ANNEX “D”

iPeople, inc. and Subsidiaries
Consolidated Financial Statements
December 31, 2019 and 2018

and

Report of Independent Auditors

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	6	6	4	1	1					

COMPANY NAME

iPeople, inc. and Subsidiaries

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

3rd Floor, Grepalife Building,
219 Sen. Gil J. Puyat Avenue,
Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	8253-3637	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,017	August 11	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jonathan M. Lopez	jonlopez@ipeople.com.ph	8253-3637	N/A

CONTACT PERSON's ADDRESS

2nd Floor, Mapua Building, 333 Sen. Gil J. Puyat Avenue, Makati City

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

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

iPeople, Inc.
A YGC Member

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **iPeople, Inc. & Subsidiaries** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

RENATO C. VALENCIA
Chairman

DR. REYNALDO B. VEA
President & CEO

GEMA O. CHENG
EVP & Chief Financial Officer

JUN 1 3 2020

Signed this ____ day of ____________, 2020

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BOOK NO. 5
SERIES OF 2020

RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2021
IBP NO. 093462
ROLL NO.
PTR NO. MKT. 8117044 / 1-2-20

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of iPeople, inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Valuation of Land

The Group accounts for its land, where the school buildings and other facilities are located, using the revaluation model. As at December 31, 2019, the carrying value of the Group's land amounted to ₱7,560.86 million, representing 46% of the Group's total assets. The valuation of the land requires the assistance of external appraisers whose calculations involve certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors. This matter is significant to our audit because it involves significant judgment and estimates.

Refer to Notes 5 and 11 to the consolidated financial statements for the detailed disclosures.

Audit response

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

Accounting for the Merger of iPeople, inc. and Ayala Education, Inc.

On April 24, 2019, the Securities and Exchange Commission (SEC) approved the merger between iPeople, inc. and AC Education, Inc. (AEI), with iPeople, inc. as the surviving entity, and to take effect five business working days thereafter or May 2, 2019. On said date, iPeople, inc. issued 295,329,976 common shares from its unissued capital stock for a total fair value of ₱3,591.21 million to Ayala Corporation (AC), the parent company of AEI. After the merger, iPeople, inc. became 48.18% owned by House of Investments, Inc. and 33.5% owned by AC.

This was accounted for as a business combination under PFRS 3, Business Combinations, which required the identification of the acquired assets and liabilities of AEI and the determination of their fair values. The Group used the fair values of the identified net assets totaling ₱3,577.74 million and recognized goodwill for the residual amount of ₱13.47 million. The identification of the acquired assets and liabilities and the determination of their fair values involved the use of judgement and estimates. Further, the valuation of the acquired intangible assets required the use of assumptions such as revenue from number of forecasted students and related tuition and other matriculation fees, long-term growth rates, royalty rates and discount rates.

Refer to Notes 5 and 6 to the consolidated financial statements for the detailed disclosures.

Audit response

We reviewed the Merger Agreement between iPeople, inc. and AEI, and the management's identification of AEI's assets and liabilities. We reviewed the purchase price allocation prepared by the Group's external specialist. We considered management's use of external specialists in relation to the determination of the fair value of property and equipment and intangible assets acquired. We evaluated the external specialists' competence, capabilities and objectivity. With the involvement of our internal specialist, we reviewed the methodology and assumptions used in the determination of fair values of AEI's property and equipment and intangible assets. For property and equipment, we compared the relevant information supporting the sales price of similar properties and the adjustments made to the sales price against real estate industry data and made inquiries to the external appraisers as to the basis. For the intangible assets, we evaluated the relevant information supporting the forecasted revenue from number of forecasted students and related tuition and other matriculation fees, long-term growth rates, royalty rates and discount rates. We also tested the parameters used in the determination of the discount rates against market data. We likewise reviewed the disclosures in the notes to the consolidated financial statements.

Recoverability of Nonfinancial Assets

Under PFRSs, the Group is required to annually test for impairment the nonfinancial assets such as the goodwill attributable to the acquisition of Malayan Education System, Inc. amounting to ₱137.85 million and intellectual property rights with infinite life amounting to ₱523.10 million. As of December 31, 2019, the aggregate amount of these assets of ₱660.95 million is considered significant to the consolidated financial statements. In addition, management's assessment process involves judgments and is based on assumptions such as forecasted revenue, long-term growth rates, royalty rates, and discount rates in estimating discounted cash flow projections.

The Group's disclosures about nonfinancial assets are included in Notes 5, 6 and 12 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's impairment model and the assumptions on the key business drivers of the cash flow forecasts such as the revenue from number of forecasted students and related tuition and other matriculation fees. We checked if the Group has considered the impact of the K to 12 Basic Education Program implementation on these key assumptions and also compared them against historical performance. We involved our internal specialist to assist us in evaluating the methodology and assumptions used. We compared the long-term growth rates and royalty rates against relevant publish market information. We tested the parameters used in the determination of discount rates against market data. In addition, we reviewed the Group's disclosures about those assumptions to which the outcome of the impairment tests are most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of these assets.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
SEC Accreditation No. 0660-AR-4 (Group A),
October 22, 2019 valid until October 21, 2022
Tax Identification No. 102-082-670
BIR Accreditation No. 08-001998-63-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 8125214, January 7, 2020, Makati City

May 22, 2020

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

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of iPeople, inc. and its subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this SEC Form 17-A and have issued our report thereon dated May 22, 2020. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
SEC Accreditation No. 0660-AR-4 (Group A),
October 22, 2019 valid until October 21, 2022
Tax Identification No. 102-082-670
BIR Accreditation No. 08-001998-63-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 8125214, January 7, 2020, Makati City

May 22, 2020

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

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of iPeople, inc. and its subsidiaries (the Group) (the Parent Company) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated May 22, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
SEC Accreditation No. 0660-AR-4 (Group A),
October 22, 2019 valid until October 21, 2022
Tax Identification No. 102-082-670
BIR Accreditation No. 08-001998-63-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 8125214, January 7, 2020, Makati City

May 22, 2020

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2019 (Note 6)	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 15 and 30)	**₱1,154,306**	₱587,839
Receivables (Notes 8 and 30)	**975,962**	327,766
Receivables from related parties (Notes 15 and 30)	**603**	845
Prepaid expenses and other current assets (Note 9)	**175,948**	82,315
Financial assets at fair value through profit or loss (Note 30)	**9,350**	8,700
Total Current Assets	**2,316,169**	1,007,465
Noncurrent Assets		
Property and equipment at cost (Note 10)	**5,083,477**	3,246,597
Land at revalued amounts (Notes 10 and 11)	**7,560,855**	5,521,008
Intellectual property rights (Note 6)	**523,103**	–
Goodwill (Notes 6 and 12)	**151,326**	137,853
Student relationship (Note 6)	**101,135**	–
Right-of-use assets (Notes 3 and 31)	**387,981**	–
Net pension assets (Note 25)	**18,290**	6,277
Deferred tax assets - net (Note 23)	**20,450**	5,129
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 30)	–	14,390
Other noncurrent assets (Note 13)	**110,281**	33,771
Total Noncurrent Assets	**13,956,898**	8,965,025
	₱16,273,067	₱9,972,490
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 14 and 30)	**₱1,201,760**	₱674,290
Short-term loans (Notes 16 and 30)	**1,398,800**	2,240,000
Unearned income (Note 14)	**780,706**	314,947
Lease liabilities - current portion (Notes 3 and 31)	**46,215**	–
Income tax payable	**20,690**	11,079
Payables to related parties (Notes 15 and 30)	**15,411**	13,014
Dividends payable (Notes 18 and 30)	**565**	57,018
Total Current Liabilities	**3,464,147**	3,310,348
Noncurrent Liabilities		
Net pension liabilities (Note 25)	**115,935**	40,008
Long-term loans (Note 17)	**1,869,903**	–
Lease liabilities - net of current portion (Notes 3 and 31)	**373,125**	–
Deferred tax liabilities - net (Note 23)	**658,781**	208,574
Other noncurrent liabilities (Note 31)	**58,383**	–
Total Noncurrent Liabilities	**3,076,127**	248,582
Total Liabilities	**6,540,274**	3,558,930

(Forward)

	December 31	
	2019 (Note 6)	2018
Equity		
Common stock (Notes 6 and 18)	**₱1,044,263**	₱748,933
Additional paid-in capital (Note 6)	**3,294,368**	1,439
Other comprehensive income (loss):		
Fair value reserve of equity instruments at FVOCI (Note 30)	**(880)**	(3,973)
Revaluation increment on land - net (Note 11)	**1,583,743**	1,574,008
Remeasurement gains (losses) on defined benefit plans (Note 25)	**(19,766)**	35,093
Equity reserve (Note 6)	**(230,494)**	–
Retained earnings (Note 18)	**3,838,446**	3,643,131
	9,509,680	5,998,631
Treasury stock (Note 18)	**(0.21)**	(0.21)
Equity attributable to equity holders of the Parent Company	**9,509,680**	5,998,631
Non-controlling interest in consolidated subsidiaries (Note 27)	**223,113**	414,929
Total Equity	**9,732,793**	6,413,560
	₱16,273,067	₱9,972,490

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2019 (Note 6)	2018	2017
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 19)			
Revenue from schools and related operations	**₱2,996,773**	₱1,807,558	₱1,884,199
COSTS AND EXPENSES			
Cost of schools and related operations (Note 20)	**2,040,060**	1,279,403	1,237,000
GROSS PROFIT	**956,713**	528,155	647,199
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	**(481,461)**	(250,533)	(208,741)
INTEREST AND OTHER FINANCE CHARGES (Note 22)	**(129,338)**	(36,026)	(4,233)
INTEREST INCOME (Note 22)	**22,758**	11,346	12,955
OTHER INCOME (CHARGES) – net (Note 11)	**(26,986)**	12,028	13,754
INCOME BEFORE INCOME TAX	**341,686**	264,970	460,934
PROVISION FOR INCOME TAX (Note 23)	**67,595**	27,875	47,575
NET INCOME	**274,091**	237,095	413,359
OTHER COMPREHENSIVE INCOME (OCI)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Revaluation increment on land – net of tax (Note 11)	**9,778**	350,451	283,188
Fair value reserve of equity instruments at FVOCI (Note 30)	**3,093**	(10,689)	–
Remeasurement gains (losses) on defined benefit plans – net of tax (Note 25)	**(57,274)**	3,679	9,311
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods (Note 30)			
Unrealized gains on AFS financial assets	**–**	–	8,017
	(44,403)	343,441	300,516
TOTAL COMPREHENSIVE INCOME	**₱229,688**	₱580,536	₱713,875
Net income attributable to:			
Equity holders of the parent (Note 26)	**₱254,588**	₱211,035	₱381,584
Non-controlling interest in consolidated subsidiaries (Note 27)	**19,503**	26,060	31,774
	₱274,091	₱237,095	₱413,359
Total comprehensive income attributable to:			
Equity holders of the parent	**₱212,557**	₱529,537	₱661,508
Non-controlling interest in consolidated subsidiaries (Note 27)	**17,131**	50,999	52,367
	₱229,688	₱580,536	₱713,875
Basic/Diluted Earnings Per Share (Note 26)	**₱0.2692**	₱0.2818	₱0.5095

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company											
	Common Stock (Notes 6 and 18)	Additional Paid-in Capital (Note 6)	Unrealized Gain on AFS Financial Assets (Note 30)	Fair Value Reserve of Equity instruments at FVOCI (Note 30)	Revaluation Increment on Land - net of tax (Note 11)	Remeasurement Gains (Losses) on Net Defined Benefit Plans (Note 25)	Equity Reserve (Note 6)	Retained Earnings (Note 18)	Treasury Stock (Note 18)	Total	Non - controlling Interest (Note 27)	Total
					For the year ended December 31, 2019							
Balances as at January 1, 2019	**₱748,933**	**₱1,439**	**₱–**	**(₱3,973)**	**₱1,574,008**	**₱35,093**	**₱–**	**₱3,643,131**	**(₱0.21)**	**₱5,998,631**	**₱414,929**	**₱6,413,560**
Net income	–	–	–	–	–	–	–	**254,588**	–	**254,588**	**19,503**	**274,091**
Other comprehensive income	–	–	–	**3,093**	**9,735**	**(54,859)**	–	–	–	**(42,031)**	**(2,372)**	**(44,403)**
Total comprehensive income	–	–	–	**3,093**	**9,735**	**(54,859)**	–	**254,588**	–	**212,557**	**17,131**	**229,688**
Issuance of shares (Note 6)	**295,330**	**3,292,929**	–	–	–	–	–	–	–	**3,588,259**	–	**3,588,259**
Change in non-controlling interest	–	–	–	–	–	–	**(230,494)**	–	–	**(230,494)**	**(208,947)**	**(439,441)**
Dividends declared	–	–	–	–	–	–	–	**(59,274)**	–	**(59,274)**	–	**(59,274)**
Balances as at December 31, 2019	**₱1,044,263**	**₱3,294,368**	**₱–**	**(₱880)**	**₱1,583,743**	**(₱19,766)**	**(₱230,494)**	**₱3,838,446**	**(₱0.21)**	**₱9,509,680**	**₱223,113**	**₱9,732,793**
					For the year ended December 31, 2018							
Balances as at January 1, 2018	₱748,933	₱1,439	₱6,717	₱–	₱1,248,233	₱31,676	₱–	₱3,611,840	(₱0.21)	₱5,648,839	₱376,252	₱6,025,090
Net income	–	–	–	–	–	–	–	211,035	–	211,035	26,060	237,095
Other comprehensive income	–	–	–	(10,689)	325,775	3,417	–	–	–	318,502	24,939	343,441
Total comprehensive income	–	–	–	(10,689)	325,775	3,417	–	211,035	–	529,537	50,999	580,536
Transfer of unrealized gain on AFS financial assets to fair value reserve of equity instruments at FVOCI (Note 4)	–	–	(6,717)	6,717	–	–	–	–	–	–	–	–
Dividends declared	–	–	–	–	–	–	–	(179,744)	–	(179,744)	(12,322)	(192,066)
Balances as at December 31, 2018	₱748,933	₱1,439	₱–	(₱3,973)	₱1,574,008	₱35,093	₱–	₱3,643,131	(₱0.21)	₱5,998,631	₱414,929	₱6,413,560
					For the year ended December 31, 2017							
Balances as at January 1, 2017	₱748,933	₱1,439	(₱1,300)	₱–	₱984,986	₱23,018	₱–	₱3,410,000	(₱0.21)	₱5,167,075	₱348,530	₱5,515,604
Net income	–	–	–	–	–	–	–	381,584	–	381,584	31,774	413,359
Other comprehensive income	–	–	8,017	–	263,248	8,659	–	–	–	279,924	20,592	300,516
Total comprehensive income	–	–	8,017	–	263,248	8,659	–	381,584	–	661,508	52,367	713,875
Dividends declared	–	–	–	–	–	–	–	(179,744)	–	(179,744)	(24,645)	(204,389)
Balances as at December 31, 2017	₱748,933	₱1,439	₱6,717	₱–	₱1,248,233	₱31,676	₱–	₱3,611,840	(₱0.21)	₱5,648,839	₱376,252	₱6,025,090

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2019 (Note 6)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱341,686**	₱264,970	₱460,934
Adjustments for:			
Depreciation and amortization (Notes 10, 13, 20 and 21)	**397,611**	218,310	209,283
Interest expense and other finance charges (Note 22)	**129,338**	36,026	4,233
Interest income (Note 22)	**(22,758)**	(11,346)	(12,955)
Provision for doubtful accounts (Notes 8 and 21)	**79**	1,900	10,000
Unrealized market gain on financial assets at FVTPL	**(650)**	(238)	(122)
Unrealized foreign exchange loss (gain) – net	**505**	(677)	(25)
Loss (gain) on disposal of property and equipment	**–**	8	(18)
Operating income before working capital changes	**845,811**	508,953	671,330
Decrease (increase) in:			
Receivables	**(416,734)**	(172,749)	(21,772)
Prepaid expenses and other current assets	**94,017**	27,936	(28,239)
Increase (decrease) in:			
Accounts payable and other current liabilities	**122,388**	46,409	(34,030)
Unearned income	**431,782**	228,161	36,118
Other noncurrent liabilities	**75,644**	–	–
Net pension assets and liabilities	**(22,970)**	(26,615)	1,463
Net cash generated from operations	**1,129,938**	612,095	624,870
Interest paid	**(101,550)**	(37,245)	(3,040)
Income taxes paid	**(63,275)**	(29,581)	(48,500)
Interest received	**22,637**	10,833	13,077
Net cash flows from operating activities	**987,750**	556,102	586,407
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 10 and 29)	**(1,437,212)**	(914,664)	(1,046,952)
Acquisition through business combination – net of noncash acquired (Note 6)	**1,291,500**	–	–
Non-controlling interest (Note 6)	**(881,068)**	–	–
Land (Notes 11 and 29)	**–**	(1,191,844)	–
Computer software	**–**	–	(2,031)
Proceeds from disposal of:			
Equity instruments at FVOCI (Note 30)	**17,482**	–	–
Property and equipment	**–**	–	1,295
Decrease (increase) in:			
Receivables from related parties	**(15,927)**	191	2,679
Other noncurrent assets	**2,181**	286,900	(300,181)
Net cash flows used in investing activities	**(1,023,044)**	(1,819,417)	(1,345,190)

(Forward)

	Years Ended December 31		
	2019 (Note 6)	2018	2017
CASH FLOWS USED IN FINANCING ACTIVITIES			
Proceeds from short-term loans (Notes 16 and 29)	**₱1,437,000**	₱2,860,000	₱940,000
Payments of short-term loans (Notes 16 and 29)	**(2,348,200)**	(1,430,000)	(230,000)
Proceeds from long-term loans	**1,679,903**	–	–
Payment of lease liabilities (Note 31)	**(49,101)**	–	–
Dividends paid to stockholders (Note 29)	**(116,781)**	(204,392)	(199,457)
Tax on issuance of new shares (Note 6)	**(2,953)**	–	–
Increase (decrease) in payables to related parties (Note 27)	**2,398**	(7,943)	7,669
Net cash flows from financing activities	**602,266**	1,217,665	518,212
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(505)**	677	25
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**566,467**	(44,973)	(240,546)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**587,839**	632,812	873,358
CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 7 and 30)	**₱1,154,306**	₱587,839	₱632,812

See accompanying Notes to Consolidated Financial Statements.

IPEOPLE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

iPeople, inc. (the Parent Company) is a publicly-listed stock corporation registered and incorporated on July 27, 1989 under the laws of the Philippines.

The Parent Company, a subsidiary of House of Investments, Inc. (HI), is a holding and management company. Its principal office address is 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 mainly involved in education sector with the list of subsidiaries disclosed in Note 2.

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

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

The proposed merger was subsequently approved by iPeople, inc.'s Stockholders on December 12, 2018 and was approved by the Philippine Competition Commission (PCC) on December 12, 2018. On April 24, 2019, the Securities and Exchange Commission (SEC) approved the merger between iPeople, inc. and AEI, with iPeople, inc. as the surviving entity, and to take effect five business working days thereafter or May 2, 2019. On said date, iPeople, inc. issued 295,329,976 common shares from its unissued capital stock to AC. After the merger, iPeople, inc. became 48.18% owned by House of Investments, Inc. and 33.5% owned by AC. Details of the merger is disclosed in Note 6.

2. Basis of Preparation

The consolidated financial statements of the Group have been prepared under the historical cost basis, except for the land which is under revaluation model, financial assets at fair value through profit or loss (FVTPL) and listed equity instruments at fair value through other comprehensive income (FVOCI) which are measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the Parent Company's functional currency. Except as otherwise indicated, all amounts are rounded off to the nearest thousands.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, 2018 and 2017.

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

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

	Percentage of Ownership		
	2019	2018	2017
Malayan Education System, Inc. (MESI) [Operating Under the Name of Mapua University] and subsidiaries	**100%**	93%	93%
Direct ownership of MESI on its subsidiaries:			
Malayan Colleges Laguna, Inc., A Mapua School (MCLI)	**100**	100	100
Malayan Colleges Mindanao (A Mapua School), Inc. (MCMI)	**100**	100	100
Malayan High School of Science, Inc. (MHSSI)	**100**	100	100
Mapua Information Technology Center, Inc. (MITC)	**100**	100	100
Mapua Techserv, Inc.	**100**	100	100
Mapua Techpower, Inc.	**75**	75	75
San Lorenzo Ruiz Investment Holdings and Services Inc. (formerly San Lorenzo Ruiz Institute of Health Sciences, Inc.)	**100**	100	100
People eServe Corporation	**100**	100	100
Pan Pacific Computer Center, Incorporated (PPCCI)	**100**	100	100
New subsidiaries in 2019 after the merger (Note 1):			
Affordable Private Education Center, Inc. doing business under the name of APEC Schools	**100**	n/a	n/a
National Teachers College doing business under the name/s and style/s of The National Teachers College	**99.79**	n/a	n/a
University of Nueva Caceres	**83.62**	n/a	n/a
AC College of Enterprise and Technology, Inc.	**100**	n/a	n/a
LINC Institute, Inc. doing business under the Name and Style of LINC Academy	**100**	n/a	n/a

All subsidiaries were incorporated in the Philippines.

Subsidiaries are entities over which the Parent Company has control. Control is achieved when the Parent Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights and potential voting rights.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. As a result of the merger with AEI, the acquired subsidiaries were consolidated starting May 2, 2019.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Non-controlling interest represents interest in a subsidiary which is not owned, directly or indirectly, by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the Group's shareholders equity. Transactions with non-controlling interests are handled in the same way as transactions with external parties.

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group adopted the following new accounting pronouncements starting January 1, 2019:

- PFRS 16, *Leases*

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

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

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

  PFRS 16 also requires lessees and lessors to provide more disclosures than under PAS 17. PFRS 16 supersedes PAS 17, Leases, Philippine Interpretation IFRIC 4, Determining whether an Arrangement contains a Lease, Standard Interpretations Committee (SIC)-15, Operating Leases-Incentives and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

  The Group adopted PFRS 16 using the modified retrospective approach, which involves recognizing a right-of-use asset equal to the amount of the lease liability, with the date of initial application of January 1, 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17. The Group has not restated the comparative information, which continues to be reported under PAS 17.

The Group has lease contracts for office and school sites of a subsidiary. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases all leases except for short-term leases and leases of low-value assets. Refer to Note 4 for the accounting policy beginning January 1, 2019.

The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

With the adoption of PFRS 16, the Group recognized right-of-use assets and lease liabilities and these were recognized and presented separately in the consolidated statement of financial position. For the detailed disclosures, refer to Note 31.

The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

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

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

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

  The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

  Based on the Group's assessment, adoption of this interpretation has no significant impact on the consolidated financial statements.

The Group also adopted the following new accounting pronouncements starting January 1, 2019. The adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

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

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2019 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

4. **Summary of Significant Accounting Policies**

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

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- *Level 1* – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- *Level 2* – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- *Level 3* – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial reporting date.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

Financial Instruments - Effective January 1, 2018
Initial recognition and subsequent measurement
The Group recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2018, the Group elected to classify irrevocably its listed equity investments in PetroEnergy Resources Corporation shares under this category.

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

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

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

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

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

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

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

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

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

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

For tuition and other fees receivables, the Group generally uses a provision matrix to calculate ECLs. The provision rates are based on days past due for groupings based on school term. The provision matrix is initially based on the Group's historical observed default rates. The Group will then consider directly relevant forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are considered.

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

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

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

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

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

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

This accounting policy applies primarily to accounts payable and other current liabilities, payables to related parties, dividends payable, lease liabilities, and loans payable.

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

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

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

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

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

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

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

Financial assets at FVPL
This includes financial assets held for trading and financial assets designated upon initial recognition as FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling them in the near term.

Financial assets at FVPL are recorded in the statement of financial position at fair value with unrealized mark-to-market gains and losses recognized in "Other income (loss)" account in the consolidated statement of comprehensive income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded in the consolidated statement of comprehensive income according to the terms of the contract, or when the right of payment has been established. Derivatives, including separated embedded derivatives are also classified as FVPL unless they are designated as effective hedging instruments or a financial guarantee contract.

This consists of peso-denominated investment in UITF in RCBC.

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

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

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

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

This accounting policy relates to the consolidated statement of financial position caption AFS financial assets which pertain to investments in PetroEnergy Resources Corporation shares.

Other financial liabilities
Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized (redemption is a form of derecognition), as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

Classified under this category are the Group's accounts payable and accrued expenses, payables to related parties, dividends payable and short-term loans.

Derecognition of Financial Assets and Financial Liabilities
Financial asset
A financial asset (or, where applicable, a part of a group of financial assets) is derecognized when:

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

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

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

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

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

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying

amount and the present value of the estimated future cash flows discounted at the assets original EIR (excluding future credit losses that have not been incurred). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics as to the school terms.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The Group reduces any differences between loss estimates and actual loss experience.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Financial assets carried at amortized costs, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Prepaid Expenses and Other Current Assets
Prepaid expenses and other current assets pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group. This account includes the following:

Prepaid Expenses
These are expenses paid in advance to be amortized over the benefit period or to be expense once incurred or consumed. These consist of prepaid insurance and subscriptions, among others.

Restricted Funds
Restricted funds invested in money market placements exclusively for use in Civic Welfare Training Service (CWTS), National Service Training Program (NSTP) and for financing of scholars of certain private entities are recorded at face value.

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

Inventories
Inventories are stated at the lower of cost and net realizable value (NRV). NRV is the selling price in the ordinary course of the business, less costs of completion, marketing and distribution. Cost is determined using weighted and simple average method for textbooks, printed materials and supplies intended for sale.

Value-added Tax (VAT)
The input VAT pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services. Input VAT that is not expected to be fully applied against the output VAT of the succeeding year is presented as noncurrent asset.

