COVER SHEET

1	6	6	4	1	1					

S.E.C. Registration Number

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

(Company's Full Name)

3 r d   F L R . G R E P A L I F E   B U I L D I N G   2 1 9

S E N .   G I L   P U Y A T   A V E N U E   M A K A T I

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

Mr. Jose Ma. G. Castillo, III — Contact Person

815-96-36 — Company Telephone Number

DEFINITIVE SEC FORM 20 - IS

1 2	3 1		0 6	2 8
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. Of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks= pls. Use black ink for scanning purposes

iPeople, inc.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of **iPeople, Inc.** will be held on **Thursday, June 28, 2007 at 2:30 p.m.** at Yuchengco Institute for Advanced Studies, 5th Floor, Tower II, RCBC Plaza, Ayala Avenue Cor. Sen. Gil J.Puyat Avenue, Makati City, Philippines to consider and act on the following:

1. Call to Order
2. Proof of Notice and Certification of a quorum
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on June 29, 2006
4. Approval of the Management Report and Audited Financial Statements for 2006
5. Ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, Executive Committee and the Officers of the Company during the year 2006
6. Election of Directors for 2007-2008
7. Appointment of External Auditors
8. Such other business that may properly come before the meeting
9. Adjournment

Only stockholders of record at close of business on May 30, 2007 shall be entitled to vote at this said meeting or any adjournment thereof.

Makati City, May 21 2007.

ATTY. SAMUEL V. TORRES
Corporate Secretary

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

   [x] Definitive Information Statement

   [   ] Amended Definitive Information Statement

2. Name of Registrant as specified in its charter **iPeople, inc.**

3. **Makati City, Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **166411**

5. BIR Tax Identification Code **000-187-926**

6. **3F, Grepalife Bldg., 219 Sen. Gil J. Puyat Ave., Makati City, Phil. 1200**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 815-9636**

8. **June 28, 2007, 2:30PM Yuchengco Institute for Advanced Studies, 5th Floor Tower II, RCBC Plaza, Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **June 04, 2007**

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common (2.0B shares authorized PV P1.00)	**748,933,221 shares**

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

    Yes (√) No _______ **Common Stocks**

    If so, disclose name of the Exchange: **Philippine Stock Exchange, Inc.**

INFORMATION STATEMENT

A. GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders:

The 2007 Annual Meeting of the Stockholders of iPeople, inc. (the "Company or Corporation") will be held at the Yuchengco Institute for Advanced Studies, 5th Floor, Tower II, RCBC Plaza, Ayala Avenue Corner Sen. Gil Puyat Avenue, Makati City, Philippines on June 28, 2007 at 2:30 p.m. The complete mailing address of the principal office of the Company is 3/F, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Philippines, 1200.

Approximate date on which this Information Statement is first to be sent or given to security holders is on June 04, 2007.

Dissenters' Right of Appraisal

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

There are no corporate matters or actions at the above annual meeting that will entitle dissenting stockholders to exercise their right of appraisal as provided in the Title X of the Corporation Code.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

a) No person, nominee, associate or any director has substantial interest, direct or indirect, by security holdings in any matter to be acted upon at the meeting other than election to office.

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

B. CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

The Company's Capital Stocks are entitled to notice and vote at the Annual Stockholders' Meeting. Each share is entitled to one (1) vote. The Company has 748,933,221 shares of Common Stocks outstanding as of May 09, 2007.

Only holders of the Company's stock of record at the close of business on May 30, 2007 are entitled to notice and to vote at the Annual Meeting to be held on June 28, 2007.

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

Security Ownership of Certain Record and Beneficial Owners

The following shareholders listed in the table below own more than five percent (5%) of the outstanding stock of the Corporation as of April 30, 2007:

TITLE OF CLASS	NAME , ADDRESS OF RECORD OWNER AND RELATIONSHIP WITH ISSUER	NAME OF BENEFICIAL OWNER AND RELATIONSHIP WITH RECORD OWNER	CITIZEN-SHIP	NO. OF SHARES HELD	**PERCENT**
Common	House of Investments, Inc., (HI) Principal Shareholder 3F Grepalife Bldg. 219 Sen. Gil J. Puyat Ave. Makati City	• House of Investments, Inc. Person authorized to direct voting of the shares is Ms. Helen Y. Dee, the current Chairperson, CEO & President	Filipino	504,331,631	67.34%
Common	PCD Nominee Corp. Public, GF Makati Stock Exchange Bldg. Ayala Avenue, Makati City	• RCBC Securities common shares registered under the name of PCD Nominee Corp., person authorized to direct voting of the shares is Mr. Ramon M. Posadas. • RCBC Trust & Investments Division – common shares registered under the name of PCD Nominee Corp., person authorized to direct voting of the shares is Ms. Ma. Lourdes M. Ferrer. • There is no other stockholder who owns 5% or more who is registered under the name of PCD Nominee Corp.	Filipino Filipino	44,778,086 47,459,526	5.98% 6.34%

There are no arrangements that may result in changes in control.

Security Ownership of Management

As at April 30, 2007, the Directors and Executive Officers as a group own 770,174 shares and individually as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage
Common	Renato Valencia Chairman of the Board	1,300 indirect	Filipino	0.000174%
Common	John F. Alabastro Director & President	6 direct	Filipino	0.000001%
Common	Helen Y. Dee Director	9,750 direct 423,800 indirect	Filipino	0.057889%
Common	Milagros V. Reyes Director	55,218 direct	Filipino	0.007373%
Common	Yvonne S. Yuchengco Director	6,500 direct 68,000 indirect	Filipino	0.009947%
Common	Filemon T. Berba Director	1,000 direct	Filipino	0.000134%
Common	Marco Y. Santos Director	6,500 direct	Filipino	0.000868%
Common	Mr. Perry Y. Uy Director	3,750 direct	Filipino	0.000501%
Common	Cesar A. Buenaventura Director	194,350 indirect	Filipino	0.025950%
Common	Jose Ma. G. Castillo, III SVP-Finance, Treasurer Information & Compliance Officer	0	Filipino	n/a
Common	Atty. Samuel Torres Corporate Secretary	0	Filipino	n/a
Common	Atty. Mary Anne D. Roque Asst. Corporate Secretary	0	Filipino	n/a
	TOTAL	**P 770,174**		**0.102836%**

Changes in Control

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

Voting Trust Holders of 5% and more

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

Directors and Executive Officers
Following are the names, ages, positions and period of services of all directors and executive officers:

Name	Age	Position	Citizenship	Period during which individual has served as such
Renato Valencia	65	Chairman of the Board / Independent Director	Filipino	2005 to present
John F. Alabastro	36	Director/President	Filipino	2002 to present
Marco Y. Santos	38	Director	Filipino	2001 to present
Perry Y. Uy	62	Director	Filipino	2001 to present
Yvonne S. Yuchengco	53	Director	Filipino	2000 to present
Milagros V. Reyes	66	Director	Filipino	2004 to present
Cesar A. Buenaventura	77	Independent Director	Filipino	1989 to present
Filemon T. Berba	70	Independent Director	Filipino	2006 to present
Helen Y. Dee	62	Director	Filipino	2005 to present
Jose Ma. G. Castillo III	63	Senior Vice President-Finance, Treasurer, and Compliance Officer	Filipino	2002 to present
Atty. Samuel Torres	42	Corporate Secretary	Filipino	Feb.15,'06 to present
Atty. Mary Ann Emily D. Roque	34	Asst. Corporate Sec.	Filipino	June 2006 to present

Incumbent Directors and Executive Officers of the Company :

RENATO C. VALENCIA

Other Directorship/Position:

Vice Chairman	Asia Pacific Network Holdings,Inc. (1998) Habitat for Humanity Foundation Philippines
Director - independent	Metropolitan Bank & Trust Co. (1998); Bases Conversion Dev. Authority (2004); Roxas Holdings, Inc. (2004);Fort Bonifacio Development Corp.; Grepalife Fixed Income Fund Corp.; House of Investments, Inc.; Malayan Insurance Co., Inc.; and Roxas & Company

JOHN F. ALABASTRO

Other Directorship/Position:

Chairman	People eServe Corporation (May 2004)
Director / President	Pan Pacific Computer Center, Incorporated (2004)

MARCO Y. SANTOS

Other Directorship/Position:	
Chairman	Touch Media Philippines, Inc.; International Advisory & Management Global Partners, Inc.
Vice-Chairman	Tholons Southeast Asia, Inc.; Intellectual Properties Ventures Group (IPVG);
Director	Indio Communications, Inc.; Parmon Group, Inc.; and Market Intelligence Holdings, Inc.

PERRY Y. UY

Other Directorship/Position:	
Executive Vice President	House of investments, Inc.
President	RCBC Realty Corp.; Honda Cars Kalookan, Inc
Chairman	First Malayan Leasing & Finance Corp.
Vice Chairman	EEI Corporation; EEI Realty Corp.
Director	Landev Corp.; HI Eisai Pharmaceutical, Inc.; Benguet Management Corp.; Manila Memorial Park, Inc.; and Subic Power Corp.

YVONNE S. YUCHENGCO

Other Directorship/Position:	
Chairperson/President	RCBC Capital Corporation (2000 – present)
Chairperson	Tokio Marine Malayan Insurance Co.(1995 - present), Phil. Integrated Advertising Agency (PIAA) (2003 - present)
President/Director	MICO Equities (1995 – present); Malayan Insurance Company, Inc. (1995 - present),
President	PIA-Phil-Asia Assistance Foundation, Inc. (1992-present)
Treasurer/Director	Pan Malayan Management & Investment Corp.; Honda Cars Kalookan, Inc.,
Sr. Executive Vice-President/ Director	Great Pacific Life Assurance Corporation
Asst. Treasurer	Enrique T. Yuchengco, Inc.
Advisory Board Member	Rizal Commercial Banking Corporation
Member, Board of Trustee	AY Foundation, Inc.
Director	Pan Malayan Realty Corp.; Malayan Insurance (U.K); Malayan Insurance (H.K.); Malayan International Insurance Corp.; Manila Memorial Park, Inc.; House of Investments, Inc.; La Funeraria Paz; Malayan Colleges, Inc. Operating under the name Mapua Institute of Technology; Nippon Life Insurance Corp.; La Funeraria Paz – Sucat; Petroenergy Resource Corp.; Seafront Resources Corp.; Universal Malayan

	Reinsurance Corp.; and Malayan High School of Science, Inc.

CESAR A. BUENAVENTURA, O.B.E.

Other Directorship/Position:

Chairman	A G & P Company of Manila
Vice Chairman	DMCI Holdings, Inc.; Montecito Properties, Inc.
Managing Partner	Buenaventura, Echauz & Partners (BEP) Financial Services
Director	Pilipinas Shell Petroleum Corporation; Phil. American Life Insurance Co.; PetroEnergy Resources Corporation; Paysetter Holdings Limited; Paysettter International, Inc.; and Semirara Coal Company;

MILAGROS V. REYES

Other Directorship/Position:

President	PetroEnergy Resources Corporation and Resources Corporation
Director/Treasurer	Hermoza Ecozone & Dev. Corp.

HELEN Y. DEE

Other Directorship/Position:

Chairperson & President	Hydee Management & Resources, Inc.; Grepalife Fixed Income Fund Corp.; Grepalife Asset Management Corp.
Chairperson, President & CEO	House of Investments, Inc.
Chairperson & CEO	Tameena Resources, Inc.
Chairperson	Landev Corp.; HI-Eisai Pharmaceuticals, Inc.; Manila Memorial Park Cemetery, Inc.; Mapua Information Technology Center, Inc.; and Rizal Commercial Banking Corp.
Vice-Chairman/Director	Pan Malayan Management & Investment Corp.
President	Moira Management Inc. and YGC Corporate Services, Inc.
Director	Phil. Long Distance Telephone Company; Petro Energy Resources Corp; Nippon Life Insurance Company of the Philippines, Inc.; South Western Cement Corp.; Seafront Resources Corp; Malayan Insurance Co.; MICO Equities, Inc.; La Funeraria Paz, Inc.; RCBC Savings Bank ; Honda Cars Philippines, Inc.; and Isuzu Philippines, Inc.

Board Member	Malayan Colleges, Inc. Operating under the name Mapua Institute of Technology; Hermoza Ecozone Development Corporation; Rizal Commercial Banking Corporation; and EEI Corporation
Treasurer	Business Harmony Realty, Inc.

FILEMON T. BERBA, JR.,

Other Directorship/Position:

Director	Integrated Microelectronics, Inc.: CGKFormaprint, Inc.; EEI Corporation
Member of the Board of Trustees	Society for the Advancement of Technology Management in the Philippines; Philippine Quality and Productivity Movement
President Emeritus	Philippine Quality Award Foundation
Vice-President	Philippine Foundation for Science & Technology

JOSE MA. G. CASTILLO III

Other Directorship/Position:

SVP-Finance, Treasurer, Chief Information and Compliance Officer	House of Investments, Inc.
Director /SVP Finance and Treasurer	Landev Corporation
Director / Treasurer	Malayan Colleges Laguna, Inc.
Director / Chief Finance Officer	Greyhounds Security and Investigation Agency
Director	Zamboanga Industrial Finance Corporation
Vice President & Treasurer	HI-Eisai Pharmaceutical, Inc.
Vice President	Subic Power Corp.
Chief Finance Officer	Mapua Information Technology Center; People eServe Corporation; and Pan Pacific Computer Center, Incorporated
Treasurer	Malayan Colleges, Inc.

ATTY SAMUEL V. TORRES

Other Directorship/Position:

General Counsel/Corporate Secretary	Pan Malayan Management and Investment Corporation
Corporate Secretary	Bankard, Inc.; Pacific Plans, Inc.; ET Yuchengco, Inc.; First Malayan Leasing & Finance Corp.; GPL Cebu Tower Office Condominium Corporation; GSA Travel, Inc.; RCBC Forex Broker Corporation; RCBC Realty Corporation; RCBC Savings Inc.; and RCBC Securities, Inc.

Assistant Corporate Secretary	First Nationwide Assurance Corp.; Malayan Insurance Company, Inc.; Malayan Reinsurance Corporation; Malayan Zurich Insurance Corporation; MICO Equities, Inc.; and Tokio Marine Malayan Insurance Corp.

MARY ANN EMILY D. ROQUE

Other Directorship/Position:

Corporate Secretary/Director	Orophil Stonecraft, Inc.; Oro Filipino Enterprises & Dev't. Corporation; Golden Tower Industrial & Dev't. Corporation
Corporate Secretary	Yuchengco Tower Ofc. Condominium Corporation
Asst. General Counsel	Pan Malayan Management & Investment Corporation
Assistant Corporate Secretary	Bankard, Inc.; House of Investments, Inc.

The following were nominated for Directors of the Registrant.

1) Mr. Renato Valencia
2) Mr. John F. Alabastro
3) Mr. Cesar A. Buenaventura
4) Ms. Helen Y. Dee
5) Ms. Milagros V. Reyes
6) Mr. Marco Y. Santos
7) Mr. Perry Y. Uy
8) Mr. Filemon T. Berba, Jr.
9) Ms. Yvonne S. Yuchengco

The above-mentioned nominees for the proposed election during the June 28, 2007 Stockholders' Meeting are all incumbent members of the Board of Directors. *The nomination committee passed upon their qualifications and found no disqualifications, as provided for in the by-laws and in accordance with SRC Rule 38.*

Ms. Elvira P. Ordonez, a stockholder who is not in anyway related to the nominees, nominated to the Board the re-election of Messrs. Renato C. Valencia, Cesar A. Buenaventura and Filemon T. Berba, Jr. as Independent Directors.

