 2018.

Key assumptions used in the value-in-use calculation
As at March 31, 2019 and 2018, 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 2019 and 2018, the pre-tax discount rate applied to cash flow projections is 11.14% and 12.32%, respectively, while the long-term growth rate to project cash flows beyond the five-year period is nil 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:

	2019	2018
Cash on hand and in banks (Note 21)	**₱139,825,626**	₱210,478,247
Short-term deposits (Note 21)	**173,169,712**	79,702,762
	₱312,995,338	₱290,181,009

Cash in banks earned interest rates ranging from 0.10% to 0.50% in 2019, 0.10% to 0.50% in 2018 and 0.25% to 2.47% in 2017. 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 5.75% in 2019, 1.25% to 2.75% in 2018 and 1.25% to 2.50% in

2017. Interest income from cash in banks and short-term deposits amounted to ₱5.26 million in 2019, ₱3.41 million in 2018 and ₱3.72 million in 2017.

Other income consists of the following in 2019 (nil in 2018 and 2017):

Recoveries	₱1,291,034
Miscellaneous receipts	1,280,803
Cash overage	1,439
	₱2,573,276

6. **Tuition and Other Receivables**

This account consists of:

	2019	2018
Tuition fee receivables	**₱140,644,059**	₱148,909,855
Advances to employees	**18,556,882**	13,015,260
Nontrade receivables	**10,363,852**	950,485
Accrued rent receivable	**3,432,362**	1,645,557
Advances to CE-IS's stockholders	**1,250,000**	1,250,000
Accrued interest receivable	**517,451**	145,577
Other receivables	**724,023**	848,668
	175,488,629	166,765,402
Less allowance for ECL/doubtful accounts	**52,201,652**	45,354,755
	₱123,286,977	₱121,410,647

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

	2019	2018
Balance at beginning of year	**₱45,354,755**	₱39,505,051
Provision (Note 16)	**6,846,897**	5,849,704
Balance at end of year	**₱52,201,652**	₱45,354,755

As at March 31, 2019 and 2018, the aging analysis of tuition and other receivables follows:

	2019					
	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	**₱–**	**₱–**	**₱–**	**₱88,442,407**	**₱52,201,652**	**₱140,644,059**
Advances to employees	**18,556,882**	–	–	–	–	**18,556,882**
Nontrade receivables	**10,363,852**	–	–	–	–	**10,363,852**
Accrued rent receivable	**3,432,362**	–	–	–	–	**3,432,362**
Advances to CE-IS's stockholders	**1,250,000**	–	–	–	–	**1,250,000**
Accrued interest receivable	**517,451**	–	–	–	–	**517,451**
Other receivables	**724,023**	–	–	–	–	**724,023**
	₱34,844,570	**₱–**	**₱–**	**₱88,442,407**	**₱52,201,652**	**₱175,488,629**

	2018					
	Neither Past Due nor Impaired	Past Due but not Impaired			Past Due and Impaired	Total
		1-30 Days	Over 30 Days	Over 60 Days		
Tuition fee receivables	₱–	₱–	₱–	₱103,555,100	₱45,354,755	₱148,909,855
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
Nontrade receivables	950,485	–	–	–	–	950,485
Accrued interest receivable	145,577	–	–	–	–	145,577
Other receivables	848,668	–	–	–	–	848,668
	₱17,855,547	₱–	₱–	₱103,555,100	₱45,354,755	₱166,765,402

7. **Inventories**

This account consists of:

	2019	2018
Uniforms and outfits	**₱9,632,474**	₱9,840,065
Supplies	**1,506,867**	1,426,048
Materials	**2,674,522**	1,614,441
	₱13,813,863	₱12,880,554

The cost of uniforms and outfits charged to "Cost of services - Uniforms and outfits" amounted to ₱13.73 million in 2019, ₱8.64 million in 2018 and ₱12.23 million in 2017 (see Note 16).

The cost of materials and supplies charged to "Cost of services - Material processing" amounted to ₱5.59 million in 2019, ₱8.49 million in 2018 and ₱10.11 million in 2017 (see Note 16).

8. **Other Current Assets**

This account consists of:

	2019	2018
Advances to suppliers	**₱30,214,631**	₱20,603,190
Creditable withholding taxes	**13,173,321**	1,342,125
Cost to fulfill a contract	**7,716,942**	–
Prepaid insurance and licenses	**2,509,333**	479,211
	₱53,614,227	₱22,424,526

Advances to suppliers are advances paid to suppliers for library subscriptions, classroom materials and supplies for academic year 2019-2020.

Movement in cost to obtain the fulfill a contract in 2019 follows:

Beginning balances	₱–
Effect of adoption of PFRS 15	8,436,212
Additions	7,716,942
Amortization (Note 16)	(8,436,212)
	₱7,716,942

9. **Property and Equipment**

The composition of and the movements in this account follow:

	2019								
		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	₱1,884,026,292	₱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
Revaluation increment	1,450,411,919	–	–	–	–	–	–	–	1,450,411,919
Additions	1,174,791	135,000	14,810,308	33,726,924	31,214,302	7,534,749	87,919,986	175,341,269	176,516,060
Retirements/disposals	–	–	–	(7,566,159)	(23,282,159)	–	–	(30,848,318)	(30,848,318)
Reclassification	–	–	54,014,035	–	–	–	(54,014,035)	–	–
Balances at end of year	3,335,613,002	31,963,832	1,762,186,596	570,914,052	378,237,830	132,936,700	115,679,725	2,991,918,735	6,327,531,737
Accumulated depreciation and amortization									
Balances at beginning 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
Depreciation and amortization (Note 16)	–	271,125	38,453,214	23,901,920	21,834,551	7,867,319	–	92,328,129	92,328,129
Retirements/disposals	–	–	–	(7,204,864)	(15,042,259)	–	–	(22,247,123)	(22,247,123)
Balances at end of year	–	29,827,457	686,594,147	437,716,741	273,044,715	92,526,404	–	1,519,709,464	1,519,709,464
Accumulated allowance for impairment losses									
Balance at beginning of the year	–	–	–	–	6,108,275	–	–	6,108,275	6,108,275
Reversal of impairment loss during the year	–	–	–	–	(6,108,275)	–	–	(6,108,275)	(6,108,275)
Balances at end of the year	–	–	–	–	–	–	–	–	–
Net book values	₱3,335,613,002	₱2,136,375	₱1,075,592,449	₱133,197,311	₱105,193,115	₱40,410,296	₱115,679,725	₱1,472,209,271	₱4,807,822,273

	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

In fiscal year 2019, additional major developments accounted under construction in progress are as follows:

- 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, 2019, the Group’s construction in progress pertaining to the 3-storey building in Malolos campus for Health Science courses was completed and the related cost was transferred to buildings and leasehold improvements.

In 2019, the University received laboratory equipment with a total value of ₱7.09 million as donation from various third parties.

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

As at March 31, 2019 and 2018, the University retired/disposed certain properties with aggregate cost amounting to ₱30.85 million and ₱13.66 million, respectively. Loss on retirement/disposal of these properties amounted to ₱2.13 million in 2019, ₱0.33 million in 2018 and ₱0.30 million in 2017. Proceeds from sale of property and equipment amounted to ₱0.37 million in 2019, ₱0.06 million in 2018 and nil in 2017.

Revaluation of Land
As at March 31, 2019 and 2018, land at revalued amounts consists of:

	2019	2018
Cost		
Beginning balance	**₱384,022,991**	₱363,501,702
Additions	**1,174,791**	20,521,289
Ending balance	**385,197,782**	384,022,991
Revaluation increment - gross		
Beginning balance	**1,500,003,301**	1,500,003,301
Revaluation during the year	**1,450,411,919**	–
Ending balance	**2,950,415,220**	1,500,003,301
	₱3,335,613,002	₱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 2019 by a professionally qualified appraiser accredited by the SEC (see Note 24).

The fair value of the land as at March 31, 2019 and 2018 amounted to ₱3,335.61 million and ₱1,884.02 million, respectively (see Note 24).

Deferred tax liability related to the revaluation surplus amounted to ₱295.04 million and ₱150.00 million as at March 31, 2019 and 2018, respectively (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 2022. On January 5, 2018, the lease agreement was amended to change the lessor from the previous owner to the University.

As at March 31, 2019 and 2018, investment property consists of:

	2019	2018
Beginning balance	**₱152,751,487**	₱–
Fair value changes	**(771,487)**	–
Additions	**–**	152,751,487
Ending balance	**₱151,980,000**	₱152,751,487

The rental income arising from this lease amounted to ₱2.05 million in 2019 and ₱0.85 million in 2018 (nil in 2017) and is recognized as “Rental income” under “Miscellaneous income” in profit or loss (see Note 15).

The latest appraisal was done in May 2019 by a professionally qualified appraiser accredited by the SEC (see Note 24).

11. Other Noncurrent Assets

This account consists of:

	2019	2018
Advances to contractors	**₱19,852,685**	₱24,982,852
Noncurrent portion of advances to employees	**3,078,406**	–
Software costs	**1,860,583**	3,642,417
Refundable security deposits	**1,012,012**	1,012,012
Financial assets at FVOCI	**82,800**	–
AFS investments	**–**	512,157
	₱25,886,486	₱30,149,438

The effect of discounting noncurrent portion of advances to employees and refundable security deposits is immaterial.