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

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

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

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

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

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

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

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

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

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

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

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

The appraisal increment (net of deferred tax) resulting from the revaluation is credited to OCI and accumulated in equity under “revaluation increment on land - net” account. To the extent that a revaluation increase of an asset reverses a revaluation decrease of the same asset that was previously recognized as an expense in profit or loss, such increase should be credited to income in profit or loss. Decreases in valuation should be charged to profit or loss, except to the extent that they reverse the existing accumulated revaluation increment on the same asset and therefore such decrease is recognized in OCI. The decrease recognized in OCI reduces the amount accumulated in equity under revaluation increment on land - net account.

The same rules apply to impairment losses. An impairment loss on a revalued asset is first used to reduce the revaluation increment for that asset. Only when the impairment loss exceeds the amount in the revaluation increment for that same asset is any further impairment loss recognized in profit or loss.

Upon disposal, any revaluation increment relating to the land being sold is transferred to retained earnings.

Right-of-use Assets and Lease Liabilities

Effective January 1, 2019, upon adoption of PFRS 16, recognizes right-of-use assets and lease liabilities on contracts that qualify as leases under PFRS 16. -The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment. Refer to the accounting policies on Impairment of Nonfinancial Assets.

Lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to its short-term leases of office space. It also applies the low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term. The accounting policy on leases prior to the adoption of PFRS 16 is discussed in the policy Leases – Group as Lessees (Effective Prior to January 1, 2019).

Business Combination and Goodwill

An acquisition of a business (i.e. an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors) is a business combination. Business combinations are accounted for using the acquisition method. The acquired identifiable tangible and intangible assets, liabilities and contingent liabilities are measured at their fair values at the date of the acquisition. Any excess of the acquisition cost over the net fair value of the identifiable assets acquired and liabilities assumed is recognized as goodwill. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill at least annually.

The goodwill recognized in the Group's consolidated statement of financial position pertains to the acquisition of MESI and merger with AEI as disclosed in Notes 6 and 12.

<u>Intangible Assets Other Than Goodwill</u>
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and provision for impairment loss, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The estimated useful life of intangible assets is assessed as either finite or indefinite. The estimated useful lives of intangible assets recognized as a result of the merger with AEI (see Note 6) are as follows:

	Number of Years
Intellectual property rights	Indefinite
Student relationship	5-7
Software cost	3

The estimated useful lives of intangible assets with finite lives are assessed at the individual asset level. Intangible assets with finite lives are amortized over their estimated useful lives on a straight-line basis. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible assets and is recognized in the consolidated statement of comprehensive income when the intangible asset is derecognized.

Impairment of Nonfinancial Assets

Property and equipment, student relationship, right-of-use assets, and other noncurrent assets

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

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

Goodwill and intellectual property rights

Goodwill and intellectual property rights are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

Equity

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

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

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

Revenue Recognition

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

Revenue from schools and related operations consist of the following:

Revenue from tuition and other matriculation fees

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

Other student-related income

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

Admission, examination and other fees

Admission, examination and other fees are recognized as income when examination has been granted by the school and related services have been provided to the students (at point in time).

Bookstore income

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

Seminar income

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

Miscellaneous income

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

Sale of goods is recognized as revenue upon delivery of the goods to the buyer (at point in time). Sale of services is recognized when services are rendered (over time).

Following are contract balances relative to adoption of PFRS 15 effective January 1, 2018

Receivables

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

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

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

Costs and Expenses
The Group's costs and expenses constitute costs of operating the business recognized in the consolidated statement of comprehensive income as incurred.

Cost of schools and related operations
Cost of schools and related operations constitute expenses directly related to the Group's school and related operations which include expenses for salaries and wages of teaching and academic support personnel, student welfare activities, advertising, and all other student-related costs and expenses. Cost of schools and related operations are recognized as expense when the school and related services have been provided to the students.

General and Administrative Expenses
These expenses constitute costs of administering the business. General and administrative expenses, except for rent expense, are recognized as incurred. Rent expenses under PAS 17 are recognized on a straight-line basis over the lease term.

Interest and Financing Charges
Interest and financing charges, excluding capitalizable borrowing costs, is recognized as expense in the period in which it is incurred.

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

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

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

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

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

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

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

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

Income Taxes

Current tax

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

Deferred tax

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

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

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

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

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

Leases – Group as Lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the leased term on the same bases as rental income. Rental income is recognized on a straight-line basis over the term of the lease.

Leases – Group as Lessees (Effective Prior to January 1, 2019)

The Group entered into lease agreement for office space where the Group has determined that it does not obtain the risks and rewards of ownership of these properties and therefore the agreement is accounted for as an operating lease. Rental expense under operating leases is recognized on a straight-line basis over the term of the lease.

Foreign Currency-denominated Transactions and Translation

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

Basic Earnings Per Share (EPS)

Basic earnings per common share is computed based on weighted average number of issued and outstanding common shares, less treasury shares, after giving retroactive effect for any stock dividends. Diluted earnings per share, if applicable, is computed on the basis of the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There are no dilutive potential common shares that would require disclosure of diluted earnings per common share in the consolidated financial statements.

Segment Reporting

The Group's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 28 to the consolidated financial statements.

Provisions

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

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

Events after the Financial Reporting Date
Post year-end events up to the date of the auditor's report that provide additional information about the Group's position at financial reporting date (adjusting event) are reflected in the consolidated financial statements. Any post year-end events that are not adjusting events are disclosed when material to the consolidated financial statements.

5. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Recognition of tuition and other matriculation fees over time
The Group determined that tuition and other matriculation fees, the major source of revenue of the Group, are to be recognized over time using the output method on the basis of time lapsed over the service period since it provides a faithful depiction of the Group's performance in transferring control of the services to the students. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the customer or the student simultaneously receives and consumes the benefits of the Group's performance as it performs (Note 19).

Accounting for School-granted Scholarships to Students
With the adoption of PFRS 15, the Group assessed its arrangement with students who availed of school-granted scholarships. Based on management assessment, the arrangement with these students will not qualify as revenue from contracts with customers under PFRS 15 as there is no consideration involved in exchange for the educational services that the Group will render to these students. Accordingly, management changed its accounting on school-granted scholarships from presenting revenue and cost of service at gross in the statement of comprehensive income to presenting the related cost of service as deduction from revenue (Note 19).

Allocation of costs and expenses
Management exercises judgment in determining the classification of costs and expenses as to whether cost of services or general and administrative expenses. In 2019 and 2018, the Group specifically identified the expenses directly related to the Group's school and related operations which include expenses for salaries and wages of teaching and academic support personnel, student welfare activities, and all other student-related costs and expenses (Notes 20 and 21).

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

Purchase price allocation in business combination and goodwill
The Group's consolidated financial statements reflect the acquired entities (AEI and its subsidiaries prior to the merger) after the completion of the merger which is effective May 2, 2019 (Note 6). The Group accounts for the acquired business using the acquisition method, which requires extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any excess in the purchase price over the fair market values of the net assets acquired is recorded as goodwill in the consolidated statement of financial position. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Group's financial position and performance.

The merger with AEI resulted in the recognition of student relationship, intellectual property rights and goodwill from the excess of the acquisition cost over the fair value of net assets acquired (Note 6).

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

The Group acquired land from HI in October 2018 amounting to ₱1,115.27 million, inclusive of other direct costs and taxes. As of December 31, 2018, management assessed that the purchase price of the recently acquired land is reflective of the fair value of the land as at December 31, 2018. Based on comparison of recent sale transactions or offerings of similar properties done by the Group as at December 31, 2018, management assessed that there was no significant movement in the fair value of the land from date of acquisition until December 31, 2018.

As at December 31, 2019 and 2018, the fair value of the land amounted to ₱7,560.9 million and ₱5,521.0 million, respectively (Note 10).

Estimation of allowance for ECL on receivables
The Group generally uses a provision matrix to calculate ECLs for tuition and other fees receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will then consider directly relevant forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are considered.

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

Allowance for ECL on receivables amounted to ₱134.85 million and ₱65.0 million as at December 31, 2019 and 2018, respectively. The carrying value of receivables as at December 31, 2019 and 2018 amounted to ₱976.0 million and ₱327.8 million, respectively (Note 8).

Leases under PFRS 16 – Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses IBR to measure lease liabilities. The IBR is the rate of interest that an entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the entities 'would have to pay', which requires estimation when no observable rates are available (such as for entities that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the stand-alone credit rating).

The Group's right-of-use assets and lease liabilities are disclosed in Note 31.

Estimation of useful lives of student relationship
The Group estimates the useful lives of student relationship based on the period over which the assets are expected to be available for use which represents the number of years that the students are expected to stay until they graduate. The Group reviews the estimated useful lives based on factors that include asset utilization, internal technical evaluation and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the aforementioned factors. A reduction in the estimated useful lives of student relationship would increase amortization expenses and decrease noncurrent assets.

There is no change in the estimated useful lives of student relationship from the effectivity of the merger. The carrying values of student relationship amounted to ₱101.14 million as of December 31, 2019 (Note 6).

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

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

Impairment of goodwill and intellectual property rights are assessed at least on an annual basis. In assessing the impairment, the Group determines the recoverable amount using value in use with detailed disclosures made in Notes 6 and 12. There is no impairment loss recognized on these assets in 2019, 2018 and 2017. The carrying value of these assets are disclosed in amounted in Notes 6 and 12.

As to the Group's property and equipment, student relationship and noncurrent assets, no impairment loss was recognized for the years ended December 31, 2019, 2018 and 2017 except for the provision for impairment in value of land recognized in 2019 amounting to ₱21 million (Notes 6, 10, 11 and 13).

Estimation of pension obligations and other retirement benefits
The determination of the Group's pension cost and liabilities is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate which were disclosed in Note 25 and to which the cash flows are most sensitive to. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the retirement expense and related asset or liability.

As at December 31, 2019 and 2018, the net pension liability amounted to ₱115.9 million and ₱40.0 million, respectively, while net pension asset amounted to ₱18.3 million and ₱6.3 million as at December 31, 2019 and 2018, respectively (Note 25).

Deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Where there is no absolute assurance that each legal entity in the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized, deferred tax assets are not recognized.

Deferred tax assets recognized amounted to ₱20.4 million and ₱5.1 million as at December 31, 2019 and 2018, respectively (Note 23). The temporary differences on which deferred tax assets were not recognized amounted to ₱89.2 million and ₱59.5 million, respectively (Note 23).

Provisions and Contingencies
The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings (Notes 14 and 31).

6. **Business Combination and Transactions with Non-Controlling Interests**

Business Combination
As disclosed in Note 1, on October 1, 2018, the BOD of iPeople, inc. executed a MOA for a proposed Plan of Merger between iPeople, inc. and AEI with iPeople, inc. as the surviving entity with HI and AC owning 48.18% and 33.5%, respectively. The merger would bring together the educational groups of HI and AC.

On April 24, 2019, the SEC approved the merger between iPeople, inc. and AEI, with iPeople, inc. as the surviving entity, and to take effect five business working days thereafter or May 2, 2019. On said date, iPeople, inc. issued 295,329,976 common shares from its unissued capital stock to AC, the parent company of AEI. iPeople, inc., being the surviving corporation is deemed to have acquired all the assets and to have assumed all the liabilities of AEI in a business combination accounted for under the acquisition method. In exchange for the transfer of the net assets of AEI to iPeople, inc., iPeople, inc. issued to AC an aggregate of 295,329,976 shares with par value of ₱1.0 per share for a total fair value of ₱3,591.21 million based on iPeople, inc.'s quoted closing rate per share as of May 2, 2019. The excess of the fair value of shares issued over the par value was recognized as additional paid-in capital.

Assets acquired from AEI includes investments in the following subsidiaries:

Subsidiaries	Ownership Interest
Affordable Private Education Center, Inc. doing business under the name of APEC Schools (APEC)	100.00%
National Teachers College doing business under the name/s and style/s of The National Teachers College (NTC)	99.79%
University of Nueva Caceres (UNC)	58.63%
AC College of Enterprise and Technology, Inc. (ACCET)	100.00%
LINC Institute, Inc. Doing Business under the Name and Style of LINC Academy (LINC)	100.00%

The purchase price allocation has been finalized. The fair values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follows (amounts in thousands):

Assets	
Cash and cash equivalents	₱1,291,500
Trade and other receivables	231,421
Other current assets	188,222
Land classified as property and equipment (Note 11)	2,038,085
Other property and equipment (Note 10)	725,681
Right-of-use assets (Note 31)	363,029
Intellectual property rights	523,103
Student relationship	116,009
Other noncurrent assets	102,717
	5,579,767
Liabilities	
Accounts and other payables	319,124
Loans payable	260,000
Deferred tax liabilities	432,946
Leased liabilities (Note 31)	374,622
Other liabilities	77,815
	1,464,507
Total identifiable net assets at fair value	4,115,260
Non-controlling interest	(537,520)
Goodwill (Note 12)	13,472
Cost of acquisition	₱3,591,213

The non-controlling interests have been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

Acquisition-related costs were recognized as expense in 2019 and 2018.

Analysis of cash flows on acquisition follows:

Cash acquired from the subsidiaries (included in cash flows from investing activities)	₱1,291,500
Transaction costs of the acquisition (included in cash flows from operating activities)	(7,523)
Transaction costs attributable to issuance of shares (included in cash flows from financing activities)	(2,953)
Net cash flows on acquisition	₱1,281,024

Based on the valuation performed, the Group has identified other intangible assets such as the intellectual property rights with infinite life and student relationship with an estimated useful life of 5 years to 7 years based on the contractual relationship between the school entities and its students. These assets are attributed from the acquisition of operating schools NTC, APEC and UNC. The carrying value of student relationship as of December 31, 2019 amounted to ₱101.14 million, net of amortization during the year amounting to ₱14.87 million.

As of December 31, 2019, the Group performed impairment testing on intellectual property rights using the income approach. Key assumptions used are as follows:

- Revenue projections and long-term growth rates ranging from 2.5% to 3%. Revenue projections based on financial budgets approved by management and considers the impact of the K to 12 Basic Education Program effective 2016. The long-term growth rate is the expected growth rate in the education industry sector.
- Discount rates ranging from 12% to 15%. The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to comparable listed companies in the educational sector.
- Royalty rates ranging from 1% to 5%. This is based on the publicly available information on franchising of educational institutions in the Philippines, with consideration on the operational risk of the involved entity.

In 2019, management assessed that no impairment loss should be recognized.

Transactions with Non-Controlling Interests

On May 9, 2019, the Parent Company acquired the 281,642 shares of Malayan Education Systems, Inc. (MESI) owned by HI, which represents 7% ownership in MESI. With this acquisition, MESI became a 100%-owned subsidiary of the Parent Company. The ₱354.1 million difference between the consideration paid and the book value of non-controlling interest acquired is recognized in equity by debiting "Equity reserve".

In December 2019, the Parent Company acquired 2,743 additional shares of UNC from various stockholders representing 24.99% ownership in UNC. With the acquisition, the Parent Company now owned 83.62% of UNC. The ₱123.8 million difference between the consideration paid and the book value of non-controlling interest acquired of ₱329.52 million is recognized in equity by crediting "Equity reserve".

7. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	**₱2,874**	₱1,008
Cash in banks (Note 15)	**426,955**	163,610
Cash equivalents (Note 15)	**724,477**	423,221
	₱1,154,306	₱587,839

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents have terms with varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates.

Interest income from cash in banks and cash equivalents amounted to ₱22.63 million, ₱11.23 million and ₱12.82 million in 2019, 2018 and 2017, respectively (Note 22).

8. Receivables

This account consists of:

	2019	2018
Tuition and other fees	**₱847,853**	₱299,384
Other receivables:		
Trade	**53,732**	3,411
Advances to officers and employees	**95,320**	11,141
Others	**113,902**	78,858
	1,110,807	392,794
Allowance for doubtful accounts	**(134,845)**	(65,028)
	₱975,962	₱327,766

Tuition and other fees pertain to tuition and other matriculation fees which are collected at end of every school term before the students can proceed to the next term.

Trade receivables represent amounts arising from the sale of computer equipment and computer services. These are noninterest-bearing and are generally on thirty (30) to sixty (60) days term and are not used as collaterals to secure obligations.

Advances to officers and employees consist mostly of advances subject to liquidation, interest-bearing receivables pertaining to car loan and noninterest-bearing telephone charges, hospitalization bill and library and printing charges. Receivables from employees are settled through salary deductions. Interest income from advances to officers and employees amounted to ₱0.13million, ₱0.12 million and ₱0.14 million in 2019, 2018 and 2017, respectively (Note 22). These receivables are noninterest-bearing and are generally collectible within one year.

Other receivables mainly pertain to receivable from DepEd amounting to ₱78.49 million and ₱60.14 million as at December 31, 2019 and 2018, respectively, arising from the Senior High School (SHS) Voucher Program wherein qualified SHS students are given assistance on tuition fees. These receivables are noninterest-bearing and are generally collectible within one year.

The changes in allowance for ECL as at December 31 follow:

	2019			
	Tuition and other fees	**Trade**	**Others**	**Total**
Balance at beginning of year	**₱55,682**	**₱3,393**	**₱5,953**	**₱65,028**
Additions from business combination (Note 6)	**69,570**	**–**	**168**	**69,738**
Provisions for the year (Note 21)	**9**	**–**	**70**	**79**
Balance at end of year	**₱125,261**	**₱3,393**	**₱6,191**	**₱134,845**
Gross receivables	**₱847,853**	**₱53,732**	**₱209,222**	**₱1,110,807**

	2018			
	Tuition and other fees	Trade	Others	Total
Balance at beginning of year	₱56,420	₱6,843	₱5,953	₱69,216
Provisions for the year (Note 21)	1,092	808	–	1,900
Write-off	(1,830)	(4,258)	–	(6,088)
Balance at end of year	₱55,682	₱3,393	₱5,953	₱65,028
Gross receivables	₱299,384	₱3,411	₱89,999	₱392,794

9. Prepaid Expenses and Other Current Assets

	2019	2018
Prepaid expenses	**₱77,972**	₱40,244
Restricted funds (Note 15)	**21,030**	21,356
CWT	**10,991**	8,594
Books inventories	**3,257**	3,445
Office supplies	**1,740**	41
Input VAT	**583**	540
Others	**60,375**	8,095
	₱175,948	₱82,315

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

Restricted funds significantly pertain to funds invested in money market placements exclusively for use in CWTS, NSTP, for financing of scholars of certain private entities and for the purpose of undertaking socio-economic studies, and development projects.

Others relate to rent deposits and other supplies. This also includes receivables for payments made in 2019 on certain claims that are under protest (Note 31).

10. **Property and Equipment**

The rollforward analysis of this account follows:

	2019				
	Buildings and Improvements	**Office Furniture and Equipment**	**Transportation Equipment**	**Construction In Progress**	**Total**
Cost					
Balance at beginning of year	**₱3,608,821**	**₱1,570,008**	**₱35,910**	**₱188,429**	**₱5,403,168**
Additions from business combination (Note 6)	**668,681**	**495,888**	**7,659**	**65,779**	**1,238,007**
Acquisitions	**557,552**	**169,832**	**5,983**	**766,712**	**1,500,079**
Balance at end of year	**4,835,054**	**2,235,728**	**49,552**	**1,020,920**	**8,141,254**
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	**969,273**	**1,167,520**	**19,778**	–	**2,156,571**
Additions from business combination (Note 6)	**142,248**	**366,522**	**3,556**	–	**512,326**
Depreciation (Notes 20 and 21)	**147,191**	**179,818**	**6,977**	–	**333,986**
Reclassifications and adjustments	**103,885**	**(47,973)**	**(1,018)**	–	**54,894**
Balance at end of year	**1,362,597**	**1,665,887**	**29,293**	–	**3,057,777**
Net book value at cost	**3,472,457**	**569,841**	**20,259**	**1,020,920**	**5,083,477**
Land at revalued amounts (Note 11)	–	–	–	–	**7,560,855**
Total	**₱3,472,457**	**₱569,841**	**₱20,259**	**₱1,020,920**	**₱12,644,332**

	2018				
	Buildings and Improvements	Office Furniture and Equipment	Transportation Equipment	Construction In Progress	Total
Cost					
Balance at beginning of year	₱1,898,233	₱1,397,207	₱33,305	₱1,164,166	₱4,492,911
Acquisitions	591,678	117,534	4,106	199,892	913,210
Disposals	–	(106)	(2,823)	–	(2,929)
Reclassifications and adjustments	1,118,910	55,372	1,322	(1,175,629)	(25)
Balance at end of year	3,608,821	1,570,007	35,910	188,429	5,403,167
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	877,500	1,047,136	17,682	–	1,942,318
Depreciation (Notes 20 and 21)	92,469	121,425	3,887	–	217,781
Disposals	–	(33)	(2,025)	–	(2,058)
Reclassifications and adjustments	(696)	(1,009)	234	–	(1,471)
Balance at end of year	969,273	1,167,519	19,778	–	2,156,570
Net book value at cost	2,639,548	402,488	16,132	188,429	3,246,597
Land at revalued amounts (Note 11)	–	–	–	–	5,521,008
Total	₱2,639,548	₱402,488	₱16,132	₱188,429	₱8,767,605

Construction in progress as at December 31, 2019 and 2018 mainly includes the general cost of construction of MESI's new school building in Makati City and other direct costs (Note 11).

Capitalized interest expense on loans obtained to finance the constructions of school buildings amounted to ₱70.4 million and ₱23.77 million in 2019 and 2018, respectively (Notes 16 and 17).

The land and related improvements owned by MCMI with carrying value of ₱2,376.76 million as of December 31, 2019 were used to secure the long-term loans of MCMI as disclosed in Note 17.

11. **Land at Revalued Amounts**

This account, classified as property and equipment (see Note 10), consists of:

	2019	2018
Land at cost:		
Balance at beginning of year	**₱3,062,821**	₱1,870,976
Additions from business combination (Note 6)	**2,038,085**	–
Acquisitions	–	1,191,845
Balance at end of year	**5,100,906**	3,062,821
Provision for impairment in value	**(21,000)**	–
Revaluation increment on land:		
Balance at beginning of year	**2,458,187**	2,068,797
Change in revaluation increment	**22,762**	389,390
Balance at end of year	**2,480,949**	2,458,187
	₱7,560,855	₱5,521,008

Land at revalued amounts consists of owner-occupied property wherein the school buildings and other facilities are located. Capitalizable costs include taxes paid for purchase of land.

Land were appraised by independent firms of appraisers to determine the revalued amounts as at December 31, 2019 and 2018, respectively.

The valuation was derived through the market approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject properties adjusted based on certain elements of comparison (e.g. location, size and road frontage).

The parcels of land were valued in terms of their highest and best use which is categorized under Level 3 of the fair value hierarchy.

Location	Valuation Techniques	Unobservable Inputs Used	Range (Weighted Average) 2019	2018
Makati and Intramuros, Manila	Market Approach	Price per square meter	**₱40,500 to ₱273,125**	₱42,025 to ₱227,500
Cabuyao, Laguna	Market Approach	Price per square meter	**₱8,016 to ₱14,963**	₱8,289 to ₱31,350
Davao City, Davao Del Sur	Market Approach	Price per square meter	**₱12,339 to 39,738**	₱13,968 to ₱40,000
Pandacan, Metro Manila	Market Approach	Price per square meter	**₱51,300 to ₱76,950**	₱56,525 to ₱68,400

(Forward)

Location	Valuation Techniques	Unobservable Inputs Used	Range (Weighted Average) 2019	2018
San Jose Del Monte City, Bulacan	Market Approach	Price per square meter	**₱47,025 to 58,500**	n/a
Naga City, Camarines Sur	Market Approach	Price per square meter	**₱2,748 to ₱6,804**	n/a
Quiapo, Manila	Market Approach	Price per square meter	**₱72,896 to 113,797**	n/a

Net adjustment factors arising from external and internal factors (i.e. location, size and road frontage) affecting the subject properties as compared to the market listing of comparable properties ranges from -30% to +35% in 2019 and from -20% to +20% in 2018.

Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of the land.

In 2019, the Group recorded provision for impairment in value of ₱21 million on a parcel of land which was charged to profit or loss [presented under 'Other income (charges) – net] as there was no previous revaluation increment recognized on said land.

Acquisitions during 2018 include the land purchased from HI in October 2018 amounting to ₱1,115.27 million, inclusive of other direct costs and taxes (Note 5).

12. Goodwill

The goodwill recognized in the consolidated statement of financial position amounting to ₱151.3 million and ₱137.9 million as at December 31, 2019 and 2018 pertains to the excess of the acquisition cost over the fair values of the net assets of MESI acquired by iPeople in 1999 and the additional goodwill in 2019 amounting ₱13.5 million for the excess of acquisition cost over the fair values of the net assets of the subsidiaries acquired in May 2, 2019 (Note 6).

The Group performed impairment testing on goodwill arising from acquisition of MESI wherein MESI was considered as the CGU. No impairment testing was done on the ₱13.47 million goodwill as the Group assessed it as not material to the consolidated financial statements and valuation was made in May 2019. In 2019, 2018 and 2017, management assessed that no impairment loss should be recognized.

Key assumptions used in the value in use (VIU) calculation
As at December 31, 2019 and 2018, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU are most sensitive to the following:

- Future revenues and revenue growth rates. Cash flow projections based on financial budgets approved by management covering a five-year period (2020-2024) and considers the impact of the K to 12 Basic Education Program on MESI's financial performance effective 2016.
- Long-term growth rates (3.73% for 2019 and 3.67% for 2018). The Long-term growth rate is the expected growth rate in the education industry sector.

- Discount rate (8.3% for 2019 and 10.10% for 2018). The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to Parent Company's capital structure.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of goodwill to materially exceed its recoverable amount.

13. Other Noncurrent Assets

This account consists of:

	2019	2018
Input VAT	**₱41,322**	₱9,930
Miscellaneous deposits	**27,489**	455
Creditable withholding tax	**23,789**	6,705
Computer software	**9,341**	5,822
Books and periodicals	**8,340**	10,859
	₱110,281	₱33,771

Miscellaneous deposits include rent deposits of the Group amounting to ₱18.0 million as of December 31, 2019.