The Nomination Committee composed of three members one of whom is an independent director reviews and evaluates the qualifications of all persons to be nominated to the Board as well as those to be nominated to other positions requiring appointment by the Board of Directors.

With respect to the independent directors, their nomination and qualification by the nomination committee were in compliance with Company's By-laws, Manual of Corporate Governance and SRC Rule 38. The directors so nominated possess all the qualifications and none of the disqualifications for independent directors.

The Director shall hold office for one (1) year and until their successors are elected and qualified.

The composition of the members of the Company's various committees for 2006-2007 are as follows :

1) *Renato Valencia – chairman of executive and investment committees*
2) *Cesar Buenavenura – chairman of audit committee and member of nomination and stock option committees*
3) *Felimon T. Berba, Jr.- chairman of nomination committee and member of compensation, investment and stock option committees*
4) *Yvonne S. Yuchengco – member of executive, compensation and audit committees*
5) *Perry Y. Uy- chairman of compensation and stock option committees and member of executive, audit, nomination, and investment committees.*

Significant Employees

Other than the Directors and the Executive Officers identified in this Information Statement, there are no other significant employees.

Certain Relationships and Related Transactions

There are no related transactions between incumbent directors, executive officers of the Company, or owners of more than five percent of the Company's shares of voting stocks and iPeople, inc.

Family Relationships

Ms. Helen Y. Dee and Ms. Yvonne S. Yuchengco are sisters. Mr. Marco Antonio Y. Santos is the nephew of Ms. Helen Y. Dee and of Ms. Yvonne S. Yuchengco.

Business Experience during the past five (5) years of the directors, nominees and executive officers.

Mr. Renato C. Valencia currently holds the following positions: Vice Chairman of Asia Pacific Network Holdings, Inc. and Director of Metropolitan Bank & Trust Company; and Co-Chairman of the e-Government Committee of Information Technology and e-Commerce Council. In February 1990, President Corazon C. Aquino appointed Mr. Valencia as Administrator & CEO of the Social Security System, which was later reaffirmed by President Fidel V. Ramos. He stayed on with the SSS until June 1998 with the position of President & CEO. During his term as Administrator/ President & CEO of SSS, he also sat in the Board of the following companies where SSS had significant holdings in: San Miguel Corporation, Philippine Long Distance Telephone Company, Philex Mining, Meralco, Far East Bank & Trust Co., and Union Bank of the Phils.

Mr. John F. Alabastro is the current President and Director of Pan Pacific Computer Center, Inc. Pan Pacific Computer Center, Inc. is an IT services provider focusing on Help Desk support services, application support services, technical support services documents management services, network management services, systems and database administration services, and customer analytics services. PPCC has partnerships with Quantum, Touchpaper, and Infoconnect.

Ms. Yvonne S. Yuchengco is the President of Malayan Insurance Company, Inc. She also holds the position of Chairperson/Director of Tokio Marine Malayan Insurance Co., and Chairperson of RCBC Capital Corporation, and of Phil. Integrated Advertising Agency. She also sits in the board of several companies.

Mr. Marco Antonio Y. Santos is the Vice Chairman of Touch Media Philippines, Inc. a provider of touch-based delivery solutions and pioneer in providing bills payment facilities via kiosks, point of scale and point of information systems integrator. He is also the Vice Chairman of Tholons Southeast Asia, Inc.

Cesar A. Buenaventura, O.B.E., is the Managing Partner of Buenaventura, Echauz and Partners (BEP) Financial Services, a financial advisory firm. He is currently Vice Chairman of DMCI Holdings, Inc., the holding company of the largest construction firm in the Philippines; and of Montecito Properties, Inc., an upscale residential development in Canlubang. He is also the Chairman of Atlantic Gulf & Pacific Company of Manila (AG&P), the oldest and largest engineering services, industrial construction, and heavy fabrication company in the Philippines. He became Chief Executive Officer of the Shell Group of Companies in 1975 until his retirement in 1990.

Ms. Milagros V. Reyes currently holds the following positions: President of PetroEnergy Resources Corporation and President of Seafront Resources Corporation. She previously served as: Director of PNOC-EC; Senior Vice President of Basic Consolidated, Inc. (formerly Basic Petroleum and Minerals, Inc.); Vice President of Philippine Oil Development Company and Exploration Coordinator of Philippine Oil Development Company; Executive Vice President of Mapua Institute of Technology.

Ms. Helen Y. Dee is currently the Chairperson of the Board, President and CEO of House of Investments, Inc. She is also a director of several listed and private companies.

Atty. Samuel V. Torres, was elected effective February 15, 2006 as Corporate Secretary of the Company. He is currently the Corporate Secretary of several publicly listed and private companies.

Atty. Mary Ann Emily D. Roque was elected last June 2006 as Assistant Corporate Secretary of the Company. She is currently the Corporate Secretary of several private companies.

During the past five (5) years, Mr. Perry Y. Uy and Mr. Jose Ma. G. Castillo III were officers of the Company and have held the positions indicated opposite their respective names.

Involvement in Certain Legal Proceedings

The Company is not aware of any pending Legal Proceedings that occurred during the last five (5) years up to the latest date that are material to the evaluation of the ability of integrity of its director, nominee as director or executive officers of the Company except the petition for rehabilitation pending with the Makati Regional Trial Court which was filed by Pacific Plans, Inc., where in Ms. Yvonne S. Yuchengco and Ms. Helen Y. Dee were former Officers; and the petition for rehabilitation filed with General Santos City RTC by T'Boli Agro-Industrial Development Inc. where in Mr. Jose Ma. G. Castillo III served as former Treasurer.

Compensation of Directors and Executive Officers

Summary Compensation Table
Annual Compensation

Name and Position	Year	Salary	Bonuses	Other Annual Compensation	Total Compensation
John Edward F. Alabastro – Predident and Director					
Jose Ma. G. Castillo, III – SVP Finance, Treasurer, Chief Information and Compliance Officer					
	2005	2,782,500			2,782,500
	2006	3,081,439			3,081,439
	2007	0			0
All directors as a group unnamed	2005	-	-	200,000	200,000
	2006	-	-	245,000	245,000
	2007	-	-	245,000	245,000

The table shows the corresponding executive officers aggregate compensation as a group for year 2005 and 2006. It also states the aggregate compensation of all directors as a group.

None of the officers including the President and Chief Executive Officer of the Company will be paid any compensation in 2007.

Directors are paid a per diem of P15,000 for attendance in a Board meeting. Board meetings are scheduled every quarter in a year. A director who attends all regular meetings earns a total of P60,000 annually. A director is also paid a per diem of P5,000 for participation in committee meetings.

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

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

Independent Public Auditors

The Accounting firm of Sycip Gorres Velayo & Company (SGV & Co.), with office address at 6760 Ayala Avenue, SGV Building, Makati City, Philippines, has been the Company's Independent Auditors since the Company's incorporation, and has been recommended to serve as such for the current year. Representatives of SGV & Co. are expected to be present at the meeting with the opportunity to make any statement, if they so desire, and will be available to respond to appropriate questions.

Pursuant to Memorandum Circular No. 8, series of 2003 (Rotation of External Auditors), the Company shall engage Mr. Ramon D. Dizon as the Engaged Partner of SGV & Co.

replacing Mr. Medel T. Nera. Mr. Medel T. Nera was engaged by the Company since 2002 for the examination of the Company's financial statements.

The engagement of the external auditors was favorably endorsed by the Audit Committee to the Board of Directors. The engagement is ultimately submitted for approval of the stockholders.

Financial and Other Information

The audited financial statements as of December 31, 2006, Management Discussion and Analysis, Market Price of Shares and Dividends and other date related to the Company's financial information are attached hereto as Annex "A".

Changes in the Disagreement with Accountants on Accounting and Financial Disclosures

There was no event for the last 4 years where SGV & Co. had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

External Audit Fees and Services

The Company has engaged SGV & Co. as the external auditor, who is tasked to conduct the financial audit of the company. For this service, SGV & Co. has billed the company the amount of P386,000 and P425,000 for the years 2005 and 2006, respectively.

The Company has not engaged SGV & Co. for any other services aside from its annual audit for the last four (4) years.

OTHER MATTERS

Action With Regard to Reports

The Minutes of the previous stockholders meeting held on June 29, 2006 and the Management Report as set forth in the Annual Report will be submitted for stockholders approval.

Approval of the June 29, 2006 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes of the events that transpired during the said meeting, such as (a) 2005 annual report and audited financial statements, (b) ratification of actions of the Board of Directors, different Committees and Management during the year 2005, (c) elections of directors, and (d) appointment of external auditors.

Approval of the Annual Report constitutes a ratification of the Company's performance during the previous calendar years as contained in the Annual Report.

Ratification and confirmation of all the acts, resolutions and proceedings of the Board of Directors, Executive Committee and officers of the Company. This pertains to all acts resolutions, proceedings and approval made by the Board of Directors, Executive Committee and Officers of the Company from the last stockholders' meeting in June 24 2005 for the period 2005 up to the date of meeting (June 29, 2006). This includes, among others, those that involve the day to day operations, administrations and management of the corporate affairs such as; a) opening of bank accounts/ bank signatories, b) approval of loans, c) declaration of cash dividends, and d) appointment of officers.

Copies of the minutes of stockholders' meeting shall be given to the stockholders at the meeting.

Other Proposed Action

The following matters will be submitted to a vote at the meeting:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on June 29, 2006.
2. Approval of the Management Report and the Audited Financial Statements of the Company for the year ended December 31, 2006;
3. Ratification and confirmation of all acts, resolutions and proceedings of the Board of Directors, Executive Committee and Officers of the Company during the year 2006.
4. Election of Directors for 2007-2008.
5. Appointment of External Auditors.

Matters Not Required to be Submitted

None

Voting Procedures

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

With respect to approval of the stock dividend declaration, the approval of the stockholders owning two-thirds (2/3) of the outstanding capital stock is required. Other items that need action of the stockholders require simple majority.

The voting procedure for election and approval of corporate action in which Stockholders' approval will be required shall be by "viva voce" unless voting by ballot is decided upon during the meeting. The methods by which vote will be counted, except in cases where voting by ballots is applicable, voting and counting shall be by "viva voce". If by ballot, counting shall be supervised by external auditors.

UNDERTAKING

UPON WRITTEN REQUEST OF STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH THE STOCKHOLDERS WITH A COPY OF THE COMPANY'S YEAR 2006 ANNUAL REPORT ON SEC FORM 17-A FREE OF CHARGE. ANY WRITTEN REQUEST FOR A COPY OF SEC 17-A SHALL BE ADDRESSED AS FOLLOWS :

iPeople, inc.
Attention : Office of the Corporate Secretary
Address: 3rd Flr. GPL Building
219 Sen. Gil Puyat Avenue
Makati City
Tel No.: (634) 815-96-36
Fax No.: (634) 816-11-27

SIGNATURE

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 Makati City on May 8, 2007.

iPeople, inc.
By:

Atty. Samuel V. Torres
Corporate Secretary

iPeople
A YGC Member

ANNEX "A"

MANAGEMENT REPORT

Financial and Other Information

Audited Financial Statements

The Consolidated Financial Statements of the Company as of December 31, 2006 and the auditor's PTR name of certifying partner and address are attached as **ANNEX "B".**

Changes in and Disagreements with Accountants in Accounting and Financial Disclosure

None

Management Discussion and Analysis of Financial Condition and Results of Operations

The Group's consolidated financial statements have been prepared under the historical cost basis, except for land, which is carried at revalued amounts and available-for-sale securities that have been measured at fair market value. The accompanying consolidated financial statements are presented in Philippine Peso.

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

The accounting policies adopted are consistent with those of the previous financial years except for the policies related to the following new and revised PFRS and Philippine Interpretation from International Financial Reporting Interpretation Committee (IFRIC) that the Group has adopted during the year. Adoption of the new and revised standards and interpretation did not have any effect on the Group except for additional disclosures on the financial statements.

- PAS19 Amendment :Employees benefits – Actuarial Gains & Losses, Group Plans and Disclosures
- PAS 39 Amendment : Financial Instruments : Recognition & Measurement
- PAS 21 Amendment : The effect of Changes in Foreign Exchange Rate
- PFRS 6 Exploration for & Evaluation of Mineral Resources
- IFRC 4 Determining Whether an Arrangement Contains a Lease
- IFRC 5 Rights on Interest Arising from Decommissioning, Restoration and Environment Rehabilitation Funds
- IFRC 6 Liabilities Arising from Participating in a Specific Market

Net income for the year (attributable to equity holders of the Parent Company) amounted to P184.88 million. However, a decrease of 6.46% in retained earnings was reflected due to P223.61 million or 30% cash dividends paid during the year. Retained Earnings decreased from P599.59 million in 2005 to P560.86 million in 2006.

Balance Sheets

The increase in cash and receivables this year caused the 15.08% increase in current assets as compared to year 2005.

Cash and cash equivalents increased by 21.91% from P304.62 million in 2005 to P371.36 million in 2006 due to loan made to finance the construction of building of Malayan Colleges Laguna, Inc. at Cabuyao, Laguna.

Receivables increased by P18.79 million from P49.18 million in 2005 compared to P67.98 million in 2006. The 38.21% increase was due to P29.73 million or 49.17% increase in revenues from sales and service.

Available-for-sale securities increased by 239.73% from its previous balance of P3.58 million in 2005 to P12.16 million, i.e. fair market value, in 2006. The P8.58 million increase represents the increase in market value of available for sale securities in 2006.

Property and equipment at cost (excluding land) increased from P532.92 million in 2005 to P724.07 million in 2006. The 35.87% increase was due to the construction of the new school building including its furniture, fixtures and equipment at Cabuyao, Laguna.

Property at revalued amount (land) increased from P1.66 billion in 2005 to P2.13 billion in 2006. The increase of P469.12 million or 28.19% represents (1) P294.61 million revaluation increment on the existing land and (2) cost of land leased from RCBC where the new school at Cabuyao, Laguna is being built. The land will be purchased after two years at its fair market value less the monthly lease payment made. The lease of the land started on June 15, 2006 with monthly payment of P2.56 million for 10 years with an escalation rate of 5% per year. At the inception of the lease the land that was capitalized amounted to P174.51 million which include the security deposit and advance rental amounting to P7.7 million. The lease liability or finance lease that was recognized amounted to P155.87 million which is the present value of lease payments for 2 years and bargain purchase option.

Accounts payable and accrued expenses increased from P307.77 million in 2005 to P413.69 million in 2006. The 34.42% increase was the result of the incorporation of MCLI and the first year of operation of MHSS wherein various expenses were incurred. Maximization of credit terms of MCI and increase in its retirement benefits and other liabilities also contributed to the increase in the account.

Prompt payment of liabilities to related parties resulted in a 5.73% decrease in due to related parties account from P28.00 million in 2005 to P26.40 million in 2006.

Increase in provision for income tax caused the 66.69 % increase in income taxes payable from P5.90 million in 2005 to P9.84 in 2006.

Unearned tuition fees decreased by 35.75% from P124.71 million in 2005 to P80.12 million in 2006. The movement of this account is relative to the decrease in number of enrollees of MCI during the year.

Dividends payable represents additional dividends declared by MCI in December 2006. The P12.60 million represents dividends payable to minority owners of MCI.

Deferred tax liability increased by 54.19% from P46.77 million in 2005 compared to P72.12 million in 2006. The movement of this account pertains to the tax effect of the appraisal increase in land.

The 100% decrease in the Due to Preferred Stockholders of a Subsidiary account pertains to the derecognition of financial liability of MCI due to the amendment of the features of its preferred shares.

The 36.86% increase in Long-Term Debt account from P757.97 million in 2005 compared to P1.04 billion in 2006 was attributable to the loan obtained by MCI which significant portion of the loan was used in the construction of building go MCLI.