Advances to contractors pertain to advances paid to contractors for planned construction of various facilities.

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:

	2019	2018
Cost		
Balance at beginning of year	**₱5,503,000**	₱5,398,000
Additions	**105,000**	105,000
Balance at end of year	**5,608,000**	5,503,000
Accumulated amortization		
Balance at beginning of year	**1,860,583**	–
Amortization (Note 16)	**1,886,834**	1,860,583
Balance at end of year	**3,747,417**	1,860,583
	₱1,860,583	₱3,642,417

Financial assets at FVOCI/AFS investments pertain to shares in stocks held by the University. The composition of this account follows:

	2019	2018
Quoted equity securities	**₱82,800**	₱105,840
Unquoted equity securities	**–**	406,317
	₱82,800	₱512,157

Quoted equity securities pertains to the Group’s investments in listed shares of stocks and are valued at the closing stock price as at March 31, 2019 and 2018. Unquoted equity securities pertain to the Group's investments in shares of stocks not listed in the stock market and are valued at the expected fair value as at March 31, 2019 and at cost as at March 31, 2018.

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

	2019	2018	2017
Cost of quoted equity investments	**₱5,542**	₱5,542	₱5,542
Dividend income	**3,226**	7,778	2,873

Movements in carrying value of financial assets at FVOCI investments/AFS investments follow:

	2019	2018
Balance at beginning of year	**₱512,157**	₱524,829
Impact of adoption of PFRS 9	**(406,317)**	–
Fair value losses	**(23,040)**	(12,672)
Balance at end of year	**₱82,800**	₱512,157

Changes in revaluation reserve on financial assets at FVOCI in 2019 follow (nil for 2018 and 2017):

Balance at beginning of year	**₱–**
Transfer from revaluation reserve on AFS financial investments	**100,298**
Impact of adoption of PFRS 9	**(406,317)**
Change in revaluation reserve on financial assets at FVOCI	**(23,040)**
Balance at end of year	**(₱329,059)**

Changes in revaluation reserve on AFS investments as of March 31, 2018 and 2017 (nil for 2019) follows:

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

12. Accounts Payable and Other Current Liabilities

This account consists of:

	2019	2018
Accounts payable	**₱255,767,880**	₱271,512,575
Accrued expenses:		
Employee benefits	**46,527,614**	44,118,171
Rent	**26,795,573**	12,594,361
Utilities	**7,790,071**	10,340,990
Others	**8,947,414**	5,476,230
Contract liability	**45,499,761**	–
Deposits	**8,231,391**	5,833,820
Alumni fees payable	**4,804,000**	5,430,073
	₱404,363,704	₱355,306,220

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.

As at March 31, 2019, contract liabilities amounting to ₱27.41 million will be recognized as revenue in the following year. Deposits from students classified under "Accounts payable" as of April 1, 2018 amounting to ₱17.98 million were recognized as revenue in fiscal year 2019. The increase in contract liabilities and payable to students in 2019 is due to the increase in students' population of the Group.

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, 2019 and 2018 follow:

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

Below 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, 2019 and 2018, the total number of shares registered under the SRC are 372,414,400 shares being held by 1,019 and 1,026 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**
June 20, 2018	July 12, 2018	August 6, 2018	₱74,482,880	₱0.20
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

As at March 31, 2019 and 2018, the carrying value of dividends payable amounted to ₱104.58 million and ₱107.79 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, 2019 amounted to ₱457.12 million.

The consolidated retained earnings include the deficit of the CEUHI amounting to ₱33.63 million and ₱33.22 million as of March 31, 2019 and 2018, respectively.

14. Tuition and Other Fees

This account consists of:

	2019	2018	2017
Tuition fees	**₱732,925,380**	₱722,128,289	₱768,058,665
Other fees	**412,093,331**	379,217,716	443,160,080
Income from other school services	**283,311,884**	269,758,076	323,785,314
	₱1,428,330,595	₱1,371,104,081	₱1,535,004,059

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.

Revenue from contracts with customers for tuition and other fees and miscellaneous fees are as follows:

Timing of Recognition	2019
Over time	₱1,360,688,028
Point in time	112,587,829
	1,473,275,857

Receivables and contract liabilities are disclosed in Notes 6 and 12, respectively.

15. Miscellaneous Income

This account consists of:

	2019	2018	2017
Dental materials	**₱11,964,983**	₱12,275,920	₱11,808,764
Professional and continuing education	**5,632,709**	1,602,747	1,634,487
Dental pre-board fees	**5,349,000**	4,679,821	5,206,759
Locker fees	**4,312,653**	3,634,239	4,047,054
Swimming fees	**4,060,700**	309,762	3,193,882
Laboratory fees	**3,000,284**	2,609,218	1,695,364
Photograph fees	**3,182,403**	1,308,858	1,054,568
Service commissions	**532,326**	464,732	575,516
Insurance fees	**351,018**	305,385	319,864
Handling fees	**347,590**	276,622	326,095
Rental (Notes 10 and 19)	**–**	12,772,671	9,347,271
Others	**6,211,596**	2,910,940	6,140,003
	₱44,945,262	₱43,150,915	₱45,349,627

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

	2019	2018	2017
Salaries and wages	**₱399,427,584**	₱391,064,847	₱388,671,930
SSS contributions and other employee benefits	**279,448,632**	276,711,692	338,133,330

(Forward)

	2019	2018	2017
Light and water	**₱99,200,147**	₱91,230,363	₱83,117,589
Depreciation and amortization (Notes 9 and 11)	**94,214,963**	93,974,351	88,882,264
Sports and academic development	**45,284,465**	40,211,374	36,795,754
Expenses for co-curricular activities (Notes 8 and 21)	**36,975,458**	33,332,094	23,080,847
Rental (Notes 19 and 21)	**36,834,273**	24,693,403	30,069,793
Retirement expense (Note 17)	**17,419,203**	25,871,823	23,903,756
Stationery and office supplies	**15,670,727**	15,009,300	16,525,458
Management information	**15,517,879**	21,482,519	20,212,510
Uniforms and outfits (Note 7)	**13,726,712**	8,635,048	12,234,413
Recruitment and placement (Note 21)	**10,631,637**	9,017,264	10,802,354
Library	**10,136,360**	9,398,087	8,285,936
Professional fees	**7,225,512**	6,428,059	6,576,529
Material processing (Note 7)	**5,590,648**	8,493,574	10,111,739
Directors' and administrative committee	**4,504,696**	4,909,006	4,220,200
Affiliation	**3,479,050**	3,441,087	3,911,111
Comprehensive and oral examinations	**3,443,191**	2,144,421	1,433,644
Laboratory	**3,075,171**	1,638,403	5,152,664
Instructional and academic expenses	**2,288,378**	3,206,907	4,392,548
Registration expenses of students	**1,154,494**	1,754,338	2,418,774
Guidance and counseling	**782,731**	825,530	878,207
University chapel expenses	**363,315**	302,623	329,662
Publications	**178,580**	64,212	217,926
	₱1,106,573,806	₱1,073,840,325	₱1,120,358,938

General and Administrative Expenses

	2019	2018	2017
Janitorial and security services	**₱53,068,870**	₱48,583,407	₱43,427,065
Repairs and maintenance	**62,261,044**	48,382,962	43,063,412
Transportation and communications	**25,735,383**	25,282,392	24,936,484
Taxes and licenses	**19,534,158**	20,438,362	24,300,012
Clinical expenses	**16,342,991**	16,235,509	11,242,110
Provision for ECL/doubtful accounts (Note 6)	**6,846,897**	5,849,704	8,049,897
Entertainment, amusement and recreation	**6,758,604**	6,874,009	7,312,906
Insurance	**4,187,939**	4,127,403	3,809,882
Membership fees and dues	**1,394,294**	3,036,415	1,105,331
Impairment loss (Note 9)	**–**	813,551	–
Advertisement	**420,683**	414,455	242,168
Bank charges	**237,339**	301,408	117,329
Miscellaneous	**5,187,790**	2,537,547	3,782,763
	₱201,975,992	₱182,877,124	₱171,389,359

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, 2019.

Changes in the retirement liability are as follows:

	2019											
		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	₱287,058,834	₱12,638,979	₱19,117,317	₱31,756,296	(₱32,549,474)	₱–	₱54,406,118	₱27,708,847	₱2,954,153	₱85,069,118	₱–	₱371,334,774
Fair value of plan assets	(202,460,044)	–	(14,337,093)	(14,337,093)	32,549,474	4,524,423	–	–	–	4,524,423	(32,000,000)	(211,723,240)
	₱84,598,790	₱12,638,979	₱4,780,224	₱17,419,203	₱–	₱4,524,423	₱54,406,118	₱27,708,847	₱2,954,153	₱89,593,541	(₱32,000,000)	₱159,611,534

	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)	(₱49,736,879)	₱800,859	(₱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)	(₱49,736,879)	₱800,859	(₱89,575,563)	(₱22,000,000)	₱84,598,790

The number of plan members as at March 31, 2019 and 2018 is 706 and 716, respectively.

Actual return on plan assets as at March 31, 2019 and 2018 amounted to ₱9.81 million and ₱6.83 million, respectively.