Computer software is amortized over a period of three years. The rollforward analysis of computer software follows:

	2019	2018
Cost		
Balance at the beginning of the year	**₱37,148**	₱37,148
Additions from business combination (Note 6)	**3,269**	–
Additions	**1,768**	–
Balance at the end of the year	**42,185**	37,148
Accumulated Amortization		
Balance at the beginning of the year	**31,326**	30,796
Amortization (Notes 20 and 21)	**1,518**	530
Balance at the end of the year	**32,844**	31,326
Net Book Value	**₱9,341**	₱5,822

14. Accounts Payable and Other Current Liabilities and Unearned Income

Accounts payable and other current liabilities consists of:

	2019	2018
Accounts payable	**₱619,117**	₱356,262
Accrued expenses	**387,232**	210,013
Funds payable	**90,733**	107,137
Other payables	**104,678**	878
	₱1,201,760	₱674,290

Accounts payable pertains to the Group's obligation to local suppliers. This also includes the earnest money received from HI for the latter's exclusive interest to purchase shares of stock of a subsidiary of the Parent Company (see Note 15). Accounts payable also includes payables to students which are considered contract liabilities as disclosed under Unearned Income below.

Accrued expenses consist of:

	2019	2018
Provisions (Note 31)	**₱154,307**	₱153,558
Payable to suppliers	**114,808**	11,005
Accrued salaries and wages	**30,423**	6,782
Withholding taxes and others	**15,517**	7,828
Accrued professional fees	**15,210**	4,026
Accrued utilities	**8,453**	4,064
SSS and other contributions	**7,661**	3,616
Contracted services	**5,440**	3,785
Accrued interest	**5,037**	–
Insurance	**4,393**	6,844
Output VAT payable	**4,371**	1,407
Accrued communication expense	**3,522**	2,301
Others	**18,090**	4,797
	₱387,232	₱210,013

Funds payable include funds received by the Group from Department of Science and Technology (DOST), Commission on Higher Education (CHED) and private entities for the scholarships programs to be provided to the students, and NSTP and CWTS fees collected from students.

Other payables include outstanding balance on the acquisition of additional shares from UNC amounting to ₱102.86 million as of December 31, 2019.

Accounts payable, accrued expenses, and other payables are noninterest-bearing and are expected to be settled within a year after the financial reporting date. Funds payables are noninterest-bearing and are expected to be settled upon payout related to the funded projects and scholarship programs.

Unearned Income

Unearned income amounted to ₱780.71 million and ₱314.95 million as of December 31, 2019 and 2918, respectively. This mainly includes unearned tuition fees amounting to ₱768.7 million and ₱310.9 million as at December 31, 2019 and 2018, respectively, which are considered contract liabilities.

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

As at December 31, 2019, contract liabilities amounted to ₱790.5 million and these will be recognized as revenue in the following year. Contract liabilities as of January 1, 2019 amounting to ₱325.3 million were recognized as revenue in 2019. The increase in contract liabilities in 2019 is due mainly from the unearned tuition fees from new subsidiaries acquired in 2019 (Note 6).

15. **Related Party Transactions**

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

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

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Parent Company				
a) Payable to Parent Company (HI)				
	2019	**₱–**	**(₱6,754)**	**Noninterest-bearing; unsecured; due and demandable**
	2018	–	(9,771)	
Management fee and other professional fees (Notes 20 and 21)	**2019**	**69,539**	**–**	
	2018	46,940	–	
b) Receivable from Parent Company				
	2019	**–**	**173**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2018	–	203	
Land and building acquisition (Notes 10 and 11)				
	2019	**–**	**–**	
	2018	1,222,229	–	
h) Accounts payable (Note 15)	**2019**	**250,000**	**250,000**	**Noninterest-bearing; unsecured**
Entities under common control of HI				
c) Receivables from related parties				
	2019	**–**	**412**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2018	–	623	
Rental income				
	2019	**(2,447)**	**–**	**–**
	2018	(1,853)	–	–
d) Payables to related parties				
	2019	**–**	**(8,657)**	**Noninterest-bearing; unsecured; due and demandable**
	2018	–	(3,244)	
Contracted services (Notes 20 and 21)				
	2019	**61,556**	**–**	**–**
	2018	46,006	–	–
e) Accounts payable (Notes 10 and 14)	**2019**	**(12,002)**	**(13,811)**	**Noninterest-bearing; unsecured; payable on demand**
	2018	162,656	(159,683)	
Entities under common control of PMMIC				
Cash and cash equivalents (Note 7)				
	2019	**–**	**729,536**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2018	–	532,976	
Interest income (Note 22)				
	2019	**22,630**	**–**	**–**
	2018	11,231	–	–
f) Receivables from related parties				
	2019	**–**	**18**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2018	–	18	

(Forward)

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Parent Company				
g) Insurance expense				
	2019	**₱12,577**	**₱–**	
	2018	5,934	–	
Financial asset at FVTPL (Note 30)				
	2019	**–**	**9,350**	**Carried at fair value; No impairment**
	2018	–	8,700	
Equity instruments at FVOCI (Note 30)				
	2019	**–**	**–**	**Carried at fair value; No impairment**
	2018	–	14,390	
Restricted funds (Note 9)	**2019**	**–**	**21,030**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2018	–	21,356	

The Group’s significant transactions with related parties follow:

a) *Payable to Parent Company*
This account pertains to management and other professional fees charged by HI for administering the subsidiaries’ operations.

b) *Receivables from Parent Company*
This account pertains to fuel consumption, car plan and gym rental advanced by parent company. These are noninterest-bearing and are payable on demand.

c) *Receivables from entities under common control of HI*
Receivables from entities under common control of HI arise from HI subsidiaries’ lease of the Group’s canteen kiosks in its Makati and Intramuros properties. The term of the lease is for one year and renewable with uniform rental payments.

d) *Payables to entities under common control of HI*
Payables to entities under common control of HI pertain to property management and janitorial and security services (contractual services).

e) *Accounts payable to HI*
Accounts payable pertains to the outstanding balance of general cost of construction of MCMI’s school buildings and other facilities and professional fees related to the building construction (Notes 10 and 14).

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

g) *Payables to entities under common control of PMMIC*
The Group obtains property and personnel insurance with its affiliated insurance company, Malayan Insurance Company, Inc. (MICO). Insurance contract coverage pertains to the Group’s fire, accident, group and other insurance policies.

h) Accounts payable to HI
This pertains the earnest money received from HI for the latter's exclusive interest to purchase shares of stock of a subsidiary of the Parent Company (see Note 14).

Other related party transactions follow:

a) The Group maintains its retirement fund with RCBC trust division (Note 25). Trust fees paid by the retirement plan to RCBC amounted to ₱0.87 million and ₱0.09 million for the years ended December 31, 2019 and 2018, respectively.

b) Compensation of key management personnel of the Group

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

	2019	2018	2017
Short-term benefits	**₱36,158**	₱32,023	33,954
Post-employment benefits	**1,138**	1,132	1,079
	₱37,296	₱33,155	₱35,033

Terms and conditions of transaction with related parties
Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. For the years ended December 31, 2019 and 2018, the Group has not recorded any impairment losses on receivables relating to amounts owed by related parties. This assessment is undertaken each year through examining the financial position of the related party and the market in which the related party operates.

16. Short-term Loans

- In 2017, the Group, through MCMI, obtained a short-term loan (STL) facility with Bank of Philippine Island (BPI), which was earmarked from the long-term loan facility of the Group from same bank, to finance the construction of MCMI's school building. Each STL facility may be re-availed/renewed/extended within a period of one year provided that the sum of the terms of re-availements/renewal/ extension will not exceed 360 days. The STL facility may be converted into a 10-year term loan facility which shall be partially secured by the real estate mortgage on the real property of MCMI. The STL facility is secured by the Continuing Suretyship Agreement of MESI. Annual interest rates range from 3.00% to 5.50%.

  The Group, through MCMI, also obtained short-term loans from Land Bank of the Philippines (LBP) in 2019 and 2018 amounting to ₱15 million and ₱110 million, respectively with annual interests ranging from 4.70% to 6.25%. The loans are secured by the land owned by MCMI.

  Outstanding balance of short-term loans obtained by MCMI amounted to ₱308.80 million and ₱1,540 million as at December 31, 2019 and 2018, respectively.

- In 2018, the Group, through MESI, obtained unsecured peso-denominated short-term loans with BPI amounting to ₱900.00 million with annual interest rates ranging from 5.50% to 6.00%, to finance the acquisition of land from HI and the construction of MESI's school building in Makati City (Notes 10 and 11).

In 2019, MESI obtained unsecured peso-denominated short-term loans with Robinsons Bank amounting to ₱1,090.00 million with annual interest rate of 5.30% to finance the construction of the new school building (Note 10).

Outstanding balance of short-term loans obtained by MESI amounted to ₱1,090 million and ₱700 million as at December 31, 2019 and 2018, respectively.

- In 2019, the Group through APEC, availed of short-term, interest-bearing loan from a third-party bank amounting to ₱70.00 million at 7.50% interest per annum payable monthly. This was paid in 2019.

The Group made partial payments amounting to ₱2,278 million and ₱440 million, respectively. Total STL drawdowns in 2019 and 2018 amounted to ₱1,367 million and ₱1,850 million.

Interest expense charged to operations in 2019, 2018 and 2017 amounted to ₱37.21 million, ₱31.90 million and ₱1.19 million, respectively (Note 22). Interest expense that was capitalized as part of construction of MESI and MCMI's building in 2019 and 2018 amounted to ₱63.29 million and ₱23.77 million, respectively (Note 10).

17. **Long-term Loans**

This account consists of the following as of December 31, 2019:

Unsecured bank loans	₱380,000
Secured bank loans	1,489,903
	₱1,869,903

Unsecured
The Group, through NTC, entered into a 10-year unsecured term loan facility with a third party local bank for ₱650.00 million to finance its building refurbishment and/or expansion (see Note 10). The principal payments will be made in 28 quarterly payments starting May 2022. As of December 31, 2019, total drawdown from the long-term loan facility amounted to ₱380 million, which are subject to annual interest rate of 4.675% with annual repricing based on higher of 5.5% or the prevailing one year benchmark rate or done rate of a liquid/active security, as agreed by the parties, with the same tenor if benchmark rate is not reflective of market rate, plus interest spread.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity structure ratio of 3:1. As of December 31, 2019, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. For 2019, interest expense recognized in profit or loss amounted to ₱8.46 million while interest capitalized as part of building and improvements amounted to ₱7.11 million (Note 10).

Secured
In 2019, the Group, through MCMI, entered into a ten-year secured long-term loan agreement with a third party local bank for ₱1,500.00 million to refinance the construction of MCMI's school buildings and facilities that were initially funded by short-term loans. MCMI made partial drawdowns against this agreement amounting to ₱680.00 million, ₱350.00 million and ₱470.00 million in January, June and July 2019, respectively. The loans were subject to prevailing borrower's rate, plus a minimum spread of 0.50% per annum, but in no case lower than 4% per annum, subject to quarterly

repricing. MCMI shall repay the loan in 20 equal quarterly installments to start at the end of 21st quarter from the initial drawdown date. The loans were secured by the land and related improvements owned by MCMI with carrying value of ₱2,376.76 million as of December 31, 2019 and suretyship of MESI (Note 10). The loans were subject to certain positive and negative covenants such as the requirement for MESI to maintain its debt service cover ratio of at least 1.0 at all times and its debt-to-equity ratio of at least 75:25 starting on the third year of the loan reckoned from initial drawdown date or January 2022.

MCMI incurred debt issue cost amounting to ₱11.25 million which was being amortized over the loan term of 10 years using the effective interest method. The amortized debt issue cost amounting to ₱1.15 million was recorded as part of interest expense.

Interest expense, including amortization of debt issue cost, amounted to ₱58.33 million (Note 22).

Outstanding balance of long-term loans as of December 31, 2019 as follow:

	Amount
Principal	₱1,500,000
Unamortized debt issue cost	(10,097)
	₱1,489,903

18. **Equity**

Capital Stock

Capital stock consists of 2,000,000,000 authorized with 1,044,263,197 and 748,933,221 issued common shares as of December 31, 2019 and 2018, respectively, with a par value of ₱1 per share. Issued and outstanding shares (excluding treasury shares of 272) is 1,044,262,925 shares and 748,932,949 as of December 31, 2019 and 2018, respectively.

On September 15, 1989, SEC approved the registration of the Group's entire authorized capital stock with a Certificate of Permit to Sell Securities authorizing the sale of 25 billion shares worth ₱250.00 million. The Group's capital stock was listed in both Manila and Makati Stock Exchanges on January 24, 1990. Actual number of shares initially listed is 15 billion at an offer price of ₱0.01 per share.

Below is the summary of the Group's outstanding number of shares and holders of securities as at December 31, 2019:

Year	Number of shares registered	Number of holders of securities as at year end
January 1, 2018	748,932,949	2,038
Add (deduct) movement	–	(16)
December 31, 2018	748,932,949	2,022
Add (deduct) movement	295,329,976	(5)
December 31, 2019	1,044,262,925	2,017

Note: Exclusive of 272 treasury shares.

Retained Earnings
In accordance with Revised Securities Regulation Code (SRC) Rule No. 68, the Parent Company's retained earnings available for dividend declaration as at December 31, 2019 and 2018 amounted to ₱1,057.75 million and ₱1,133.57 million, respectively. The Parent Company and its subsidiaries will declare dividends out of their retained earnings available for dividend declaration.

The retained earnings account in the consolidated statements of financial position includes the accumulated equity in undistributed earnings of consolidated subsidiaries amounting ₱5,428.64 million and ₱2,969.06 million as at December 31, 2019 and 2018, respectively. These are not available for dividends until declared by the subsidiaries.

The Parent Company's retained earnings is restricted for dividends declaration to the extent of the cost of treasury stock amounting ₱209.

The BOD declared cash dividends as follows:

	2019	2018	2017
June 28, 2019, (₱0.01373 per share to stockholders of record as of July 25, 2019, payable on August 16, 2019	**₱14,338**	₱–	₱–
March 29, 2019, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 15, 2019, payable on May 14, 2019	**44,936**	–	–
December 12, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of January 8, 2019, paid on February 1, 2019	–	44,936	–
October 1, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 26, 2018, paid on November 21, 2018	–	44,936	–
June 29, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 26, 2018, paid on August 17, 2018,	–	44,936	–
March 23, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 19, 2018, paid on May 16, 2018	–	44,936	–
November 24, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of December 21, 2017, paid on January 18, 2018	–	–	44,936
September 27, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of November 7, 2017, paid on November 29, 2017	–	–	44,936

(Forward)

	2019	2018	2017
June 30, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 28, 2017, paid on August 23, 2017,	**₱–**	₱–	₱44,936
March 24, 2017, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 21, 2017, paid on May 9, 2017	**–**	–	44,936
	₱59,274	**₱179,744**	₱179,744

On March 27, 2020, the BOD declared ₱73.25 million cash dividends (₱0.07 per share) to stockholders of record as of April 14, 2020, payable on May 8, 2020.

Treasury Stock
As at December 31, 2019 and 2018, there are 272 treasury shares amounting ₱209. The retained earnings is restricted for dividend declaration to the extent of the amount of ₱209 treasury shares.

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2019 and 2018.

As at December 31, 2019 and 2018, the Group is not subject to externally imposed capital requirements except for the long-term loan of NTC that is subject to debt to equity ratio requirement (Note 17).

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

	2019	2018
Liabilities (a)	**₱6,540,274**	₱3,558,930
Equity (b)	**9,509,680**	5,998,631
Debt-to-equity ratio (a/b)	**0.69:1.00**	0.59:1.00

19. **Revenue from Contracts with Customers**

Revenue from schools and related operations consists of:

	2019	2018	2017
Tuition and other matriculation fees	**₱2,949,845**	₱1,758,503	₱1,860,069
Less: Scholarship grants and discounts	**(119,911)**	(87,007)	(77,529)
	2,829,934	1,671,496	1,782,540
Other student-related income:			
Seminar fee income	**16,573**	14,336	2,952
Miscellaneous	**150,266**	121,726	98,707
	₱2,996,773	₱1,807,558	₱1,884,199

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

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

	2019	2018	2017
Revenue from schools and related operations:			
Revenue from tuition and other matriculation fees (over time)	**₱2,829,934**	₱1,671,496	₱1,782,540
Other student-related income (at a point in time)	**166,839**	136,062	101,659
	₱2,996,773	₱1,807,558	1,884,199

For the Group's receivables and contract liabilities, these are disclosed in Notes 8 and 14, respectively.

20. **Cost of Schools and Related Operations**

Cost of schools and related operations account consists of:

	2019	2018	2017
Personnel expenses (Note 24)	**₱927,214**	₱608,761	₱575,949
Depreciation and amortization	**336,843**	187,189	194,769
Student-related expenses	**216,292**	110,314	95,180
Management and other professional fees (Note 15)	**166,467**	113,974	113,629
Utilities	**128,761**	84,042	81,735
IT expense - software license	**46,854**	36,623	27,321
Periodicals	**40,198**	21,693	19,666
Repairs and maintenance	**34,664**	15,720	12,252
Tools and library books (Notes 10 and 13)	**33,969**	26,334	30,198
Advertising	**19,696**	19,901	16,660

(Forward)

	2019	2018	2017
Seminar	**₱16,769**	₱12,668	₱18,996
Research and development fund	**16,211**	8,806	17,303
Office supplies	**16,084**	7,406	6,944
Accreditation cost	**11,122**	8,951	7,242
Insurance	**10,101**	7,351	6,620
Laboratory supplies	**7,955**	3,810	6,566
Taxes and licenses	**2,880**	1,527	1,801
Transportation and travel	**2,163**	1,845	1,144
Entertainment, amusement and recreation	**1,375**	510	387
Rent (Note 31)	**430**	205	624
Miscellaneous	**4,012**	1,773	2,014
	₱2,040,060	₱1,279,403	₱1,237,000

a. Details of depreciation and amortization follows:

	2019	2018	2017
Depreciation (Note 10)	**₱333,986**	₱217,781	₱208,648
Depreciation - ROU assets (Note 31)	**47,234**	–	–
Amortization - Student relationship (Note 6)	**14,874**	–	–
Amortization (Note 13)	**1,518**	530	635
	₱397,612	₱218,311	₱209,283

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

	2019	2018	2017
Cost of schools and related operations	**₱273,366**	₱187,189	₱194,769
Cost of schools and related operations - ROU assets (Note 31)	**47,234**	–	–
General and administrative expenses (Note 21)	**77,012**	31,122	14,514
	₱397,612	₱218,311	₱209,283

21. General and Administrative Expenses

This account consists of:

	2019	2018	2017
Management and other professional fees (Note 15)	**₱148,095**	₱112,905	₱86,521
Personnel expenses (Note 24)	**143,472**	48,207	54,482
Depreciation and amortization (Notes 10, 13 and 20)	**60,768**	31,122	14,514
Rent (Note 31)	**3,361**	751	1,760
Advertising	**21,401**	9,173	3,918

(Forward)

	2019	2018	2017
Repairs and maintenance	**₱17,388**	₱3,059	₱2,238
Taxes and licenses	**15,485**	9,377	4,458
Utilities	**11,379**	9,583	5,770
Seminar	**11,269**	904	819
Investor relations	**9,765**	2,771	2,411
Insurance	**5,394**	2,761	1,130
Transportation and travel	**5,123**	3,710	3,605
Office supplies	**4,094**	2,185	1,699
Donations	**3,767**	3,951	6,699
Entertainment, amusement, and recreation	**3,642**	1,813	2,951
IT expense - software license	**3,478**	154	789
Commission	**829**	680	622
Provisions for doubtful accounts (Note 8)	**79**	1,900	10,000
Miscellaneous	**12,672**	5,527	4,355
	₱481,461	₱250,533	₱208,741

Management and other professional fees consist of property management fees, janitorial and security service fees, lawyers, payroll specialists and other professional service fees (Note 15).

Miscellaneous expense includes dues and subscriptions, manual and training materials, periodicals and other contracted services, among others.

22. Interest Income, Interest and Other Finance Charges

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

	2019	2018	2017
Cash in banks and cash equivalents (Note 7)	**₱22,630**	₱11,231	₱12,815
Advances to officers and employees (Note 8)	**128**	115	140
	₱22,758	₱11,346	₱12,955

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

	2019	2018	2017
Short-term loans (Note 16)	**₱37,210**	₱31,895	₱1,189
Long-term loans (Note 17)	**63,945**	–	–
Interest expense on lease liabilities (Note 31)	**22,752**	–	–
Bank charges	**5,431**	4,131	3,044
	₱129,338	₱36,026	₱4,233

23. **Income Tax**

Provision for income tax consists of:

	2019	2018	2017
Current	**₱59,418**	₱35,046	₱49,345
Deferred	**8,177**	(7,171)	(1,770)
	₱67,595	₱27,875	₱47,575

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

	2019	2018	2017
Income before income tax at statutory rate	**30.00%**	30.00%	30.00%
Add (deduct) reconciling items:			
Difference in income tax rate	**(14.51)**	(20.37)	(20.61)
Others	**4.29**	0.89	0.94
	19.78%	10.52%	10.33%

MESI, MHSSI, MCLI, MCMI, UNC, NTC and APEC are educational institutions which are subject to a lower income tax rate of 10%.

The Group’s net deferred tax assets and liabilities consist of the following:

	2019	2018
Deferred tax assets – net		
Retirement asset	**₱8,033**	₱3,314
Allowance for doubtful accounts	**5,673**	1,816
Deferred school fees	**6,744**	–
Unrealized foreign exchange loss (gain)	**–**	(1)
	20,450	5,129
Deferred tax liabilities - net		
Revaluation increment on land	**539,366**	245,819
Allowance for inventory obsolescence	**(53)**	(53)
Allowance for doubtful accounts	**(4,997)**	(4,997)
Accruals	**(15,431)**	(15,356)
Retirement liabilities	**(7,177)**	(7,419)
Intellectual property rights and student relationship	**62,424**	–
NOLCO	**–**	(9,659)
Others	**84,649**	239
	658,781	208,574
	₱638,331	₱203,445

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

	2019	2018
Beginning	**₱203,445**	₱171,283
Additions from business combination (Note 6)	**427,254**	–
Provisions during the year	**8,177**	(7,171)
Tax effects of:		
Revaluation increment on land (Note 11)	**176**	38,939
Remeasurement gains (losses) on defined benefit plans (Note 25)	**(721)**	394
	₱638,331	₱203,445

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

	2019	2018
NOLCO	**₱78,146**	₱49,462
Allowance for doubtful accounts	**3,811**	2,991
Provision for retirement and others	**6,406**	6,406
Others	**794**	672
	₱89,157	₱59,531

As at December 31, 2019 and 2018, the details of the NOLCO and MCIT, which are available for offset against future taxable income and tax payable over a period of three (3) years from the year of inception, respectively, follow:

	NOLCO		MCIT	
	2019	2018	**2019**	2018
Beginning balance	**₱78,705**	₱53,501	**₱653**	₱835
Additions	**29,876**	35,183	**580**	86
Expiration	**(11,590)**	(9,978)	**(453)**	(269)
Ending balance	**₱96,991**	₱78,706	**₱780**	₱652

		NOLCO		MCIT	
Year Incurred	Expiration Date	**2019**	2018	**2019**	2018
2019	2022	**₱29,876**	₱–	**₱580**	₱–
2018	2021	**35,183**	35,183	**86**	86
2017	2020	**31,932**	31,933	**114**	113
2016	2019	–	11,590	–	453
		₱96,991	₱78,706	**₱780**	₱652

24. **Personnel Expenses**

a. Details of personnel expenses are as follows:

	2019	2018	2017
Compensation	**₱937,171**	₱583,742	₱569,352
Retirement benefits (Note 25)	**27,857**	16,919	18,623
Miscellaneous benefits	**105,658**	56,310	42,456
	₱1,070,686	₱656,971	₱630,431

Miscellaneous benefits pertain to honoraria and mandatory government benefits, among others.

b. Personnel expenses as function of expense follows:

	2019	2018	2017
Cost of schools and related operations (Note 20)	**₱927,214**	₱608,761	₱575,949
General and administrative expenses (Note 21)	**143,472**	48,210	54,482
	₱1,070,686	₱656,971	₱630,431

25. **Retirement Plans**

The Group has a noncontributory and defined benefit retirement plan covering all of its regular employees. The benefits are based on the years of service and percentage of latest monthly salary. The retirement benefit is the only long-term benefit given to employees. Short-term benefits are expensed outright.

The most recent actuarial valuation was carried out in January 2020 for the retirement plan of the Group as at December 31, 2019.