The P8.58 million increase in unrealized gain (loss) on available-for-sale securities was caused by the increase in market value of available-for-sale securities.

Revaluation increment in land increased significantly due to appraisal increase in land of MCI.

Minority interest represents mainly the direct interest of (a) House of Investments, Inc. in MCI and (b) Great Pacific Life Assurance Corporation in PPCCI. The 70.09% increase in minority interest from P59.41 million in 2005 compared to P101.05 million in 2006 was attributable to the derecognition of financial liability, minority share of deposit for future stock subscription of PPCCI and the declaration of cash dividends by MCI.

Income Statements

Revenues
Total revenues amounted to P1.22 billion, P1.26 billion and P1.36 billion for 2006, 2005 and 2004, respectively. The 2.86% and 7.85% decline in revenues in 2006 and 2005 were mainly attributable in the decrease in revenue from school related operations.

The 2.86% or P35.89 million decrease in revenues in 2006 were mainly attributable to the 5.49% or P65.56 million decrease in school and related operations due to decrease in number of student enrollees of MCI. The 49.07% or P29.66 million increase in revenues from sales and services was not enough to recover from the said decrease. The increase in revenues from sales and services was the result of successful efforts exerted by PPCCI and eServe Corporation for the year 2006.

The 6.09% or P81.39 million decrease in revenues in 2005 compared to 2004 was contributed mainly by the decreased in school and related operations due to low number of student enrollees of MCI.

Cost of Sales
Cost of sales and services increased by 66.70% in 2006 (from P28.19 million in 2005 to P46.99 million in 2006) due to the increase in revenues from sales and services and decreased by 30.14% in 2005 (from P40.35 million in 2004 to P28.19 million in 2005) due to the decrease in sales.

Gross Profit
Gross profits amounted to P1.17 billion, P1.23 billion and P1.32 billion in 2006, 2005 and 2004 respectively. The decrease in gross profit was the reciprocal effect of the decrease in revenues.

Administrative and general expenses
The 0.66% or P5.97 million increase in general and administrative expenses in 2006 was attributed mainly to the incorporation of MCLI, first year operation of MHSS and the corresponding increase in expenses of PPCCI and eServe.

In 2005, the 9.96% increase in administrative and general expenses was mainly due to the increase in depreciation expenses attributable to the change in estimated useful life of library books and office equipment (i.e. computers)

Other Income
The 11.20% or P11.20 million decrease in other income in 2006 arose from the decrease in interest income due to the significant use of cash and cash equivalents needed for the construction of MCLI and likewise the decrease in student enrollees of MCI.

The 16.44% or P19.01 million decrease in 2005 was likewise attributable to the decrease of interest income.

Interest Expense
Interest expenses decreased by 4.96% (from P0.12 billion in 2005 to P0.11 billion in 2006) and 14.88% (from P0.14 billion in 2004 to P0.12 billion in 2005) due to decrease of Group's liabilities.

Net income before tax
The Company's results of operations showed a 21.67% or P65.98 million decrease in net income before income tax in 2006 (from P304.41 million in 2005 compared to P238.43 million in 2006) and a 32.91% or P149.32 million decrease in 2005 (from P453.73 million in 2004 compared to P304.41 million in 2005).

Income tax
Provision for income tax for 2006 increased by 27.97% or P7.21 million despite the fact that net income decreased as compared with 2005. This was due to increase in income tax rate for the year 2006. However, comparing 2005 with 2004, the decrease in net income correspondingly decreased the provision for income tax by 43.54% or P19.89 million.

Net income for the year
Net income attributable to equity holders of parent company amounted to P184.88 million, P257.58 million and P400.08 million for 2006, 2005 and 2004, respectively.

Minority interest share in net income for the years 2006 and 2005 amounted to P20.55 million and P21.04 million, respectively. While P7.97 million was for the 3-month operations (i,e, October – December) in 2004. Minority interest represents mainly the direct interest of Grepalife in PPCCI and preferred minority interest of HI in MCI.

Comparison of Performance Indicators:

Current Ratio – provides the liquidity position of the business by comparing the current assets to current liabilities. The current ratio decreased from 0.87:1 in 2005 to P0.86:1 in 2006.

Total Debt-to-Service Ratio – is the sum of earnings before taxes, interest, depreciation, and amortization, divided by the sum of interest expenses, current portion of long-term loans, and current loans payable. This ratio shows that the Group is effective in meeting its annual principal and interest charges on its outstanding debts even total debt-to-service ratio decreased from 2.02:1 in 2005 to 1.71:1.00 in 2006.

Return on Assets – measures the ability to utilize the Company's assets to create profits by dividing the net income by the average of the total assets, i.e. beginning plus ending divided by two. The Company's return on assets decreased from 10% in year 2005 to 6% in year 2006.

Return on Equity - measures the income earned by shareholder's investment in the business by dividing net income after minority interest by the equity after minority interest. The Company's return on equity decreased from 19% in year 2005 to 12% in year 2006.

Net Profit Margin – represents a measure of net income generated for every peso of revenue and is computed by dividing the net income by the total net revenues. The company's net profit margin ratio decreased from 22% in year 2005 to 17% in year 2006.

Future financial and results of operations will depend on the number of enrollees and amount of tuition fees of MCI.

Sources of liquidity will depend on the dividend declaration of MCI and bank loans.

Earnings per share attributed to equity holders of the Parent Company amounted to P0.3439 in December 2005 and P0.2469 in December 2006

The Philippines was still affected by high oil prices and internal and external political environment.

Uncertainties remain as to whether the country will continue to be affected by regional trends in the coming months. The financial statements do not include any adjustments that might result from these uncertainties. Related effects will be reported in the financial statements as they become known and estimable.

Due to the Company's sound financial condition, there is no foreseeable trend, event or uncertainty, which may have material impact on the short-term and long-term liquidity.

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

There is no material off-balance sheet transaction, arrangement, obligation (including contingent obligation) and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

Funding will be sourced from internally generated funds and borrowings.

There is no known trend, event, or uncertainty, which may have material impact on revenues.

Material commitments on capital expenditures other than those performed in ordinary course of trade of business are as follows:

December 31, 2004, the balance of MCI's appropriation for capital expenditures amounted to P240.79 million.

In 2004, MCI used P19.21 million of its appropriation for capital expenditures related to its nursing school.

In 2005, the Board of Trustees approved the allocation of P50M for capital expenditures. Of this amount, Mapua earmarked P8.77M for facilities upgrade relative to the forthcoming PACUCOA accreditation and P3.6M for computer hardware upgrades and replacements

No material commitments on capital expenditures for year 2006.

There is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.

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

There has not been any seasonal aspect from period to period that had a material effect on the financial condition or results of the Company's operations.

Brief Description of the General Nature and Scope of Business of the Company including its significant subsidiaries

iPeople, inc. (the Company), formerly known as Petrofields Exploration and Development Co., Inc. (Petrofields), was organized and incorporated on July 27, 1989 by Benguet Corporation to engage in petroleum and mineral exploration, development, and production. Petrofields operated as such until 1997 when the shareholders changed its name and primary purpose to that of a development and investment management company while retaining oil exploration as one of its secondary purposes.

With the change of its primary purpose, iPeople's main interests are centered on education and information technology led by Malayan Colleges, Inc. - Operating under the name Mapua Institute of Technology (MCI), Pan Pacific Computer Center, Inc. (PPCCI), and People eServe Corporation. The operations of Mapua are divided among the following companies: Malayan Colleges, Inc. (MCI) with campuses in Intramuros and Makati; Mapua Information Technology Center (MITc); Mapua Techserv, Inc. (Mapua

Techserv); San Lorenzo Ruiz Institute of Health Sciences, Inc.; Malayan High School of Sciences (formerly Pandacan Properties, Inc.); and Malayan College Laguna, Inc (MCLI) led by a Mapua School of Engineering in Laguna.

Malayan Colleges, Inc. established in 1925, is a leader in engineering and architecture education in the Philippines. Under the stewardship of the Yuchengco Group of Companies (YGC), MCI has been recognized for its strong curriculum, faculty, facilities, and institutional development programs.

In 2005, MCI expanded its degree programs to the fields of business and social sciences, starting with the introduction of B.S. Accounting and B.S. Business Administration programs. In addition, MCI also began to offer BS and AB Psychology, the social science component that addresses one of the five independent fields of discipline required by the CHED of learning institutions that aspire to acquire the university status.

MCI also started its MS Construction Engineering, MS Structural Engineering and MS Water Resources Engineering programs. These three new MS programs were also offered in joint BS-MS programs along with BS Civil Engineering.

Also in 2005, MCI offered its first ever Ph.D. programs. These are the Ph.D. in Chemistry and Ph.D. in Environmental Engineering.

MCI also started its Hotel and Restaurant Management program in the Makati campus. In addition, the straight BS ECE-MS ECE (major in microelectronics) and BS ECE-MS MSE programs were opened. As of the Academic Year 2006-2007, MCI has 13 straight BS-MS programs. Because of the quarter system, straight BS-MS programs can be finished within five years compared to six or seven years in other schools.

Also in 2006, MCI developed and started marketing two new programs for opening in academic year 2007-2008: the BS Multimedia Arts and Sciences and BS Entrepreneurship. The said new programs are expected to be popular programs because of its interdisciplinary nature.

Seven engineering programs [Civil Engineering (CE), Environmental and Sanitary Engineering (EnSE), Electronics and Communications Engineering (ECE), Electrical Engineering (EE), Computer Engineering (CE), Mechanical Engineering (ME) and Industrial Engineering (IE)] received the Level II-3rd Re-accreditation status from PACUCOA. In 2007, MCI will be aiming for Level III accreditation, another step closer in the Institute's objective of attaining University Status.

Further, programs such as BS Information Technology and BS Computer Science were visited by PACUCOA for candidate status. The accreditation processes for MS Computer Science and MS Environmental Engineering were started by holding a consultancy visit. Although ABET visits were held in abeyance due to security concerns on the basis of a US Travel Advisory, the Institute is confident that the visits would push through at the soonest possible time.

New linkages and agreements with both local and international entities such as private corporations and educational institutions were signed. To give an example; agreements were signed with three different companies for the successful offering of Japanese, French and Spanish language training as part of the Institute's Foreign Languages program. Further, discussions between MCI's San Lorenzo Ruiz Institute of Health Sciences and Capstone College of Nursing, University of Alabama have commenced.

Academic excellence has been highlighted again through topnotch performances in licensure examinations, award winning research, and recognitions in noteworthy competitions. A Mapuan marked history when he set the new record in the highest examination rating in the Civil Engineering board examination. The Mapua Robotics Team bagged 4 major awards, including the prestigious DOST SIBOL Award in the 2006 National Inventors Week. MCI's stature in the field of Information Technology was acknowledged when its website won two major awards in the 9th Philippine Web Awards' school category namely, the Best Website Award and the People's Choice Award. This is the first time that the two awards were given to a single organization.

Seminars and symposiums for faculty development were held. The school's facilities and library holdings were upgraded for a more competitive academic environment.

Also in 2006, the hallways of the MHSSI were opened to 112 incoming freshmen students. MHSS is foreseen to be a premiere high school with specializations in science, mathematics and technology. It boasts the school's comprehensive curriculum that mixes academic excellence with fun and excitement. Truly, in this school, imagination is the favorite subject.

The construction of the Malayan Colleges Laguna, Inc. started in 2006. It is expected to commence its operations in 2007, in time for the SY 2007-2008. Initially, MCLI would be offering 5 engineering programs, a program in Information Technology and one in Accountancy. More program offerings shall be offered later on.

Truly, the year 2006 has been another year of excellence for MCI.

Pan Pacific Computer Center, Inc. was acquired by the Company in January 1, 2004 through a share swap agreement of 70% ownership with Grepalife. From being the IT arm of Grepalife and Pacific Plans, 2004 marked the repositioning of PPCCI to be the service provider of choice for consolidated IT services of the entire Yuchengco Group of Companies (YGC) as well as create its niche in the local market.

PPCCI's service portfolio includes the following:

Customer Relationship Management Services
- Business intelligence and customer analytics implementation services

Document Management Services
- Imaging technology implementation services
- Imaging technology service bureau

Application Support Services
- Application development and maintenance
- Project management and consultancy services

Data Center Operations Services
- Co-location

- Managed services which includes application back-up and application processing services

Technical Support Services
- Desktop support services
- Network and network security management services
- Database administration services
- Systems administration services

A few major players sharing in the same market with PPCCI are Corporate Information Services, Information Technology Solutions, Inc; and Infomax.

People eServe Corporation is a wholly owned subsidiary of iPeople, Inc., incorporated in July 17, 2001 as an IT company, and was reorganized in July 1, 2002 to venture into specific IT projects, which include providing PC maintenance services, reselling IT equipment and marketing various products and services developed by MCI. In 2004, People eServe focused on expanding its business in IT equipment maintenance and IT equipment reselling. It predominantly carries IBM, Hewlett Packard, Dell, Toshiba, and “white box” (more commonly referred to as clones) models specifically configured for its customers’ needs and directly competes with other seller such as Villman, PC Corner, Infoworks Inc., and Paramount Computer System Inc.

To support its expansion programs, People eServe filed for the increase of its authorized capital stock from P1.00 million to P5.00 million in 2004. This was approved by the Securities and Exchange Commission on December 21, 2004.

Attendance of Accountants at the Meeting

Representatives of the Company’s external auditors, SyCip Gorres Velayo and Co. for the year 2006, are expected to be present at the Annual Stockholders’ Meeting scheduled on June 28, 2007. Said accountants will be given the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions on the Company’s financial statements.

Market price

iPeople, inc.’s shares are actively traded in Philippine Stock Exchange (PSE) as shown in the history of stock prices below:

Amount in Pesos	**1st Quarter**			**2nd Quarter**		**3rd Quarter**		**4th Quarter**	
Par Value P1.00	**2007**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Common									
Highest Price Per Share	3.70	3.35	5.60	4.00	4.80	3.20	4.00	3.20	3.55
Lowest Price Per Share	3.00	2.90	3.10	2.85	3.10	2.70	2.75	2.65	2.50

Top 20 Stockholders

As of April 30, 2007, there are approximately 2,444 stockholders.
Top 20 stockholders as of April 30, 2007 are as follows:

STOCKHOLDERS	SHARES	PERCENTAGE
1. House of Investments, Inc.	504,331,631	67.34%
2. PCD Nominee Corporation (Filipino)	216,843,532	28.95%
3. Juan Yu &/ DR Grace	6,702,308	0.89%
4. Great Pacific Life Assurance Corp.	3,653,977	0.49%
5. PCD Nominee Corporation (Non-Filipino)	652,551	0.09%
6. Ma. Lea V. Lee	650,000	0.09%
7. Les B. Lee	650,000	0.09%
8. R.P. Land Development Corp	565,175	0.08%
9. Roderick Philip Ong	487,500	0.07%
10. Pan Malayan Management & Investment Corp.	487,484	0.07%
11. Hydee Management & Res. Corp	423,800	0.06%
12. David L. Kho	343,900	0.05%
13. Lucio Yan	325,000	0.04%
14. Sally C. Ong Pac	299,000	0.04%
15. Benjamin Philip G. Romualdez	287,500	0.04%
16. Fely Ley	243,750	0.03%
17. Bingson U. Tecson	195,000	0.03%
18. Ceferina Co &/or Ferdinand Co	190,125	0.03%
19. Roberto Chan Wan	190,000	0.03%
20. Tan Bi Tin	182,975	0.02%
Total	**737,705,208**	**98.50%**
Various	**11,228,013**	**2.50%**
Total Outstanding Shares	**748,933,221**	**100.00%**

Dividends per share

In accordance with the Corporation Code of the Philippines, the Company intends to declare dividends (either in cash or stock or both) in the future. Shareholders of the Company are entitled to receive a proportionate share in cash dividends that may be declared by the Board of Directors out of surplus profits derived from the Company's operations. The same right exists with respect to a stock dividend, the declaration of which is subject to the approval of stockholders representing at least two-thirds (2/3) of the outstanding shares entitled to vote. The amount of which will depend on the Company's profits, its capital expenditure, and investment requirements at the relevant time.