The fair value of plan assets as at March 31, 2019 and 2018 follows:

	2019	2018
Long-term investments:		
Debt securities	**₱98,164,293**	₱92,025,384
Equity securities	**79,309,471**	89,343,001
Cash and cash equivalents	**33,677,457**	12,004,247
Others assets	**527,212**	8,588,435
Loans and receivables	**458,593**	750,745
	212,137,026	202,711,812
Liabilities	**(413,786)**	(251,768)
	₱211,723,240	₱202,460,044

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 ₱32.46 million to the defined benefit retirement plan in fiscal year 2020.

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:

	2019	2018	2017
Discount rates	**5.77%**	6.95%	5.03%
Future salary increases	**3.00%**	3.00%	3.00%
Mortality rate	**2017 Philippine Intercompany Mortality**	2017 Philippine Intercompany Mortality	1994 Group Annuity Mortality
Average expected future years of service	**11**	14	14
Turnover rate	**A scale ranging from 9% at age 18 to 0% at age 65**	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

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	
	2019	2018
Discount rates		
+1.00%	**(₱28,054,670)**	(₱21,212,338)
-1.00%	**31,845,247**	24,251,090
Future salary increases		
+1.00%	**35,276,472**	26,691,723
-1.00%	**(31,534,347)**	(23,638,695)

The methods and types of assumptions used in preparing the sensitivity analysis did not change as at March 31, 2019 and 2018.

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

	2019	2018
Less than 1 year	**₱47,971,037**	₱23,979,042
More than 1 year to 5 years	**173,265,490**	107,195,463
More than 5 years to 10 years	**215,498,040**	156,322,400
More than 10 years to 15 years	**243,417,566**	194,386,413
More than 15 years to 20 years	**174,611,571**	209,621,663
More than 20 years	**261,709,286**	338,685,971

18. **Income Taxes**

All domestic subsidiaries qualifying as private educational institutions are subject to tax under Republic Act No. 8424 (RA 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 consists of:

	2019	2018	2017
Current			
10% income tax on special corporations	**₱3,313,698**	₱11,720,943	₱32,321,976
MCIT	**1,512**	–	–
Deferred	**3,478,708**	25,985,386	(4,143,489)
	₱6,793,918	₱37,706,329	₱28,178,487

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, 2019, 2018 and 2017 is shown on the next page.

	2019	2018	2017
Statutory provision for income tax	**₱19,390,567**	₱14,792,272	₱29,162,832
Tax effects of:			
Deductible temporary difference and carry forward benefits of NOLCO and MCIT for which no deferred income tax was recognized	**(12,162,243)**	11,190,115	305,491
Interest income subjected to final tax	**(525,883)**	(340,552)	(372,117)
Nondeductible expenses*	**92,525**	12,134,233	–
Effect of higher tax rate of the Hospital	**(725)**	(68,961)	(917,432)
Dividend income exempt from tax	**(323)**	(778)	(287)
Effective provision for income tax	**₱6,793,918**	₱37,706,329	₱28,178,487

** 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:

	2019	2018
Deferred tax liabilities on:		
Revaluation gain on land	**₱295,041,522**	₱150,000,330
Undepreciated cost of property and equipment	**161,539,171**	154,404,724
Cost to fulfill a contract	**771,695**	–
Unrealized foreign currency exchange gain	**–**	25,424
	457,352,388	304,430,478
Deferred tax assets on:		
Retirement liability**	**15,961,153**	8,459,879
Accrued expenses	**8,455,597**	6,974,695
Allowance for ECL/doubtful accounts	**5,986,621**	3,990,684
Unamortized excess of contribution over the normal cost	**4,404,105**	3,833,586
Excess of acquisition cost over fair value of net assets acquired from business combination	**4,073,966**	4,073,966
Contract liability	**2,584,960**	–
NOLCO	**297,168**	–
Unrealized foreign currency exchange loss	**24,040**	–
Others	**25,851**	25,851
	41,813,461	27,358,661
Net deferred tax liabilities	**₱415,538,927**	₱277,071,817

*** Net of deferred income tax asset (liability) from Other Comprehensive Income amounting to ₱6,329,517 and (₱2,629,837) as of March 31, 2019 and 2018, respectively.*

As allowed under RA8424, being a private educational institution, the Group claims the tax deductions of capital expenditures for tax purposes in the year incurred. The Group recognized deferred tax liability on the undepreciated cost of property and equipment which pertains to the remaining cost of property and equipment of the University and CELPI not yet depreciated but was already recognized as tax deduction.

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	2018	Amount	Application	Expiration	2019	Expiry Year
2019	₱–	₱6,768,983	₱–	₱–	₱6,768,983	2022
2018	113,470,960	–	(106,214,108)	–	7,256,852	2021
2017	1,018,303	–	–	–	1,018,303	2020
2016	1,429,571	–	–	(1,429,571)	–	2019
	₱115,918,834	₱6,768,983	(₱106,214,108)	(₱1,429,571)	₱15,044,138	

The Hospital has MCIT amounting ₱1,512 to which can be used as credit against income tax due until 2022.

As at March 31, 2019 and 2018, the Group did not recognize deferred tax assets on the following temporary differences deemed to be not recoverable:

	2019	2018
NOLCO	**₱14,746,970**	₱115,918,834
MCIT	**1,512**	–
Allowance for impairment losses	**–**	6,108,275
Allowance for doubtful accounts	**–**	5,447,915
	₱14,748,482	₱127,475,024

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 ₱15.34 million in 2019, ₱12.77 million in 2018 and ₱9.35 million in 2017 (see Notes 15 and 21).

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

	2019	2018
Within 1 year	**₱4,571,713**	₱9,095,780
After 1 year but not more than 5 years	**9,664,883**	4,722,632
More than 5 years	**1,810,526**	3,260,413
	₱16,047,122	₱17,078,825

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:

	2019	2018	2017
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	**138,000,000**	162,000,000	186,000,000
	₱258,000,000	₱282,000,000	₱306,000,000

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

	2019	2018	2017
Minimum lease payments	**₱24,000,000**	₱24,000,000	₱24,000,000
Contingent rents	**12,140,116**	–	5,529,253
	₱36,140,116	₱24,000,000	₱29,529,253

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, ₱0.69 million and ₱0.54 million in 2019, 2018 and 2017, respectively.

20. Segment Reporting

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

2019

	Mendiola	**Malolos**	**Makati-Buendia**	**Makati-Legaspi**	**Makati-Legaspi Hospital (Pre-operating)**	**CE-IS**	**CELPI**	**Adjustments**	**Total**
Segment assets	**₱3,310,049,758**	**₱1,321,616,096**	**₱92,015,250**	**₱620,797,222**	**₱27,035,274**	**₱ 73,572,417**	**₱44,313,147**	**₱47,605,695**	**₱5,537,004,859**
Segment liabilities	**328,725,209**	**18,502,181**	**37,674,376**	**9,120,326**	**224,726**	**5,742,102**	**4,447,585**	**681,715,508**	**1,086,152,013**
Capital expenditures	**48,230,194**	**94,125,355**	**4,772,337**	**18,008,263**	**–**	**715,646**	**10,664,265**	**–**	**176,516,060**
Segment revenues	**1,023,828,509**	**108,304,327**	**183,608,011**	**83,445,373**	**3,682,327**	**60,088,549**	**42,635,979**	**–**	**1,505,593,075**
Expenses	**826,814,003**	**140,616,709**	**166,883,443**	**103,071,672**	**3,829,461**	**27,446,384**	**43,025,729**	**–**	**1,311,687,401**
Depreciation and amortization expense	**57,314,910**	**11,908,419**	**9,186,497**	**13,026,560**	**–**	**106,630**	**2,671,947**	**–**	**94,214,963**
Net income (loss)	**197,014,507**	**(32,312,382)**	**16,724,568**	**(19,626,299)**	**(147,134)**	**32,642,164**	**(389,750)**	**(6,793,918)**	**187,111,756**

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

In 2019, 2018 and 2017, there were no intersegment revenues and all revenues are made to external customers.

As at March 31, 2019 and 2018, segment assets for each segment do not include "Goodwill" amounting to ₱47.61 million.

Segment liabilities for each segment do not include the following:

	2019	2018	2017
Deferred tax liabilities - net	**₱415,466,126**	₱277,071,817	₱242,128,875
Dividends payable	**159,611,534**	107,787,994	108,225,615
Retirement liability	**104,576,634**	84,598,790	170,302,530
Income tax payable	**2,061,214**	2,971,169	9,953,732
	₱681,715,508	₱472,429,770	₱530,610,752

Net income for each segment does not include "Provision for income tax" amounting to ₱6.79 million in 2019, ₱37.71 million in 2018 and ₱28.18 million in 2017.