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

	2019	2018
Pension expense (Note 24)	**₱27,857**	₱16,919
Net pension assets	**18,290**	6,277
Net pension liabilities	**115,935**	40,008

Components of pension expense follow:

	2019	2018	2017
Current service cost	**₱27,182**	₱15,674	₱16,590
Net interest cost on defined benefit obligation	**675**	3,025	3,313
Past service cost	–	(1,780)	(1,280)
Net pension expense	**₱27,857**	₱16,919	₱18,623

The net pension assets recognized in the consolidated statements of financial position as at December 31, 2019 and 2018 is as follows:

	2019	2018
Fair value of plan assets	**₱57,957**	₱34,887
Present value of defined benefit obligation	**(37,445)**	(28,610)
Effect of asset ceiling	**(2,222)**	–
	₱18,290	₱6,277

The net pension liabilities recognized in the consolidated statements of financial position as at December 31, 2019 and 2018 is as follows:

	2019	2018
Fair value of plan assets	**₱290,282**	₱146,537
Present value of defined benefit obligation	**(406,217)**	(186,545)
	(₱115,935)	(₱40,008)

The movements in the net pension liabilities (assets) follow:

	2019	2018
At beginning of year	**₱33,732**	₱64,418
Contribution paid	**(24,172)**	(42,971)
Net pension expense	**27,857**	16,919
Net pension liabilities from business combination	**9,483**	–
Remeasurement losses (gains) recognized in OCI	**50,290**	(4,123)
Withdrawal of plan asset	**(161)**	728
Adjustments and reversals of defined benefit obligation	**616**	(1,239)
At end of the year	**₱97,645**	₱33,732

Remeasurement losses (gains) recognized in OCI follow:

	2019	2018
Remeasurement losses (gains)	**₱57,958**	(₱19,284)
Return on assets excluding amount included in net interest cost	**(7,668)**	15,161
Total remeasurement losses (gains) recognized in OCI	**₱50,290**	(₱4,123)

The net pension liabilities as of December 31 were derived as follows:

	2019	2018
Present value of defined benefit obligation	**₱443,662**	₱215,156
Fair value of plan assets	**348,239**	181,424
Effect of asset ceiling	**2,222**	–
Net pension liabilities	**₱97,645**	₱33,732

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

	2019	2018
Beginning balance	**₱215,156**	₱227,155
Additions from business combination (Note 6)	**166,631**	–
Interest cost	**17,162**	12,264
Current service cost	**17,086**	15,674
Benefits paid	**(16,052)**	(17,635)
Reversal of defined benefit obligation	**–**	(1,240)
Past service cost	**–**	(1,780)
Remeasurement losses (gains) on obligation:		
Experience adjustments	**(8,028)**	(2,875)
Changes in demographic assumptions	**(3,866)**	9,068
Changes in financial assumptions	**55,573**	(25,476)
Ending balance	**₱443,662**	₱215,156

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

	2019	2018
Beginning balance	**₱181,424**	₱162,736
Addition from business combination (Note 6)	**140,986**	–
Expected return	**17,466**	9,240
Contributions paid	**19,618**	42,972
Benefits paid	**(14,979)**	(17,635)
Withdrawal	**(600)**	(728)
Remeasurement gains (losses) on plan assets	**4,206**	(15,161)
Adjustment to plan assets	**118**	–
Ending balance	**₱348,239**	₱181,424

The distribution of plan assets as at December 31, 2019 and 2018 is as follows:

	2019		2018	
	Amount	**%**	Amount	%
Cash and cash equivalents	**₱176,481**	**50.68%**	₱30,404	16.76%
Investments in:				
Government securities	**112,651**	**32.35%**	153,985	84.88%
Certificate of time deposits	**19,825**	**5.69%**	–	–
Equity instruments	**39,580**	**11.37%**	1,457	0.80%
Interest and other receivables	**2,006**	**0.58%**	1,453	0.80%
Accrued trust fees	**(2,304)**	**-0.66%**	(5,876)	-3.24%
	₱348,239	**100.00%**	₱181,424	100.00%

Actual return (loss) on plan assets amounted to ₱21.67 million and (₱5.99 million) in 2019 and 2018, respectively.

The Group plans to contribute ₱21.15 million in 2020.

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

	2019	2018
Discount rate:		
Beginning	**7.26%-7.38%**	4.70%-5.74%
End	**4.79%-5.54%**	7.26%-7.38%
Salary increase rate:		
Beginning	**3.00%-5.00%**	3.00%-5.00%
End	**3.00%-5.91%**	3.00%-5.00%

The sensitivity analysis that follows has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of the end of reporting period, assuming all other assumptions were held constant.

As at December 31, 2019

	Rate	**Increase (Decrease)**	**PVO**
Discount rate	**5.86%**	**+100bps**	**(₱258,578,323)**
	3.86%	**-100bps**	**306,425,306**
Salary rate	**5.00%**	**+100bps**	**₱308,092,519**
	3.00%	**-100bps**	**(257,351,063)**

As at December 31, 2018

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

The sensitivity analysis above has been determined based on a method that extrapolates the impact of defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the balance sheet date. There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. It is the policy of the Trustee that immediate and near-term retirement liabilities of the Group's Retirement Fund are adequately covered by its assets. As such, due considerations are given that portfolio maturities are matched in accordance with due benefit payments. The Retirement Fund's expected benefits payments are determined through the latest actuarial reports.

26. **Earnings Per Share**

Earnings per share amounts attributable to equity holders of Parent Company are computed as follows:

	2019	2018	2017
Net income attributable to equity holders of Parent Company (a)	**₱254,588**	₱211,035	₱381,584
Weighted average number of outstanding shares - net of treasury shares (b)	**945,820**	748,933	748,933
Earnings per share (a/b)	**₱0.2692**	₱0.2818	₱0.5095

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

27. **Non-controlling Interest in Consolidated Subsidiaries**

This represents shareholdings in material subsidiaries not held by the Group. Proportion of equity interest held by non-controlling interests (NCI) in material subsidiaries for 2019 and 2018 follows:

	2019	2018
University of Nueva Caceres	**16.38%**	n/a
National Teachers College	**0.21%**	n/a
Malayan Education System, Inc	**0%**	7.04%
Malayan Colleges Laguna, Inc.	**0%**	7.04%
Malayan Colleges of Mindanao, Inc.	**0%**	7.04%
Malayan High School of Science, Inc.	**0%**	7.04%

Non-controlling interests in material subsidiaries as at December 31 follows (in million pesos):

	2019	2018
University of Nueva Caceres	**₱221**	n/a
National Teachers College	**2**	n/a
Malayan Education System, Inc.	**-**	₱339
Malayan Colleges Laguna, Inc.	**-**	100
Malayan Colleges of Mindanao, Inc.	**-**	53
Malayan High School of Science, Inc.	**-**	6

Dividends paid to non-controlling interest in consolidated subsidiaries amounted to nil, ₱12.32 million and ₱24.64 million in 2019, 2018 and 2017, respectively.

As at December 31, 2019 and 2018, the summarized financial information attributable to non-controlling interests in material subsidiaries is shown in the next page.

(In million pesos)

	Malayan Education System, Inc.			Malayan Colleges Laguna, Inc.			Malayan Colleges Mindanao, Inc.			Malayan High School of Science, Inc.			University of Nueva Caceres	National Teachers College
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	**2019**
Assets														
Current assets	₱573	₱381	₱467	₱261	₱130	₱81	₱94	₱48	₱13	₱13	₱21	₱30	₱385	₱258
Noncurrent assets	6,898	6,147	4,915	1,588	1,508	1,481	2,479	2,469	1,777	265	262	236	1,332	1,220
	₱7,471	₱6,528	₱5,382	₱1,849	₱1,638	₱1,562	₱2,573	₱2,517	₱1,790	₱278	₱283	₱266	₱1,717	₱1,478
Liabilities and Equity														
Current liabilities	₱2,012	₱1,484	₱762	₱259	₱161	₱93	₱416	₱1,744	₱1,002	₱9	₱12	₱14	₱200	₱140
Noncurrent liabilities	138	196	173	63	49	68	1,514	12	14	193	193	190	168	470
	2,150	1,680	935	322	210	161	1,930	1,756	1,016	202	204	204	368	610
Equity	5,321	4,848	4,447	1,527	1,428	1,401	643	761	774	76	79	62	1,349	868
	₱7,471	₱6,528	₱5,382	₱1,849	₱1,638	₱1,562	₱2,573	₱2,517	₱1,790	₱278	₱283	₱266	₱1,717	₱1,478
Attributable to:														
Equity holders of parent	₱5,321	₱4,509	₱4,136	₱1,527	₱1,328	₱1,303	₱643	₱708	₱54	₱76	₱73	₱58	₱1,128	₱866
Non-controlling interest	-	339	311	-	100	98	-	53	720	-	6	4	221	2
Net revenue	₱1,479	₱1,264	₱1,385	₱468	₱468	₱465	₱58	₱59	₱–	₱23	₱23	₱26	₱260	₱245
Gross profit (loss)	527	371	482	154	154	159	9	8	–	(6)	(7)	(3)	131	71
Net income (loss)	384	352	356	102	102	109	(75)	(75)	(9)	(9)	(9)	(6)	26	41
Attributable to:														
Equity holders of parent	₱384	₱327	₱331	₱102	₱95	₱101	(₱75)	(₱70)	(₱8)	(₱9)	(₱8)	(₱6)	₱16	₱41
Non-controlling interest	-	25	25	-	7	8	-	(5)	(1)	-	(1)	–	10	0

28. **Operating Segment Information**

Business Segment

The business segment is determined as the primary segment reporting format as the Group's risks and rates of return are affected predominantly by each operating segment.

Management monitors the operating results of its operating segments separately for the purpose of making decision about resources allocation and performance assessment. Group financing (including interest income, dividend income and interest expense) and income taxes are managed on a group basis and are not allocated to operating segments. The Group evaluates performance based on income before income tax, and earnings before income tax, depreciation and amortization. The Group does not report its results based on geographical segments because the Group operates only in the Philippines.

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

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

Education - primarily consists of revenues of MESI, MCLI, MHSS, MCMI, NTC, UNC, and APEC in education.

Others - represent support services which cannot be directly identified with the reportable segment mentioned above.

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

Segment assets and liabilities exclude deferred tax assets and liabilities.

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

Capital expenditures consist of additions to property and equipment.

(In million pesos)

	Education			Others			Elimination			Consolidated		
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017
Revenues												
Income from external customers	**₱2,997**	₱1,808	₱1,884	**₱-**	₱-	₱-	**₱-**	₱–	₱–	**₱2,997**	₱1,808	₱1884
Total Revenues	**₱2,997**	₱1,808	₱1,884	**₱-**	₱-	₱-	**₱-**	₱-	₱-	**₱2,997**	₱1,808	₱1,884
Net Income attributable to Parent Company	**₱326**	₱371	₱452	**(₱17)**	₱146	₱298	**(₱55)**	(₱306)	(₱368)	**₱254**	₱211	₱382
Other Information												
Segment assets	**₱18,002**	₱10,998	₱9,037	**₱5,889**	₱1,967	₱2,009	**(₱7,618)**	(₱2,993)	(₱3,154)	**₱16,273**	₱9,972	₱7,892
Segment liabilities	**6,540**	3,856	2,326	**178**	88	110	**(178)**	(385)	(569)	**6,540**	3,559	1,867
Deferred tax assets	**20**	5	6	–	–	–	–	–	–	**20**	5	6
Deferred tax liabilities	**543**	209	177	**41**	–	–	**75**	–	–	**659**	209	177
Cash flows arising from:												
Operating activities	**804**	633	625	**(26)**	(22)	18	**210**	(55)	(57)	**988**	556	586
Investing activities	**(1,461)**	(1,724)	(1,250)	**121**	260	260	**317**	(355)	(355)	**(1,023)**	(1,819)	(1,345)
Financing activities	**832**	941	319	**(121)**	(172)	(176)	**(109)**	449	375	**602**	1,218	518
Interest expense	**130**	41	4	**0**	–	–	**(1)**	(5)	–	**129**	36	4
Provision for income tax	**71**	28	44	**1**	–	4	**(4)**	–	–	**68**	28	48
Capital expenditures	**347**	2,127	1,049	–	–	–	**1,090**	(20)	–	**1,437**	2,107	1,049
Depreciation and amortization	**399**	218	209	**0**	–	–	**(1)**	0	–	**398**	218	209

29. Notes on Consolidated Statements of Cash Flows

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

	2018	Non-cash Changes: Declaration of Cash Dividend	Non-cash Changes: Liabilities assumed from Merger	Cash Flows	2019
Short-term loans	**₱2,240,000**	**₱–**	**₱70,000**	**(₱911,200)**	**₱1,398,800**
Long-term loans	**–**	**–**	**190,000**	**1,679,903**	**1,869,903**
Dividends payable	**57,018**	**59,274**	**1,054**	**(116,781)**	**565**
Payables to related parties	**13,015**	**–**	**–**	**2,396**	**15,411**
	₱2,310,033	**₱59,274**	**₱261,054**	**₱654,318**	**₱3,284,679**

	2017	Non-cash Changes: Declaration of Cash Dividend	Non-cash Changes: Non-controlling interest	Cash Flows	2018
Short-term loans	₱810,000	₱–	₱–	₱1,430,000	₱2,240,000
Dividends payable	69,343	179,744	12,322	(204,392)	57,018
Payables to related parties	20,958	–	–	(7,943)	13,015
	₱900,301	₱179,744	₱12,322	₱1,217,665	₱2,310,033

- Noncash investing activities in 2019 and 2018 pertain to the revaluation of land amounting ₱22.76 million and ₱389.89 million, respectively (Note 11).

- Noncash investing activities in 2019 also include the non-cash business combination as disclosed in Note 6.

30. Financial Instruments

Fair Value of Financial Instruments

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as at December 31, 2019 and 2018:

	Carrying Amount	2019: Level 1	2019: Level 2	2019: Level 3	2019: Total
Financial assets measured at fair value:					
Financial assets at FVTPL	**₱9,350**	**₱9,350**	**₱–**	**₱–**	**₱9,350**

	Carrying Amount	2018: Level 1	2018: Level 2	2018: Level 3	2018: Total
Financial assets measured at fair value:					
Financial assets at FVTPL	₱8,700	₱8,700	₱–	₱–	₱8,700
Equity instruments at FVOCI	14,390	14,390	–	–	14,390

The Group uses the following hierarchy in determining and disclosing the fair value of financial instruments by valuation techniques:

- *Level 1* - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- *Level 2* - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- *Level 3* - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

- *Cash and cash equivalents, receivables, receivables from related parties, accounts payable and accrued expenses, payables to related parties and dividends payable and short-term loans*- carrying amounts approximate fair values due to the short-term nature of these accounts.

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

- *Equity instruments at FVOCI* - fair values were determined using quoted market prices at financial reporting date. The investments are included within the level 1 of the hierarchy. The movement in the cost and gain are as follow:

	2019	2018	2017
As at January 1	**₱14,390**	₱25,079	₱17,062
Changes in fair value	**3,092**	(10,689)	8,017
Disposal	**(17,482)**	–	–
As at December 31	**₱-**	₱14,390	₱25,079

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

	2019	2018	2017
As at January 1	**(₱3,972)**	₱6,717	(₱1,300)
Changes in fair value	**3,092**	(10,689)	8,017
As at December 31	**(₱880)**	(₱3,972)	₱6,717

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

- *Long-term loans* - the carrying value approximates the fair value using the EIR method because future payments are discounted based on interest at market rate.

As at December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements. There are no financial assets and financial liabilities recognized at fair value based on Level 3 and there are no transfers in and out of Level 3 categories in 2019 and 2018. No financial instrument fall within Level 3.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, receivables from related parties, equity and other investments, accounts payable and accrued expenses, payables to related parties, dividends payable, lease liabilities, and loans. The main purpose of these financial instruments is to raise finances for the Group's operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The BOD reviews and approves the policies for managing these risks. The Audit Committee and the Risk Management Committee of the Board meets regularly and exercises an oversight role in managing risks.

The Group's risk management policies are summarized as follows:

Credit risk and concentration of credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. The Group's exposure to credit risk relates primarily to the inability of the debtors and students to pay and to fully settle the unpaid balance of tuition fees and other charges, respectively, which are owed to the Group based on the installment payment schemes. The Group manages its credit risk in accordance with its credit policies by maintaining strict policies like not allowing students to enroll in the following term unless the unpaid balance in the previous term has been paid. The Group also withholds the academic records and clearance of the students with unpaid balances. The Group's exposure to credit risk arising from its other receivables from debtors and related parties is managed through close account monitoring and setting of limits.

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

The Group does not have any significant exposure to any individual customer or counterparty. With respect to credit risk arising from cash and cash equivalents, receivables, amounts due from related parties, financial assets at FVTPL and listed equity investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. As at December 31, 2019 and 2018, there are no collaterals held in relation to the Group's financial assets.

The table below shows the credit risk exposure on the Group's financial assets as at December 31, 2019:

	Gross carrying amount at default	**Expected credit loss (Impaired)**
Cash in banks	**₱426,955**	**₱–**
Cash equivalents	**724,477**	**–**
Receivables from:		
Tuition and other fees	**847,853**	**125,430**
Trade	**53,732**	**3,393**
Related parties	**603**	**–**
Others	**113,902**	**6,023**
Financial assets at FVTPL	**9,350**	**–**
Deposits	**27,490**	**–**
	₱2,204,362	**₱134,846**

December 31, 2018:

	Gross carrying amount at default	Expected credit loss (Impaired)
Cash in banks	₱163,610	₱–
Cash equivalents	423,221	–
Receivables from:		
Tuition and other fees	299,384	55,683
Trade	3,393	3,393
Related parties	845	–
Others	99,443	5,953
Financial assets at FVTPL	8,700	–
Equity investments at FVOCI	14,390	–
	₱1,012,986	₱65,029

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

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

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

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

For tuition and other fees receivables, the Group generally uses a provision matrix to calculate ECLs. The provision rates are based on days past due for groupings based on school term. The provision matrix is initially based on the Group's historical observed default rates. The Group will then consider directly relevant forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are considered.

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

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

	2019					
	Current	< 1 quarter	1 - 2 quarters	> 2 quarters	Expected credit loss	Total
Tuition and other fees	₱521,236	₱111,169	₱64,338	₱ 151,110	(₱119,254)	₱728,599

	2018					
	Current	< 1 quarter	1 - 2 quarters	> 2 quarters	Expected credit loss	Total
Tuition and other fees	₱227,620	₱10,616	₱2,047	₱3,210	(₱55,682)	₱299,385

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due.

The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. As an inherent part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. The Treasury Department is responsible for monitoring the short-term loans and demand deposits of the Group. It assesses the status and maturity period of the loans and deposits to be able to determine the financial standing of the Group and whether the funds being maintained will be able to accommodate any maturing liabilities. Short-term and long-term funding are obtained to finance capital expenditures and working capital. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecasts approved by BOD. As at December 31, 2019 and 2018, the Group has available short-term credit facilities with banks aggregating ₱3.18 billion and ₱5.0 billion, respectively. In addition to this, the Group also has available long-term credit facilities with a bank amounting to ₱1.5 billion as of December 31, 2018. Short-term loans obtained by the Group are renewable subject to the terms of the agreements. The Group intends to convert short-term loans obtained to finance capital expenditures into long-term loans.

The tables below summarize the maturity profile of the Group's financial assets held for liquidity purposes. The maturity groupings are based on the remaining period from the end of the financial reporting date to the contractual maturity date.

	2019			
	On demand	**Less than 1 year**	**More than 1 year**	**Total**
Financial assets at amortized cost				
Cash	**₱429,829**	**₱–**	**₱–**	**₱429,829**
Cash equivalents	**724,477**	**–**	**–**	**724,477**
Receivables*	**335,733**	**532,253**	**12,657**	**880,643**
Receivables from related parties	**603**	**–**	**–**	**603**
Financial assets at FVTPL	**9,350**	**–**	**–**	**9,350**
	₱1,499,992	**₱532,253**	**₱12,657**	**₱2,044,902**

**excluding advances to officers and employees*

	2018			
	On demand	Less than 1 year	More than 1 year	Total
Financial assets at amortized cost				
Cash	₱164,618	₱–	₱–	₱164,618
Cash equivalents	423,221	–	–	423,221
Receivables*	228,732	87,892	–	316,624
Receivables from related parties	845	–	–	845
Financial assets at FVTPL	8,700	–	–	8,700
Equity investments at FVOCI	–	–	14,390	14,390
	₱826,116	₱87,892	₱14,390	₱928,398

**excluding advances to officers and employees*

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

	2019		
	On demand	**Less than 1 year**	**Total**
Accounts payable and accrued expenses*	**₱547,047**	**₱440,370**	**₱987,417**
Payables to related parties	**15,411**	**–**	**15,411**
Dividends payable	**565**	**–**	**565**
Short-term loans	**–**	**1,398,800**	**1,398,800**
	₱563,023	**₱1,839,170**	**₱2,402,193**

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

	2018		
	On demand	Less than 1 year	Total
Accounts payable and accrued expenses*	₱374,255	₱26,490	₱400,745
Payables to related parties	13,014	–	13,014
Dividends payable	44,696	12,322	57,018
Short-term loan	–	2,240,000	2,240,000
	₱431,965	₱2,278,812	₱2,710,777

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

31. Commitments and Contingencies

Lease Commitments

Group as a lessor

The Group's Intramuros and Makati campuses lease spaces to Digitel, Investment Managers, Inc. (IMI) and Bell Telecommunication Philippines, Inc. The lease terms cover lease periods of between three (3) years to ten (10) years with escalation rates ranging from 3.00% to 10.00%.

The future minimum rentals receivable under the aforementioned lease agreements follow:

	2019	2018
Within one year	**₱791**	₱1,750
More than one year but not more than five years	**4,036**	4,005
Later than five years	**1,273**	1,371
	₱6,100	₱7,126

Group as lessee
The Group leases building spaces for office and school sites and annexes from third-party lessors for a period ranging from one to ten years. The Group applies the 'short-term lease' recognition exemption for those leases with lease terms of one year or less. For those leases subjected to PFRS 16, the IBR used in the computation of lease liabilities ranges from 7.25% to 9.0% in 2019.

The 2019 rollforward analysis of net book value of right-of-use assets from APEC, where its school and office buildings are being rented, follows:

Net book value at business combination (Note 6)	₱363,029
Additions	72,186
Amortization (Note 20a)	(47,234)
Net Book Value at December 31	₱387,981

The following are the amounts recognized in the 2019 statement of comprehensive income (Note 20):

Depreciation expense of right-of-use assets	₱47,234
Interest expense on lease liabilities	22,752
Total amount recognized in profit or loss	₱69,986

The 2019 rollforward analysis of lease liabilities from APEC follows:

Lease liabilities at business combination (Note 6)	₱374,622
Additions	71,066
Interest expense (Note 22)	22,752
Payments	(49,100)
As at December 31, 2019	₱419,340

The balance of lease liabilities as of December 31, 2019 follows:

Lease liabilities – current	₱46,215
Lease liabilities – noncurrent	373,125
As at December 31, 2019	₱419,340

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2019:

Within one year	₱75,365
More than one year but less than five years	348,644
Five years and more	126,857
	₱550,866

Provisions and Contingencies

- The Group is involved in certain claims arising from the ordinary conduct of business which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external counsels handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings.

  The disclosure of additional details beyond the present disclosure may prejudice the Group's position and negotiation strategies with respect to these matters. Thus, as allowed under paragraph 92 of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided.

- Prior to 2018, the Group's provisions include the Group's recognized payable associated with the Faculty Associations of Mapua Institute of Technology (FAMIT) reranking case. This case involves the faculty ranking and evaluation instrument that was part of the 2001 Collective Bargaining Agreement negotiations with the FAMIT. The Supreme Court reversed an earlier Court of Appeals decision in favor of management. An entry of judgment dated March 13, 2008 was made in the Supreme Court Book of Entries of Judgments, making the decision final and executory. A Memorandum of Agreement was entered into by management with FAMIT before the Voluntary Arbitrators wherein the parties agreed to continue the process of faculty ranking. The evaluation process was completed in December 2008.

  On January 22, 2009, MESI and FAMIT entered into a Compromise Agreement regarding the payment of the amounts due to the permanent faculty members of MESI in relation to the faculty reranking case.

  As at December 31, 2018, total accumulated payments to faculty members amounted to ₱230.78 million. Management assessed that the liability already prescribed after applying the 10-year prescription period which ended in March 2018.

32. Subsequent Event

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon and other parts of the country until April 12, 2020, which was subsequently extended to May 31, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

Manpower for operations was affected due to the state-imposed self-quarantine, partial lockdown, and curfew. To address this, the Group has devised an alternative working arrangement of work-from-home and skeletal workforce scheme for its employees. Business support units were equipped with appropriate protocols to be able to support the operations unit and ensure continuity of business operations. As to the school operations, face-to-face classes and activities were suspended and classes were continued through online learning and examination and multiple modalities.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. The Group is currently finalizing its measures to adapt to and lead in the new normal situation in case there is a prolonged quarantine period and mandated social distancing when face-to-face classes and activities resumes. The Group plans to implement flexible learning arrangements such as the use of online or digital learnings to its students and multiple modalities. Considering the evolving nature of this pandemic, the Group at this time cannot yet determine with certainty the impact to its financial position. The Group will continue to monitor the situation.

33. Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, 2018 and 2017 were approved and authorized for issuance by the BOD on May 22, 2020.

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

SUPPLEMENTARY SCHEDULES

SCHEDULE II

IPEOPLE, INC. AND SUBSIDIARIES

ANNEX 68-J: SCHEDULES

DECEMBER 31, 2019

Below are the additional information and schedules required by Revised Securities Regulation Code Rule 68. This information is presented for purposes of filing with the SEC and is not required parts of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

As at December 31, 2019, the Group has no financial assets in Equity Securities.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Below is the schedule of advances to officers and employees of the Group with balances above ₱100,000 as at December 31, 2019:

Name	As at December 31, 2018	Additions	Liquidations/ Collections	As at December 31, 2019
Arenillo, Denise Jordan	₱389,198	₱ -	₱67,040	₱322,158
Agapito, Benigno Jr.	-	381,500	6,358	375,142
Camacho, Margarita	311,659	-	71,003	240,657
Caparanga, Alvin	318,500	-	65,000	253,500
Doma, Bonifacio T. Jr.	137,569	-	31,625	105,944
Gochioco, Geraldine	220,851	-	67,547	153,304
Lanuza, Dionisia	238,500	-	53,000	185,500
Macayan, Jonathan	380,867	-	65,667	315,200
Manuel, Mark Christian	-	394,000	52,533	341,467
Quisaot, Concordio	-	394,000	45,967	348,033
Robielos, Rex Aurelius	299,600	-	62,417	237,183
Sabino, Lilibeth	234,967	-	61,833	173,133
Salvacion, Jonathan	212,461	-	61,583	150,878
Teodoro, Gloria	331,500	-	65,000	266,500
Uy, Francis Aldrine	366,762	-	66,083	300,678
Yap, Maria Elizabeth	-	537,600	7,705	529,895
Agbulos, Erlin C.	223,453	-	89,369	134,084
Austria, Maria Rhodora	287,117	-	74,900	212,217
Costales, Aloysius Nathaniel	259,751	-	129,916	129,835
Gan, Maria Eloisa	-	533,682	35,579	498,103
Hofilena, Joy	298,854	-	75,500	223,354
Kikuchi, Khristian	298,854	-	75,500	223,354
Medrano, Anthony H.	295,708	-	193,332	102,377
Mesina, James Ronald	-	402,500	48,000	354,500
Salayo, John Vincent	295,708	-	44,042	251,667
Songsong, Maribel	198,400	-	74,400	124,000
Tablante, Dennis H.	138,233	-	37,700	100,534

(Forward)

Name	As at December 31, 2018	Additions	Liquidations/ Collections	As at December 31, 2019
Tiongco, Danilo R.	₱324,411	₱-	₱92,689	₱231,722
Lopez, Jonathan M.	-	398,720	46,526	352,194
Rodriguez, Annele	-	602,500	-	602,500
Ravanera, Tomas Carlos	-	220,208	-	220,208
Manzano, Catherine	-	110,000	-	110,000
Lozada, Katrina	-	128,764	-	128,764
UNKNOWN - 5	-	147,280	-	147,280
	₱6,062,924	₱4,250,754	₱1,867,814	₱8,445,863

These advances pertain to the officers and employees car plan agreements. Such advances are interest-bearing and shall be liquidated on a monthly basis. There were no amounts written off during the year.