The Company has declared cash dividends of P0.30 per with a total amount of P223.61 million in 2006. In 2005, P0.64 per share amounting to P482.20 million and 30% stock dividends amounting to P172.83 million was declared. Cash dividends of P0.30 per share in 2004 for a total of P172.41 million, and P0.05 per share in 2003 amounting to P28.53 million were declared. No cash or stock dividends were declared in years 2002, 2001 and 2000.

Recent sale of unregistered securities

There was no recent sale of unregistered securities, however, iPeople, inc issued One Hundred Seventy Two million Eight Hundred Thirty Thousand Three hundred Twenty Seven (172,830,327) shares on June 24,2005 representing 30% stock dividends payable to stockholders of record as of July 22, 2005. The declaration was approved and ratified by the stockholders on the same date.

Compliance with the Corporation's Manual on Corporate Governance

(a) Evaluation System to Measure Compliance with Manual on Corporate Governance

As of December 31, 2006, there is no particular system being applied to measure the Company's compliance with the provisions of its Manual on Corporate Governance. The Company validates its compliance using the Corporate Governance Self-Rating Form.

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

The Company has exerted best efforts to comply with the provisions in its Manual on Corporate Governance. To ensure that leading practices on corporate governance are fully observed, the following steps have been undertaken:

1) Attendance of each Director on all the Board of Directors' Meeting are monitored and recorded.
2) All financial reports were reviewed by the Audit Committee before being finalized and thereafter endorsed to the Board of Directors for approval and submission to pertinent offices.
3) Other systems and measures have been undertaken such as observance of the Code of Ethics, Financial and Manpower Audit, providing seminars and conferences to comply with all relevant laws, regulations and codes of business practices. The Company maintains its system of check and balance.

(c) Deviation from the Manual on Corporate Governance

There is no known deviation from the Manual on Corporate Governance.

(d) Plans to Improve Corporate Governance

In order to improve Company's adherence to the leading practices in good corporate governance, the Company's Top Management was required to attend a seminar on Corporate Governance conducted by an entity accredited with the Securities and Exchange Commission. Further, the Company continuously monitors all relevant PSE and SEC Circulars on Corporate Governance that maybe used to improve its Manual on Corporate Governance.

iPeople
A YGC Member

ANNEX " B "

iPeople, inc. and Subsidiaires

Consolidated Financial Statements
December 31, 2006 and 2005

and

Report of Independent Auditors

iPeople, inc.
A YGC Member

March 15, 2007

Statement of Management's Responsibility for Financial Statements

The management of iPeople, inc. is responsible for all information and representations contained in the consolidated balance sheets as of and for the years ended December 31, 2006 and 2005, and the consolidated statements of income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2006, 2005 and 2004, and the summary of significant accounting policies and other explanatory notes. The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors reviews the financial statements before such statements are approved.

SyCip, Gorres, Velayo & Co, the independent auditors appointed by the Board of Directors and Stockholders have examined the consolidated financial statements of the Company and its subsidiaries in accordance with Philippine Standards on Auditing and have expressed their opinion on the fairness of presentation upon completion of such audit in the attached report to the Board of Directors and Stockholders.

RENATO C. VALENCIA
Chairman of the Board

JOHN EDWARD F. ALABASTRO
Chief Executive Officer

JOSE MA. G. CASTILLO, III
SVP-Finance, Treasurer and
Chief Information and Compliance Officer

SUBSCRIBED AND SWORN to before me this ________________ of 17 APR 2007 2007, at Makati City. Affiant exhibited to me their Residence Certificate Number indicated beside each name.

NAME	RES. CERT. NO.	DATE/PLACE OF ISSUE	
Renato C. Valencia	176-676-25	01/25/2007	Makati City
John F. Alabastro	176-732-35	02/07/2007	Makati City
Jose Ma. G. Castillo, III	126-250-37	03/06/2007	City of Manila

NOTARY PUBLIC

ATTY FIDEL L. EVANGELISTA
NOTARY PUBLIC
UNTIL DEC. 31, 2008
IBP NO. 628165 12-06-06 MAKATI
PTR NO. 0015848 1-03-07 MAKATI
ROLL NO. 31498 (2)

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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-1

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of iPeople, inc. and Subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2006 and 2005, and the consolidated statements of income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2006, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group, as of December 31, 2006 and 2005, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2006, in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Medel T. Nera

Medel T. Nera
Partner
CPA Certificate No. 31835
SEC Accreditation No. 0089-AR-1
Tax Identification No. 113-423-143
PTR No. 0267370, January 2, 2007, Makati City

March 15, 2007

iPeople, inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

	December 31	
	2006	2005
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 28)	**₱371,361,227**	₱304,622,652
Receivables - net (Notes 5 and 28)	**67,978,000**	49,183,600
Due from related parties (Notes 11 and 28)	**183,844,419**	185,141,428
Prepaid expenses and other current assets	**15,299,876**	15,858,124
Total Current Assets	**638,483,522**	554,805,804
Noncurrent Assets		
Available-for-sale securities (Note 28)	**12,158,380**	3,578,801
Property and equipment - net (Notes 3, 6 and 11)		
At cost	**724,069,010**	532,918,059
Land at revalued amounts (Notes 7 and 11)	**2,133,507,035**	1,664,382,000
Other noncurrent assets - net (Note 8)	**144,295,671**	139,090,528
Total Noncurrent Assets	**3,014,030,096**	2,339,969,388
	₱3,652,513,618	₱2,894,775,192

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Loans payable (Notes 9, 11 and 28)	**₱144,802,569**	₱146,536,344
Accounts payable and accrued expenses (Notes 10 and 28)	**413,691,897**	307,769,686
Due to related parties (Notes 11 and 28)	**26,396,009**	28,001,074
Income tax payable	**9,841,629**	5,904,194
Unearned tuition fees	**80,124,982**	124,709,918
Dividends payable (Note 28)	**12,600,000**	4,594,256
Lease liability - current portion (Notes 7, 11 and 28)	**32,812,386**	–
Current portion of long-term debt (Notes 12 and 28)	**20,625,000**	20,625,000
Total Current Liabilities	**740,894,472**	638,140,472
Noncurrent Liabilities		
Deferred tax liabilities (Note 18)	**72,119,438**	46,773,515
Lease liability - noncurrent portion (Notes 11 and 28)	**123,057,155**	–
Long-term debt - net of current portion (Notes 12 and 28)	**1,037,343,750**	757,968,750
Due to preferred stockholders of a subsidiary (Notes 26 and 28)	**–**	30,871,325
Total Noncurrent Liabilities	**1,232,520,343**	835,613,590
Total Liabilities	**1,973,414,815**	1,473,754,062

(Forward)

	December 31	
	2006	2005
Stockholders' Equity		
Attributable to equity holders of parent company		
Capital stock (Note 14)	**₱748,933,221**	₱748,933,221
Additional paid-in capital	**2,037,972**	2,037,972
Unrealized gain (loss) on available-for-sale securities	**7,299,880**	(1,279,699)
Revaluation increment in land	**261,653,231**	15,063,489
Retained earnings (Notes 13, 14 and 15)	**560,859,418**	599,591,794
	1,580,783,722	1,364,346,777
Less treasury stock (Note 13)	**2,732,188**	2,732,188
	1,578,051,534	1,361,614,589
Minority interest (Note 25)	**101,047,269**	59,406,541
Total Stockholders' Equity	**1,679,098,803**	1,421,021,130
	₱3,652,513,618	₱2,894,775,192

See accompanying Notes to Consolidated Financial Statements.

iPeople, inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2006	2005	2004
REVENUES			
School and related operations	**₱1,129,230,913**	₱1,194,789,024	₱1,269,983,564
Sales and services	**90,177,576**	60,453,973	66,647,339
	1,219,408,489	1,255,242,997	1,336,630,903
COST OF SALES AND SERVICES	**46,990,876**	28,189,069	40,349,320
GROSS PROFIT	**1,172,417,613**	1,227,053,928	1,296,281,583
ADMINISTRATIVE AND GENERAL EXPENSES (Note 16)	**(907,657,917)**	(901,692,299)	(820,054,880)
OTHER INCOME (Note 17)	**85,440,750**	96,644,562	115,652,765
INTEREST EXPENSE (Notes 10, 11 and 17)	**(111,768,940)**	(117,599,562)	(138,153,274)
INCOME BEFORE INCOME TAX	**238,431,506**	304,406,629	453,726,194
PROVISION FOR INCOME TAX (Note 18)	**32,998,862**	25,787,397	45,674,744
NET INCOME	**₱205,432,644**	₱278,619,232	₱408,051,450
NET INCOME ATTRIBUTABLE TO:			
Equity Holders of the Parent Company	**184,882,037**	257,583,279	400,079,448
Minority interest	**20,550,607**	21,035,953	7,972,002
NET INCOME	**₱205,432,644**	₱278,619,232	₱408,051,450
EARNINGS PER SHARE FOR NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY - BASIC AND DILUTED (Note 22)	**₱0.2480**	₱0.3456	₱0.5362

See accompanying Notes to Consolidated Financial Statements.

iPeople, inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Years Ended December 31		
	2006	2005	2004
ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY			
CAPITAL STOCK (Note 14)			
Common stock - ₱1 par value			
Authorized - 2,000,000,000 shares			
Issued - 748,933,221 in 2006 and 2005 and 576,102,894 in 2004			
Balance at beginning of year	**₱748,933,221**	₱576,102,894	₱573,292,142
Stock dividends - 30%	**–**	172,830,327	–
Issuance during the year	**–**	–	2,810,752
Balance at end of year	**748,933,221**	748,933,221	576,102,894
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year	**2,037,972**	2,037,972	1,841,219
Additions during the year	**–**	–	196,753
Balance at end of year	**2,037,972**	2,037,972	2,037,972
UNREALIZED GAIN (LOSS) ON AVAILABLE-FOR-SALE SECURITIES			
Balance at beginning of year	**(1,279,699)**	–	–
Unrealized gain (loss) during the year	**8,579,579**	(1,279,699)	–
Balance at end of year	**7,299,880**	(1,279,699)	–
REVALUATION INCREMENT IN LAND			
Balance at beginning of year	**15,063,489**	15,063,489	–
Revaluation increment for the year	**246,589,742**	–	15,063,489
Balance at end of year	**261,653,231**	15,063,489	15,063,489

(Forward)

	Years Ended December 31		
	2006	2005	2004
RETAINED EARNINGS (Note 13)			
Balance at beginning of year			
As previously reported	**₱599,591,794**	₱997,875,218	₱770,205,026
Effect of change in accounting for financial instruments of subsidiaries (Note 2)	**–**	(831,810)	–
As restated	**599,591,794**	997,043,408	770,205,026
Net income	**184,882,037**	257,583,279	400,079,448
Cash dividends (Note 15)	**(223,614,413)**	(482,204,566)	(172,409,256)
Stock dividends - 30% (Note 14)	**–**	(172,830,327)	–
Balance at end of year	**560,859,418**	599,591,794	997,875,218
TREASURY STOCK (Note 13)	**(2,732,188)**	(2,732,188)	(2,732,188)
	1,578,051,534	1,361,614,589	1,588,347,385
MINORITY INTEREST (Note 25)			
Balance at beginning of year			
As previously reported	**59,406,541**	91,808,177	(1,564,266)
Effect of change in accounting for financial instruments of subsidiaries (Note 2)	**–**	(27,667,589)	–
As restated	**59,406,541**	64,140,588	(1,564,266)
Net additions during the year (Notes 23 and 24)	**600,000**	–	105,400,462
Effect of derecognition of due to preferred stockholders (Note 26)	**27,604,980**	–	–
Net income	**20,550,607**	21,035,953	7,972,002
Dividends of subsidiaries	**(25,675,377)**	(25,770,000)	(20,000,021)
Revaluation increment in land	**18,560,518**	–	–
Balance at end of year	**101,047,269**	59,406,541	91,808,177
	₱1,679,098,803	₱1,421,021,130	₱1,680,155,562

See accompanying Notes to Consolidated Financial Statements.

iPeople, inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2006	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱238,431,506**	₱304,406,629	₱453,726,194
Adjustments for:			
Interest expense	**111,768,940**	117,599,562	138,153,274
Depreciation (Note 6)	**122,717,184**	140,698,394	107,307,941
Interest income	**(35,446,488)**	(61,681,382)	(77,633,678)
Provision for probable losses (Note 16)	**–**	–	2,166,665
Operating income before working capital changes	**437,471,142**	501,023,203	623,720,396
Decrease (increase) in:			
Accounts receivable	**(17,571,665)**	5,133,407	(14,291,524)
Prepaid expenses and other current assets	**558,248**	3,382,742	4,281,620
Increase (decrease) in:			
Accounts payable and accrued expenses	**103,246,719**	31,545,825	67,131,191
Unearned tuition fees	**(44,584,936)**	(1,755,132)	104,870,489
Cash generated from operations	**479,119,508**	539,330,045	785,712,172
Interest received	**34,223,753**	61,681,382	75,635,136
Interest paid	**(112,359,793)**	(117,599,562)	(139,940,236)
Income taxes paid	**(33,185,394)**	(45,214,850)	(52,673,980)
Net cash provided by operating activities	**367,798,074**	438,197,015	668,733,092
CASH FLOWS FROM INVESTING ACTIVITIES			
Gross additions to property and equipment (Note 6)	**(322,276,872)**	(167,684,143)	(82,478,214)
Proceeds from disposal of property and equipment	**8,408,737**	1,338,285	–
Decrease (increase) in:			
Due from related parties	**1,297,009**	221,430,122	36,720,514
Other noncurrent assets	**(5,196,393)**	746,322	162,266
Net cash received from acquired company (Note 23)	**–**	–	226,157
Net cash provided by (used in) investing activities	**(317,767,519)**	55,830,586	(45,369,277)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	**300,000,000**	–	–
Payments made on lease liability	**(10,961,694)**	–	–
Payments of loans payable	**(1,733,775)**	(150,063,656)	(150,670,000)
Payments of long-term debt	**(20,625,000)**	(20,625,000)	(20,625,000)

(Forward)

	Years Ended December 31		
	2006	2005	2004
Dividends paid to stockholders and minority interest	**(₱241,284,046)**	(₱503,025,644)	(₱181,584,387)
Increase (decrease) in due to related parties	**(9,287,465)**	1,856,536	(4,656,095)
Cash received as equity contribution from minority interest	**600,000**	–	12,041,702
Net cash provided by (used) in financing activities	**16,708,020**	(671,857,764)	(345,493,780)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**66,738,575**	(177,830,163)	277,870,035
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**304,622,652**	482,452,815	204,582,780
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 29)	**₱371,361,227**	₱304,622,652	₱482,452,815

See accompanying Notes to Consolidated Financial Statements.

iPeople, inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

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

The Group's ultimate parent company is Pan Malayan Management and Investment Corporation (PMMIC).

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 15, 2007.

2. **Summary of Significant Accounting Policies**

<u>Basis of Preparation</u>
The accompanying consolidated financial statements of the Group have been prepared under the historical cost basis, except for land, which is carried at revalued amounts and available-for-sale securities that have been measured at fair market value. The accompanying consolidated financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency.