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:

		2019	
Category	**Amount/Volume**	**Outstanding Balance**	**Terms and Conditions/Nature**
Affiliates			
PhilTrust Bank			
Cash	**₱43,517,975**	**₱76,717,692**	Savings deposit with interest rate at 0.50%
Interest income	**1,813,736**	–	
Short-term deposits	**73,559,819**	**168,802,716**	Money market placements at 6 to 53 days with interest ranging from 2.08% to 3.20%
Interest income	**3,979,997**	–	
Rent	**36,827,492**	**28,734,477**	Unsecured; Rent of building in Makati (see Notes 16 and 19)
Manila Hotel			
Expenses for co-curricular activities (Note 16)	**1,211,700**	–	Rental of room and facilities for commencement exercises
Manila Bulletin Publishing Corporation			
Recruitment and placement (Note 16)	**4,049,267**	–	Advertising services, terms vary as to type and frequency of advertisements
TH Coffee Services Philippine Corp.			
Rental income (Note 19)	**1,547,839**	**1,547,839**	Payable the following month. Rental of commercial space
Karate Kid Japanese Fastfood			
Rental income (Note 19)	**405,000**	**45,000**	Payable the following month. Rental of commercial space

		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 0.10%
Interest income	122,863	–	to 0.50%
Short-term deposits	57,812,279	48,773,864	Money market placements at 6 to
Interest income	2,481,953	–	53 days with interest ranging from .25% to 2.75%
Rent	24,000,000	12,594,361	Unsecured; Rent of building in Makati (see Notes 16 and 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	–	Payable in advance

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 ₱211.72 million and ₱202.46 million as at March 31, 2019 and 2018, respectively (see Note 17).

As at March 31, 2019 and 2018, 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 ₱12.46 million and ₱3.58 million as at March 31, 2019 and 2018, 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, 2019 and 2018.

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:

	2019	2018
Short-term employee salaries and benefits	**₱14,165,374**	₱13,220,339
Post-employment benefits	**4,168,921**	14,090,442
	₱18,334,295	₱27,310,781

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 2019, 2018 and 2017, the University retired/disposed furniture and fixtures and laboratory equipment with aggregate cost of ₱15.98 million, ₱13.66 million and ₱7.54 million, respectively, and accumulated depreciation of ₱13.84 million, ₱13.26 million and ₱7.24 million, respectively (see Note 9).
b. Revaluation increment on the land - For the current year, the University engaged the services of an independent appraiser and obtained valuation for its land in Mendiola, Malolos and Makati-Legaspi, Makati-Malugay and Las Piñas. The appraisal resulted in the recognition of increases in revaluation increment on land of ₱1.45 billion, gross of deferred income tax of ₱145 million (see Note 9).
c. Donation income - In March 2019, the University received various laboratory and optical equipment from third parties as donations amounting to ₱7.09 million (see Note 9).

23. Basic/Diluted EPS

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

	2019	2018	2017
Net income (a)	**₱184,163,109**	₱107,772,975	₱262,106,208
Weighted average number of outstanding common shares (b)	**372,414,400**	372,414,400	372,414,400
Basic/diluted earnings per share (a/b)	**₱0.49**	₱0.29	₱0.70

There were no potential dilutive financial instruments in 2019, 2018 and 2017.

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:

	2019			
		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				
Financial assets at FVOCI	**₱82,800**	**₱82,800**	**₱–**	**₱82,800**
Nonfinancial assets				
Land classified as property and equipment valued under revaluation model	**3,335,613,002**	–	**3,335,613,002**	**3,335,613,002**
Land classified as investment property under fair value model	**151,980,000**	–	**151,980,000**	**151,980,000**
	₱3,487,675,802	**₱82,800**	**₱3,487,593,002**	**₱3,487,675,802**

	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 classified as property and equipment valued under revaluation model	1,884,026,292	–	1,884,026,292	1,884,026,292
Land classified as investment property 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

As at March 31, 2018, unquoted equity securities carried at cost amounted to ₱0.41 million (nil as of March 31, 2019).

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

Cash and Cash Equivalents, Tuition and Other Receivables, Accounts Payable and Other Current Liabilities (Excluding Statutory Obligations), Dividends Payable
Fair values approximate carrying amounts given the short-term nature of these accounts.

Property and Equipment and Investment Property
The tables below summarize the valuation techniques and the significant unobservable inputs used in the valuation of land recorded as property equipment and investment properties:

	Valuation Techniques	**Significant Unobservable Inputs**	**Range (Weighted Average)**
Land	Sales Comparison Approach/Market Approach	*Internal factors:*	
		Location	+10% to -20%
		Improvements	+0% to -20%
		Elevation	+0% to +20%
		Corner Influence	+0% to +5%
		Use	-20% to +20%
		Development	+10% to +20%
		Size	-20% to +20%
		Time Element	+0%

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	₱133,178 to ₱157,729 per square meter (sqm)
		Makati - Malugay	₱247,500 to ₱360,000 per sqm

Valuation techniques	Location	Range (Weighted Average)
	Makati - Legaspi	₱270,000 to ₱500,000 per sqm
	Malolos, Bulacan	₱8,550 to ₱16,200 per sqm
	Las Piñas	₱19,655 to ₱25,200 per sqm

The description of the valuation technique and inputs used in valuation of the University's land 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.
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.
Improvements and developments	Renovations in the land including the construction of building and installation of machineries and equipment should not be included in the valuation.
Corner Influence	Enhancement in usefulness accrues to those lots located or near street corners especially in retail business districts.
Use	Includes considerations factored in such as zoning, water and riparian rights, environmental issues, building codes and flood zones.
Elevation	Height of the property above or below a fixed reference point.
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.
Time Element	The measured or measurable period during action or condition exist. 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 factor in the location of the property (e.g., closer to a main road or secondary road) would result in a significantly higher (lower) fair value measurement
- Significant improvements and developments (deterioration) in the location would result in a significantly higher (lower) fair value measurement.
- Significant increases (decreases) in the influence of the corners of the property would result in a significantly higher (lower) fair value measurement.
- Significant increases (decreases) in the use of the property would result in a significantly lower (higher) fair value measurement.

- Significant increases (decreases) in the elevation of the property would result in a significantly lower (higher) 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.

Quoted Equity Securities Classified as Investments at FVOCI/AFS Investments
Fair value is based on quoted prices.

Unquoted Equity Securities Classified as AFS Investments
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 as of March 31, 2018 and its value was reduced as of March 31, 2019. Unquoted equity securities are not significant relative to the Group's portfolio of financial instruments.

In 2019 and 2018, 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, refundable deposits, equity investments, 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, 2019 and 2018, the analysis of financial assets follows:

	2019			
	Neither Past Due nor Impaired	**Past Due but not Impaired**	**ECL**	**Net of ECL**
Loans and receivables:				
Cash and cash equivalents*	**₱312,651,838**	**₱–**	**₱–**	**₱312,651,838**
Tuition and other receivables				
Tuition fee receivables	–	**140,644,059**	**(52,201,652)**	**88,442,407**
Accrued interest receivable	**517,451**	–	–	**517,451**
Advances to employees	**18,556,882**	–	–	**18,556,882**
Accrued rent receivable	**3,432,362**	–	–	**3,432,362**
Advances to CE-IS's stockholders	**1,250,000**	–	–	**1,250,000**
Other receivables	**11,087,875**	–	–	**11,087,875**
Refundable security deposits	**1,012,012**	–	–	**1,012,012**
Investments at FVOCI	**82,800**	–	–	**82,800**
	₱348,591,220	**₱140,644,059**	**(₱52,201,652)**	**₱437,033,627**

** Excluding cash on hand*

	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
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
Accrued interest receivable	145,577	–	–	145,577
Other receivables	1,799,153	–	–	1,799,153
Refundable security deposits	1,012,012	–	–	1,012,012
AFS investments	512,157	–	–	512,157
	₱309,225,485	₱103,555,100	₱45,354,755	₱458,135,340

** 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, 2019 and 2018, the age of the entire Group's past due but not impaired tuition fee receivables is over 60 days (see Note 6).

Tuition Fee Receivables
The Group uses a provision matrix to calculate ECL for tuition fee receivables. The provision rates are determined based on the Group's historical observed default rates analyzed in accordance to days past due by grouping of customers based on customer type and channels. The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factors affecting each customer segment. At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analyzed.

Set out on the next page is the information about the credit risk exposure on the Group's tuition fee receivables using a provision matrix as of March 31, 2019.

		Days Past Due			
	Current	< 1 quarter	1 to less 3 quarters	Over 3 quarters	Total
Estimated tuition fee receivable at default	₱–	₱43,533,993	₱22,072,204	₱75,037,862	₱140,644,059
Expected credit losses	₱–	₱4,076,828	₱6,923,516	₱41,201,308	₱52,201,652

Liquidity Risk

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, 2019 and 2018 based on contractual undiscounted receipts and payments follows:

	2019				
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Cash on hand	₱343,500	₱–	₱–	₱–	₱343,500
Financial assets:					
Cash in banks and cash equivalents	139,482,126	173,169,712	–	–	312,651,838
Tuition and other receivables:					
Tuition fee receivables	88,442,407	–	–	–	88,442,407
Accrued interest receivable	–	517,451	–	–	517,451
Others:					
Advances to employees	18,556,882	–	–	–	18,556,882
Nontrade	10,363,852	–	–	–	10,363,852
Accrued rent receivable	3,432,362	–	–	–	3,432,362
Advances to CE-IS's stockholders	1,250,000	–	–	–	1,250,000
Other receivables	724,023	–	–	–	724,023
Refundable security deposits	–	–	–	1,012,012	1,012,012
Financial assets at FVOCI	–	–	–	82,800	82,800
	262,595,152	173,687,163	–	1,094,812	437,377,127
Financial liabilities:					
Accounts payable and accrued expenses:					
Accounts payable*	₱248,690,883	₱–	₱–	₱–	₱248,690,883
Accrued expenses	44,310,552	45,750,120	–	–	90,060,672
Deposits	8,231,391	–	–	–	8,231,391
Alumni fees payable	4,804,000	–	–	–	4,804,000
Dividends payable	104,576,634	–	–	–	104,576,634
	410,613,460	45,750,120	–	–	456,363,580
Net undiscounted financial assets (liabilities)	(₱148,018,308)	₱127,937,043	₱–	₱1,094,812	(₱18,986,453)

** Excluding statutory payables*

	2018				
	On Demand	Less than 3 Months	3 to 12 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
Nontrade	950,485	–	–	–	950,485
Other receivables	848,668	–	–	–	848,668
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
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 (liabilities)	(₱66,702,515)	₱35,730,168	₱–	₱1,524,169	(₱29,448,178)

** 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, 2019 and 2018 in USD:

	2019	2018
Cash in banks	**$12,608**	$14,315
Short-term deposits	**115,900**	114,655
	$128,508	$128,970

In translating the foreign currency-denominated accounts to Peso amounts, the exchange rate used was ₱52.50 to $1.00 and ₱52.16 to $1.00 as at March 31, 2019 and 2018, 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.