Schedule C. Amounts Receivable/Payables from and to Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivables and payables with related parties, which are eliminated in the consolidated financial statements as at December 31, 2019:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
Pan Pacific Computer Center, Inc.	₱1,104,410	₱–	₱–	₱1,104,410
Malayan Education System, Inc.	162,678,201	17,264,228	(170,375,364)	9,567,065
Malayan Colleges Laguna, Inc.	–	11,148,811	(8,800,236)	2,348,575
University of Nueva Caceres	–	1,357,520	(929,267)	428,253
National Teachers	–	882,739	(882,739)	–
Affordable Private Education	–	788,034	(788,034)	–

Schedule D. Long-term debt

As at December 31, 2019, the Group has outstanding long-term debts as follow (in thousands):

Unsecured bank loans	₱380,000
Secured bank loans	1,489,903
	₱1,869,903

Unsecured

The Group, through NTC, entered into a 10-year unsecured term loan facility with a third party local bank for ₱650.00 million to finance its building refurbishment and/or expansion. The principal payments will be made in 28 quarterly payments starting May 2022. As of December 31, 2019, total drawdown from the long-term loan facility amounted to ₱380 million, which are subject to annual interest rate of 4.675% with annual repricing based on higher of 5.5% or the prevailing one year benchmark rate or done rate of a liquid/active security, as agreed by the parties, with the same tenor if benchmark rate is not reflective of market rate, plus interest spread.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity structure ratio of 3:1. As of December 31, 2019, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. For 2019, interest expense recognized in profit or loss amounted to ₱8.46 million while interest capitalized as part of building and improvements amounted to ₱7.11 million.

Secured
In 2019, the Group, through MCMI, entered into a ten-year secured long-term loan agreement with a third party local bank for ₱1,500.00 million to refinance the construction of MCMI's school buildings and facilities that were initially funded by short-term loans. MCMI made partial drawdowns against this agreement amounting to ₱680.00 million, ₱350.00 million and ₱470.00 million in January, June and July 2019, respectively. The loans were subject to prevailing borrower's rate, plus a minimum spread of 0.50% per annum, but in no case lower than 4% per annum, subject to quarterly repricing. MCMI shall repay the loan in 20 equal quarterly installments to start at the end of 21st quarter from the initial drawdown date. The loans were secured by the land and related improvements owned by MCMI with carrying value of ₱2,376.76 million as of December 31, 2019 and suretyship of MESI. The loans were subject to certain positive and negative covenants such as the requirement for MESI to maintain its debt service cover ratio of at least 1.0 at all times and its debt-to-equity ratio of at least 75:25 starting on the third year of the loan reckoned from initial drawdown date or January 2022.

MCMI incurred debt issue cost amounting to ₱11.25 million which was being amortized over the loan term of 10 years using the effective interest method. The amortized debt issue cost amounting to ₱1.15 million was recorded as part of interest expense.

Interest expense, including amortization of debt issue cost, amounted to ₱58.33 million.

Outstanding balance of long-term loans as of December 31, 2019 as follow:

	Amount
Principal	₱1,500,000
Unamortized debt issue cost	(10,097)
	₱1,489,903

Schedule E. Indebtedness to Related Parties (Long Term Loans from Related Companies)
As at December 31, 2019, the Group has no outstanding long-term debt from/to related parties.

Schedule F. Guarantees of Securities of Other Issuers
As at December 31, 2019, the Group does not guarantee any securities.

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	1,044,262,925	-	885,453,681	144,775	158,664,469

SCHEDULE III

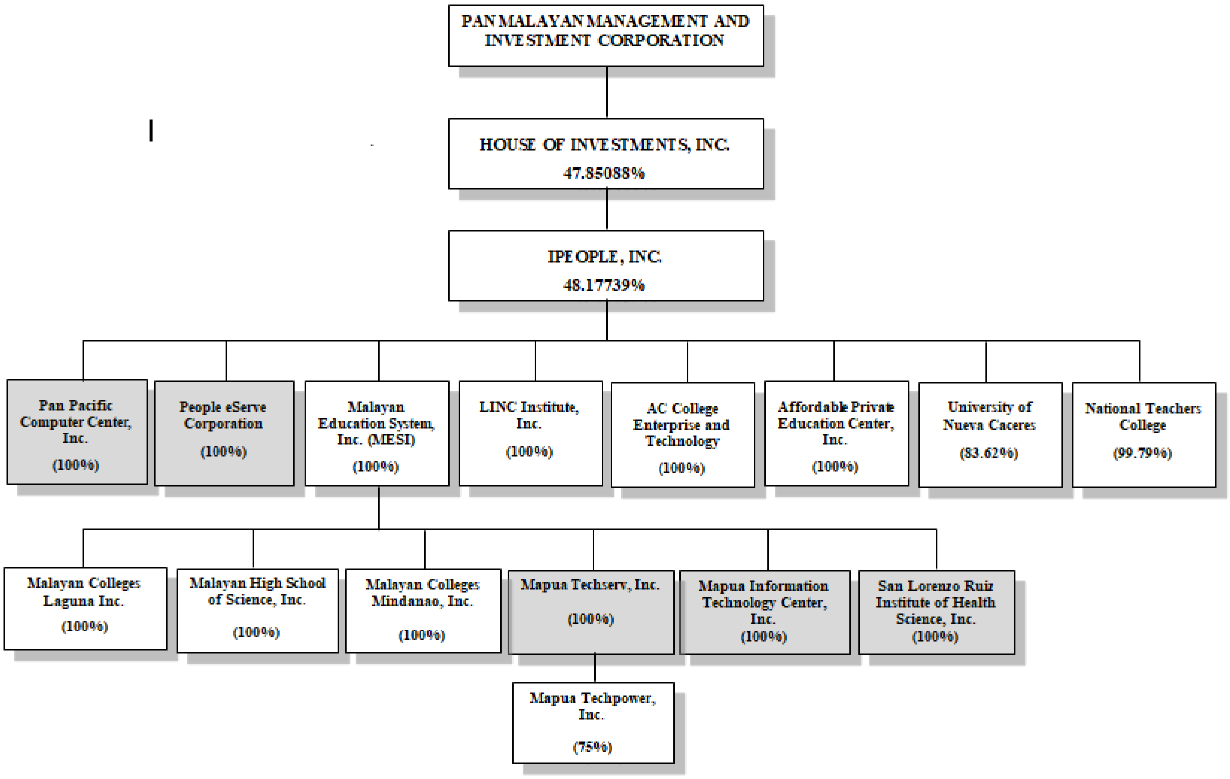
IPEOPLE, INC. AND SUBSIDIARIES

GROUP STRUCTURE

DECEMBER 31, 2019

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company and subsidiaries as at December 31, 2019:



SCHEDULE I

IPEOPLE, INC. AND SUBSIDIARIES

ANNEX 68-D: RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION*

DECEMBER 31, 2019

Items	Amount	
Unappropriated retained earnings, *as adjusted to available for distribution, beginning*		**₱1,133,574**
Add: Net income actually earned/realized during the period		
Net income during the period closed to retained earnings	**(₱16,548)**	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Sub-total	–	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustments due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Sub-total	–	
Net income actually realized during the period		**(16,548)**
Add (Less):		
Dividends declaration during the year	**(59,274)**	
Appropriations of retained earnings during the period	–	
Reversal of appropriations	–	
Effects of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	**(0.21)**	
		(59,274)
Total Retained Earnings, End Available for Dividend		**₱1,057,752**

**Based on December 31, 2019 Parent Company Supplementary Schedule.*

IPEOPLE, INC. AND SUBSIDIARIES

ANNEX 68-E: SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2019 AND 2018

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

Financial ratios		**2019**	2018
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**0.67:1**	0.30:1
Acid-test ratio *Indicates the Group's ability to use its quick or near cash assets to pay current liabilities immediately*	Current Assets – Prepaid expenses / Current Liabilities	**0.62:1**	0.28:1
Solvency Ratio *Shows how likely a Group will be to continue meeting its debt obligations*	Net Income+Depreciation / Total Liabilities	**0.10:1**	0.13:1
Debt-to-equity ratio *Measures the Group's leverage*	Total Debt / Equity	**0.69:1**	0.59:1
Asset to Equity Ratio *Shows how the Group's leverage (debt) was used to finance the firm*	Total Assets / Equity	**1.67:1**	1.55:1
Interest Rate Coverage *Shows how easily a Group can pay interest on outstanding debt*	EBIT* / Interest Expense Excluding Interest Expense on Lease Liabilities	**4.42:1**	8.35:1
Return on Average Stockholders' Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Equity	**3.40%**	3.81%
Net profit margin *Reflect how much net income or profit is generated as percentage of revenue*	Net Profit Margin Revenue	**9.15%**	13.12%
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income / Total Assets	**1.68%**	2.38%

**Earnings before interest and taxes (EBIT)*

ANNEX "E"

iPeople, inc. and Subsidiaries
Consolidated Financial Statements
March 31, 2020 and December 31, 2019

and

Three Months Ended
March 31, 2020, 2019 and 2018

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	6	6	4	1	1					

COMPANY NAME

iPEOPLE, iNC. AND SUBSIDIARIES

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

3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	8253-3637	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,015	August	March 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jonathan M. Lopez	jonlopez@ipeople.com.ph		N/A

CONTACT PERSON's ADDRESS

2nd Floor, Mapua Building, 333 Sen. Gil J. Puyat Avenue, Makati City

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

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

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, 2020

2. SEC Identification Number 166411

3. BIR Tax Identification No. 000-187-926-000

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

5. Makati City, 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 J. Puyat Avenue, Makati City 1200
   Address of issuer's principal office Postal Code

8. +63 (2) 8253-3637
   Issuer's telephone number, including area code

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

   Number of Shares of Common Stock

Title of Each Class	Outstanding Shares
Common Stock, P1.00 par value	1,044,263,197

   Amount of debt as of March 31, 2020 No debt registered pursuant to Section 4 and 8 of the RSA

10. Are any or all of these securities listed on the 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. Check whether the registrant:

    (a) has filled all reports required to be filed by Section 17 of the SRC 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 ( )

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The interim consolidated financial statements of iPeople, Inc. and Subsidiaries as of March 31, 2020 with comparative figures for the periods ended March 31, 2019, March 31, 2018 and December 31, 2019 and Schedule of Aging of Accounts Receivable are incorporated by reference as **Exhibit 1**.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

Are there any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.	None
Does the registrant currently has, or anticipates having within the next twelve (12) months, any cash flow or liquidity problems?	No
Is the registrant in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments?	No
Has there been a significant amount of the registrant's trade payables have not been paid within the stated trade terms?	None
Describe internal and external sources of liquidity, and briefly discuss any sources of liquid assets used.	Sources of cash flow are from dividends.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;

None

(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

None

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described;

iPeople, inc.'s subsidiary Malayan Education System, Inc. (MESI) (operating under the name of Mapua University) is constructing a new campus on a 0.5-hectare property in Makati. The construction of the new campus is expected to be completed during the Academic Year 2020-2021. The total project is estimated at around P2.5 billion and will be funded partially by debt. Except for the construction of new campus of MESI, there is no material commitment on capital expenditures other than those performed in ordinary course of trade of business.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described. If the registrant knows of events that will cause material change in the relationship between costs and revenues (such as known future increases in cost of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.

For iPeople, inc., the merger by and between the Company and of AC Education, Inc. (AEI) became effective on May 02, 2019. The merger will enable accelerated growth and provide stronger academic offerings and career prospects for the students of the Group. The merger will also unlock synergies between iPeople and AEI to be able to deliver quality education, aimed not only at educating the Filipino youth but also at preparing their graduates to become major players in sustainable businesses driven by adaptive technology.

The entry of freshmen college students into the education system was tempered by the introduction of the Universal Access to Tertiary Education Act (RA10931), which had its first-time implementation in AY 2018-19. This resulted to notable decline in college freshman intake in private schools, which can generally be attributed to incoming freshmen applying at State Universities and Colleges (SUCs) / Local Universities and Colleges (LUCs) to avail of the free education under RA10931.

The suspension of classes that started on March 09, 2020 and the declaration of the community quarantine in various municipalities and regions in the Philippines effective March 15, 2020 covered the Mapúa Schools (Mapúa University in Intramuros, Mapúa Extension Campus in Makati, Malayan High School Science in Paco, Malayan Colleges Laguna in Cabuyao, and Malayan Colleges Mindanao in Davao), National Teachers' College in Quiapo, University of Nueva Caceres in Naga, and all branches of APEC Schools in Metro Manila. Disruptions to the operations of iPeople and its schools during and beyond the quarantine period will be mitigated with the utilization of alternatives means to continue the students' academic work, including adoption of on-line classes, coursework online, and independent projectized learning. Measures are also in place to address the risk to the health and safety of our employees, teachers, and communities.

The health, social and economic effects COVID-19 will have material impact on the 2020 consolidated financial results and even periods thereafter. Considering the evolving nature of this pandemic, the Group is evaluating in a continuing process the impact to its financial position, performance and cash flows. However, the Group at this time cannot yet determine with certainty the impact to its financial position. The Group will continue to monitor the situation.

Other than matters discussed above, there is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income of the Group from continuing operations.

(vi) Any significant elements of income or loss that did not arise from the registrant's continuing operations;

None

(vii) The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item; The term "material" in this section shall refer to changes or items amounting to five percent (5%) of the relevant accounts or such lower amount, which the registrant deems material on the basis of other factors.

Income Statement Variance

Compared to last year, the consolidated revenue and expenses of the Group went up generally with the higher number of enrolled students, increase in enrollment of MCM and revenue and expenses of new subsidiaries.

The Group produced a higher consolidated net income of ₱162.49 million this year versus net income of ₱103.85 million in the same period last year. The higher net income in 2020 is mainly attributed to better results of operations of MESI, lower net loss of MCM and P69 million net income contribution of subsidiaries acquired in May 2019. MCM incurred lower net loss mainly due to significant increase in enrollment The result of future operations of MCM is expected to continue improve as it accepts more students in its succeeding years of operation.

Revenue from school operations, which is the primary source of revenue of the Group went up by 78% to ₱957.35 million from ₱538.70 million last year. The increase in revenue was primarily due to normalization of freshmen enrolment from K-12 program, improvement in MESI's enrolment process, significant increase in revenues of MCM, and P381 million revenues of subsidiaries acquired in May 2019.

Cost of tuition and other fees went up by 75% or ₱247.60 million, while general and administrative expenses increased by 119% or ₱87.81 million higher from same period last year. The higher expenses in 2020 was primarily due to additional costs related to significant increase in enrolment of MCM and P296 million operating expenses of newly acquired subsidiaries.

Interest income is lower by ₱2.67 million from last year because of lower interest rates.

Interest expense and other finance charges increased from ₱21.25 million last year to ₱32.33 million this year due to additional loans availed by the Group.

Other income (loss) pertains to rental income, Foreign Exchange gain, income from investment in UITF.

Balance Sheet Variances

Total consolidated assets stood at ₱16.23 billion as of March 31, 2020 compared to ₱16.27 billion as of December 31, 2019. The slight drop in total assets is due to lower accounts receivable and amortization of intangible assets and right of use assets.

Consolidated current assets decreased to ₱2.28 billion this year from ₱2.32 billion last year primarily due to the lower accounts receivable.

Receivables pertain mainly to matriculation and miscellaneous fees due from students. The 8% decrease in receivable was mainly due to timing of start of classes.

Consolidated non-current assets is lower by ₱5 million or .04% lower mainly due to amortization of intangible assets and right of use assets.

Total consolidated liabilities were lower by 2%, primarily because of the 39% decrease in unearned income.

Accounts payable and accrued expense went up by 4% because of 1) payable to various suppliers relative to the on-going construction of the new campus in Makati; 2) accrual of salaries and wages and interest on loans.

Payables to related parties pertain to services provided by the Group's affiliates to support its operations and oversee the on-going construction of school building in Makati.

Income tax payable in December 2019 will be settled in June 2020. Tax liability for the quarter ending March 2020 is also payable in June 2020.

Unearned income is lower this year, from ₱780.71 million in December 2019 to ₱479.54 million as of March 2020 due to revenue recognized during the period.

The ₱73.8 million dividends payable as of March 2020 was paid in May 2020.

Total consolidated equity increased from ₱9.73 billion in December 2019 to ₱9.82 billion this year mainly due to the net income during the period. Equity attributable to Parent is at ₱9.59 billion, from ₱9.51 billion in December 2019.

(viii) Any seasonal aspects that had a material effect on the financial condition or results of operations.

During summer period, the school operations undergo a material change. For the purposes of this discussion, the summer period occurs two months from May to June or June to July of every year depending on each school's academic year.

During the summer term, student enrollment drops significantly because majority of matriculating students go on break. Therefore there is a seasonal shift in revenues as enrolment drops in the summer term. Despite the lower revenue during the summer term, the schools continue to carry the same periodic fixed costs resulting to lower net profits during the school summer period.

Financial Soundness Indicator
The company's top 10 key performance indicators as of the period ended March 31, 2020, March 31, 2019 and December 31, 2019 are as follows:

Financial ratios		**Unaudited March 2020**	Unaudited March 2019	Audited December 2019
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**0.69:1**	0.32:1	0.67:1
Acid Test Ratio *Indicates the Group's ability to use its quick or near cash assets to pay current liabilities immediately*	Current Assets – Prepaid Expenses / Current Liabilities	**0.62:1**	**0.29:1**	**0.62:1**
Solvency Ratio *Shows how likely a Group will be to continue meeting its debt obligations*	Net Income+Depreciation / Total Liabilities	**0.04:1**	0.04:1	0.10:1
Debt-to-equity ratio *Measures the Group's leverage*	Total Debt / Equity	**0.67:1**	0.62:1	0.69:1
Asset to Equity Ratio *Shows how the company's leverage (debt) was used to finance the firm*	Total Assets / Equity	**1.65:1**	1.58:1	1.67:1
Interest Rate Coverage *Shows how easily a company can pay interest on outstanding debt*	EBIT / Interest Expense excluding Interest Expense on Lease Liabilities	**6.80:1**	6.64:1	4.42:1
Return on Average Stockholders' Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Equity	**1.99%**	1.65%	3.40%
Net Profit Margin *Reflects how much net income or profit is generated as percentage of revenue*	Net Income / Total Revenues	**16.97%**	19.28%	9.15%
Return on Assets *Measures the ability to utilize the Group's assets to create profits*	Net Income / Total Assets	**1.00%**	1.01%	1.68%
Asset Turnover *Shows efficiency of asset used in Operations*	Total Revenues / Total Assets	**0.06x**	0.05x	0.18x

Return on Equity *Shows how much the business returns to the stockholders for every peso of equity capital invested*	(Net Income/Total Revenues) x (Total Revenues/Total Assets) x (Total Assets/Total Equity)	**1.65%**	1.60%	2.82%

- The current ratio is at 0.69 as of March 2020 compared to 0.32 as of March 2019 due to decrease in the unearned revenue of the Group.
- Acid test ratio slightly increased from 0.29:1 in 2019 to 0.62:1 in 2020 which is close also to the current ratio.
- Solvency ratio is at 0.04 as of the period. No change compared to last year.
- Debt-to-equity ratio increased from 0.62 as of March 2019 to 0.67 as of this period due to additional loans drawn by the Group.
- Asset to equity ratio went up from 1.58 as of March 2019 to 1.65 this period because of increased asset brought about by assets of the newly acquired subsidiaries.
- Interest rate coverage ratio increased from 6.64 times as at March 2019 to 6.80 times this period because of higher interest expense incurred by the Group.
- Return on average stockholders’ equity increased to 1.99% year on year, resulting from the higher net income.
- Return on asset is at 1.00% against 1.01% as of March 2019, because of the higher total assets.
- Net profit margin decreased from 19% last year to 17% as of this period resulting from lower margins due to higher operating expenses from schools.
- Asset turnover is 6 times as of this period against 5 times as of March 2019. This is slightly higher from last year because of the increase in total revenues of the Group.
- Return on equity improved from 1.60% to 1.65% as of this period, resulting from higher net income.

The above-mentioned ratios are applicable to the Group (Parent Company and its majority owned subsidiaries) as a whole.

PART II – OTHER INFORMATION

Item 3: First Quarter 2020 DEVELOPMENTS
Significant developments during the first quarter of 2020 were briefly discussed in Part I Item 2: *Management Discussion and Analysis of Financial Condition and Results of Operations.*

During the latter part of the quarter, classes were suspended beginning March 9, 2020 followed by the declaration of community quarantine in various municipalities and regions in the Philippines effective March 15, 2020. These covered our Mapúa Schools (Mapúa University in Intramuros, Mapúa Extension Campus in Makati, Malayan High School Science in Paco, Malayan Colleges Laguna in Cabuyao, and Malayan Colleges Mindanao in Davao), National Teachers' College in Quiapo, University of Nueva Caceres in Naga, and all branches of APEC Schools in Metro Manila. Despite all these, there were minimal disruptions to the operations of iPeople and of its schools because of the mitigating measures that were undertaken.

Disruptions on the academic outcomes of our students were minimized as our schools utilized alternatives means to continue course work, e.g. on-line classes, coursework online, and independent projectized learning, among others. All these blended learning initiatives using our multiple e-learning and course monitoring platforms allowed our students to fulfill their course requirements to comply with CHED or DepEd academic requirements amid the prolonged class suspension.

Risk to the health and safety of our employees, teachers, students, and communities due to possible exposure to COVID-19 were addressed as the Company ensured compliance to the Community Quarantine protocols in accordance with directives issued by the Department of Health (DOH), Commission on Higher Education (CHED), Department of Education (DepEd), and other government agencies. These protocols include limiting the assembly of people by conducting meetings via video- and/or tele-conferencing; regular and frequent disinfection of our buildings and office premises; temperature checks at all entry points; and restricting entry of visitors to our work.

iPeople and its operating schools had designated essential and non-essential employees. A reduced work week was put into effect for essential employees while work from home arrangements were adopted for non-essential employees. Our employees were equipped to perform their functions to ensure that our operations were not hampered. Moreover, constant coordination between iPeople and its subsidiaries was in place to ensure that all aspects of operations was covered.

Item 4: OTHER NOTES TO FINANCIAL STATEMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, receivables, due from related parties, AFS financial assets, loans payable, accounts payable and accrued expenses, due to related parties, dividends payable, lease liability and long-term debt. The main purpose of these financial instruments is to manage working capital for the Group's operations.

The main risks arising from the Group's financial instruments are liquidity risk, market risk, and credit risk. The BOD reviews and approves the policies for managing these risks. The Audit Committee and the Risk Management Committee of the Board meets regularly and exercises an oversight role in managing risks.

Risk Factors at the Holding Company Level

The following covers the risk management policies at the holding company level.

a. Interest Rate Risk
It is a company policy to use excess liquidity to pay down any borrowings in order to decrease financing costs, and reduce exposure to rising interest rates. It is also a company policy to actively discuss with lending banks on how to lower financing costs. The Company does not have a practice of speculating on the direction of interest rates. As of report date, the Company does not have any borrowings that will directly expose it to interest rate risk.

b. Foreign Exchange Risk
Foreign exchange risk results primarily from movements in the prevailing exchange rate between the Philippine Peso (PHP) and the United States Dollar (USD). This risk does not materially affect the Company as the revenues and the operating expenses of iPeople are denominated in PHP.

c. Liquidity Risk
This refers to the ability of the Company to service maturing debts, finance capital requirements, and pay for existing operations. iPeople maintains a consistent level of funding and constantly monitors its projected cash flows. Close attention is paid to asset liability management.

d. Credit Risk
iPeople's exposure to credit risk is very minimal because its receivables are mostly from related parties, which are being managed through close account monitoring and limit setting. However, iPeople's holding of cash and short-term securities exposes the company to the credit risk of the counterparty.

e. Price Risk
Available for sale (AFS) financial instruments are subject to price risk due to changes in market values because of specific factors related to these securities, or because of factors related to the overall market for financial assets. Consistent with corporate priority for liquidity, iPeople limits its exposures to non-equity financial instruments.

f. Business Continuity Risk
The Company is acutely conscious of the risks posed by natural disasters, acts of God, or other man-made actions that can have an adverse impact on the continuity of regular operations. The iPeople Board through its Risk Oversight Committee and the management team monitor that the business continuity plans of each operating subsidiary is in place and is up to date. Further, iPeople works with the Yuchengco Group of Companies Business Continuity Management – Disaster Recovery Management (YGC BCM-DRM) Council to ensure that necessary precautionary measures are taken to mitigate risks that may cause disruptions to the operations of our various subsidiaries.
.

g. Succession Risk
The company knows that people are an important resource and that its executive management team is a significant contributor to the continuing growth of iPeople, inc.. In order to preserve the management chain of succession and institutional knowledge that comes with it, the executive management works with the executives of the Company's Parent Company and the executives of the operating subsidiaries to ensure continues training and career development plans are in place.

Implementation of the IPO Enterprise Risk Management Framework is carried out by the IPO Risk Team, which consists of Risk Officers from the schools. The Risk Team is overseen by the iPeople Chief Risk Officer (CRO). Group Internal Audit (IA) continues to provide valuable input to risk management through their regular audits.