<u>Statement of Compliance</u>
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

<u>Changes in Accounting Policies</u>
The accounting policies adopted are consistent with those of the previous financial years except for the policies related to the following new and revised PFRS and Philippine Interpretations that the Group has adopted during the year. Adoption of these new and revised standards and interpretations did not have any effect on the Group except for additional disclosures on the financial statements.

- Amendments to Philippine Accounting Standards (PAS) 19, *Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures,* introduced an additional option for recognition of actuarial gains and losses in post-employment defined benefit plans. The amendment permits an entity to recognize actuarial gains and losses in the period in which they occur outside profit or loss. The amendment also requires additional disclosures of the entity's pension plan. The adoption of amendments to PAS 19 does not have an effect on the Group's results of operations and financial position. The Group elected to continue to recognize a portion of actuarial gains and losses in profit and loss if the cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of defined obligation or 10% of the fair value of plan assets.

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement,* (a) *Amendment for financial guarantee contracts,* amended the scope of PAS 39 to require financial guarantee contracts that are not considered as insurance contracts to be recognized initially at fair value and to be remeasured at the higher of the amount determined in accordance with PAS 37, *Contingent Liabilities and Contingent Assets* and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with PAS 18, *Revenue*; , long-term debt; (b) *Amendment for cash flow hedge accounting of forecast intragroup transaction,* permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedge item in a cash flow, provided that the transaction is denominated in a currency other than the functional currency of an entity entering into that transaction and that the foreign currency risk will affect the consolidated statement of income; (c) *Amendment for the fair value option,* restrict the use of the option to designate any financial asset or any financial liability to be measured at fair value through profit or loss (FVPL).

- Philippine Interpretation, IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, provides for guidance in determining whether an arrangement contains a lease to which lease accounting must be applied.

The following new and revised standards and Philippine interpretations became effective beginning January 1, 2006. These new and revised standards and interpretations are not relevant to the Group.

- PFRS 6, *Exploration for and Evaluation of Mineral Resources*
- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*
- Philippine Interpretation, IFRIC 5, *Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
- Philippine Interpretation, IFRIC 6, *Liabilities Arising from Participating in a Specific Market*

The Group did not early adopt the following new and revised standards that have been approved but are not yet effective at December 31, 2006:

- PFRS 7, *Financial Instruments: Disclosures*, introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, as well as sensitivity analysis to market risk. It replaces PAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and the disclosure requirements of PAS 32, *Financial Instruments: Disclosure and Presentation*. This standard is applicable to all entities reporting under PFRS. The Group will include the applicable additional disclosures when it adopts PFRS 7 beginning January 1, 2007.

- Amendment to PAS 1, *Presentation of Financial Statements*, introduces disclosures about the level of an entity's capital and how it manages capital. The Group will include the new disclosures when it applies the amendment to PAS 1 starting January 1, 2007.

- Philippine Interpretation IFRIC 7, *Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies,* becomes effective for financial years beginning on or after May 1, 2006. This interpretation provides guidance on how to apply PAS 29 when an economy first becomes hyperinflationary, in particular the accounting for deferred income tax. The interpretation will have no impact on the financial statements of the Group.

- Philippine Interpretation, IFRIC 8, *Scope of PFRS 2*, becomes effective for financial years beginning on or after May 1, 2006. This interpretation requires PFRS 2 to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value. The Group expects that the adoption of this interpretation will have no impact on the financial statements.

- Philippine Interpretation, IFRIC 9, *Reassessment of Embedded Derivatives,* becomes effective for financial years beginning on or after June 1, 2006. This interpretation establishes that the date to assess the existence of an embedded derivative is the date an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. The Group expects that the adoption of this interpretation will have no impact on the financial statements.

- Philippine Interpretation, IFRIC 10, *Interim Financial Reporting and Impairment*, which becomes effective for financial years beginning on or after November 1, 2006, provides that the frequency of financial reporting does affect the amount of impairment charge to be recognized in the annual financial reporting with respect to goodwill and AFS investments. This interpretation is not expected to have a significant impact on the financial statements of the Group.

- Philippine Interpretation, IFRIC 11, *PFRS 2, Group and Treasury Share Transactions*, will be effective on March 1, 2007. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholder(s) of the entity provide the equity instruments needed. The Group is still in the process of assessing the impact of this interpretation on the financial statements.

- Philippine Interpretation, IFRIC 12, *Service Concession Arrangement*, will become effective on January 1, 2008. This interpretation covers contractual arrangements arising from public-to-private service concessions arrangements if control of the assets remain in public hands but the private sector operator is responsible for construction activities as well as for operating and maintaining the public sector infrastructure. This interpretation will have no impact on the financial statements of the Group as this is not relevant to the Group's operations.

- PFRS 8, *Operating Segments*, will become effective on January 1, 2009. PFRS 8 will replace PAS 14, *Segment Reporting*, and adopts a management approach to reporting segment information. The Group will apply PFRS 8 in 2009 and will assess its impact on the Group's segment reporting disclosures.

Accounting Policies

Basis of Consolidation and Investments in Subsidiaries
The consolidated financial statements of the Group include the accounts of the Parent Company and the following companies that it controls:

	Percentage of Ownership	
	2006	2005
Malayan Colleges, Inc. (Operating Under the Name of Mapua Institute of Technology) (MCI) (formerly Mapua Institute of Technology, Inc. (MIT) and subsidiaries	**100**	100
Mapua Information Technology Center (MITC)	**100**	100
Mapua Techserv, Inc.	**100**	100
Malayan High School of Science, Inc. (MHSSI) (formerly Pandacan Properties, Inc.)	**100**	100
San Lorenzo Ruiz Institute of Health Sciences, Inc. (SLRHSI)	**100**	100
Malayan College Laguna, Inc. led by a Mapua School of Engineering (MCLI)	**100**	–
People eServe Corporation	**100**	100
Pan Pacific Computer Center, Incorporated (PPCCI)	**70**	70

*These are wholly owned subsidiaries of MIT

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2006 and 2005. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets, if any, are eliminated in full.

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

Control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital.

Minority interests represent the portion of profit or loss and net assets not attributable to equity holders of the Parent Company and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet.

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 and that are subject to an insignificant risk of change in value.

Impact of adoption of PAS 32 and PAS 39

On January 1, 2005, the Group adopted PAS 32, *Financial Instruments: Disclosure and Presentation* and PAS 39, *Financial Instruments: Recognition and Measurement.* Upon adoption, the Group reclassified (a) a portion of its minority interest amounting to ₱27.7 million to due to preferred stockholders of a subsidiary account because the preferred stock issued by its subsidiary qualified as a financial liability under PAS 32 (see Note 26) and (b) its investments-others to available-for-sale securities.

The increasing (decreasing) effects of the adoption of PAS 32 and PAS 39 as of January 1, 2005 follow:

Effect in:	
Current liabilities	₱894,419
Noncurrent liabilities	27,604,980
Retained earnings	(831,810)
Minority interest	(27,667,589)

Financial Assets and Financial Liabilities

Accounting Policies Effective January 1, 2005

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 measured at fair value through profit or loss (FVPL).

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet 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 and derecognition, as applicable, is done using trade date accounting.

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

Financial assets and financial liabilities are further classified as either financial asset or financial liability at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS securities, as appropriate. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial Asset or Financial Liability at FVPL
Financial assets or financial liabilities classified as held for trading are included in the category "financial asset or financial liability at FVPL". Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term, or upon initial recognition, it is designated by the management at FVPL.
Financial assets or financial liabilities may be designated at initial recognition as at FVPL if the following criteria are met:

(i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or
(ii) the assets or liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or
(iii) the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Assets or liabilities classified under this category are carried at fair value in the consolidated balance sheet. Gains or losses on investments held for trading are recognized in the consolidated statement of income.

The Group does not have any financial assets and liabilities classified as at FVPL as of December 31, 2006 and 2005.

HTM Investments
Nonderivative financial assets that are quoted in the market with fixed or determinable payments and fixed maturities are classified as HTM when the Group has the positive intention and ability to hold the investments to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortized cost.

The Group has no HTM investments as of December 31, 2006 and 2005.

Loans and Receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at cost or amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

This category includes the Group's receivables and due from related parties which are carried at cost.

AFS Securities
AFS securities are those nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial recognition, AFS securities are measured at fair value with gains and losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative loss previously reported in the stockholders' equity is included in the consolidated statement of income.

The Group's AFS securities include investments in quoted common shares.

Other Financial Liabilities
Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. These liabilities are carried at cost or amortized cost in the consolidated balance sheet. Amortization is determined using the effective interest rate method.

The Group's loans payable, accounts payable and accrued expenses, due to related parties, dividends payable, long-term debt, due to preferred stockholders of a subsidiary and lease liability are classified in this category.

Due to Preferred Stockholders of a Subsidiary
This represents the debt component of the redeemable convertible preferred stock of MCI in 2005. The preferred shares of MCI can be redeemed at a certain redemption price at the option of the holder. Under PAS 32, this financial instrument qualified as a financial liability in 2005. Due to preferred stockholders of a subsidiary is carried at amortized cost and classified as part of the Group's noncurrent liabilities. Accordingly, the cumulative dividends on the preferred stock dividends are treated as interest expense in the consolidated statement of income. The computed discount at the time of issuance is amortized and recognized as interest expense over the term of the preferred stock based on the effective interest rate method.

In 2006, the features of the preferred shares were amended which now allows classification as equity instruments (see Note 26).

Determination of fair value
The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using reference to similar instrument for which market observable prices exist, discounted cash flow analysis and other relevant valuation models.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized 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) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet 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.

Impairment of Financial Assets
The Group assesses at each balance sheet date whether a financial asset or 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 shall be recognized in the consolidated statement of income.

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 consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets Carried at Cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument 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 discounted at the current market rate of return for a similar financial asset.

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

<u>Property and Equipment</u>
Property and equipment, except for land, is stated at cost, excluding day to day servicing, less accumulated depreciation and any impairment in value.

Land is carried at its revalued amount based on the latest appraisal conducted by an independent firm of appraisers. The latest appraisal was made as of December 31, 2006. The appraisal increment resulting from the revaluation is treated as a separate component in the Group's stockholders' equity.

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

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

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

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

Impairment of Non-Financial Assets

The Group assesses at each balance sheet date whether there is any indication that its non-financial assets may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. A previously recognized impairment loss is reversed by a credit to current operations to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined had no impairment loss been recognized for the asset in prior years.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Goodwill is measured at cost less any accumulated impairment losses, if any. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

- Revenues from school and related operations are recognized as income over the corresponding school term. Unearned revenues are shown as unearned tuition fees in the consolidated balance sheet.
- Interest income is recognized as it accrues taking into account the effective yield on the asset.
- Rent income is recognized as revenue on a straight-line basis over the lease term.
- Sale of goods are recognized as revenue upon delivery and when the risks and rewards of ownership have passed to the buyer.
- Maintenance, service and commission income are recognized when services are rendered.

Retirement Cost

The Group has a noncontributory defined benefit retirement plan (the Plan). The retirement cost of the Group is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

The liability of the Group in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged against or credited to income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the Plan.

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 the tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Deferred Income Tax

Deferred income tax is provided using the balance sheet liability method on taxable temporary differences at the balance sheet 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 except:
(a) where the deferred income tax liability arises from the initial recognition of goodwill or 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 and; (b) in respect of taxable temporary differences associated with investments in subsidiaries, where 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 income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences and carryforward of unused MCIT and NOLCO can be utilized except; (a) where the deferred income 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 and; (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 income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Operating lease payments are recognized as expense in the statements of income on a straight-line basis over the lease term.

Foreign Currency Transactions
Foreign currency-denominated transactions are recorded using the prevailing exchange rates at the time of transactions. Foreign currency-denominated monetary assets and liabilities are translated using the prevailing exchange rates at the balance sheet dates. Exchange gains or losses arising from foreign currency are charged to current operations.

Provisions
Provisions are recognized when (a) the Group has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (c) a reliable estimate can be made of the amount of the obligation.

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. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Earnings Per Share
Basic earnings per common share is computed based on weighted average number of issued and outstanding common shares, less treasury shares, after giving retroactive effect for any stock dividends. There are no dilutive potential common shares that would require disclosure of diluted earnings per common share in the financial statements.

Subsequent Events
Post year-end events that provide additional information about the Group's situation at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes when material.

3. **Management's Use of 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.

Judgments

Operating lease commitments - Group as lessee

The Group has entered into commercial property leases on its administrative office locations. The Group has determined that it does not acquire all the significant risks and rewards of ownership of these properties which are accounted for as operating leases.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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 allowances for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis.

The amount of timing and recording of expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for doubtful accounts would increase recorded operating expenses and decrease current assets. Allowance for doubtful accounts amounted to ₱14.7 million and ₱8.6 million as of December 31, 2006 and 2005, respectively. The balance of receivables as of December 31, 2006 and 2005 amounted to ₱68.0 million and ₱49.2 million, respectively (see Note 5).

Impairment of AFS Securities

The Group treats AFS equity investments as impaired when there has been a significant or prolonged declined in the fair value below its cost or where other objective evidence of impairment exists. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The fair value of the Group's AFS amounted to ₱12.2 million and ₱3.6 million as of December 31, 2006 and 2005, respectively.

Estimating Useful lives of Property and Equipment
The Group estimated the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

As of December 31, 2006 and 2005, net book value of depreciable property and equipment amounted to ₱724.1 million and ₱532.9 million, respectively (see Note 6).

Impairment of Nonfinancial Assets
The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Among others, the factors that the Group considers important which could trigger an impairment review include the following:
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

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

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the financial statements.

Accrued Retirement Obligation and Retirement Expense
The determination of the Group's accrued retirement obligation and annual retirement expense is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rate, expected return on plan assets and salary increase rate. Actual results that differ from the Group's assumptions, subject to the 10% corridor test are accumulated and amortized over future periods and, therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the retirement expense and accrued retirement obligation.

As of December 31, 2006 and 2005, the net retirement liability amounted to ₱72.1 million and ₱68.3 million, respectively (see Note 20).

Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 21).

4. **Cash and Cash Equivalents**

This account consists of:

	2006	2005
Cash on hand and in banks	**₱32,279,569**	₱50,382,074
Short-term investments	**339,081,658**	254,240,578
	₱371,361,227	₱304,622,652

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

5. **Receivables**

This account consists of:

	2006	2005
Tuition and other fees	**₱54,807,638**	₱48,662,902
Others	**27,841,494**	9,138,861
	82,649,132	57,801,763
Less allowance for doubtful accounts	**14,671,132**	8,618,163
	₱67,978,000	₱49,183,600

6. Property and Equipment

This account consists of:

	2006			
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Total
Cost				
Balance at beginning of year	₱669,243,591	₱552,969,906	₱10,145,292	₱1,232,358,789
Acquisitions	231,623,008	82,431,715	8,222,149	322,276,872
Disposals/adjustments	(1,159,422)	(10,504,409)	(2,873,182)	(14,537,013)
Balance at end of year	899,707,177	624,897,212	15,494,259	1,540,098,648
Accumulated Depreciation				
Balance at beginning of year	330,070,202	361,298,268	8,072,260	699,440,730
Depreciation	53,426,473	68,061,744	1,228,967	122,717,184
Disposals/adjustments	(1,180)	(5,527,097)	(599,999)	(6,128,276)
Balance at end of year	383,495,495	423,832,915	8,701,228	816,029,638
Net Book Value	**₱516,211,682**	**₱201,064,297**	**₱6,793,031**	**₱724,069,010**

	2005			
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Total
Cost				
Balance at beginning of year	₱549,362,939	₱505,496,905	₱12,691,861	₱1,067,551,705
Acquisitions	119,880,652	47,497,696	305,795	167,684,143
Disposals/adjustments	–	(24,695)	(2,852,364)	(2,877,059)
Balance at end of year	669,243,591	552,969,906	10,145,292	1,232,358,789
Accumulated Depreciation				
Balance at beginning of year	305,514,018	246,807,966	7,959,126	560,281,110
Depreciation	24,556,184	114,496,000	1,646,210	140,698,394
Disposals/adjustments	–	(5,698)	(1,533,076)	(1,538,774)
Balance at end of year	330,070,202	361,298,268	8,072,260	699,440,730
Net Book Value	**₱339,173,389**	**₱191,671,638**	**₱2,073,032**	**₱532,918,059**

7. Land at Revalued Amounts

This account consists of:

	2006	2005
Balance at beginning of year	**₱1,664,382,000**	₱1,646,385,000
Additions during the year - leased land	**174,513,635**	–
Revaluation increment for the year	**294,611,400**	17,997,000
Balance at end of year	**₱2,133,507,035**	₱1,664,382,000

Land, at cost, amounted to ₱1.82 billion and ₱1.65 billion as of December 31, 2006 and 2005, respectively.