	2019		2018	
Percentage change in exchange rate	**-5.07%**	**5.07%**	-9.44%	9.44%
Effect on net income before tax	**(₱342,056)**	**₱342,056**	(₱635,036)	₱635,036

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, 2019, 2018 and 2017.

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, 2019 and 2018:

	2019	2018
Accounts payable and other current liabilities (a)	**₱404,363,704**	₱355,306,220
Total equity (b)	**₱4,450,852,846**	₱3,125,382,709
Debt-to-equity ratio (a/b)	**0.09:1**	0.11:1

As of March 31, 2019 and 2018, the Group was able to meet its capital management objectives and was successful in achieving its capital management policies.

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

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

	2019	2018
Beginning balance	**₱107,787,994**	₱108,225,615
Declaration of dividends (including dividends to NCI)	**76,107,880**	74,482,880
Cash payments (including dividends to NCI)	**(79,319,240)**	(74,920,501)
Ending balance	**₱104,576,634**	₱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, 2019 *(FY 2020 for the Group)*

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

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

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

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

The Group is currently assessing the impact of this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

<u>Effective beginning on or after January 1, 2020 *(FY 2021 for the Group)*</u>
- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

<u>Effective beginning on or after January 1, 2021 *(FY 2022 for the Group)*</u>
- PFRS 17, *Insurance Contracts*

<u>Deferred effectivity</u>
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

28. Events after the Reporting Date

On June 28, 2019, the University's BOD approved and authorized the following:
- Declaration of cash dividend of ₱74.48 million (₱0.20 per share) payable on August 29, 2019 to stockholders of record as of the close of business of August 5, 2019.
- Appropriation of ₱80.00 million for the construction of the following:
  - Eight (8)-storey building in Mendiola Campus;
  - Construction of swimming pools and renovation of classroom in Malolos campus; and
  - Extension of the expansion projects of the University.
- Re-appropriation of ₱450.00 million for the development of the Malolos campus.

The estimated date of completion of the above projects as set by the University is within 2 years.

Furthermore, the University's BOD approved the change in fiscal year of the University effective fiscal year 2020 from beginning April 1 and ending March 31 to beginning June 1 and ending May 31 brought about by the change in the academic year from ending March of each year to ending May of each year.

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

INDEPENDENT AUDITOR'S REPORT
ON 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, 2019 and 2018 and for each of the three years in the period ended March 31, 2019, and have issued our report thereon dated June 28, 2019. 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.

Dijole S. Garcia

Djole S. Garcia
Partner
CPA Certificate No. 0097907
SEC Accreditation No. A-823-A (Group A),
March 21, 2019, valid until July 21, 2019
Tax Identification No. 201-960-347
BIR Accreditation No. 08-001998-102-2018,
October 18, 2018, valid until October 17, 2021
PTR No. 7332555, January 3, 2019, Makati City

June 28, 2019

CENTRO ESCOLAR UNIVERSITY

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

CENTRO ESCOLAR UNIVERSITY

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

MARCH 31, 2019

Unappropriated parent company retained earnings, beginning of year	₱359,629,969
Add: Net income actually earned/realized during the fiscal year	171,975,964
Unappropriated parent company retained earnings, as adjusted before dividend declaration	531,605,933
Deduct:	
Dividends declared during the fiscal year	(74,482,880)
Unappropriated parent company retained earnings, as adjusted to available for dividend declaration, end of year	₱457,123,053

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

List of Philippine Financial Reporting Standards (PFRSs) [which consists of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at March 31, 2019, unless otherwise indicated:

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		**Adopted**	**Not Adopted**	**Not Applicable**
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs			✓
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓

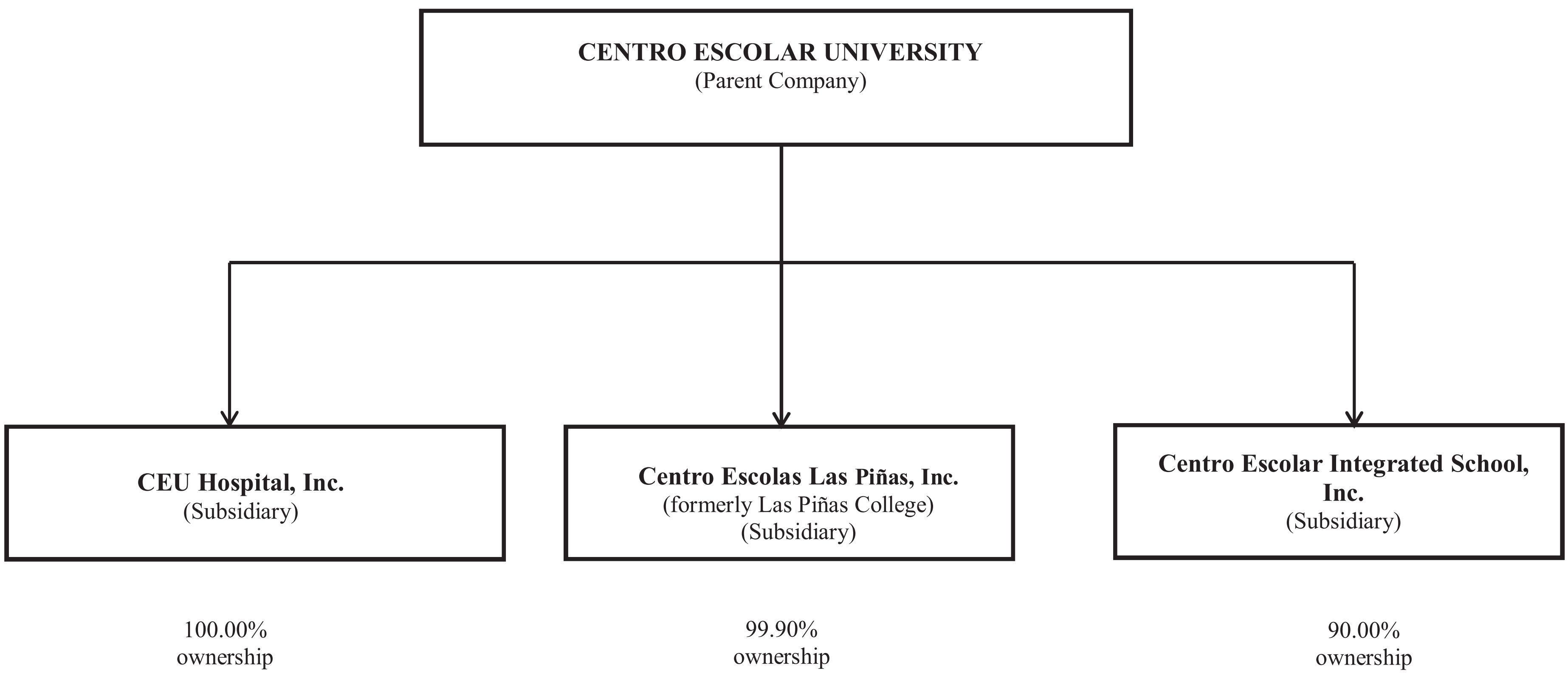
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration	✓		
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

Note: The Group has not early adopted standards and amendments which are not yet effective as at April 1, 2019.