The BROC exercises an oversight role on executive management who are accountable for managing the risks that arise out of regular business operations. Risk related concerns are discussed during the quarterly Board Risk Oversight Committee (BROC) meetings.

<u>Risk Factors related to School Operations</u>

a. Regulatory, recognition of academic programs, and accreditations from government, and self-regulating private accreditation organizations.

- Accreditations. The schools are governed and regulated by the CHED and by the Department of Education ("DepEd"), depending on the program offerings. In addition, MESI and MCL are also accredited by PACUCOA. MESI is also accredited by the ABET; MESI and MCL are both accredited by PTC-ACBET and PICAB. APEC has a MOA with DepEd which allows the company to operate schools without owning the premises. There is a pending Revised DepEd Manual which will formalize this exception.
  The failure of any of our schools to pass government standards, or to meet accreditation renewal standards, may negatively impact the perception of the quality of our academic programs and facilities. If this happens we might expect our enrolment todecrease, which would have an adverse impact to our profits and cash flow.

- Tuition Fee. The Commission on Higher Education and the Department of Education regulates tuition increases at the university level and the secondary level, respectively, and routinely sets maximum limits on percentage increases in tuition fees. This regulation applies to our non-autonomous schools, MCM, UNC, NTC and APEC. The inability of non-autonomous higher education institutions to increase tuition fees to cover higher operating costs may pose a risk to profits and cash flows over time.

- Changes in regulations. The Universal Access to Tertiary Education Act (RA10931) had its first time implementation this AY 2018-19. This resulted to notable decline in college freshman intake in private schools as large portion of the incoming freshman applied SUCs/LUCs to avail of free education under the Act.
  The Free College Tuition poses a risk to our schools. This may adversely impact enrollment numbers if prospective students will opt to enroll in state-run universities and colleges.

b. Competition

- Faculty. The schools depend on high quality faculty to teach the educational programs. To the extent that they can, the schools at both the tertiary and secondary level recruit faculty with excellent academic credentials and teaching skills. The schools might not be able to recruit the desired faculty due to any number of factors, including mismatches between the desired compensation and offer; competing recruitment from other educational institutions; or candidates seeking opportunities abroad.
  The schools also work to retain key faculty in certain academic disciplines in order to maintain continuity and reduce turnover. If recruitment and retention efforts suffer, the quality of teaching and the quality of academic programs might suffer.

- Students. Competition among schools for greater student enrolment is fierce. Mapua is an established brand, with ISO 14001:2015 and 9001:2015 certifications, while the other IPO schools are establishing or have established their own brands.

- Accreditations. IPO Schools continue to pursue accreditations from self-regulating private accreditation organizations in addition to the government accreditation bodies.

c. Credit Risk
As the schools increase their enrollment, the level of receivables also increases. Some of the students who cannot afford to make the full payment of tuition and miscellaneous fees during an academic quarter execute a Promissory Note and are expected to settle their accounts prior to the start of the next academic quarter. Majority of the senior high school students of APEC avail of the Senior High School Voucher Program (SHSVP) of the DepEd which results to a longer collection period for the school.

d. The schools do not aggressively pursue collection of defaulted student debt given that the default rate is small. Regardless, the schools face a risk that a rise in student defaults on promissory notes would impact profits and cash flows negatively.Operational Risk
The following may hamper the operations of the Mapúa schools:

- Natural calamities and disasters. Our schools, like many other enterprises, are subject to adverse occurrences beyond our control, which include (but are not limited to) earthquakes, floods, and similar natural phenomena. We believe we carry enough insurance to hedge against the monetary damages caused by these events. In the event that the damage to our facilities arising from said events are severe and our insurance is not enough to cover it, our operations and ability to return to normal conditions might be severely affected.

- Labor unrest. Mapúa University has two unions, Faculty Association of MIT (FAMIT) and MIT Labor Union (MITLU). The other iPeople Schools have none.

  Mapúa University is bound by the collective bargaining agreement (CBA) signed between the institution and the two unions. Mapúa University negotiates with each union separately. The FAMIT represents the faculty members. The MITLU represents the non-teaching staff. To the extent that unions negotiate CBA's with higher increases over time, this would negatively impact the cost structure of Mapúa University and lower the expected value of its profit and cash flows over time. Furthermore, in the event that a CBA is not negotiated successfully or there is an issue that results in labor unrest, it could have a material adverse impact on the operations of Mapúa University.

In the event of calamities, strikes, pandemic events, and the like that could hamper the operations of the schools, IPO and all schools have their respective protocols and procedures to manage each particular type of risk. In particular, Mapúa has tested and instituted the use online facilities such as Blackboard, its learning management system, that enables the school to conduct real-time online classes and facilitates online learning on a school-wide level. This enables the school to continue its classes with minimal disruption. Online learning is likewise being adopted by the other IPO schools through the use of online tools and facilities that approximate a learning management system. Mapua also has a fully online post-graduate degree courses, implemented online admissions and examinations, and uses e-books instead of traditional school textbooks for all undergraduate and Senior High School students through subscriptions to Wiley and Cengage.

Online learning is likewise being adopted by the other IPO schools through the use of online tools and facilities that approximate a learning management system. Work-from-home arrangements, video-conferencing for meetings and online facilities may also be used to transact business and to ensure operations are not hampered during calamities and pandemic events.

e. Interest Rate Risk
The schools need capital to grow. All of our schools pursue growth opportunities, which may involve any of the following actions: building new teaching and non-teaching facilities at existing campuses; building campuses at new locations.

In order to grow, the schools will need funding. This fund raising can arise from the sale of equity, selling debt securities, borrowing from existing debt facilities, or borrowing from new debt facilities. If capital is raised through borrowings, the IPO schools will also be subject to interest rate risk. An increase in our negative carry will also adversely impact our profitability.

f. Market Risk and Political Risk
In the event that adverse macro-economic or micro-economic factors hit the country that may force a subset of students to temporarily drop out and continue their education at a later time, permanently stop school, or they decide to transfer to another school, our enrolment may be negatively impacted and this will have a negative effect on our profitability.

Since a certain portion of the student population depends on family members who are Overseas Filipino Workers to pay for their tuition and miscellaneous fees. International relations of the Philippines with the employer countries are key elements to avoid any serious disruption in the size and frequency of inward-bound overseas remittances.

g. Campus Safety and Security Risk
The potential presence of criminal elements outside the schools pose a risk to our students, especially those who take public transportation. In the event that criminal elements are able to force their way into the schools, the students may lose confidence in the administration's ability to keep them safe. Student enrolment may be negatively impacted and this will have a negative effect on our profitability. IPO manages this by enforcing security measures such as having guards at entrances and exits, roving guards, and CCTV.

EXHIBIT 1

iPEOPLE INC. and SUBSIDIARIES

Interim Condensed
Unaudited Consolidated Financial Statements

March 31, 2020, 2019 and 2018 (Unaudited)
and December 31, 2019 (Audited)

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	Unaudited March 31, 2020	Audited December 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 15)	**₱1,167,777**	₱1,154,306
Receivables (Note 8)	**900,268**	975,962
Receivables from related parties (Note 15)	**954**	603
Prepaid expenses and other current assets (Note 9)	**202,429**	175,948
Financial assets at fair value through profit or loss	**9,421**	9,350
Total Current Assets	**2,280,849**	**2,316,169**
Noncurrent Assets		
Property and equipment at cost (Note 10)	**5,094,239**	5,083,477
Land at revalued amounts (Notes 10 and 11)	**7,565,856**	7,560,855
Goodwill (Note 12)	**151,326**	151,326
Net pension asset	**18,290**	18,290
Deferred tax assets – net	**21,662**	20,450
Intellectual property rights (Note 6)	**523,103**	523,103
Student relationship (Note 6)	**95,558**	101,135
Right of use assets	**370,735**	387,981
Other noncurrent assets (Note 13)	**110,797**	110,281
Total Noncurrent Assets	**13,951,564**	13,956,898
	₱16,232,413	₱16,273,067
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Notes 16)	**₱1,417,800**	₱1,398,8000
Accounts payable and accrued expenses (Notes 3 and 14)	**1,254,878**	1,201,760
Unearned income (Notes 3 and 14)	**479,5367**	780,706
Dividends payable (Notes 18)	**73,813**	565
Income tax payable	**50,490**	20,690
Lease liability - current portion	**35,751**	46,215
Payables to related parties (Notes 15)	**16,854**	15,411
Total Current Liabilities	**3,510,132**	3,464,147
Noncurrent Liabilities		
Long-term loans payable	**1,870,496**	1,869,903
Deferred tax liabilities – net	**657,886**	658,781
Lease liability - noncurrent portion	**373,125**	373,125

(Forward)

	Unaudited March 31, 2020	Audited December 31, 2019
Net pension liability	**121,366**	115,935
Other noncurrent liabilities	**58,383**	58,383
Total Noncurrent Liabilities	**3,081,256**	3,076,127
Total Liabilities	**₱6,410,378**	₱6,540,274
Equity		
Common stock (Note 18)	**₱1,044,263**	₱1,044,263
Additional paid-in capital	**3,294,368**	3,294,368
Other comprehensive income (loss):		
Fair value reserve of equity instruments at FVOCI	**(880)**	(880)
Revaluation increment on land - net (Note 11)	**1,583,743**	1,583,743
Remeasurement losses on defined benefit plans	**(19,766)**	(19,766)
Retained earnings (Note 18)	**3,923,549**	3,838,446
	9,594,783	9,509,680
Less: Treasury stock (Note 18)	**(0.21)**	(0.21)
	9,594,783	9,509,680
Non-controlling interest in consolidated subsidiaries	**227,251**	223,113
Total Equity	**9,822,035**	9,732,793
	₱16,232,413	₱16,273,067

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	January 1 to March 31		
	2020	2019	2018
REVENUE			
Tuition and other fees (Note 19)	**₱957,350**	₱538,703	₱470,197
COSTS AND EXPENSES			
Cost of tuition and other fees (Note 20)	**578,924**	331,326	302,654
GROSS PROFIT	**378,426**	207,377	167,543
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	**(161,840)**	(74,025)	(55,146)
INTEREST AND OTHER FINANCE CHARGES (Note 22)	**(32,333)**	(21,251)	(735)
INTEREST INCOME (Note 22)	**3,516**	6,181	2,446
OTHER INCOME (EXPENSE)	**(139)**	1,634	4,629
INCOME BEFORE INCOME TAX	**187,631**	119,917	118,738
PROVISION FOR INCOME TAX	**25,141**	16,065	12,554
NET INCOME	**162,490**	103,852	106,184
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss):			
Fair value reserve of equity instruments at FVOCI (Notes 3)	–	2,672	(4,892)
	–	2,672	(4,892)
TOTAL COMPREHENSIVE INCOME	**₱162,490**	₱106,524	₱101,292
Net income attributable to:			
Equity holders of the parent (Note 23)	**₱158,351**	₱96,493	₱98,620
Non-controlling interest in consolidated subsidiaries	**4,139**	7,359	7,564
	₱162,490	₱103,852	₱106,184
Total comprehensive income attributable to:			
Equity holders of the parent	**₱158,351**	₱99,165	₱93,728
Non-controlling interest in consolidated subsidiaries	**4,139**	7,359	7,564
	₱162,490	₱106,524	₱101,292
Basic Earnings Per Share (Note 23)	**₱0.1516**	₱0.1288	₱0.131

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company											
	Common Stock (Note 18)	**Additional Paid-in Capital**	**Unrealized Gain on AFS Financial Assets**	**Fair Value Reserve of Equity instruments at FVOCI**	**Revaluation Increment on Land - net of tax** (Note 11)	**Remeasurement Gains (Losses) on Net Defined Benefit Plans**	**Equity Reserve**	**Retained Earnings** (Note 18)	**Treasury Stock** (Note 18)	**Total**	**Non - controlling Interest**	**Total**
						For the quarter ended March 31, 2020						
Balances as at January 1, 2020	**₱1,044,263**	**3,294,368**	**₱–**	**(₱880)**	**₱1,583,743**	**(₱19,766)**	**(₱230,494)**	**₱3,838,446**	**(₱0.209)**	**₱9,509,680**	**₱223,113**	**₱9,732,793**
Net income	–	–	–	–	–	–	–	**158,351**	–	**158,351**	**4,139**	**162,490**
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	–	**158,351**	–	**158,351**	**4,139**	**162,490**
Dividends declared	–	–	–	–	–	–	–	**(73,248)**	–	**(73,248)**	–	**(73,248)**
Balances as at March 31, 2020	**₱1,044,263**	**₱3,294,368**	**₱–**	**(₱880)**	**₱1,583,743**	**(₱19,766)**	**(₱230,494)**	**₱3,923,549**	**(₱0.209)**	**₱9,594,783**	**₱227,251**	**₱9,822,035**
						For the quarter ended March 31, 2019						
Balances as at January 1, 2019	₱748,933	₱1,439	₱–	(₱3,973)	₱1,574,008	₱35,093	₱–	₱3,643,131	(₱0.209)	₱5,998,632	₱414,929	₱6,413,560
Net income	–	–	–	–	–	–	–	96,493	–	96,493	7,359	103,852
Other comprehensive income	–	–	–	2,672	–	–	–	–	–	2,672	–	2,672
Total comprehensive income	–	–	–	2,672	–	–	–	96,493	–	99,165	7,359	106,524
Dividends declared	–	–	–	–	–	–	–	(44,936)	–	(44,936)	–	(44,936)
Balances as at March 31, 2019	₱748,933	₱1,439	₱–	(₱1,300)	₱1,574,008	₱35,093	₱–	₱3,694,688	(₱0.209)	₱6,052,861	₱422,287	₱6,475,148
						For the quarter ended March 31, 2018						
Balances as at January 1, 2018	₱748,933	₱1,439	₱6,717	₱–	₱1,248,233	₱31,676	₱–	₱3,611,840	(₱0.209)	₱5,648,839	₱376,252	₱6,025,090
Net income	–	–	–	–	–	–	–	98,620	–	98,620	7,564	106,184
Other comprehensive income	–	–	(4,892)	(4,892)	–	–	–	–	–	(4,892)	–	(4,892)
Total comprehensive income	–	–	(4,892)	(4,892)	–	–	–	98,620	–	93,728	7,564	101,292
Transfer of unrealized gain on AFS financial assets to fair value reserve of equity instruments at FVOCI (Note 3)	–	–	(6,717)	6,717	–	–	–	–	–	–	–	–
Adjustment on remeasurement losses						(50)				(50)		(50)
Dividends declared	–	–	–	–	–	–	–	(44,936)	–	(44,936)	–	(44,936)
Balances as at March 31, 2018	₱748,933	₱1,439	₱–	₱1,824	₱1,248,233	₱31,626	₱–	₱ 3,665,525	(₱0.209)	₱5,697,580	₱383,815	₱6,081,396

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	January 1 to March 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱187,631**	₱119,917	₱118,688
Adjustments for:			
Depreciation and amortization (Notes 10, 13, 20 and 21)	**118,684**	61,794	53,558
Interest income (Note 22)	**(3,516)**	(6,181)	(2,446)
Interest expense and other finance charges (Note 22)	**32,333**	21,251	735
Unrealized market gain on financial assets at FVPL	**(71)**	(103)	(44)
Unrealized foreign exchange gain	**(194)**	(58)	(474)
Operating income before working capital changes	**347,527**	196,619	170,015
Decrease (increase) in:			
Receivables	**63,073**	4,241	10,267
Prepaid expenses and other current assets	**(26,481)**	(2,006)	5,783
Increase (decrease) in:			
Accounts payable and accrued expenses	**50,720**	20,161	91,860
Other noncurrent liabilities	**(896)**	–	–
Unearned tuition fees	**(301,170)**	(72,423)	(63,402)
Lease liability	**(10,464)**	–	–
Net pension asset and liability	**4,220**	1,347	846
Net cash generated from operations	**126,530**	147,939	215,369
Interest received	**3,476**	6,902	2,595
Interest paid	**(29,935)**	(13,764)	(735)
Income taxes paid	**4,659**	123	4,418
Net cash flows from operating activities	**104,730**	141,199	221,648
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 10)	**(105,988)**	(209,905)	(204,069)
Land	(5,001)	–	–
Computer software (Note 13)	(1,676)	–	–
Decrease (increase) in:			
Receivables from related parties	**(351)**	13	(530)
Other noncurrent assets	**526**	(296)	(412)
Net cash flows used in investing activities	**(112,489)**	(210,189)	(205,012)

(Forward)

	January 1 to March 31		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans (Note 16)	**₱20,000**	₱904,900	₱60,000
Payments of short-term loans (Note 16)	**(1,000)**	(670,000)	–
Dividends paid to stockholders	–	(57,258)	(50,861)
Proceeds from long-term loans	**593**	–	–
Increase (decrease) in payables to related parties	**1,443**	5,795	2,080
Net cash flows from (used in) financing activities	**21,036**	183,437	11,219
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**194**	58	474
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**13,471**	114,505	28,329
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,154,306**	587,839	632,812
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱1,167,777**	₱702,344	₱661,141

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

iPeople, inc. (the Parent Company) is a publicly-listed stock corporation registered and incorporated on July 27, 1989 under the laws of the Philippines.

The Parent Company, a subsidiary of House of Investments, Inc. (HI), is a holding and management company. Its principal office address is 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 mainly involved in education sector with the list of subsidiaries disclosed in Note 2.

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

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

The proposed merger was subsequently approved by iPeople, inc.'s Stockholders on December 12, 2018 and was approved by the Philippine Competition Commission (PCC) on December 12, 2018. On April 24, 2019, the Securities and Exchange Commission (SEC) approved the merger between iPeople, inc. and AEI, with iPeople, inc. as the surviving entity, and to take effect five business working days thereafter or May 2, 2019. On said date, iPeople, inc. issued 295,329,976 common shares from its unissued capital stock to AC. After the merger, iPeople, inc. became 48.18% owned by House of Investments, Inc. and 33.5% owned by AC. Details of the merger is disclosed in Note 6.

2. Basis of Preparation

The consolidated financial statements of the Group have been prepared under the historical cost basis, except for the land which is under revaluation model, financial assets at fair value through profit or loss (FVTPL) and listed equity instruments at fair value through other comprehensive income (FVOCI) which are measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the Parent Company's functional currency. Except as otherwise indicated, all amounts are rounded off to the nearest thousands.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of March 31, 2020 and December 31, 2019, and for each of the three years in the period ended March 31, 2020, 2019 and 2018.

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

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

	Percentage of Ownership		
	2019	2018	2017
Malayan Education System, Inc. (MESI) [Operating Under the Name of Mapua University] and subsidiaries	**100%**	93%	93%
Direct ownership of MESI on its subsidiaries:			
Malayan Colleges Laguna, Inc., A Mapua School (MCLI)	**100**	100	100
Malayan Colleges Mindanao (A Mapua School), Inc. (MCMI)	**100**	100	100
Malayan High School of Science, Inc. (MHSSI)	**100**	100	100
Mapua Information Technology Center, Inc. (MITC)	**100**	100	100
Mapua Techserv, Inc.	**100**	100	100
Mapua Techpower, Inc.	**75**	75	75
San Lorenzo Ruiz Investment Holdings and Services Inc. (formerly San Lorenzo Ruiz Institute of Health Sciences, Inc.)	**100**	100	100
People eServe Corporation	**100**	100	100
Pan Pacific Computer Center, Incorporated (PPCCI)	**100**	100	100
New subsidiaries in 2019 after the merger (Note 1):			
Affordable Private Education Center, Inc. doing business under the name of APEC Schools	**100**	n/a	n/a
National Teachers College doing business under the name/s and style/s of The National Teachers College	**99.79**	n/a	n/a
University of Nueva Caceres	**83.62**	n/a	n/a
AC College of Enterprise and Technology, Inc.	**100**	n/a	n/a
LINC Institute, Inc. doing business under the Name and Style of LINC Academy	**100**	n/a	n/a

All subsidiaries were incorporated in the Philippines.

Subsidiaries are entities over which the Parent Company has control. Control is achieved when the Parent Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights and potential voting rights.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. As a result of the merger with AEI, the acquired subsidiaries were consolidated starting May 2, 2019.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
- derecognizes the assets (including goodwill) and liabilities of the subsidiary;

- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Non-controlling interest represents interest in a subsidiary which is not owned, directly or indirectly, by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the Group's shareholders equity. Transactions with non-controlling interests are handled in the same way as transactions with external parties.

3. **Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year, except that the Group adopted the following new accounting pronouncements starting January 1, 2019:

- PFRS 16, *Leases*

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

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

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

  PFRS 16 also requires lessees and lessors to provide more disclosures than under PAS 17. PFRS 16 supersedes PAS 17, Leases, Philippine Interpretation IFRIC 4, Determining whether an Arrangement contains a Lease, Standard Interpretations Committee (SIC)-15, Operating Leases-Incentives and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

  The Group adopted PFRS 16 using the modified retrospective approach, which involves recognizing a right-of-use asset equal to the amount of the lease liability, with the date of initial application of January 1, 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17. The Group has not restated the comparative information, which continues to be reported under PAS 17.

  The Group has lease contracts for office and school sites of a subsidiary. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases all leases except for short-term leases and leases of low-value assets. Refer to Note 4 for the accounting policy beginning January 1, 2019.

The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

With the adoption of PFRS 16, the Group recognized right-of-use assets and lease liabilities and these were recognized and presented separately in the consolidated statement of financial position. For the detailed disclosures, refer to Note 31.

The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, *Income taxes*, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

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

  The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

  Based on the Group's assessment, adoption of this interpretation has no significant impact on the consolidated financial statements.

The Group also adopted the following new accounting pronouncements starting January 1, 2019. The adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

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

<u>Standards Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2019 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

4. Summary of Significant Accounting Policies

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

<u>Fair value measurement</u>
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- *Level 1* – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- *Level 2* – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- *Level 3* – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial reporting date.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

Financial Instruments - Effective January 1, 2018
Initial recognition and subsequent measurement
The Group recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

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

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2018, the Group elected to classify irrevocably its listed equity investments in PetroEnergy Resources Corporation shares under this category.

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

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

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

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

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

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

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

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

The Group’s debt instruments at amortized cost comprise of cash and cash equivalents that is considered to have low credit risk. Hence, it is the Group’s policy to measure ECL on such instrument on a 12-month basis applying the low credit risk simplification and based on the PD which is publicly available. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses external credit ratings both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL.
For tuition and other fees receivables, the Group generally uses a provision matrix to calculate ECLs. The provision rates are based on days past due for groupings based on school term. The provision matrix is initially based on the Group’s historical observed default rates. The Group will then consider directly relevant forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are considered.

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

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

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

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

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

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

This accounting policy applies primarily to accounts payable and other current liabilities, payables to related parties, dividends payable, lease liabilities, and loans payable.

Derecognition of financial liabilities

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

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

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

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

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

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

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

Financial assets at FVPL
This includes financial assets held for trading and financial assets designated upon initial recognition as FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling them in the near term.

Financial assets at FVPL are recorded in the statement of financial position at fair value with unrealized mark-to-market gains and losses recognized in “Other income (loss)” account in the consolidated statement of comprehensive income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded in the consolidated statement of comprehensive income according to the terms of the contract, or when the right of payment has been established. Derivatives, including separated embedded derivatives are also classified as FVPL unless they are designated as effective hedging instruments or a financial guarantee contract.

This consists of peso-denominated investment in UITF in RCBC.

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

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

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

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

This accounting policy relates to the consolidated statement of financial position caption AFS financial assets which pertain to investments in PetroEnergy Resources Corporation shares.

Other financial liabilities
Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized (redemption is a form of derecognition), as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

Classified under this category are the Group's accounts payable and accrued expenses, payables to related parties, dividends payable and short-term loans.

Derecognition of Financial Assets and Financial Liabilities
Financial asset
A financial asset (or, where applicable, a part of a group of financial assets) is derecognized when:

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

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

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

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

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

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets’ carrying amount and the present value of the estimated future cash flows discounted at the assets original EIR (excluding future credit losses that have not been incurred). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics as to the school terms.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The Group reduces any differences between loss estimates and actual loss experience.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Financial assets carried at amortized costs, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

<u>Prepaid Expenses and Other Current Assets</u>
Prepaid expenses and other current assets pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group. This account includes the following:

Prepaid Expenses
These are expenses paid in advance to be amortized over the benefit period or to be expense once incurred or consumed. These consist of prepaid insurance and subscriptions, among others.
Restricted Funds
Restricted funds invested in money market placements exclusively for use in Civic Welfare Training Service (CWTS), National Service Training Program (NSTP) and for financing of scholars of certain private entities are recorded at face value.

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

Inventories
Inventories are stated at the lower of cost and net realizable value (NRV). NRV is the selling price in the ordinary course of the business, less costs of completion, marketing and distribution. Cost is determined using weighted and simple average method for textbooks, printed materials and supplies intended for sale.

<u>Value-added Tax (VAT)</u>
The input VAT pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services. Input VAT that is not expected to be fully applied against the output VAT of the succeeding year is presented as noncurrent asset.

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

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

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

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

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

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

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

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

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

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

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

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

The appraisal increment (net of deferred tax) resulting from the revaluation is credited to OCI and accumulated in equity under “revaluation increment on land - net” account. To the extent that a revaluation increase of an asset reverses a revaluation decrease of the same asset that was previously recognized as an expense in profit or loss, such increase should be credited to income in profit or loss. Decreases in valuation should be charged to profit or loss, except to the extent that they reverse the existing accumulated revaluation increment on the same asset and therefore such decrease is recognized in OCI. The decrease recognized in OCI reduces the amount accumulated in equity under revaluation increment on land - net account.

The same rules apply to impairment losses. An impairment loss on a revalued asset is first used to reduce the revaluation increment for that asset. Only when the impairment loss exceeds the amount in the revaluation increment for that same asset is any further impairment loss recognized in profit or loss.

Upon disposal, any revaluation increment relating to the land being sold is transferred to retained earnings.

Right-of-use Assets and Lease Liabilities

Effective January 1, 2019, upon adoption of PFRS 16, recognizes right-of-use assets and lease liabilities on contracts that qualify as leases under PFRS 16. -The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment. Refer to the accounting policies on Impairment of Nonfinancial Assets.

Lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to its short-term leases of office space. It also applies the low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term. The accounting policy on leases prior to the adoption of PFRS 16 is discussed in the policy Leases – Group as Lessees (Effective Prior to January 1, 2019).

Business Combination and Goodwill

An acquisition of a business (i.e. an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors) is a business combination. Business combinations are accounted for using the acquisition method. The acquired identifiable tangible and intangible assets, liabilities and contingent liabilities are measured at their fair values at the date of the acquisition. Any excess of the acquisition cost over the net fair value of the identifiable assets acquired and liabilities assumed is recognized as goodwill. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill at least annually.

The goodwill recognized in the Group's consolidated statement of financial position pertains to the acquisition of MESI and merger with AEI as disclosed in Notes 6 and 12.

<u>Intangible Assets Other Than Goodwill</u>
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and provision for impairment loss, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The estimated useful life of intangible assets is assessed as either finite or indefinite. The estimated useful lives of intangible assets recognized as a result of the merger with AEI (see Note 6) are as follows:

	Number of Years
Intellectual property rights	Indefinite
Student relationship	5-7
Software cost	3

The estimated useful lives of intangible assets with finite lives are assessed at the individual asset level. Intangible assets with finite lives are amortized over their estimated useful lives on a straight- line basis. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.
A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible assets and is recognized in the consolidated statement of comprehensive income when the intangible asset is derecognized.

Impairment of Nonfinancial Assets

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

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

Goodwill and intellectual property rights
Goodwill and intellectual property rights are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

Equity

The Group records common stock at par value for all shares issued and outstanding, and additional paid-in capital for the excess of the total contributions received over the aggregate par values of the equity shares. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. When any member of the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in

equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity investments.
Retained earnings represent accumulated earnings less dividends declared and any adjustment arising from application of new accounting standards, policies or correction of errors applied retroactively.

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

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

Revenue from schools and related operations consist of the following:

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

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

Admission, examination and other fees
Admission, examination and other fees are recognized as income when examination has been granted by the school and related services have been provided to the students (at point in time).

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

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

Sale of goods is recognized as revenue upon delivery of the goods to the buyer (at point in time). Sale of services is recognized when services are rendered (over time).

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

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

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

Costs and Expenses
The Group's costs and expenses constitute costs of operating the business recognized in the consolidated statement of comprehensive income as incurred.

Cost of schools and related operations
Cost of schools and related operations constitute expenses directly related to the Group's school and related operations which include expenses for salaries and wages of teaching and academic support personnel, student welfare activities, advertising, and all other student-related costs and expenses. Cost of schools and related operations are recognized as expense when the school and related services have been provided to the students.

General and Administrative Expenses
These expenses constitute costs of administering the business. General and administrative expenses, except for rent expense, are recognized as incurred. Rent expenses under PAS 17 are recognized on a straight-line basis over the lease term.

Interest and Financing Charges
Interest and financing charges, excluding capitalizable borrowing costs, is recognized as expense in the period in which it is incurred.

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

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

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

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

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

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

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

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

Income Taxes

Current tax

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

Deferred tax

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

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

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

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

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

Leases – Group as Lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the leased term on the same bases as rental income. Rental income is recognized on a straight-line basis over the term of the lease.

Leases – Group as Lessees (Effective Prior to January 1, 2019)

The Group entered into lease agreement for office space where the Group has determined that it does not obtain the risks and rewards of ownership of these properties and therefore the agreement is accounted for as an operating lease. Rental expense under operating leases is recognized on a straight-line basis over the term of the lease.

Foreign Currency-denominated Transactions and Translation

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

Basic Earnings Per Share (EPS)

Basic earnings per common share is computed based on weighted average number of issued and outstanding common shares, less treasury shares, after giving retroactive effect for any stock dividends. Diluted earnings per share, if applicable, is computed on the basis of the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There are no dilutive potential common shares that would require disclosure of diluted earnings per common share in the consolidated financial statements.

Segment Reporting

The Group's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 28 to the consolidated financial statements.

Provisions

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

Contingencies

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

Events after the Financial Reporting Date
Post year-end events up to the date of the auditor's report that provide additional information about the Group's position at financial reporting date (adjusting event) are reflected in the consolidated financial statements. Any post year-end events that are not adjusting events are disclosed when material to the consolidated financial statements.

5. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Recognition of tuition and other matriculation fees over time
The Group determined that tuition and other matriculation fees, the major source of revenue of the Group, are to be recognized over time using the output method on the basis of time lapsed over the service period since it provides a faithful depiction of the Group's performance in transferring control of the services to the students. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the customer or the student simultaneously receives and consumes the benefits of the Group's performance as it performs (Note 19).

Accounting for School-granted Scholarships to Students
With the adoption of PFRS 15, the Group assessed its arrangement with students who availed of school-granted scholarships. Based on management assessment, the arrangement with these students will not qualify as revenue from contracts with customers under PFRS 15 as there is no consideration involved in exchange for the educational services that the Group will render to these students. Accordingly, management changed its accounting on school-granted scholarships from presenting revenue and cost of service at gross in the statement of comprehensive income to presenting the related cost of service as deduction from revenue (Note 19).

Allocation of costs and expenses
Management exercises judgment in determining the classification of costs and expenses as to whether cost of services or general and administrative expenses. In 2019 and 2018, the Group specifically identified the expenses directly related to the Group's school and related operations which include expenses for salaries and wages of teaching and academic support personnel, student welfare activities, and all other student-related costs and expenses (Notes 20 and 21).

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

Purchase price allocation in business combination and goodwill
The Group's consolidated financial statements reflect the acquired entities (AEI and its subsidiaries prior to the merger) after the completion of the merger which is effective May 2, 2019 (Note 6). The Group accounts for the acquired business using the acquisition method, which requires extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any excess in the purchase price over the fair market values of the net assets acquired is recorded as goodwill in the consolidated statement of financial position. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Group's financial position and performance.

The merger with AEI resulted in the recognition of student relationship, intellectual property rights and goodwill from the excess of the acquisition cost over the fair value of net assets acquired (Note 6).

Fair valuation of land
The Group measures land at revalued amount with changes in fair value being recognized in other comprehensive income. The Group engaged an independent firm of appraisers to determine the fair value. The key assumptions used to determine fair value are disclosed in Note 11.

The Group acquired land from HI in October 2018 amounting to ₱1,115.27 million, inclusive of other direct costs and taxes. As of December 31, 2018, management assessed that the purchase price of the recently acquired land is reflective of the fair value of the land as at December 31, 2018. Based on comparison of recent sale transactions or offerings of similar properties done by the Group as at December 31, 2018, management assessed that there was no significant movement in the fair value of the land from date of acquisition until December 31, 2018.

As at March 31, 2020 and December 31, 2019, the fair value of the land amounted to ₱7,565.86 million and ₱7,560.85 million, respectively (Note 11).

Estimation of allowance for ECL on receivables
The Group generally uses a provision matrix to calculate ECLs for tuition and other fees receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will then consider directly relevant forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are considered.

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

Allowance for doubtful accounts on receivables amounted to ₱147.51 million and ₱134.85 million as of March 31, 2020 and December 31, 2019, respectively. The carrying value of receivables as of March 31, 2020 and December 31, 2019 amounted to ₱900.27 million and ₱ 975.96 million, respectively (Note 8). The carrying value of receivables from related parties as of March 31, 2020 and December 31, 2019 amounted to ₱0.95 and ₱0.60 million, respectively (Note 15).

Leases under PFRS 16 – Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses IBR to measure lease liabilities. The IBR is the rate of interest that an entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what

the entities 'would have to pay', which requires estimation when no observable rates are available (such as for entities that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the stand-alone credit rating).

The Group's right-of-use assets and lease liabilities are disclosed in Note 26.

Estimation of useful lives of student relationship
The Group estimates the useful lives of student relationship based on the period over which the assets are expected to be available for use which represents the number of years that the students are expected to stay until they graduate. The Group reviews the estimated useful lives based on factors that include asset utilization, internal technical evaluation and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the aforementioned factors. A reduction in the estimated useful lives of student relationship would increase amortization expenses and decrease noncurrent assets.

There is no change in the estimated useful lives of student relationship from the effectivity of the merger. The carrying values of student relationship amounted to ₱101.14 million as of December 31, 2019 (Note 6).

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

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

Impairment of goodwill and intellectual property rights are assessed at least on an annual basis. In assessing the impairment, the Group determines the recoverable amount using value in use with detailed disclosures made in Notes 6 and 12. There is no impairment loss recognized on these assets in 2020, 2019 and 2018. The carrying value of these assets are disclosed in amounted in Notes 6 and 12.

There is no impairment loss recognized on goodwill in 2020, 2019 and 2018. As at March 31, 2020 and December 31, 2019, the carrying value of goodwill amounted to ₱151.33 million (Note 12).

As to the Group's property and equipment, student relationship and noncurrent assets, no impairment loss was recognized for the period ended March 31, 2020, 2019, and 2018 except for the provision for impairment in value of land recognized in year ended December 31, 2019 amounting to ₱21 million (Notes 6, 10, 11 and 13).

Estimation of pension obligations and other retirement benefits
The determination of the Group's pension cost and liabilities is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate which were disclosed in Note 25 and to which the cash flows are most sensitive to. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the retirement expense and related asset or liability.

As at March 31, 2020 and December 31, 2019, the net pension liability amounted to ₱121.37 million and ₱115.93 million, respectively, while net pension asset amounted to ₱18.29 million as at March 31, 2020 and December 31, 2019.

Deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Where there is no absolute assurance that each legal entity in the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized, deferred tax assets are not recognized.

Deferred tax assets recognized amounted to ₱21.66 million and ₱20.4 million as at March 31, 2020 and December 31, 2019, respectively.

Provisions and Contingencies
The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings (Notes 14 and 26).

6. Business Combination and Transactions with Non-Controlling Interests

Business Combination
As disclosed in Note 1, on October 1, 2018, the BOD of iPeople, inc. executed a MOA for a proposed Plan of Merger between iPeople, inc. and AEI with iPeople, inc. as the surviving entity with HI and AC owning 48.18% and 33.5%, respectively. The merger would bring together the educational groups of HI and AC.

On April 24, 2019, the SEC approved the merger between iPeople, inc. and AEI, with iPeople, inc. as the surviving entity, and to take effect five business working days thereafter or May 2, 2019. On said date, iPeople, inc. issued 295,329,976 common shares from its unissued capital stock to AC, the parent company of AEI. iPeople, inc., being the surviving corporation is deemed to have acquired all the assets and to have assumed all the liabilities of AEI in a business combination accounted for under the acquisition method. In exchange for the transfer of the net assets of AEI to iPeople, inc., iPeople, inc. issued to AC an aggregate of 295,329,976 shares with par value of ₱1.0 per share for a total fair value of ₱3.6 billion based on iPeople, inc.'s quoted closing rate per share as of May 2, 2019. The excess of the fair value of shares issued over the par value was recognized as additional paid-in capital.

Assets acquired from AEI includes investments in the following subsidiaries:

Subsidiaries	Ownership Interest
Affordable Private Education Center, Inc. doing business under the name of APEC Schools (APEC)	100.00%
National Teachers College doing business under the name/s and style/s of The National Teachers College (NTC)	99.79%
University of Nueva Caceres (UNC)	58.63%
AC College of Enterprise and Technology, Inc. (ACCET)	100.00%
LINC Institute, Inc. Doing Business under the Name and Style of LINC Academy (LINC)	100.00%

The purchase price allocation has been finalized. The fair values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follows (amounts in thousands):

Assets	
Cash and cash equivalents	₱1,291,500
Trade and other receivables	231,421
Other current assets	188,222
Land (Note 11)	2,038,085
Property, plant and equipment (Note 10)	725,681
Right-of-use assets (Note 26)	363,029
Intellectual property rights	523,103
Student relationship	116,009
Other noncurrent assets	102,717
	5,579,767
Liabilities	
Accounts and other payables	319,124
Loans payable	260,000
Deferred tax liabilities	432,946
Leased liabilities (Note 26)	374,622
Other liabilities	77,815
	1,464,507
Total identifiable net assets at fair value	4,115,260
Non-controlling interest	(537,520)
Goodwill (Note 12)	13,472
Cost of acquisition	₱3,591,213

The non-controlling interests have been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

Acquisition-related costs were recognized as expense in 2019 and 2018.

Analysis of cash flows on acquisition follows:

Cash acquired from the subsidiaries (included in cash flows from investing activities)	₱1,291,500
Transaction costs of the acquisition (included in cash flows from operating activities)	(7,523)
Transaction costs attributable to issuance of shares (included in cash flows from financing activities)	(2,953)
Net cash flows on acquisition	₱1,281,024

Based on the valuation performed, the Group has identified other intangible assets such as the intellectual property rights with infinite life and student relationship with an estimated useful life of 5 years to 7 years based on the contractual relationship between the school entities and its students. These assets are attributed from the acquisition of operating schools NTC, APEC and UNC. The carrying value of student relationship as of December 31, 2019 amounted to ₱101.14 million, net of amortization during the year amounting to ₱14.87 million.

As of December 31, 2019, the Group performed impairment testing on intellectual property rights using the income approach. Key assumptions used are as follows:

- Revenue projections and long-term growth rates ranging from 2.5% to 3%. Revenue projections based on financial budgets approved by management and considers the impact of the K to 12 Basic Education Program effective 2016. The long-term growth rate is the expected growth rate in the education industry sector.
- Discount rates ranging from 12% to 15%. The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to comparable listed companies in the educational sector.
- Royalty rates ranging from 1% to 5%. This is based on the publicly available information on franchising of educational institutions in the Philippines, with consideration on the operational risk of the involved entity.

In 2019, management assessed that no impairment loss should be recognized.

<u>Transactions with Non-Controlling Interests</u>
On May 9, 2019, the Parent Company acquired the 281,642 shares of Malayan Education Systems, Inc. (MESI) owned by HI, which represents 7% ownership in MESI. With this acquisition, MESI became a 100%-owned subsidiary of the Parent Company. The ₱354.1 million difference between the consideration paid and the book value of non-controlling interest acquired is recognized in equity by debiting “Equity reserve”.

In December 2019, the Parent Company acquired 2,743 additional shares of UNC from various stockholders representing 24.99% ownership in UNC. With the acquisition, the Parent Company now owned 83.62% of UNC. The ₱123.8 million difference between the consideration paid and the book value of non-controlling interest acquired of ₱329.52 million is recognized in equity by crediting “Equity reserve”.

7. Cash and Cash Equivalents

This account consists of:

	Unaudited March 2020	Audited December 2019
Cash on hand	**₱2,162**	₱2,874
Cash in banks (Note 15)	**522,586**	426,955
Cash equivalents (Note 15)	**643,028**	724,477
	₱1,167,777	₱1,154,306

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents have terms with varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates.

Interest income from cash in banks and cash equivalents amounted to ₱3.48 million, ₱6.15 million and ₱2.06 million in 2020, 2019 and 2018, respectively (Note 22).

8. **Receivables**

This account consists of:

	Unaudited March 2020	Audited December 2019
Tuition and other fees	**₱783,890**	₱847,853
Other receivables:		
Trade	**1,057**	53,732
Advances to officers and employees	**103,458**	95,320
Others	**159,370**	113,902
	1,047,774	1,110,807
Allowance for doubtful accounts	**(147,506)**	(134,845)
	₱900,268	₱975,962

Tuition and other fees pertain to matriculation and miscellaneous fees which are collected at end of every school term before the students can proceed to the next term.

Trade receivables represent amounts arising from the sale of computer equipment and computer services. These are noninterest-bearing and are generally on thirty (30) to sixty (60) days term and are not used as collaterals to secure obligations.

Advances to officers and employees consist mostly of advances subject to liquidation, interest-bearing receivables pertaining to car loan and noninterest-bearing telephone charges, hospitalization bill and library and printing charges. Receivables from employees are settled through salary deductions. Interest income from advances to officers and employees amounted to ₱0.04 million, ₱0.03 million and ₱0.4 million in 2020, 2019 and 2018, respectively (Note 22).

Other receivables mainly pertain to receivable from DepEd amounting to ₱119.84 million and ₱78.49 million as at March 31, 2020 and December 31, 2019, respectively, arising from the Senior High School (SHS) Voucher Program wherein qualified SHS students are given assistance on tuition fees. These receivables are noninterest-bearing and are generally collectible within one year. The changes in allowance for doubtful accounts as of March 31 and December 31 follow:

	March 2020			
	Tuition and other fees	**Trade**	**Others**	**Total**
Balance at beginning of year	**₱125,261**	**₱3,393**	**₱6,191**	**₱134,845**
Provisions for the year (Note 21)	**12,661**	**–**	**–**	**12,661**
Balance at end of year	**₱137,922**	**₱3,393**	**₱6,191**	**₱147,506**
Gross receivables	**₱783,890**	**₱1,057**	**₱262,827**	**₱1,047,774**

	December 2019			
	Tuition and other fees	Trade	Others	Total
Balance at beginning of year	₱55,682	₱3,393	₱5,953	₱65,028
Additions from business combination (Note 6)	69,570		168	69,738
Provisions for the year (Note 21)	9	–	70	79
Balance at end of year	₱125,261	₱3,393	₱ 6,191	₱134,845
Gross receivables	₱847,853	₱53,732	₱209,222	₱1,110,807

9. Prepaid Expenses and Other Current Assets

	Unaudited March 2020	Audited December 2019
Prepaid expenses	**₱93,712**	₱77,972
Restricted funds (Note 15)	**21,155**	21,030
CWT	**11,630**	10,991
Inventory	**2,825**	3,257
Input VAT	**626**	583
Office supplies	**2,271**	1,740
Others	**70,208**	60,375
	₱202,429	₱175,948

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

Restricted funds significantly pertain to funds invested in money market placements exclusively for use in CWTS, NSTP, for financing of scholars of certain private entities and for the purpose of undertaking socio-economic studies, and development projects.

Others relate to rent deposits and other supplies. This also includes receivables for payments made in 2019 on certain claims that are under protest (Note 26).

10. Property and Equipment

The rollforward analysis of this account follows:

	March 2020				
	Buildings and Improvements	**Office Furniture and Equipment**	**Transportation Equipment**	**Construction In Progress**	**Total**
Cost					
Balance at beginning of year	**₱4,835,054**	**₱2,235,728**	**₱49,552**	**₱1,020,920**	**₱8,141,254**
Acquisitions	**24,344**	**44,423**	**4,923**	**49,384**	**123,074**
Reclassifications and adjustments	**(13,031)**	**(39,724)**	**–**	**–**	**(52,755)**
Balance at end of year	**4,846,367**	**2,240,427**	**54,475**	**1,070,304**	**8,211,573**
Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	**1,362,597**	**1,665,887**	**29,293**	**–**	**3,057,777**
Depreciation (Notes 20 and 21)	**43,038**	**50,136**	**2,051**	**–**	**95,225**
Reclassifications and adjustments	**1**	**(35,513)**	**(156)**	**–**	**(35,668)**
Balance at end of year	**1,405,636**	**1,680,510**	**31,188**	**–**	**3,117,334**
Net book value	**3,440,731**	**559,916**	**23,288**	**1,070,304**	**5,094,239**
Land at revalued amounts (Note 11)	**–**	**–**	**–**	**–**	**7,565,856**
Total	**₱3,440,731**	**₱559,916**	**₱23,288**	**₱1,070,304**	**₱12,660,095**

	2019				
	Buildings and Improvements	**Office Furniture and Equipment**	**Transportation Equipment**	**Construction In Progress**	**Total**
Cost					
Balance at beginning of year	**₱3,608,821**	**₱1,570,008**	**₱35,910**	**₱188,429**	**₱5,403,168**
Additions through business combination (Note 6)	**668,681**	**495,888**	**7,659**	**65,779**	**1,238,007**
Acquisitions	**557,552**	**169,832**	**5,983**	**766,712**	**1,500,079**
Balance at end of year	**4,835,054**	**2,235,728**	**49,552**	**1,020,920**	**8,141,254**

Accumulated depreciation, amortization and impairment loss					
Balance at beginning of year	**969,273**	**1,167,520**	**19,778**	**–**	**2,156,571**
Additions through business combination (Note 6)	**142,248**	**366,522**	**3,556**	**–**	**512,326**
Depreciation (Notes 20 and 21)	**147,191**	**179,818**	**6,977**	**–**	**333,986**
Reclassifications and adjustments	**103,885**	**(47,973)**	**(1,018)**		**54,894**
Balance at end of year	**1,362,597**	**1,665,887**	**29,293**	**–**	**3,057,777**
Net book value	**3,472,457**	**569,841**	**20,259**	**1,020,920**	**5,083,477**
Land at revalued amounts (Note 11)	**–**	**–**	**–**	**–**	**7,560,855**
Total	**₱3,472,457**	**₱569,841**	**₱20,259**	**₱1,020,920**	**₱12,644,332**

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

Interest expense on short-term loans obtained to finance the construction, which was included as part of the construction in progress amounted to ₱19.39 million and ₱63.29 million as of March 2020 and December 2019, respectively (Note 16).

11. Land at Revalued Amounts

This account consists of:

	Unaudited March 2020	Audited December 2019
Land at cost:		
Balance at beginning of year	**₱5,100,905**	₱3,062,821
Additions through business combination	**–**	2,038,085
Capitalizable costs	**5,001**	–
Balance at end of year	**5,105,906**	5,100,905
Revaluation increment on land:		
Balance at beginning of year	**2,459,949**	2,458,187
Change in revaluation increment	**–**	1,762
Balance at end of year	**2,459,949**	2,459,949
	₱7,565,856	₱7,560,855

Land at revalued amounts consists of owner-occupied property wherein the school buildings and other facilities are located. Capitalizable costs include taxes paid for purchase of land.

Land were appraised by independent firms of appraisers to determine the revalued amounts as at December 31, 2019 and 2018, respectively.

The valuation was derived through the market approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject properties adjusted based on certain elements of comparison (e.g. location, size and road frontage).

The parcels of land were valued in terms of their highest and best use which is categorized under Level 3 of the fair value hierarchy.

Location	Valuation Techniques	Unobservable Inputs Used	Range (Weighted Average) 2019	2018
Makati and Intramuros, Manila	Market Approach	Price per square meter	**₱40,500 to ₱273,125**	₱42,025 to ₱227,500
Cabuyao, Laguna	Market Approach	Price per square meter	**₱8,016 to ₱14,963**	₱8,289 to ₱31,350
Davao City, Davao Del Sur	Market Approach	Price per square meter	**₱12,339 to 39,738**	₱13,968 to ₱40,000
Pandacan, Metro Manila	Market Approach	Price per square meter	**₱51,300 to ₱76,950**	₱56,525 to ₱68,400
San Jose Del Monte City, Bulacan	Market Approach	Price per square meter	**₱47,025 to 58,500**	n/a
Naga City, Camarines Sur	Market Approach	Price per square meter	**₱2,748 to ₱6,804**	n/a
Quiapo, Manila	Market Approach	Price per square meter	**₱72,896 to 113,797**	n/a

Net adjustment factors arising from external and internal factors (i.e. location, size and road frontage) affecting the subject properties as compared to the market listing of comparable properties ranges from -30% to +35% in 2019 and from -20% to +20% in 2018.

Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of the land.

In 2019, the Group recorded provision for impairment in value of ₱21 million on a parcel of land which was charged to profit or loss [presented under 'Other income (charges) – net] as there was no previous revaluation increment recognized on said land.

12. Goodwill

The goodwill recognized in the consolidated statement of financial position amounting to ₱151.3 million as at March 31, 2020 and December 31, 2019 and 2018 pertains to the excess of the acquisition cost over the fair values of the net assets of MESI acquired by iPeople in 1999 and the additional goodwill in 2019 amounting ₱13.5 million for the excess of acquisition cost over the fair values of the net assets of the subsidiaries acquired in May 2, 2019 (Note 6).

The Group performed impairment testing on goodwill arising from acquisition of MESI wherein MESI was considered as the CGU. No impairment testing was done on the ₱13.47 million goodwill as the Group assessed it as not material to the consolidated financial statements and valuation was made in May 2019. In 2019, 2018 and 2017, management assessed that no impairment loss should be recognized.

Key assumptions used in the value in use (VIU) calculation
As at December 31, 2019 and 2018, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU are most sensitive to the following:

- Future revenues and revenue growth rates. Cash flow projections based on financial budgets approved by management covering a five-year period (2020-2024) and considers the impact of the K to 12 Basic Education Program on MESI's financial performance effective 2016.
- Long-term growth rates (3.73% for 2019 and 3.67% for 2018). The Long-term growth rate is the expected growth rate in the education industry sector.
- Discount rate (8.3% for 2019 and 10.10% for 2018). The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to Parent Company's capital structure.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of goodwill to materially exceed its recoverable amount.

13. Other Noncurrent Assets

This account consists of:

	Unaudited March 2020	Audited December 2019
Input VAT	**₱39,273**	₱41,322
Miscellaneous deposits	**28,557**	27,489
Creditable withholding tax	**23,638**	23,789
Computer software	**10,337**	9,341
Books and periodicals	**8,992**	8,340
	₱110,797	₱110,281

Miscellaneous deposits include rent deposits of the Group amounting to ₱18.0 million as of March 31, 2020 and December 31, 2019.

Computer software is amortized over a period of three years. The rollforward analysis of computer software follows:

	Unaudited March 2020	Audited December 2019
Cost		
Balance at the beginning of the year	**₱42,185**	₱37,148
Additions through business combination	–	3,269
Additions	**1,676**	1,767
Balance at the end of the year	**43,861**	42,185
Accumulated Amortization		
Balance at the beginning of the year	**32,843**	31,326
Amortization (Notes 20 and 21)	**634**	1,518
Reclassifications and adjustments	**47**	–
Balance at the end of the year	**33,524**	32,844
Net Book Value	**₱10,337**	₱9,341

14. **Accounts Payable and Accrued Expenses**

This account consists of:

	Unaudited March 2020	Audited December 2019
Accounts payable	**₱600,118**	₱619,117
Accrued expenses	**408,745**	387,232
Funds payable	**138,661**	90,733
Other payables	**107,354**	104,678
	₱1,254,878	₱1,201,760

Accounts payable pertains to the Group's obligation to local suppliers. This also includes the earnest money received from HI for the latter's exclusive interest to purchase shares of stock of a subsidiary of the Parent Company (see Note 15). Accounts payable also includes payables to students which are considered contract liabilities as disclosed under Unearned Income below.