Land includes land currently being used by the Group in its operations, a portion of which is leased out under an operating lease to Rizal Commercial Banking Corporation (RCBC). The land cannot be sold nor leased out under a capital lease separately from the portion of the land used by the Group as an owner-occupied property. As prescribed under PFRS, the entire land is considered and accounted for as an owner-occupied property.

Land also includes land leased from RCBC in 2006. The lease agreement includes a bargain purchase option which serves as the basis for classifying it as finance lease. The Group will purchase the land after 2 years at its fair market value less lease payments made to the lessor as of purchase date. The lease of land started on June 15, 2006 with monthly payments of ₱2.56 million for 10 years, with an escalation rate of 5% per year. At the inception of the lease, the land that was capitalized amounted to ₱174.51 million, which include the security deposit and advance rental amounting to ₱7.70 million. The finance lease liability that was recognized amounted to ₱155.87 million which is the present value of lease payments for 2 years and the bargain purchase option.

8. Other Noncurrent Assets

This account consists of:

	2006	2005
Goodwill	**₱137,853,345**	₱137,853,345
Deferred tax assets (Note 18)	**62,650**	53,900
Others (Note 20)	**6,379,676**	1,183,283
	₱144,295,671	₱139,090,528

Goodwill was acquired through the acquisition of Malayan Colleges, Inc. (formerly Mapua Institute of Technology, Inc.) in December 1999.

9. Loans Payable

This account represents short-term clean loans obtained from a local bank and a related bank which bear interest ranging from 11% to 14% a year.

10. Accounts Payable and Accrued Expenses

This account consists of:

	2006	2005
Accounts payable	**₱109,708,062**	₱74,066,949
Accrued expenses	**134,794,040**	104,798,077
Others	**169,189,795**	128,904,660
	₱413,691,897	₱307,769,686

Accrued expenses consist of:

	2006	2005
Accrued retirement (Note 20)	**₱74,153,421**	₱69,304,916
Accrued interest	**18,566,587**	15,891,095
Accrued salaries and wages	**9,958,001**	6,131,168
Withholding taxes and others	**4,971,041**	4,768,059
SSS and other contributions	**284,600**	2,601,492
Others	**26,860,390**	6,101,347
	₱134,794,040	₱104,798,077

11. **Related Party Transactions**

Due from related parties consist of amounts receivable from:

	2006	2005
EEI Corporation	**₱145,778,388**	₱147,714,138
HI	**30,374,633**	30,564,866
Others	**7,691,398**	6,862,424
	₱183,844,419	₱185,141,428

EEI Corporation is a subsidiary of HI which is the Group's parent company.

Due from EEI Corporation consists mainly of cash advances with interest rates of 11.5% to 13% per annum due within a year.

Due to related parties consist of amounts payable to:

	2006	2005
RCBC	**₱12,445,016**	₱24,746,341
HI	**8,069,043**	–
Others	**5,881,950**	3,254,733
	₱26,396,009	₱28,001,074

RCBC and the other related parties referred to above are subsidiaries of PMMIC, which is the Group's ultimate parent company.

Due to related parties consist mainly of advances from other parties arising from computer-related services.

The Group also has a long-term debt payable to RCBC which arose mainly from the purchase of land with an unpaid balance amounting to ₱757.97 million and ₱778.59 million as of December 31, 2006 and 2005, respectively (see Note 12).

On October 13, 2006, the Company also obtained a syndicated loan amounting to ₱300.00 million from RCBC and another local bank. The additional loan from RCBC amounted to ₱200.00 million (see Note 12).

As disclosed in Note 7, the Group also entered into a finance lease agreement with RCBC.

Future minimum lease payments under the finance lease are as follows:

Within one year	**₱36,747,480**
After one year but not more than 5 years	**123,412,660**
	160,160,140
Less amount representing interest	**4,290,599**
Present value of minimum lease payments	**155,869,541**
Less current portion of lease liability	**32,812,386**
Long-term portion of lease liability	**₱123,057,155**

The income and expenses with respect to related parties included in the consolidated financial statements are as follows:

	2006	2005	2004
Interest expense (Note 17)	**₱85,613,059**	₱93,859,367	₱114,474,461
Interest income (Note 17)	**23,322,967**	34,191,216	29,534,093
Rental income (Note 17)	**13,302,448**	10,652,314	11,128,163
Computer income	**25,714,719**	24,468,350	23,629,395

The remuneration of members of key management amounted to ₱3,081,439 in 2006 , ₱2,782,500 in 2005 and ₱2,730,000 in 2004 representing compensation and short-term benefits.

12. **Long-term Debt**

	2006	2005
Peso-denominated bank loans with interest of 11% in 2006 and 2005 payable in accelerating amounts up to July 31, 2019	**₱757,968,750**	₱778,593,750
Peso-denominated syndicated bank loan, payable after 10 years with a grace period of 3 years on principal repayment, subject to floating rate equal to the 3-month Fixed Term Note bid yields as quoted in MART1 plus a spread of 2.75% per annum.	**300,000,000**	–
	1,057,968,750	778,593,750
Less current portion of long-term debt	**20,625,000**	20,625,000
	₱1,037,343,750	₱757,968,750

As collateral for the ₱757.97 million loan, MCI transferred and conveyed by way of first Mortgage in favor of RCBC and its successors and assigned all its rights and interest in a parcel of land and the improvements, as well as other improvements that may be constructed or installed on the improvements (see Note 11).

On October 13, 2006, MCI amended its Real Estate Mortgage with RCBC and included both Makati and Manila properties of the Company as collateral for their syndicated loan agreement with RCBC (₱200 million) and another local bank (₱100 million) for a total loan amount of ₱300 million.

13. **Retained Earnings**

The Group's retained earnings is restricted to the extent of the cost of treasury stock amounting to ₱2,732,188. As of December 31, 2006 and 2005, there were 3,551,844 shares held in treasury. As of December 31, 2004, there were 2,732,188 shares held in treasury.

14. **Capital Stock**

On June 24, 2005, the BOD approved the declaration of 30% stock dividends payable to stockholders of record as of July 22, 2005. The declaration of stock dividends was approved and ratified by the stockholders on the same date.

A reconciliation of the number of common shares outstanding as of December 31, 2006, 2005 and 2004, follows:

	2006	2005	2004
Beginning of the year	**748,933,221**	576,102,894	573,292,142
Issuance during the year	**–**	–	2,810,752
Stock dividends	**–**	172,830,327	–
End of the year	**748,933,221**	748,933,221	576,102,894

15. **Cash Dividends**

The BOD declared cash dividends as follows:

	2006	2005	2004
March 16, 2006, 5% cash dividends to stockholders of record as of March 31, 2006, payable on April 28, 2006	**₱37,269,069**	₱–	₱–
June 29, 2006, 8% cash dividends to stockholders of record as of July 14, 2006, payable on August 9, 2006	**59,630,510**	–	–

(Forward)

	2006	2005	2004

September 7, 2006, 5% cash dividends to stockholders of record as of September 22, 2006, payable on October 18, 2006	**₱37,269,069**	₱–	₱–
November 9, 2006, 12% cash dividends to stockholders of record as of November 24, 2006, payable on December 20, 2006	**89,445,765**	–	–
March 14, 2005, 11% cash dividends to stockholders of record as of April 4, 2005, payable on April 28, 2005	–	60,777,228	–
June 24, 2005, 15% cash dividends to stockholders of record as of July 12, 2005, payable on August 5, 2005	–	86,005,653	–
September 2, 2005, 8% cash dividends to stockholders of record as of September 30, 2005, payable on October 24, 2005	–	59,630,443	–
November 24, 2005, 37% cash dividends to stockholders of record as of December 9, 2005, payable on December 23, 2005	–	275,791,242	–
June 25, 2004, 15% cash dividends to stockholders of record as of July 9, 2004, payable on July 9, 2004	–	–	85,993,822
November 8, 2004, 15% cash dividends to stockholders of record as of November 24, 2004, payable on December 17, 2004	–	–	86,415,434
	₱223,614,413	₱482,204,566	₱172,409,256

16. Administrative and General Expenses

This consists of:

	2006	2005	2004
Personnel expenses (Note 19)	**₱461,977,040**	₱458,809,667	₱446,238,731
Depreciation (Note 6)	**122,717,184**	140,698,394	107,307,941
Management and other professional fees	**91,152,162**	86,275,327	83,348,764
Utilities	**65,537,088**	68,622,971	55,475,741
Student related expenses	**54,908,058**	48,561,986	51,376,746
Tools and library books	**24,967,537**	20,070,453	5,619,709
Repairs and maintenance	**10,926,134**	8,763,408	8,694,508
Office supplies	**8,896,388**	6,808,711	7,153,082
Seminar	**8,354,729**	6,227,120	9,571,630
Advertising	**7,930,899**	5,217,993	2,232,166
Provision for doubtful accounts	**6,181,217**	1,741,605	1,217,712
Taxes and licenses	**6,169,883**	3,506,379	4,761,827
Rent	**3,905,969**	3,810,777	5,141,019
Entertainment, amusement, and recreation	**3,721,624**	1,536,165	1,661,333
Donations	**3,198,154**	10,143,397	4,511,874
Insurance	**3,029,839**	3,415,733	3,871,039
Research and development fund	**2,769,838**	3,609,471	3,442,795
Transportation and travel	**2,524,400**	2,011,155	892,472
Accreditation cost	**2,131,128**	9,932,089	1,528,263
Laboratory supplies	**1,901,500**	2,370,058	3,579,077
Provision for probable losses	**–**	–	2,166,665
Others	**14,757,146**	9,559,440	10,261,786
	₱907,657,917	₱901,692,299	₱820,054,880

17. Other Income and Interest Expense

The components of the Group's other income follow:

	2006	2005	2004
Interest income (Note 11)	**₱35,446,488**	₱61,681,382	₱77,633,678
Rental income (Note 11)	**13,302,448**	10,652,314	11,128,163
Gain on derecognition	**6,336,404**	–	–
Miscellaneous	**30,355,410**	24,310,866	26,890,924
	₱85,440,750	₱96,644,562	₱115,652,765

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

	2006	2005	2004
Advances to related parties (Note 11)	**₱23,322,967**	₱34,191,216	₱29,534,093
Short-term investments	**12,123,521**	27,490,166	48,099,585
	₱35,446,488	₱61,681,382	₱77,633,678

The Group's interest expense consists of interest on the following:

	2006	2005	2004
Advances from related parties (Note 11)	**₱85,613,059**	₱93,859,367	₱114,474,461
Bank loans	**26,155,881**	23,740,195	23,678,813
	₱111,768,940	₱117,599,562	₱138,153,274

18. **Income Tax**

The Group's deferred income tax assets and liabilities consist of the following:

	2006	2005
Deferred income tax assets		
Tax effect of accrued retirement expense	**₱62,650**	₱53,900
Deferred tax liabilities - net		
Tax effect of:		
Revaluation increment in property	**₱88,915,363**	₱59,454,223
Accrued expenses	**(9,276,494)**	(5,794,183)
Retirement expense	**(5,924,881)**	(4,950,742)
Allowance for doubtful accounts	**(1,291,300)**	(724,950)
Allowance for inventory obsolescence	**(85,482)**	(85,482)
Unearned rent	**–**	(1,048,016)
Others	**(217,768)**	(77,335)
	₱72,119,438	₱46,773,515

The Group did not recognize deferred tax assets on the following temporary differences:

	2006	2005
Tax effect of NOLCO	**₱5,890,859**	₱4,664,892
MCIT	**727,167**	703,096
Allowance for doubtful accounts	**157,913**	121,467
Provision for retirement and others	**14,086**	2,325,333
Allowance for inventory losses	**2,706**	2,706
	₱6,792,731	₱7,817,494

Provision for income tax consists of:

	2006	2005	2004
Current	**₱37,122,829**	₱36,811,062	₱52,143,669
Deferred	**(4,123,967)**	(11,023,665)	(6,468,925)
	₱32,998,862	₱25,787,397	₱45,674,744

The reconciliation of the provision for income tax computed at the statutory tax rate to the provision for income tax shown in the consolidated statements of income follows:

	2006	2005	2004
Income before income tax at statutory rate	**35%**	32.50%	32%
Add (deduct) reconciling items:			
Income subject to lower tax rate	**(19.30)**	(39.73)	(27.96)
Others	**(10.12)**	15.70	6.02
	5.58%	8.47%	10.06%

MCI, MITC, MHSSI and MCLI are educational institutions, which are subject to a lower income tax rate of 10%.

The details of NOLCO and MCIT as of December 31, 2006 are as follows:

Taxable Year Incurred	NOLCO	MCIT	Expiry Year
2006	₱42,764,120	₱189,294	2009
2005	5,425,974	359,383	2008
2004	5,162,875	178,490	2007
	₱53,352,969	₱727,167	

The 2003 NOLCO and MCIT amounting to ₱10,485,687 and ₱166,931, respectively, expired in 2006.

On October 18, 2005, the Supreme Court has rendered its final decision declaring the validity of Republic Act No. 9337 (new EVAT Law) which included, among others, (a) provisions for the increase in corporate income tax rate from 32% to 35% effective November 1, 2005 and later on reducing the rate to 30% effective January 1, 2009 and (b) the change in allowable deduction for interest expense from 38% to 42% effective November 1, 2005 and 33% beginning January 1, 2009.

19. **Personnel Expenses**

Details of personnel expenses are as follows:

	2006	2005	2004
Compensation	**₱425,468,457**	₱434,498,290	₱413,348,508
Retirement benefits (see Note 20)	**15,896,531**	16,709,167	13,748,516
Miscellaneous benefits	**20,612,052**	7,602,210	19,141,707
	₱461,977,040	₱458,809,667	₱446,238,731

20. **Retirement Plan**

The Group has a funded, noncontributory retirement plan (the Plan) for all of its regular employees. The Plan provides for normal, early retirement, death and disability benefits.

The latest actuarial valuation study of the Plan was made on December 31, 2006.