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES

THE MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE UNIVERSITY AND ITS SUBSIDIARIES

MARCH 31, 2019



Centro Escolar University

Schedule A - Financial Assets

March 31, 2019

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)
PLDT- Common	72	82,800	82,800	(23,040)
Polymedic General Hospital	80	–	–	(110,000)
PLDT- Preferred	9,500	–	–	(95,000)
PLDT Comm & Energy Ventures, Inc. (formerly Pilipino Telephone Corp.)	300	–	–	(1,317)
	9,953	₱82,800	₱82,800	(₱429,357)

Centro Escolar University

*Schedule B - Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Affiliates)**

March 31, 2019

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	₱110,000	₱–	₱47,500	₱–	₱62,500	₱–	₱62,500
Travel Loan							
Quita, Jennifer - Faculty	–	177,375	25,653	–	61,568	90,154	151,722
Gaviola, Gertrudes - Faculty	–	177,375	25,653	–	61,568	90,154	151,722
Borlongan, Amelita - Faculty	–	177,375	51,307	–	123,137	2,931	126,068
Cruz, Bessie - Faculty	–	147,375	25,653	–	61,568	60,154	121,722
Fajardo, Erlinda - Faculty	–	177,375	25,653	–	61,568	90,154	151,722
Nuguid, Virginia - Faculty	–	139,375	25,653	–	61,568	52,154	113,722
Guerrero, Edna - Faculty	–	125,375	25,653	–	61,568	38,154	99,722
Lumarque, Lilian - Faculty	–	125,375	23,088	–	61,568	40,719	102,287
Co, Welyn - Faculty	–	177,375	25,653	–	61,568	90,154	151,722
Separo, Perla - Faculty	–	177,375	25,653	–	61,568	90,154	151,722
Suto, Vivian - Faculty	–	177,375	25,653	–	61,568	90,154	151,722
Villamor, Janelle - Faculty	–	177,375	25,653	–	61,568	90,154	151,722
So, Rosemarie - Faculty	–	177,375	25,653	–	61,568	90,154	151,722
Albano, Heidi Rosario - Faculty	–	169,472	45,240	–	54,288	69,944	124,232
De Leon, Julius - Faculty	–	162,862	47,502	–	54,288	61,072	115,360
Galang, Sharon - Faculty	–	162,862	47,502	–	54,288	61,072	115,360
Kuhutan, Sagira - Faculty	–	162,862	47,502	–	54,288	61,072	115,360
Reyes, Ruth - Faculty	–	162,862	33,930	–	54,288	74,644	128,932
Duad, Nadine - Faculty	–	162,862	47,502	–	54,288	61,072	115,360
Ramirez, Eufrecina - Faculty	–	162,862	47,502	–	54,288	61,072	115,360
Raqueño, Avelina - Faculty	–	162,862	47,502	–	54,288	61,072	115,360
Anacio, Marcial - Faculty	–	162,862	45,240	–	54,288	63,334	117,622
Villanueva, Jean Marie - Faculty	–	162,862	45,240	–	54,288	63,334	117,622

(Forward)

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	
Villanueva, Angelina - Faculty	–	162,862	45,240	–	54,288	63,334	117,622
Dee, Annabelle - Faculty	–	162,862	45,240	–	54,288	63,334	117,622
Mijarez, Luzette - Faculty	–	162,862	45,240	–	54,288	63,334	117,622
Clemente, Maria Luisa - Faculty	–	162,862	47,502	–	54,288	61,072	115,360
Recto, Perpetua Socorro - Faculty	–	162,862	47,502	–	54,288	61,072	115,360
Cortado, Christopher Jay - Faculty	–	162,862	47,502	–	54,288	61,072	115,360
Andoy, Maria Corazon - Faculty	–	162,862	47,502	–	54,288	61,072	115,360
Dizon, Maria Carmen - Faculty	–	162,862	47,502	–	54,288	61,072	115,360
Fabian, Bella Marie - AVP Admin	–	162,862	47,502	–	54,288	61,072	115,360
Orlina, Jericho AVP - Business Affairs	–	162,862	47,502	–	54,288	61,072	115,360
Olaer, Carlito – VP Student Affairs	–	162,862	47,502	–	54,288	61,072	115,360
Huan, Edwin - Faculty	–	162,862	22,309	–	54,288	86,265	140,553
Grino, Nicanor Jerry Head - Security Dept.	–	292,943	85,442	–	85,647	121,854	207,501
Roldan, Rita - Faculty	–	292,943	194,401	–	47,614	50,928	98,542
Garcia, Nancy - Faculty	–	292,943	85,442	–	97,647	109,854	207,501
Martinez, Claire - Faculty	–	292,943	85,442	–	97,647	109,854	207,501
Chny, Cynthia - Faculty	–	292,943	258,964	–	33,980	–	33,979
Flores, Jocelyn Sofia - Faculty	–	292,943	88,080	–	97,648	107,215	204,863
Fule, Jocelyn Andrea - Faculty	–	292,943	88,080	–	97,648	107,215	204,863
Martinez, Maria Wanda - Faculty	–	292,943	84,011	–	97,648	111,284	208,932
CE-IS Stockholders							
Ma. Cristina D. Padolina - President	250,000	–	–	–	250,000	–	250,000
Corazon M. Tiongco	250,000	–	–	–	250,000	–	250,000
	₱610,000	₱8,066,993	₱2,366,647	₱–	₱3,274,268	₱3,036,079	₱6,310,346

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, 2019

			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.	₱3,914,755	₱2,419,445	₱–	₱–	₱6,334,200	₱–
Centro Escolar Las Piñas, Inc.	4,528,622	30,470,749	–	–	34,999,371	–
Centro Escolar Integrated School, Inc.	9,543,474	–	–	–	9,543,474	–
TOTAL	₱17,986,851	₱32,890,194	₱–	₱–	₱50,877,045	₱–

Centro Escolar University

Schedule D - Intangible Assets - Other Assets

March 31, 2019

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	3,642,417	105,000	1,886,834	–	–	1,860,583
TOTAL	₱51,248,112	₱105,000	₱1,886,834	₱–	₱–	₱49,466,278

Centro Escolar University
Schedule E - Long-term Debt
March 31, 2019

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, 2019, the University has no long-term debt.

Centro Escolar University

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

March 31, 2019

			Deductions		Ending balance	
Name of Related Companies	Balance at beginning of period	Additions	Amounts paid	Amounts written off	Current	Not current

The University does not have long-term loans from related parties.

Centro Escolar University

Schedule G - Guarantees of Securities of Other Issuers

March 31, 2019

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, 2019, the University has no guaranteed securities by other issuers.

Centro Escolar University

Schedule H - Capital Stock

March 31, 2019

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	Number of shares held by: Related parties	Directors, officers and employees	Others
Centro Escolar University	800,000,000	372,414,400	–	212,270,987	60,576,437	99,566,976

CENTRO ESCOLAR UNIVERSITY
LIST OF FINANCIAL RATIOS
March 31. 2019

		2019	2018
Current ratio	Current assets / Current Liabilities	0.99:1	0.96:1
Debt to equity ratio	Accounts Payable+Accrued Expenses+Interest bearing loans / Total Equity (capital)	0.09.:1	0.11:1
Interest rate coverage	Net income before tax / Interest expense	-	-
Revenue growth	(Current period tuition+other school fees)-(Present period tuition+other school fees) / Present period tuition + other school fees	4.17%	-10.68%
Return on Revenue	Net income / Tuition + other school fees	13%	8%
Return on Equity	Net Income / Average Stockholders' Equity	5%	4%
Return on assets	Net Income / Average total assets	4%	3%

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, 2018
Period Ended Date

N/A
(Secondary License Type and File Number)

cc: Philippine Stock Exchange

Securities and Exchange Commission HEAD OFFICE
Electronic Records Management Division
FEB 13 2019

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

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

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

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

Yes [√] No [ ]

12. Indicate by check mark whether the registrant:

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

Yes [√] No [ ]

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

Yes [√] No [ ]

Part I. FINANCIAL INFORMATION

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, 2018(Third quarter of the University).

RESULTS OF OPERATIONS

For the nine months ended December 31, 2018, the University had a gross revenue of ₱ 1,107,658,915 and a net income of ₱ 141,332,530.

Three months ended December 31, 2018 versus Three months ended December 31, 2017.

For the three months ended December 31, 2018, the revenues amounted to ₱ 478,529,791 as compared to ₱391,153,561 for the same period in 2017. Net income of ₱ 115,442,120 was registered for the three months ended December 31, 2018 as compared to ₱79,162,673 net income for the same period in 2017.

Operating expenses increased to ₱ 363,087,671 for the three months period ended December 31, 2018 from ₱311,990,888 for the same period in 2017.

KEY PERFORMANCE INDICATORS (KPI)

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

Performance	Dec. 2018 **(Nine Months)**	Dec. 2017 **(Nine Months)**	Manner of computation	Significance
Revenue Growth	2.51%	-10.08%	Difference between current and last year's tuition and other fees divided by last year's revenues	Measures revenue growth
Return on Revenue	13.87%	9.01%	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	52.70%	120.23%	Dividends divided by net income	Indicates how earnings support dividend payment
Return on Equity	4.47%	2.97%	Net income divided by average total stockholder's equity	Measures extent of profit earned
Return on Assets	3.37%	2.21%	Net income divided by average total assets	Measures use of assets to generate income

LIQUIDITY

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

The University's cash balance on December 31, 2018 increased to ₽ 344,162,958 from ₽ 290,181,009 as of March 31, 2018.

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

The University's current ratio stands at 1.01:1 as of December 31, 2018. The University does not anticipate any liquidity problems in the next 12 months as it consistently maintains a strong cash position.

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

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

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

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the University with unconsolidated entities for the year ended December 31, 2018.

MATERIAL COMMITMENTS FOR CAPITAL EXPENDITURES

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

Segment Reporting

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

FINANCIAL CONDITION

The current assets of the University as of the third quarter ended December 31, 2018 were ₱ 871,284,890, as compared with ₱446,896,736 on March 31, 2018. The increase in current assets of ₱424,388,154 over March 31, 2018 balance was mainly due to increase in tuition and other receivables.

Receivables from tuition and other fees increased by ₱301,683,428 because majority of enrollees in the second semester of school year 2018 to 2019 were on installment basis. There were collectibles during the periodical examinations of the students.

This account consists of:

	December 2018	March 2018
Students	450,593,283	148,909,855
Accrued interest receivable	316,882	145,577
Others:		
Advances to employees	9,161,075	13,015,260
Advance to CE-IS stockholders	1,250,000	1,250,000
Accrued rent receivable	1,645,557	1,645,557
Other receivable	53,978,883	1,799,153
	516,945,680	166,765,402
Less allowance for doubtful accounts	45,354,755	45,354,755
	471,590,925	121,410,647

The total current liabilities of the University as of December 31, 2018 were ₱864,084,015, higher by ₱398,018,632 from the balance as of March 31, 2018.

Deferred tuition fee and other school fees as of the third quarter of 2018 were ₱362,959,004. This amount was due to enrollment for the second semester of school year 2018-2019. These items were recognized as income upon realization and accrued until the end of first semester.

Unappropriated Retained Earnings decreased by ₱66,839,650 due to net income of ₱141,322,530 and dividend declaration amounting to ₱74,482,880.

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

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

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

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

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

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

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

ADDITIONAL DISCLOSURES

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

1. Financial Risk
    a. Currency risk
        i. The majority of the University's short-term investments is maintained in Peso government securities and time deposits. As of the end of December 31, 2018, ₱133,578,712 worth of money market placements were maintained in Peso government securities and time deposits.
        ii. As of the end of December 2018, US$58,818.57 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 2018, the provision for doubtful accounts was at ₱45.35million.

d. Market risk
    i. As of the end of December 31, 2018, the University foresees no market risk until the end of its fiscal year March 31, 2019.

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

2. Disclosure regarding financial instruments

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

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

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

DIVIDEND DECLARATION

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

EARNINGS/LOSS PER SHARE

The Income per share is ₱0.38 based on the outstanding common shares of 372,414,400 for the nine-month period ended December 31, 2018, and income per share of ₱0.24 for the same period of December 31, 2017.

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.

CENTRO ESCOLAR UNIVERSITY

MA. CRISTINA D. PADOLINA	**CESAR F. TAN**
President and Vice Chairman	Principal Financial Officer
Date FEB 13 2019	Date FEB 13 2019

CENTRO ESCOLAR UNIVERSITY		
BALANCE SHEET		
As of December 31, 2018		
(With Comparative Figures for March 31, 2018)		
	Unaudited	Audited
	December 2018	March 2018
ASSETS		
Current Assets		
Cash and cash equivalents	344,162,958	290,181,009
Tuition and other receivables - net	471,590,925	121,410,647
Inventories	13,758,498	12,880,554
Other current assets	41,772,509	22,424,526
Total Current Assets	871,284,890	446,896,736
Noncurrent Assets		
Property and Equipment	3,319,869,405	3,275,715,343
Investment property	152,751,487	152,751,487
Goodwill	47,605,695	47,605,695
Other assets	42,057,884	30,149,438
Total Noncurrent Assets	3,562,284,471	3,506,221,963
	4,433,569,361	3,953,118,699
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	391,650,671	355,306,220
Dividends payable	109,474,340	107,787,994
Income tax payable	0	2,971,169
Deferred tuition fees	362,959,004	0
Total Current Liabilities	864,084,015	466,065,383
Noncurrent Liabilities		
Deferred income tax liability -net	279,599,794	277,071,817
Retirement liability	97,663,193	84,598,790
Total Noncurrent Liabilities	377,262,987	361,670,607
Total Liabilities	1,241,347,002	827,735,990
Stockholders' Equity		
Capital stock	372,414,400	372,414,400
Additional paid-in capital	664,056	664,056
Revaluation increment in property	1,350,002,971	1,350,002,971
Revaluation reserve on available-for-sale financial assets	100,298	100,298
Remeasurement loss on retirement plan - net	23,668,534	23,668,534
Retained earnings		
Unappropriated	444,340,131	377,500,481
Appropriated	996,000,000	996,000,000
Noncontrolling interest	5,031,969	5,031,969
Total Stockholders' Equity	3,192,222,359	3,125,382,709
	4,433,569,361	3,953,118,699

CENTRO ESCOLAR UNIVERSITY				
STATEMENT OF INCOME				
FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2018 AND 2017				
	3 mos. Ended December 2018	**3 mos. Ended DEC. 2017**	**9 mos. Ended December 2018**	**9 mos. Ended DEC. 2017**
REVENUES				
Tuition and other school fees	445,399,895	376,704,496	1,018,751,088	993,792,873
Interest income	1,704,284	706,817	3,775,243	2,979,297
Auxiliary services	(6,015,652)	244,361	13,487,228	2,768,191
Miscellaneous	37,441,264	13,497,887	71,645,356	38,050,114
	478,529,791	391,153,561	1,107,658,915	1,037,590,475
EXPENSES				
General and administrative expenses	363,087,671	311,990,888	966,336,385	948,041,638
Interest expense	-	0	0	0
	363,087,671	311,990,888	966,336,385	948,041,638
NET INCOME (LOSS)	115,442,120	79,162,673	141,322,530	89,548,837
Earnings (loss) Per Share	0.31	0.21	0.38	0.24

CENTRO ESCOLAR UNIVERSITY					
STATEMENT OF CASH FLOWS					
FOR THE THREE MONTH PERIOD AND NINE MONTH PERIOD ENDED DECEMBER 31, 2018					
(With Comparative Figures for the three month period and nine months period ended December 31, 2017)					
		Three Months Period		Nine Months Period	
		December	December	December	December
		2018	2017	2018	2017
CASH FLOWS FROM OPERATING					
	ACTIVITIES				
Net income		115,442,120	79,162,673	141,322,530	89,548,837
Adjustments to reconcile net income to net cash					
	provided by operating activities:				
	Depreciation	25,925,284	24,274,997	70,443,617	70,501,873
	Changes in operating assets and liabilities:				
	Decrease (increase) in:				
	Tuition and other receivables	(112,164,524)	(130,364,373)	(350,180,278)	(384,434,778)
	Inventories	(1,018,602)	124,920	(877,944)	4,026,519
	Other current assets	(27,170,081)	(1,436,003)	(19,347,983)	1,520,436
	Increase (decrease) in:				
	Accounts payable and				
	accrued expenses	(22,567,309)	(6,299,972)	36,344,451	(10,719,446)
	Dividends payable	(43,348)	(5,286,447)	1,686,346	66,690,734
	Income tax payable	(304,483)	0	(2,971,169)	(9,953,732)
	Retirement liability	4,354,801	6,467,947	13,064,403	19,403,840
	Deferred income tax liability	0	0	2,527,977	4,117,744
	Deferred tuition and other school fees	124,412,919	123,533,318	362,959,004	373,008,548
Net cash provided by operating activities		106,866,777	90,177,060	254,970,954	223,710,575
CASH FLOWS FROM INVESTING					
	ACTIVITIES				
Additions to property and equipment		(53,263,955)	(29,091,064)	(114,597,680)	(228,756,216)
Other assets		19,667,247	(288,302)	(11,908,446)	(27,981,915)
Net cash used in investing activities		(33,596,708)	(29,379,366)	(126,506,126)	(256,738,131)
CASH FLOWS FROM FINANCING					
	ACTIVITIES				
Payment of cash dividends		0	0	(74,482,880)	(74,482,880)
Net cash used in financing activities		0	0	(74,482,880)	(74,482,880)
NET INCREASE IN CASH AND CASH					
	EQUIVALENTS	73,270,069	60,797,694	53,981,949	(107,510,436)
CASH AND CASH EQUIVALENTS AT					
	BEGINNING	270,892,889	267,488,627	290,181,009	435,796,757
CASH AND CASH EQUIVALENTS AT					
	OF THIRD QUARTER	344,162,958	328,286,321	344,162,958	328,286,321

CENTRO ESCOLAR UNIVERSITY		
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY		
As of December 31, 2018		
(With Comparative Figures for December 2017)		
	Dec. 2018	**Dec. 2017**
CAPITAL STOCK = P1 par value		
Authorized - 800,000,000 shares		
Issued - 372,414,400 shares	372,414,400	372,414,400
ADDITIONAL PAID-IN CAPITAL	664,056	664,056
REVALUATION INCREMENT IN PROPERTY	1,350,002,971	1,350,002,971
UNREALIZED GAIN ON AVAILABLE-FOR-SALE INVESTMENT	100,298	112,970
REMEASUREMENT LOSS ON RETIREMENT PLAN - NET	23,668,534	(56,949,473)
NONCONTROLLING INTEREST	5,031,969	2,588,552
RETAINED EARNINGS		
Unappropriated		
Balance at beginning of year	**377,500,481**	**554,210,386**
Additional appropriated retained earning for the University expansion projects	-	(210,000,000)
Balance	**377,500,481**	**344,210,386**
Comprehensive Income (Loss)	141,322,530	89,548,837
Other Comprehensive Income(Loss)	-	-
Total Comprehensive Income(Loss)	**141,322,530**	**89,548,837**
Cash dividends	(74,482,880)	(74,482,880)
Balance at end of quarter	**444,340,131**	**359,276,343**
Appropriated		
Balance at beginning of year	996,000,000	786,000,000
Additional appropriated retained earning for the University expansion projects	-	210,000,000
Balance	**996,000,000**	**996,000,000**
Balance at end of quarter	**1,440,340,131**	**1,355,276,343**
TOTAL STOCKHOLDERS' EQUITY	**3,192,222,359**	**3,024,109,819**

CENTRO ESCOLAR UNIVERSITY		
AGING OF ACCOUNTS RECEIVABLE		
As of December 31, 2018		
School Year	Amount	Percent
2018-2019	301,683,428	66.95%
2017-2018	148,909,855	33.05%
Total	450,593,283	100.00%

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

1.Corporate Information

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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

Statement of Compliance

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

Basis of Consolidation

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

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

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

Changes in Accounting Policies and Disclosures

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

Standards Issued but not yet Effective

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

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

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

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

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

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

- PFRS 9, Financial Instruments

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

- PFRS 15, Revenue from Contracts with Customers

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

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

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

- Amendments to PAS 28, Investments in Associates and Joint Ventures, Measuring an• Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

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

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

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

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

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

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

PFRS 16, Leases

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

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

Summary of Significant Accounting Policies

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

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

Financial Assets and Liabilities
Date of Recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

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

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

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

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

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

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

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

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

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

After initial recognition, these liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

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

Impairment of Financial Assets

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

Assets Carried at Amortized Cost

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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

AFS Financial Assets

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

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, where the related assets and liabilities are presented gross in the consolidated statement of financial position.