The principal actuarial assumptions used in 2006 and 2005 in determining retirement liability of the Group under the Plan are shown below:

	2006	2005
Discount rate at beginning of year	**14%**	10%
Expected rate of return on assets	**8% - 10%**	8%
Future salary increases	**6% - 8%**	5% - 10%
Discount rate at end of year	**8%**	14%

The movements in the present value of defined obligation follow:

	2006	2005
Balance at beginning of year	**₱134,495,841**	₱123,565,238
Interest cost	**16,024,431**	17,879,890
Current service cost	**5,852,468**	4,330,990
Benefits paid	**(22,629,932)**	(22,770,506)
Actuarial losses	**2,610,116**	11,490,229
Balance at end of year	**₱136,352,924**	₱134,495,841

The movements in the fair value of plan assets follow:

	2006	2005
Fair value of plan assets at beginning of year	**₱52,234,241**	₱57,830,890
Expected return on plan assets	**4,955,203**	5,501,713
Contributions	**12,097,549**	12,185,743

(Forward)

	2006	2005
Benefits paid	**(₱22,629,932)**	(₱22,770,506)
Actuarial gains (losses)	**2,640,788**	(513,599)
	49,297,849	52,234,241
Allowance for asset ceiling adjustment	**–**	(1,091,420)
Fair value of plan assets at end of year	**₱49,297,849**	₱51,142,821

The Group expects to contribute ₱10,936,908 to its defined benefit pension plan in 2007.

The major categories of plan assets as a percentage of the fair value of the plan assets are as follows:

	2006 %	2005 %
Cash	**1.76**	2.57
Investments in shares of stock	**97.76**	97.89
Receivables and others	**0.48**	(0.46)
	100.00	100.00

Amounts recognized in the consolidated balance sheets follows:

	2006	2005
Present value of defined benefit obligation	**(₱136,352,924)**	(₱134,495,841)
Fair value of plan assets	**49,297,849**	51,142,821
	(87,055,075)	(83,353,020)
Unrecognized actuarial losses	**14,939,123**	15,036,050
Net retirement liability	**(72,115,952)**	(68,316,970)
Retirement asset (classified under other noncurrent assets)	**2,037,469**	987,946
Retirement liability (classified under accrued expenses)	**₱74,153,421**	₱69,304,916

The net retirement expense recognized by the Group (included in operating expenses in the consolidated statements of income) are as follows:

	2006	2005	2004
Current service cost	**₱5,852,468**	₱4,330,990	₱4,703,687
Interest cost	**16,024,431**	17,879,890	13,920,782
Expected return on plan assets	**(4,955,203)**	(5,501,713)	(4,875,953)
Actuarial loss recognized	**66,255**	–	–
Asset ceiling adjustment	**(1,091,420)**	–	–
	₱15,896,531	₱16,709,167	₱13,748,516

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled. The actual return on the plan assets amounted to ₱7.6 million and ₱5.0 million in 2006 and 2005, respectively.

Amounts for the current and previous periods are as follows:

	2006	2005
Present value of defined benefit obligation	**(₱136,352,924)**	(₱134,495,841)
Fair value of the plan assets	**49,297,849**	51,142,821
Deficit on the plan	**(₱87,055,075)**	(₱83,353,020)

As of December 31, 2006, experience adjustments on plan liabilities amounted to ₱670,945, while experience adjustments on plan assets amounted to ₱2,640,788.

21. Contingent Liabilities

MCI is facing various labor lawsuits and disputes. These matters include a case filed by the Faculty Association of Mapua Institute of Technology concerning the alleged violation of Collective Bargaining Agreement provisions on the college faculty ranking system and high school salary rate computation.

As allowed under PFRS, certain information was not presented as this may impact the outcome of the cases.

The Group currently does not believe that these proceedings will have a material adverse effect on its financial position and results of operations.

22. Earnings Per Share

Basic earnings per share amounts attributable to equity holders of parent company are computed as follows:

	2006	2005	2004
Net income attributable to equity holders of parent company (a)	**₱184,882,037**	₱257,583,279	₱400,079,448
Weighted average number of outstanding shares - net of treasury shares (b)*	**745,381,377**	745,381,377	746,201,033
Earnings per share (a/b)	**₱0.2480**	₱0.3456	₱0.5362

*2004 balance was adjusted to give retroactive effect on the stock dividends declared in 2005 (see Note 12).

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

23. Acquisition of Pan Pacific Computer Center, Inc. (PPCCI)

On March 29, 2004, the BOD approved the acquisition of 70% of the common shares of PPCCI valued at ₱3,007,505 in exchange for the Parent Company's 2,810,752 common shares. The Parent Company issued 2,810,752 common stock amounting to ₱2,810,752. The difference between the value of the PPCCI common shares and capital stock issued amounting to ₱196,753 was recorded as additional paid-in capital in the stockholders' equity section of the parent company's balance sheet and in the parent company's statements of changes in stockholders' equity. The parties agreed that the effectivity date of the swap agreement is January 1, 2004.

On September 1, 2006, the BOD of PPCCI approved the Company's application with the SEC for an increase in authorized capital stock from ₱6 million (divided into 600,000 shares) to ₱8 million (divided into 800,000 shares) both at ₱10 par value per share. Of the 200,000 increase in PPCCI's capital stock, the Parent Company and the minority shareholders contributed ₱1,400,000 million and ₱600,000, respectively, as additional investment in PPCCI.

24. **Acquisition of Malayan High School of Sciences, Inc. (MHSSI)**

On October 12, 2004, MCI issued 55,609 preferred shares equivalent to ₱60,987,120 to HI in exchange for 3,500,000 or 100% of common shares in MHSSI, which was a wholly owned subsidiary of HI. The preferred shares are entitled to, among others, cumulative dividends at the rate of average 91-day T-Bill plus two percent payable quarterly in arrears from date of issue and full participation as to distribution of dividends of MCI (see Note 26).

The acquisition resulted in an increase in the land account by ₱72,484,000, deferred tax liability account by ₱12,002,880 and minority interest by ₱60,481,120 in 2004.

25. **Minority Interest in the Stockholder's Equity**

This represents preferred shareholdings of HI in MCI and common shareholdings of Great Pacific Life Assurance Corporation in PPCCI (see Notes 23, 24, and 26).

26. **Due to Preferred Stockholders of a Subsidiary**

In 2005, the redeemable convertible preferred shares issued by MCI (a subsidiary) to HI, the Company's parent company (see Note 24), qualified as a compound instrument containing both debt and equity component as defined under PAS 32, *Financial Instruments: Disclosure and Presentation*. The debt component represents MCI's contractual obligation to deliver cash in exchange for the instrument within a period of ten years from the date of issuance, at the option of HI, while the equity component represents the option of HI to convert the instrument to common shares of MCI. Accordingly, MCI obtained the fair value of the debt component from the date of transaction and treated this as a financial liability measured at amortized cost. As of

January 1, 2005, as required under PAS 32, the Group reclassified the debt component of the preferred shares amounting to ₱28.13 million representing the amortized cost of the debt component to due to preferred stockholders of a subsidiary account. The equity component of the preferred shares was recorded as part of the minority interest.

On September 28, 2006, the BOT approved the amendment of the Articles of Incorporation relating to the following changes in the features of the preferred shares:

(a) The preferred shares was amended to state simply that preferred shareholders are entitled to dividends at the rate of average 91-day T-Bill plus two percent. The phrase "payable quarterly in arrears from the date of issue" was deleted. (b) The preferred shares are redeemable at any one time or from time to time, at the option of the Board of Trustees of MCI (no longer at the option of the holders) in accordance with the given formula, and subject to availability of funds.

With the foregoing changes, the preferred shares qualify as equity instruments under PAS 32.

To effect the change, MCI determined the fair value of the equity instruments using the expected future dividends and the prevailing market rate for an equivalent non-redeemable bond as of December 19, 2006, SEC's approval date for the amended Articles of Incorporation. In accordance with PAS 32, the Company derecognized the financial liability at amortized cost amounting to ₱33.94 million and the equity component of the original feature of the preferred shares amounting to ₱56.92 million and recognized the equity instruments amounting to ₱17.60 million preferred shares at par and ₱66.92 million additional paid-in capital as of December 19, 2006. The difference between the derecognized financial liability and the computed fair value of the liability amounting to ₱6.34 million is recognized as gain from derecognition of due to preferred shareholders in the consolidated statement of income.

Movements in due to preferred stockholders are as follows:

	2006	2005
Balance at beginning of year	**₱30,871,325**	₱28,134,583
Amortization of discount	**3,070,059**	2,736,742
Derecognition	**33,941,384**	–
Balance at end of year	**₱–**	₱30,871,325

The preferred shares amounting to ₱27.60 million, which is classified as financial liability in 2005, is included in minority interest in 2006.

27. **Business Segment Information**

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Operating segments are components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the basis that is used internally for evaluating segment performance and allocating resources to segments. The Group only operates in one geographical location, thus, no information on geographical segments is presented.

The Company derives its revenues from the following reportable segments:

Information Technology and Education - primarily consists of revenues of MCI, MITC and MHSS in education.

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

Segment assets and liabilities exclude current and deferred income tax assets and liabilities.

Business Segment Data
(Amounts in Millions)

	Information Technology and Education		Others		Elimination		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
Revenues:								
Income from external customers	**957**	1,195	**262**	60	**–**	–	**1,219**	1,255
Inter-segment income	**171**	–	**165**	350	**(336)**	(350)	**–**	–
Total Revenues	**1,128**	₱1,195	**427**	₱410	**(₱336)**	(₱350)	**1,219**	₱1,255
Net Income (Loss)	**226**	262	**313**	(4)	**(334)**	21	**205**	279
Other Information								
Segment assets	**4,038**	2,683	**1,423**	1,546	**(1,808)**	(1,334)	**3,653**	2,895
Segment liabilities	**2,123**	1,500	**36**	174	**(258)**	(247)	**1,901**	1,427
Cash flows arising from:								
Operating activities	**400**	441	**(5)**	15	**(27)**	(18)	**368**	438
Investing activities	**(775)**	(190)	**213**	501	**244**	(255)	**(318)**	56
Financing activities	**480**	(470)	**(229)**	(513)	**(234)**	311	**17**	(672)
Capital Expenditures	**106**	(52)	**7**	(116)	**209**	–	**322**	(168)
Depreciation and amortization	**94**	133	**6**	3	**23**	5	**123**	141

28. **Financial Instruments**

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, loans payable and long-term debt. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group also has various other financial assets and liabilities such as receivables, available-for-sale securities and accounts payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest risk, liquidity risk, credit risk, and foreign currency risk. The BOD reviews and approves the policies for managing these risks, which are summarized as follows:

Liquidity Risk

The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. As an inherent part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long-term credit facilities. As of December 31, 2006 and 2005, the Group has available short-term credit facilities with banks aggregating to ₱940.54 million and ₱788.7 million, respectively.

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, totaling to US$3,848 and US$19,460 as of December 31, 2006 and 2005, respectively.

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

Interest Rate Risk

The Group's exposure to market rate risk for changes in interest rates relates primarily to the Group's short-term and long-term obligations. The Group follows prudent policies in managing its exposures to interest rate fluctuations, and constantly monitors its assets and liabilities. The Group also monitors its exposure to fluctuations in interest rates by using scenario analysis to estimate the impact of interest rate movements on its interest income.

The following table sets out the carrying amount (in thousands), by maturity, of the Group's financial instruments that are exposed to interest rate risk:

2006

	Below 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	TOTAL
Liabilities:							
Loans payable							
Fixed rate	₱144,802,569						₱144,802,569
Interest rate	11.0% to 14.0%						
Long-term debt	₱20,625,000	₱20,625,000	₱20,625,000	₱20,625,000	₱20,625,000	₱654,843,750	₱757,968,750
Fixed rate	11%	11%	11%	11%	11%	11%	
Interest rate							
Variable rate						₱300,000,000 3-month FXTN based on MART 1 plus 2.75%	₱300,000,000
	₱165,427,569	₱20,625,000	₱20,625,000	₱20,625,000	₱20,625,000	₱954,843,750	₱1,202,771,319

2005

	Below 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	TOTAL
Liabilities:							
Loans payable							
Fixed rate	₱146,536,344						₱146,536,344
Interest rate	11.0% to 14.0%						
Long-term debt	₱20,625,000	₱20,625,000	₱20,625,000	₱20,625,000	₱20,625,000	₱675,468,750	₱778,593,750
Fixed rate	11%	11%	11%	11%	11%	11%	
Interest rate							
	₱167,161,344	₱20,625,000	₱20,625,000	₱20,625,000	₱20,625,000	₱675,468,750	₱925,130,094

Credit risk and Concentration of Assets and Liabilities

The Group's exposure to credit risk on its receivables relates primarily to the inability of the debtors to pay and students to fully settle the unpaid balance of tuition fees and other charges owed to the Group based on the installment payment schemes. The Group manages its credit risk in accordance with its credit risk policies which requires the evaluation of the creditworthiness of the students based on factors such as monthly net disposable income and residence. Students are also not allowed to enroll in the following term unless the unpaid balance in the previous term has been paid. The Group also withholds the academic records and clearance of the students with unpaid balance. The Group's exposure to credit risk on its other receivables from debtors and related parties is managed through close account monitoring and setting limits.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Group does not have any significant exposure to any individual customer or counterparty. With respect to credit risk arising from cash and cash equivalents, receivables, due form related parties and AFS securities, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below presents a comparison by category of the carrying amounts and estimated fair values of all of the Group's financial instruments as of December 31, 2006 and 2005:

	2006	
	Carrying Value	**Fair Value**
Financial Assets		
Current financial assets:		
Cash and cash equivalents	**₱371,361,227**	**₱371,361,227**
Receivables - net	**67,978,000**	**67,978,000**
Due from related parties	**183,844,419**	**183,844,419**
Noncurrent financial assets:		
Available-for-sale securities	**12,158,380**	**12,158,380**
	₱635,342,026	**₱635,342,026**
Financial Liabilities		
Current financial liabilities:		
Loans payable	**₱144,802,569**	**₱144,802,569**
Accounts payable and accrued expenses	**413,691,897**	**413,691,897**
Due to related parties	**26,396,009**	**26,396,009**
Dividends payable	**12,600,000**	**12,600,000**
Noncurrent financial liabilities:		
Lease liability (carrying value includes current portion amounting to ₱32,812,386)	**₱155,869,541**	**₱155,869,541**
Long-term debt (carrying value includes current portion amounting to ₱20,625,000)	**1,057,968,750**	**1,153,745,929**
	₱1,811,328,766	**₱1,907,105,945**

	2005	
	Carrying Value	Fair Value
Financial Assets		
Current financial assets:		
Cash and cash equivalents	₱304,622,652	₱304,622,652
Receivables - net	49,183,600	49,183,600
Due from related parties	185,141,428	185,141,428
Noncurrent financial assets:		
Available-for-sale securities	3,578,801	3,578,801
	₱542,526,481	₱542,526,481

(Forward)

	2005	
	Carrying Value	Fair Value
Financial Liabilities		
Current financial liabilities:		
Loans payable	₱146,536,344	₱146,536,344
Accounts payable and accrued expenses	307,769,686	307,769,686
Due to related parties	28,001,074	28,001,074
Dividends payable	4,594,256	4,594,256
Noncurrent financial liabilities:		
Due to preferred stockholders of a subsidiary	30,871,325	30,871,325
Long-term debt (carrying value includes current portion amounting to ₱20,625,000)	778,593,750	820,788,575
	₱1,296,366,435	₱1,338,561,260

Current assets and liabilities
Due to the short-term nature of the current assets and liabilities, the carrying values of these accounts were assessed to approximate their fair values.

Available-for-sale securities
The fair values of quoted equity securities are based on quoted market prices. In the absence of a reliable basis of determining fair values, unquoted equity securities are carried at cost, net of impairment provision.

Noncurrent financial liabilities
For variable rate loans that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

For fixed rate loans, the fair value is estimated as the present value of all future cash flows discounted using the applicable rates for similar loans.

Lease liability and due to preferred stockholders of a subsidiary
For lease liability and due to preferred stockholders of a subsidiary, the fair value is estimated as the present value of all future cash flows discounted using the applicable rates.