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

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

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

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

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul cost, are normally charged to income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

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

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

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

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, 2018 and March 31, 2018 amounted to ₱471.59 million and ₱121.41 million, respectively.

Estimating Useful Lives of Property and Equipment

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

The carrying value of property and equipment as of December 31, 2018 and March 31, 2018 amounted to ₱3,319.86 million and ₱3,275.71 million, respectively.

Estimating Retirement Obligation and Other Retirement Benefits

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

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

Retirement liability amounted to ₱97.66 million and ₱84.59 million as of December 31, 2018 and March 31, 2018.

Revaluation of Land

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

4. Cash and Cash Equivalents and Short-term Investments

This account consists of:

	December 2018	March 2018
Cash on hand and in banks	161,925,994	210,478,247
Short-term deposits	182,236,964	79,702,762
	344,162,958	290,181,009

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

5. Tuition and Other Receivables

This account consists of:		
	December 2018	March 2018
Students	450,593,283	148,909,855
Accrued interest receivable	316,882	145,577
Others:		
Advances to employees	9,161,075	13,015,260
Advance to CE-IS stockholders	1,250,000	1,250,000
Accrued rent receivable	1,645,557	1,645,557
Other receivable	53,978,883	1,799,153
	516,945,680	166,765,402
Less allowance for doubtful accounts	45,354,755	45,354,755
	471,590,925	121,410,647

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

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

6. Inventories

This account consists of:

	December 2018	March 2018
Uniforms and outfits	8,868,541	9,840,065
Materials production	2,907,925	1,614,441
Supplies	1,982,032	1,426,048
	13,758,498	12,880,554

7. Other Current Assets

This account consists of:

	December 2018	March 2018
Advances to suppliers	26,062,569	20,603,190
Creditable witholding taxes	117,787	1,342,125
Prepayment	15,592,153	479,211
	41,772,509	22,424,526

8. Other Assets

This account consists of:

	December 2018	March 2018
Advances to contractors	36,985,049	24,982,852
Software costs	3,598,666	3,642,417
Refundable security deposits	962,012	1,012,012
Available-for-sales financial assets	512,157	512,157
	42,057,884	30,149,438

9. Property and Equipment

This account consists of:	March 2018	Addition (deductions)	December 2018
Cost:			
Land	384,022,991	1,174,791	385,197,782
Land improvements	31,735,223	0	31,735,223
Buildings and improvements	1,690,601,024	6,410,116	1,697,011,140
Furniture ,Transportation and Auxiliary	544,753,287	26,715,589	571,468,876
Laboratory equipment	364,197,413	18,300,219	382,497,632
Library books	125,401,951	5,800,894	131,202,845
	3,140,711,889	58,401,608	3,199,113,497
Less accumulated depreciation	1,446,773,620	70,443,617	1,517,217,237
	1,693,938,269	-12,042,009	1,681,896,260
Appraisal increase:			
Land	1,500,003,300	0	1,500,003,300
Land improvements	93,609	0	93,609
Buildings and improvements	2,761,229	0	2,761,229
	1,502,858,138	0	1,502,858,138
Less accumulated depreciation	2,854,838	0	2,854,838
	1,500,003,300	0	1,500,003,300
Construction in progress	81,773,774	56,196,072	137,969,846
	3,275,715,343	44,154,062	3,319,869,405

10. Accounts Payable and Accrued Expenses

This account consists of:		
	December 2018	March 2018
Accounts payable	348,937,222	271,512,575
Accrued expenses	25,968,563	72,529,752
Deposits	6,536,661	5,833,820
Others	10,208,225	5,430,073
	391,650,671	355,306,220

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

11. Stockholders' Equity

Capital Stock

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

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

Appropriated Retained Earnings

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

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

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

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

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

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

12. Tuition and Other School Fees

This account consists of:

	December 2018	December 2017
Tuition fees	564,565,167	552,416,380
Other fees	259,456,688	253,102,754
Income from other school services	194,729,233	188,273,739
	1,018,751,088	993,792,873

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:

	December 2018	December 2017
Salaries, SSS contributions and other employee benefits	428,505,946.76	432,850,081
Light and water	77,251,783.01	75,506,643
Depreciation and amortization	70,443,617.27	70,501,873
Development	30,238,745.11	25,073,761
Library	23,755,829.21	20,264,068
Rental	20,528,300.00	17,331,878
Janitorial and security services	37,966,896.00	36,397,931
Transportation and communications	20,480,465.52	20,797,462
Retirement expense	13,064,402.97	20,581,272
Recruitment and placement	12,315,351.46	11,099,429
Stationery and office supplies	13,367,422.05	13,336,280
Publications	491,699.86	1,175,322
Management information	13,608,463.70	16,604,455
Repairs and maintenance	47,747,579.71	31,637,549
Guidance and counseling	6,953,450.80	6,787,601
Laboratory	16,479,202.72	15,440,315
Instructional and academic expenses	8,785,579.76	8,759,970
Entertainment, amusement and recreation	4,912,587.72	4,829,097
Insurance	1,977,252.73	1,834,997
Directors' and administrative committee	3,718,092.59	3,872,332
Professional fees	3,787,406.39	3,605,499
Registration expenses of students	1,132,600.42	1,650,836
Membership fees and dues	5,351,516.35	21,516,822
Comprehensive and oral examinations	2,269,449.30	1,417,795
Affiliation	2,795,689.91	2,796,098
Miscellaneous	98,407,053.35	82,372,270
	966,336,385	948,041,638

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

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

17. Operating Lease

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

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

19. Segment Reporting

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

December 2018	Mendiola	Malolos	Makati- Gil Puyat	Makati-Legaspi	Malolos Intergrated School	Makati-Legaspi Hospital (Pre-operating)	Las Piñas College	Total
Segment assets	2,695,057,715	891,082,273	152,742,395	516,338,662	83,200,641	34,906,507	60,241,167	4,433,569,361
Segment property and equipment - net	1,898,643,812	785,219,990	62,889,581	550,931,311	1,876,047	349,999	19,958,665	3,319,869,405
Segment liabilities	1,042,886,259	48,683,681	91,645,362	24,547,917	29,252,038	5,811,763	-1,480,017	1,241,347,002
Segment revenues	753,328,391	78,252,285	147,725,128	37,657,951	57,268,172	2,715,719	30,711,269	1,107,658,915
Operating expenses	660,476,489	85,065,663	105,470,910	56,538,667	24,691,894	2,905,021	31,187,741	966,336,385
Depreciation expense	43,340,652	8,148,258	6,542,075	10,323,725	24,297		2,064,611	70,443,617
Net income (loss)	92,851,902	(6,813,378)	42,254,218	(18,880,716)	32,576,278	(189,302)	(476,472)	141,322,530

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

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 2018	December 2017
Net income(loss)(a)	141,322,530	89,548,837
Weighted average number of outstanding		
common shares(b)	372,414,400	372,414,400
Basic/diluted earnings (loss) per share (a/b)	0.38	0.24

There were no dilutive financial instruments during the year.

22. Financial Assets and Liabilities

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

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

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

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

23. Financial Risk Management Objectives and Policies

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

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

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss.

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

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

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

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

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

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives and policies or processes during the year ended March 31, 2018 and quarter ended December 31, 2018.

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

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

	December 2018	March 2018
Accounts payable and accrued expenses (a)	391,650,671	355,306,220
Total Stockholders' Equity (d)	3,192,222,359	3,125,382,709
Debt-to-Equity ratio (c/d)	0.12:1	0.11:1

CENTRO ESCOLAR UNIVERSITY
LIST OF FINANCIAL RATIOS
December 31, 2018

		Third quarter December 31, 2018	Third quarter December 31, 2017
Current ratio	Current assets / Current Liabilities	1.01:1	0.99:1
Debt to equity ratio	Accounts Payable+Accrued Expenses+Interest bearing loans / Total Equity (capital)	0.12:1	0.09:1
Revenue growth	(Current period tuition+other school fees)-(Present period tuition+other school fees) / Present period tuition + other school fees	2.51%	-10.08%
Return on Revenue	Net income / Tuition + other school fees	13.87%	9.01%
Return on Equity	Net Income / Average Stockholders' Equity	4.47%	2.97%
Return on assets	Net Income / Average total assets	3.37%	2.21%