Due to preferred stockholders
Interest on due to preferred shareholders reprices every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

29. **Notes on Statements of Cash Flows**

Noncash investing and financing activities are as follows:

2006

- Additional revaluation increment in land (Note 7); and
- Land acquired through finance lease agreement (Notes 7 and 11).

2004

- Acquisition of PPCCI (see Note 23); and
- Acquisition of MHSS (see Note 24).

COVER SHEET

1	6	6	4	1	1					

S.E.C. Registration Number

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

(Company's Full Name)

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S E N . G I L P U Y A T A V E N U E M A K A T I

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

Mr. Jose Ma. G. Castillo, III	815-96-36
Contact Person	Company Telephone Number

SEC FORM 17- Q

0 3	3 1		1 2	0 7
Month	Day	FORM TYPE	Month	Year
Quarter Ending			Fiscal Year Ending	

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 - Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17 (2)-(b) THEREUNDER

1. For the quarterly period ended **March 31, 2007**.

2. SEC Identification Number **166411** 3. BIR TIN **430-000-187-926**

4. Exact name of issuer as specified in its charter: **iPeople,inc.**

5. **Manila, Philippines** ____________________
Province, Country or other jurisdiction of incorporation or organization

6. Industry Classification Code: _________ (SEC Use Only)

7. **3rd Floor, Grepalife Building, 219 Sen. Gil Puyat Avenue, Makati City 1200**
Address of issuer's principal office Postal Code

8. **815-9636; 891-0989**
Issuer's telephone number, including area code

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, ₱ 1 par value	**748.93 Million**
	Amount of Debt Outstanding = P1.37 Billion

10. Are any or all of these securities listed on the Philippine Stock Exchange?Yes (X) No ( )

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
    Philippine Stock Exchange / Common shares.

11. Indicate by check whether the issuer:

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

    Yes (X) No ( )

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

    Yes (X) No ( )

TABLE OF CONTENTS

IPeople, inc.
CONSOLIDATED BALANCE SHEETS
(In Thousand Pesos)

	Unaudited March 31, 2007	Audited December 31, 2006
ASSETS		
Current Assets	P 532,450	P 454,639
Property & Equipment	2,906,539	2,857,576
Securities Available for Sale	12,158	12,158
Due from Affilates	175,108	183,844
Other Assets	150,430	144,296
Total Assets	P 3,776,685	P 3,652,513
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accounts Payable and Accrued Expenses	P 491,602	P 413,692
Payables to Affiliates	1,819	26,396
Current Portion of Long-Term Debt	20,625	20,625
Current Portion of Lease liability	32,812	32,812
Income Tax Payable	17,086	9,842
Unearned Tuition Fees	74,911	80,125
Notes Payable	144,790	144,803
Long Term Debt	1,052,813	1,037,344
Lease liability	123,057	123,057
Deferred tax liability	72,119	72,119
Dividends Payable	50,047	12,600
Total Liabilities	2,081,681	1,973,415
STOCKHOLDERS' EQUITY		
Capital Stock	748,933	748,933
Additional Paid -in Capital	2,038	2,038
Unrealized gain(los) on available-for-sale securities	7,300	7,300
Revaluation Increment in Land	261,653	261,653
Retained Earnings	573,437	560,859
Cost of Shares held in Treasury	(2,732)	(2,732)
	1,590,629	1,578,052
Minority interest	104,375	101,047
Total Stockholder's Equity	1,695,004	1,679,099
TOTAL LIABILITIES & STOCKHOLDER'S EQUITY	P 3,776,685	P 3,652,513

iPeople

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

For the Three Months ended March 31, 2007 and 2006

(Amounts in Thousands, Except Earning Per Share)

	January 1 to March 31	
	2007	**2006**
Revenues		
Tuition Fees	P 257,973	P 281,896
Rental		
Others	56,041	42,052
Total Revenues	314,014	323,948
Cost and Expenses		
Cost and Expenses	202,847	203,467
Depreciation	27,316	23,903
Total Expenses	230,164	227,370
Income from Operations	83,850	96,578
Other Income (Charges)		
Interest Expense	(23,272)	(15,991)
Interest Income	58	28
	(23,213)	(15,963)
Income Before Tax	60,636	81,015
Provision for Income Tax	(7,285)	(9,661)
Net Income Before Minority Interest	53,351	71,354
Minority Interest	(3,328)	(5,401)
Net Income	50,023	65,953
Retained Earnings, Beginning	560,860	599,592
Cash dividends	(37,447)	(37,447)
Retained Earnings, End	P 573,437	P 628,098
Earnings Per Share	**0.071**	**0.096**

EPS Computation:

Net Income	*50,023*	*65,953*
Divided by Weighted Average No. of Shares	*746,201*	*746,201*
Earnings Per Share	***0.067***	***0.088***

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CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Amounts in Thousand Pesos)

	Unaudited March 31, 2007	Unaudited March 31, 2006	Audited December 31, 2006
CAPITAL STOCK			
Common Stock P1.00 par value	P 748,933	P 748,933	P 748,933
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year	2,038	2,038	2,038
Addition		-	-
Balance at end of year	2,038	2,038	2,038
UNREALIZED GAIN (LOSS) ON AVAILABLE-FOR-SALE SECURITIES			
Balance at beginning of year	7,300	-	(1,280)
Addition		-	8,580
Balance at end of year	7,300	-	7,300
REVALUATION INCREMENT IN LAND	-	-	-
Balance at beginning of year	261,653	15,063	15,063
Addition		-	246,590
Balance at end of year	261,653	15,063	261,653
RETAINED EARNINGS			
Balance at beginning of year (as restated)	560,860	599,592	599,592
Net Income	50,023	65,953	184,882
Cash dividends	(37,447)	(37,447)	(223,614)
Balance at end of year	573,437	628,098	560,859
TREASURY STOCKS			
Balance at beginning of year	(2,732)	(2,732)	(2,732)
Balance at end of year	(2,732)	(2,732)	(2,732)
	1,590,628	1,391,400	1,578,052
MINORITY INTEREST			
Balance at beginning of year (as restated)	101,047		59,407
Net additions during the year			600
Effects of derecognition of due to prferred stockholders			27,605
Revaluation in land			18,561
Net Income	3,328		20,551
Dividends on subsidiaries			(25,675)
Balance at beginning of year (as restated)	104,375	0	101,047
	P 1,695,004	P 1,391,400	P 1,679,099

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UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months ended March 31, 2007 and 2006
(Amounts in Thousand Pesos)

	For the Quarter March 31, 2007	For the Quarter March 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax and minority interest	P 60,636	P 71,354
Adjustment to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	27,316	23,903
Interest Income	(58)	(28)
Interest expense	23,272	15,591
Operating income(loss) before working capital changes	111,166	110,820
Decrease(increase) in:		
Receivables	(19,173)	(15,930)
Other current assets		(5,954)
Increase (decrease) in current liabilities		
Accounts payable and accrued expenses	77,910	13,389
Unearned tuition fees	(5,213)	1,630
Cash generated from (used in) operations	164,689	103,955
Interest received	58	28
Interest paid	(23,272)	(15,591)
Income taxes	(41)	8,495
Net cash provided by (used in) operating activities	141,435	96,887
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property & equipment	(76,279)	(48,782)
Net cash received from acquired company		
Net decrease (increase) in:		
Due from affiliates	8,737	9,125
Other assets	(6,135)	(5,922)
Oher liabilites	-	1,263
Net cash provided by (used in) investing activities	(73,677)	(44,316)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments /(payments) of loan	(13)	(20,831)
Decrease in due to affiliates	(24,577)	(1,022)
Availments/payment of long-term debt	15,469	15,469
Increase in due to preferred stockholders of a subsidiary	-	747
Net cash provided by (used in) Financing activities	(9,121)	(5,637)
NET INCREASE(DECREASE)IN CASH AND CASH EQUIVALENTS	58,637	46,934
CASH AND CASH EQUIVALENTS AT BEGINNNING OF THE YEAR	371,362	304,623
CASH AND CASH EQUIVALENTS AT END OF QUARTER	P 429,999	P 351,557

iPeople, inc.
NOTES TO FINANCIAL STATEMENTS

1. The interim consolidated financial statements have been prepared in compliance with accounting principles generally accepted in the Philippines (Philippines GAAP) as set forth in the Philippine Financial Reporting Standards (PFRS) under the historical cost convention, except for land, which is carried at revalued amounts and available for sale securities that have been measured at cost. In addition, the accounting principles and policies applied for the quarter ended March 31, 2007 are the same as those applied in the preceding calendar year.

2. There are no changes that have effects in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

3. There is no material event subsequent to the end of the interim period that have not been reflected in the financial statements.

4. There is no unusual nature, size and incidents affecting assets, liabilities, equity, net income or cash flows.

5. Explanatory comments about the seasonality or cyclicality of interim operations – **Not applicable**

6. There is no material change as to nature and as to amount, any reduction is the result of low performance of the company due to continuing economic downturn.

7. Changes in contingent liabilities or contingent assets since the last annual balance sheet date – **Not applicable**

8. Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period – **None**

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

10. The interim consolidated financial statements of the Group include the accounts of the Parent Company and the following companies that it controls:

	Percentage of Ownership
Malayan Colleges, Inc. (Operating Under the Name of Mapua Institute of Technology)(MCI) (formerly Mapua Institute of Technology (MIT)) and subsidiaries	100%
Mapua Information Technology (MITC)	100%
Mapua Techserv, Inc.	100%
Malayan High School of Science, Inc.(MHSSI) (formerly Pandacan Properties, Inc.)	100%
Malayan Colleges Laguna, Inc.led by a Mapua School of Engineering (MCLI)	100%
San Lorenzo Ruiz Institute of Health Sciences, Inc.	100%
People eServe Corporation	100%
Pan Pacific Computer Center, Inc. (PPCCI)	70%

The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheets and statements of income, respectively.

11. In compliance with SFAS 31, Segment Reporting, requires that a public business enterprise report financial and descriptive information about its reportable segments.

The following tables presents revenues and net income information regarding business segments for the periods ended March 31, 2007 and 2006 and total assets and total liabilities for the business segments as of March 31, 2007 and 2006 (in thousand pesos):

	Revenues		Net Income	
	March 2007	March 2006	March 2007	March 2006
Information Technology and Education	257,973	292,371	40,375	63,631
Parent and Others	56,041	31,577	9,648	2,322
	314,014	**323,948**	**50,023**	**65,953**

	Total Assets		Total Liabilites	
	March 2007	December 2006	March 2007	December 2006
Information Technology and Education	3,552,806	4,037,587	1,912,219	2,194,621
Parent and Others	1,426,552	1,442,034	412,936	35,572
Eliminations	(1,202,673)	(1,827,108)	(243,474)	(256,778)
	3,776,685	**3,652,513**	**2,081,681**	**1,973,415**

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

Financial Condition

The total assets as of March 31, 2007 stood at P3.78 billion, a 3% increase from audited December 31, 2006. The 17% or P77.81 million increase in current assets compared with audited balances of December 31, 2006 was mainly caused by 16% and 23% increase in cash and cash equivalents and receivables, respectively, due to Company's operations for the first quarter of 2007 and maximization of its credit terms.

The Company collected from its subsidiaries that caused the decrease of 5% or P8.74 million in Due from Affiliates account.

Likewise, the Group's total liabilities increased by 5% from P1.97 billion in December 2006 to P2.08 billion as of March 31, 2007. The increase was resulted from increases in accounts and accrued expense payable, income tax payable, and dividends payable.

The Company maximize its credit terms that caused an increase in accounts and accrued expenses payable by 19% compared with December 31, 2006 balance. However, the group settled some of its liabilities which resulted to 93% decrease in payables to affiliates.

The decrease in tuition fee revenues resulted decrease in unearned tuition fee payable account by 7% from December 31, 2006.

The 297% or P37.45 million increase in dividends payable represents 5% cash dividend declared for stockholders on record as of March 30, 2007 and payable on April 27, 2007.

Book value per share as of March 31, 2007 is P2.13 while P2.11 as of December 31, 2006.

Results of Operations

Total revenues for the first quarter of 2007 reached P314.01 million, decreased by 3% from the P323.95 million revenues earned for the same period last year. The decrease was the net result of the following :

a) Students enrollment which reflected an 8% decrease in tuition fees from P281.90 million in the first quarter of 2006 to P257.97 million in the same quarter of 2007.
b) 31% or P12.45 million increase in Other Income is attributed to above average sales of People Eserve Corporation for the first quarter of 2007.

Comparing operations of the first quarter of 2006 to the same quarter of this year, the decrease in revenues correspondingly decreased the income from operations and net income accounts by 13% and 24% from P96.58 million to P83.85 million and P65.95 million to P50.02 million, respectively.

Total cost and expenses for the first quarter of 2007 is almost of the same level as compared to the same period last year. However, depreciation increased by 14% due to the increase in property and equipment account.

The increase of 107% in interest income was attributed to appropriate cash management of Company.

The 46% increase in interest expense was attributed to the increase on loans payable due to the fund requirements of MCLI.

Variance for provision for income tax and minority interest was due to difference on the net income earned by the company for the first quarter of 2007 compared to the same quarter of 2006.

KEY PERFORMANCE INDICATORS

	March 2007	December 2006
Current Ratio	**0.68**	**0.62**
indicates the company's ability to pay short-term obligation		
Long-term Debts to Equity Ratio	**0.69**	**0.69**
measures company's leverage		

	March 31 2007	March 31 2006
Net Profit Margin	**17%**	**22%**
represents a measure of net income generated for every peso of revenue.		
Return on Average Stockholders' Equity	**0.03**	**0.05**
reflects how much the firm has earned on the funds invested by the stockholders		
Return on Assets	**0.01**	**0.02**
measures the ability to utilize the company's assets to create profits		

The manner of calculating the above indicators is as follows:

Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Long Term Debt to Equity Ratio	$\frac{\text{Long Term Debt}}{\text{Minority Interest + Stockholders' Equity}}$
Net Profit Margin	$\frac{\text{Net Income}}{\text{Total Net Revenue}}$
Return on Average Stockholders' Equity	$\frac{\text{Net Income}}{\text{Average Stockholders' Equity}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$

Earnings per share as of March 31, 2007 is P0.071 compared to P0.096 as of March 31, 2006. Basic earnings per share is calculated by dividing the net income for the period by the weighted average number of common shares outstanding during the period.

Uncertainties remain as to whether the country will continue to be affected by regional trends in the coming months. The financial statements do not include any adjustments that might result from these uncertainties. Related effects will be reported in the financial statements as they become known and estimable.

Discussion and analysis of material events

Any known trends, demands, commitments, events or uncertainties that will have a material effect on the issuer's liquidity - *Future revenues will depend on the number of enrollees and schedule of tuition fees for the 100% owned subsidiary – Mapua. Sources of liquidity will depend on the dividend policy of Mapua and repayment schedule of bank loans.*

Any material commitments for capital expenditures, the general purpose of such commitments and the expected results of fund for such expenditures – *None*

PART II – OTHER INFORMATION

No significant events happened which were not disclosed under 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 behalf of the undersigned thereunto duly authorized.

Issuer	**:**	**iPeople, inc.**
Signature & Title	**:**	**JOSE MA. G. CASTILLO III** VP- Finance & Treasurer and Compliance Officer
Signature and Title	:	**JULIETA O. MARAVILLA** Accounting Officer
Date	:	May 19, 2007

ANNEX "A"

iPeople,inc.
AGING OF ACCOUNTS RECEIVABLE
As of March 31,2007
(In Thousand Pesos)

		DAYS DUE		
	TOTAL	0-30 DAYS	31-60 DAYS	OVER 61 DAYS
Information Technology & Education	55,141	34,381	3,472	17,288
Parents and Others	32,744	26,551	788	5,405
TOTAL	87,885	60,932	4,260	22,693