Accrued expenses consist of:

	Unaudited March 2020	Audited December 2019
Provisions (Note 26)	**₱154,307**	₱154,307
Payable to suppliers	**95,441**	114,808
Accrued salaries and wages	**51,151**	30,423
Accrued professional fees	**25,244**	15,210
Withholding taxes and others	**18,362**	15,517
Contracted services	**8,728**	5,440
SSS and other contributions	**8,560**	7,661
Accrued interest	**7,434**	5,037
Accrued utilities	**6,130**	8,453
Insurance	**5,781**	4,393
Accrued communication expense	**4,985**	3,522
Output VAT payable	**2,658**	4,371
Others	**19,964**	18,090
	₱408,745	₱387,232

Funds payable include funds received by the Group from Department of Science and Technology (DOST), Commission on Higher Education (CHED) and private entities for the scholarships programs to be provided to the students, and NSTP and CWTS fees collected from students.

Other payables pertain to due to bookstore, deferred credits and liabilities other than those owed to suppliers and contractors and those arising from ordinary accruals.

Accounts payable, accrued expenses, and other payables are noninterest-bearing and are expected to be settled within a year after the financial reporting date. Funds payables are noninterest-bearing and are expected to be settled upon payout related to the funded projects and scholarship programs.

Unearned Income
Unearned income mainly includes unearned tuition fees amounting to ₱479.54 million and ₱780.71 million as at March 31, 2020 and December 31, 2019, respectively.

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

As at March 31, 2020 and December 31, 2019, contract liabilities amounted to ₱495.33 million and ₱790.54 million, respectively.

15. Related Party Transactions

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

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Parent Company				
a) Payable to Parent Company (HI)				
	2020	**₱–**	**(₱6,275)**	**Noninterest-bearing; unsecured;**
	2019	–	(6,754)	**due and demandable**
Management fee and other professional fees (Notes 20 and 21)	**2020**	**18,071**	**–**	
	2019	69,539	–	
b) Receivable from Parent Company				
	2020	**–**	**206**	**Noninterest-bearing; unsecured; due and demandable; no**
	2019	–	173	**impairment**
Entities under common control of HI				
c) Receivables from related parties				
	2020	**–**	**729**	**Noninterest-bearing; unsecured; due and demandable;**
	2019	–	412	**noimpairment**
Rental income				
	2020	**(467)**	**–**	
	2019	(2,447)	–	
d) Payables to related parties				
	2020	**–**	**(7,690)**	**Noninterest-bearing; unsecured;**
	2019	–	(8,657)	**due and demandable**
Contracted services (Notes 20 and 21)				
	2020	**15,997**	**–**	
	2019	61,556	–	
e) Accounts payable (Notes 10 and 14)	**2020**	**13,564**	–	Noninterest-bearing; unsecured;
	2019	(12,002)	(13,811)	payable on demand

Entities under common control of PMMIC				
Cash and cash equivalents (Note 7)				
	2020	**–**	**675,921**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2019	–	729,536	
Interest income (Note 22)				
	2020	**3,476**	**–**	
	2019	22,630	–	
f) Receivables from related parties				
	2020	**–**	**18**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2019	–	18	
g) Insurance expense				
	2020	**2,974**	**–**	
	2019	12,577	–	
h) Accounts payable (Note 14)				
	2020	**–**	**250**	**Noninterest-bearing; unsecured;**
	2019	250	250	
i) Financial asset at FVPL				
	2020	**–**	**9,421**	**Carried at fair value; No impairment**
	2019	–	9,350	
j) Restricted funds (Note 9)	**2020**	**–**	**21,155**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2019	–	21,030	

The Group's significant transactions with related parties follow:

a) *Payable to Parent Company*
This account pertains to management and other professional fees charged by HI for administering the subsidiaries' operations.

b) *Receivables from Parent Company*
This account pertains to fuel consumption, car plan and gym rental advanced by parent company. These are noninterest-bearing and are payable on demand.

c) *Receivables from entities under common control of HI*
Receivables from entities under common control of HI arise from HI subsidiaries' lease of the Group's canteen kiosks in its Makati and Intramuros properties. The term of the lease is for one year and renewable with uniform rental payments.

d) *Payable to entities under common control of HI*
Payables to entities under common control of HI pertain to property management and janitorial and security services (contractual services).

e) *Accounts Payable to HI*
Accounts payable pertains to the general cost of construction of MCMI's school buildings and other facilities and professional fees related to the on-going building construction (Notes 10 and 14).

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

g) *Payables to entities under common control of PMMIC*
The Group maintains property and personnel insurance with its affiliated insurance company, Malayan Insurance Company, Inc. (MICO). Insurance contract coverage pertains to the Group's fire, accident, group and other insurance policies.

h) *Accounts Payable to HI*
This pertains to the earnest money received from HI for the latter's exclusive interest to purchase shares of stock of a subsidiary of the Parent Company (see Note 14).

i) *Financial Assets at FVPL*
This account consists of peso-denominated investment in UITF with RCBC which allow the pooling of funds from different investors with similar investment objectives.

j) *Restricted funds*
As disclosed in Note 9, restricted funds pertain to funds invested in money market placements maintained with an affiliated bank.

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16. **Short-term Loans**

- In 2017, the Group, through MCMI, obtained a short-term loan (STL) facility with Bank of Philippine Island (BPI), which was earmarked from the long-term loan facility of the Group from same bank, to finance the construction of MCMI's school building. Each STL facility may be re-availed/renewed/extended within a period of one year provided that the sum of the terms of re-availements/renewal/ extension will not exceed 360 days. The STL facility may be converted into a 10-year term loan facility which shall be partially secured by the real estate mortgage on the real property of MCMI. The STL facility is secured by the Continuing Suretyship Agreement of MESI. Annual interest rates range from 3.00% to 5.50%.

  The Group, through MCMI, also obtained short-term loans from Land Bank of the Philippines (LBP) in 2019 and 2018 amounting to ₱15 million and ₱110 million, respectively with annual interests ranging from 4.70% to 6.25%. The loans are secured by the land owned by MCMI.

  Outstanding balance of short-term loans obtained by MCMI amounted to ₱308.80 million and ₱1,540 million as at December 31, 2019 and 2018, respectively.

- In 2018, the Group, through MESI, obtained unsecured peso-denominated short-term loans with BPI amounting to ₱900.00 million with annual interest rates ranging from 5.50% to 6.00%, to finance the acquisition of land from HI and the construction of MESI's school building in Makati City (Notes 10 and 11).

  In 2019, MESI obtained unsecured peso-denominated short-term loans with Robinsons Bank amounting to ₱1,090.00 million with annual interest rate of 5.30% to finance the construction of the new school building (Note 10).

  Outstanding balance of short-term loans obtained by MESI amounted to ₱1,090 million and ₱ 700 million as at December 31, 2019 and 2018, respectively.

- In 2019, the Group through APEC, availed of short-term, interest-bearing loan from a third-party bank amounting to ₱70.00 million at 7.50% interest per annum payable monthly. This was paid in 2019.

  The Group made partial payments in 2020 and 2019 amounting to ₱1 million and ₱2,278 million, respectively. Total STL drawdowns in 2020 and 2019 amounted to ₱20 million and ₱ 1,367 million, respectively.

  Interest expense charged to operations in 2020, 2019 and 2018 amounted to ₱5.9 million, ₱ 20.08 million and nil, respectively (Note 22).

  Interest expense that was capitalized as part of construction of MESI's building as at March 31, 2020 and December 31, 2019 amounted to ₱14.91 million and ₱63.29 million, respectively (Note 10).

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17. **Long-term Debt**

This account consists of the following as of December 31, 2019:

Unsecured bank loans	₱380,000
Secured bank loans	1,490,496
	₱1,870,496

Unsecured
The Group, through NTC, entered into a 10-year unsecured term loan facility with a third party local bank for ₱650.00 million to finance its building refurbishment and/or expansion (see Note 10). The principal payments will be made in 28 quarterly payments starting May 2022. As of December 31, 2019, total drawdown from the long-term loan facility amounted to ₱380 million, which are subject to annual interest rate of 4.675% with annual repricing based on higher of 5.5% or the prevailing one year benchmark rate or done rate of a liquid/active security, as agreed by the parties, with the same tenor if benchmark rate is not reflective of market rate, plus interest spread.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity structure ratio of 3:1. As of December 31, 2019, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. Interest expense recognized in profit or loss as of March 31, 2020 and December 31, 2019 amounted to ₱5.81 million and ₱8.46 million, respectively. Interest capitalized as part of building and improvements as of March 31, 2020 and December 31, 2019 amounted to ₱7.11 million and ₱7.11 million, respectively (Note 10).

Secured
In 2019, the Group, through MCMI, entered into a ten-year secured long-term loan agreement with a third party local bank for ₱1,500.00 million to refinance the construction of MCMI's school buildings and facilities that were initially funded by short-term loans. MCMI made partial drawdowns against this agreement amounting to ₱680.00 million, ₱350.00 million and ₱470.00 million in January, June and July 2019, respectively. The loans were subject to prevailing borrower's rate, plus a minimum spread of 0.50% per annum, but in no case lower than 4% per annum, subject to quarterly repricing. MCMI shall repay the loan in 20 equal quarterly installments to start at the end of 21st quarter from the initial drawdown date. The loans were secured by the land and related improvements owned by MCMI with carrying value of ₱2,376.76 million as of December 31, 2019 and suretyship of MESI (Note 10). The loans were subject to certain positive and negative covenants such as the requirement for MESI to maintain its debt service cover ratio of at least 1.0 at all times and its debt-to-equity ratio of at least 75:25 starting on the third year of the loan reckoned from initial drawdown date or January 2022.

MCMI incurred debt issue cost amounting to ₱11.25 million which was being amortized over the loan term of 10 years using the effective interest method. The amortized debt issue cost amounted to ₱0.59 million and ₱1.15 million was recorded as part of interest expense as of March 31, 2020 and December 31, 2019.

Interest expense, including amortization of debt issue cost, amounted to ₱18.75 million as of March 31, 2020 and nil in March 31, 2019 (Note 22).

Outstanding balance of secured long-term loans as of March 31, 2020 as follow:

	Amount
Principal	₱1,500,000
Unamortized debt issue cost	(9,504)
Secured bank loans	₱1,490,496

18. **Equity**

Capital Stock
Capital stock consists of 2,000,000,000 authorized with 1,044,263,197 and 748,933,221 issued common shares as of December 31, 2019 and 2018, respectively, with a par value of ₱1 per share. Issued and outstanding shares (excluding treasury shares of 272) is 1,044,262,925 shares as of March 31, 2020 and December 31, 2019.

On September 15, 1989, SEC approved the registration of the Group's entire authorized capital stock with a Certificate of Permit to Sell Securities authorizing the sale of 25 billion shares worth ₱250.00 million. The Group's capital stock was listed in both Manila and Makati Stock Exchanges on January 24, 1990. Actual number of shares initially listed is 15 billion at an offer price of ₱0.01 per share.

Below is the summary of the Group's outstanding number of shares and holders of securities as of March 31, 2020:

Year	Number of shares registered	Number of holders of securities as at year end
January 1, 2019	748,932,949	2,022
Add (deduct) movement	295,329,976	(5)
December 31, 2019	1,044,262,925	2,017
Add (deduct) movement	–	(2)
March 31, 2020	1,044,262,925	2,015

Note: Exclusive of 272 treasury shares.

Retained Earnings
In accordance with Securities Regulation Code (SRC) Rule No. 68, As Amended (2011), Annex 68-C, after reconciling items, the Parent Company's retained earnings available for dividend declaration as of March 31, 2020 and December 31, 2019 amounted to ₱986.75 million and ₱ 1,057.75 million, respectively. The Parent Company and its subsidiaries will declare dividends out of their retained earnings available for dividend declaration.

The retained earnings account in the equity includes the accumulated equity in undistributed earnings of consolidated subsidiaries amounting to ₱5,609.56 million and ₱5,428.64 million as of March 31, 2020 and December 31, 2019, respectively. These are not available for dividends until declared by the subsidiaries.

The Group's retained earnings is restricted for dividends declaration to the extent of the cost of treasury stock amounting to ₱209.

The BOD declared cash dividends as follows:

	2020	2019	2018
March 27, 2020, (₱0.070143 per share to stockholders of record as of April 14, 2020, payable on May 8, 2020	**₱73,248**	₱–	₱–
June 28, 2019, (₱0.01373 per share to stockholders of record as of July 25, 2019, payable on August 16, 2019	–	14,338	–
March 29, 2019, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 15, 2019, payable on May 14, 2019	–	44,936	–
December 12, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of January 8, 2019, paid on February 1, 2019	–	–	44,936
October 1, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of October 26, 2018, paid on November 21, 2018	–	–	44,936
June 29, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of July 26, 2018, paid on August 17, 2018,	–	–	44,936
March 23, 2018, 6% cash dividends (₱0.06 per share) to stockholders of record as of April 19, 2018, paid on May 16, 2018	–	–	44,936
	₱73,248	₱59,274	₱179,743

<u>Treasury Stock</u>

As of March 31, 2020 and December 31, 2019, there are 272 treasury shares amounting ₱209. The retained earnings is restricted for dividend declaration to the extent of the amount of ₱209 treasury shares.

<u>Capital Management</u>

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

As at March 31, 2020 and December 31, 2019, the Group is not subject to externally imposed capital requirements except for the long-term loan of NTC that is subject to debt to equity ratio requirement (Note 17).

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

	2020	2019
Liabilities (a)	**₱6,410,378**	₱6,540,274
Equity (b)	**9,594,783**	9,509,680
Debt-to-equity ratio (a/b)	**0.67:1.00**	0.69:1.00

19. Revenue from Contracts with Customers

Revenue from schools and related operations consists of:

	2020	2019	2018
Tuition and other matriculation fees	**₱968,081**	₱541,282	₱465,704
Less: Scholarship grants and discounts	**32,561**	31,650	22,155
	935,521	509,632	443,549
Other student-related income:			
Bookstore sales	**4,924**	6,461	8,430
Seminar fee income	**2,685**	3,077	1,821
Miscellaneous	**14,220**	19,534	16,397
	₱957,350	₱538,703	₱470,197

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

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

Cost of tuition and other fees account consists of:

	2020	2019	2018
Personnel expenses	**₱291,266**	₱158,490	₱148,429
Depreciation and amortization (Notes 10 and 13)	**92,852**	50,478	49,436
Management and other professional fees (Note 15)	**47,842**	30,476	27,141
Student-related expenses	**35,781**	23,149	22,980
Utilities	**28,403**	21,671	19,143
Periodicals and subscriptions	**17,455**	5,856	4,169
IT expense - software license	**12,267**	9,839	7,964
Tools and library books (Note 10)	**10,825**	9,196	7,049
Repairs and maintenance	**7,131**	4,116	3,695
Taxes and licenses	**5,804**	774	493
Office supplies	**3,121**	1,880	1,764
Accreditation cost	**3,037**	1,327	2,397
Laboratory supplies	**3,021**	862	616
Research and development fund	**2,561**	4,449	1,450
Insurance	**2,262**	2,065	1,291
Advertising	**2,112**	3,579	1,709
Seminar	**1,605**	2,010	2,137
Transportation and travel	**570**	336	203
Entertainment, amusement and recreation	**481**	320	139
Rent	**(159)**	55	39
Miscellaneous	**10,685**	398	409
	₱578,924	₱331,326	₱302,654

a. Details of depreciation and amortization follows:

	2020	2019	2018
Depreciation (Note 10)	**₱93,058**	₱61,663	₱53,472
Depreciation - ROU assets (Note 26)	**17,247**	–	–
Amortization - Student relationship (Note 6)	**7,745**	–	–
Amortization (Note 13)	**634**	132	86
	₱118,684	₱61,795	₱53,558

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

	2020	2019	2018
Cost of schools and related operations	**₱76,480**	₱50,478	₱49,436
Cost of schools and related operations – ROU assets (Note 26)	**17,247**	–	–
General and administrative expenses (Note 21)	**24,957**	11,317	4,122
	₱118,684	₱61,795	₱53,558

21. **General and Administrative Expenses**

This account consists of:

	2020	2019	2018
Management and other professional fees (Note 14)	**₱35,531**	₱27,927	₱21,126
Personnel expenses	**49,967**	15,888	14,358
Depreciation and amortization (Note 18)	**25,832**	11,317	4,122
Provision for impairment of receivables	**12,661**	–	–
Taxes and licenses	**8,887**	4,045	3,878
Advertising	**7,092**	1,724	5,324
Utilities	**5,558**	1,644	1,223
Repairs and maintenance	**4,137**	1,710	554
Insurance	**1,438**	1,216	306
Rent (Note 24)	**1,396**	152	142
Transportation and travel	**1,144**	656	1,262
Entertainment, amusement, and recreation	**893**	531	386
Office supplies	**877**	594	505
IT expense - software license	**836**	1,786	79
Seminar	**801**	3,241	173
Commission	**313**	213	151
Investor relations	**222**	355	444
Donations	**30**	–	50
Accreditation cost	–	–	10
Miscellaneous	**4,225**	1,026	1,053
	₱161,840	₱74,025	₱55,146

Management and other professional fees consist of property management fees, janitorial and security service fees, lawyers, payroll specialists and other professional service fees (Note 14).

Miscellaneous expense includes dues and subscriptions, manual and training materials, periodicals and other contracted services, among others.

22. Interest Income, Interest and Other Finance Charges

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

	2020	2019	2018
Cash in banks and cash equivalents (Note 7)	**₱3,476**	₱6,154	₱2,061
Advances to officers and employees (Note 8)	**40**	27	385
	₱3,516	₱6,181	₱2,446

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

	2020	2019	2018
Bank charges	**₱1,829**	₱1,170	₱735
Short-term loan (Note 16)	**5,951**	20,081	–
Long-term loan	**24,552**	–	–
	₱32,333	₱21,251	₱735

23. Earnings Per Share

Earnings per share amounts attributable to equity holders of Parent Company are computed as follows:

	2020	2019	2018
Net income attributable to equity holders of Parent Company (a)	**₱158,351**	₱96,493	₱98,620
Weighted average number of outstanding shares - net of treasury shares (b)	**1,044,263**	748,933	748,933
Earnings per share (a/b)	**₱0.1516**	₱0.1288	₱0.1317

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

24. **Operating Segment Information**

Business Segment
The business segment is determined as the primary segment reporting format as the Group's risks and rates of return are affected predominantly by each operating segment.

Management monitors the operating results of its operating segments separately for the purpose of making decision about resources allocation and performance assessment. Group financing (including interest income, dividend income and interest expense) and income taxes are managed on a group basis and are not allocated to operating segments. The Group evaluates performance based on income before income tax, and earnings before income tax, depreciation and amortization. The Group does not report its results based on geographical segments because the Group operates only in the Philippines.

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

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

Education - primarily consists of revenues of MESI, MCLI, MHSS, MCMI, NTC, UNC, and APEC in education.
Others - represent support services which cannot be directly identified with the reportable segment mentioned above.

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

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

Capital expenditures consist of additions to property and equipment.

(In million pesos)

	Education			Others			Elimination			Consolidated		
	2020	2019	2018	**2020**	2019	2018	**2020**	2019	2018	**2020**	2019	2018
Revenues												
Income from external customers	**₱957**	₱539	₱487	**₱–**	₱–	₱1	**₱–**	₱–	₱–	**₱957**	₱539	₱488
Total Revenues	**₱957**	₱539	₱487	**₱–**	₱–	₱1	**₱–**	₱–	₱–	**₱957**	₱539	₱488
Net Income attributable to Parent Company	**₱162**	₱104	₱108	**₱2**	₱1	(₱2)	**(₱10)**	(₱9)	(₱8)	**₱158**	₱96	₱99
Other Information												
Segment assets	**₱18,324**	₱11,178	₱9,353	**₱5,544**	₱1,927	₱1,953	**(₱7,635)**	(₱2,869)	(₱3,253)	**₱16,232**	₱10,236	₱8,053
Segment liabilities	**6,387**	3,931	2,534	**211**	88	106	**(187)**	(258)	(668)	**6,410**	3,761	1,972
Deferred tax assets	**20**	6	6	**0**	0	0	**2**	–	–	**22**	6	6
Deferred tax liabilities	**584**	208	175	**–**	–	–	**74**	–	–	**658**	208	175
Interest expense	**32**	21	1	**0**	0	0	**0**	0	0	**32**	21	1
Provision for income tax	**26**	16	13	**0**	0	0	**(1)**	–	–	**25**	16	13
Depreciation and amortization	**111**	62	53	**0**	0	0	**8**	–	–	**119**	62	54

25. **Notes on Consolidated Statements of Cash Flows**

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

		Non-cash Changes			
	2019	Declaration of Cash Dividend	Non-controlling interest	Cash Flows	2020
Short-term loan	₱1,398,800	₱–	₱–	₱19,000	₱1,417,800
Long-term debt	1,869,903			593	1,870,496
Dividends payable	565	73,248	–	–	73,813
Payable to related parties	15,411	–	–	1,443	16,854
	₱3,284,679	₱73,248	₱–	₱21,036	₱3,378,963

- Noncash investing activities as of March 2020, December 2019 and 2018 pertain to liability for construction in progress amounting to nil, ₱1.76 million, and ₱389.89 million, respectively.

26. **Commitments and Contingencies**

Lease Commitments
Group as a lessor
The Group's Intramuros and Makati campuses lease spaces to Digitel, Investment Managers, Inc. (IMI) and Bell Telecommunication Philippines, Inc. The lease terms cover lease periods of between three (3) years to ten (10) years with escalation rates ranging from 3.00% to 10.00%.

The future minimum rentals receivable under the aforementioned lease agreements follow:

	2020	2019
Within one year	**₱791**	₱791
More than one year but not more than five years	**4,036**	4,036
Later than five years	**1,273**	1,273
	₱6,100	₱6,100

Group as lessee
The Group leases building spaces for office and school sites and annexes from third-party lessors for a period ranging from one to ten years. The Group applies the 'short-term lease' recognition exemption for those leases with lease terms of one year or less. For those leases subjected to PFRS 16, the IBR used in the computation of lease liabilities ranges from 7.25% to 9.0% in 2019.

The rollforward analysis of net book value of right-of-use assets from APEC, where its school and office buildings are being rented, follows:

	March 2020	December 2019
Net book value at business combination (Note 6)	₱387,981	₱363,029
Additions	–	72,186
Amortization (Note 20a)	(17,246)	(47,234)
	₱370,735	₱387,981

The following are the amounts recognized in the 2020 statement of comprehensive income (Note 20):

Depreciation expense of right-of-use assets	₱874
Interest expense on lease liabilities	16,372
Total amount recognized in profit or loss	₱17,246

The rollforward analysis of lease liabilities from APEC follows:

	March 2020	December 2019
Lease liabilities at business combination (Note 6)	₱419,340	₱374,622
Additions	–	71,066
Interest expense (Note 22)	8,678	22,752
Payments	(19,141)	(49,100)
	₱408,876	₱419,340

The balance of lease liabilities as of March 31, 2020 follows:

Lease liabilities – current	₱35,751
Lease liabilities – noncurrent	373,125
	₱408,876

Shown below is the maturity analysis of the undiscounted lease payments as of March 31, 2020:

Within one year	₱75,365
More than one year but less than five years	348,644
Five years and more	126,857
	₱550,866

Provisions and Contingencies

- The Group is involved in certain claims arising from the ordinary conduct of business which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external counsels handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings.

  The disclosure of additional details beyond the present disclosure may prejudice the Group's position and negotiation strategies with respect to these matters. Thus, as allowed under paragraph 92 of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided.

- Prior to 2018, the Group's provisions include the Group's recognized payable associated with the Faculty Associations of Mapua Institute of Technology (FAMIT) reranking case. This case involves the faculty ranking and evaluation instrument that was part of the 2001 Collective Bargaining Agreement negotiations with the FAMIT. The Supreme Court reversed an earlier Court of Appeals decision in favor of management. An entry of judgment dated March 13, 2008 was made in the Supreme Court Book of Entries of Judgments, making the decision final and executory. A Memorandum of Agreement was entered into by management with FAMIT before the Voluntary Arbitrators wherein the parties agreed to continue the process of faculty ranking. The evaluation process was completed in December 2008.

  On January 22, 2009, MESI and FAMIT entered into a Compromise Agreement regarding the payment of the amounts due to the permanent faculty members of MESI in relation to the faculty reranking case. As at December 31, 2018, total accumulated payments to faculty members amounted to ₱230.78 million. Management assessed that the liability already prescribed after applying the 10-year prescription period which ended in March 2018.

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

SUPPLEMENTARY SCHEDULES

SCHEDULE I

iPeople, inc. and Subsidiaries

Supplementary Information and Disclosures Required on Securities Regulation Code (SRC) Rule 68 and 68.1, As Amended
March 31, 2020

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule (SRC) Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by amended SRC Rule No. 68 and 68.1 that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required parts of the basic financial statements.

Schedule A. Financial Assets in Equity Securities
As at March 31, 2020, the Group has no financial assets in Equity Securities.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)
Below is the schedule of advances to officers and employees of the Group with balances above ₱100,000 as at March 31, 2020:

Name	As of December 31, 2019	Additions	Liquidations/ Collections	As of March 31, 2020
Agapito, Benigno Jr.	375,142	₱–	31,792	343,350
Agbulos, Erlin C.	134,084	–	22,343	111,741
Arenillo, Denise Jordan	322,158	–	24,574	297,584
Austria, Maria Rhodora	212,217	–	18,725	193,492
Balan, Ariel Kelly		394,000	70,342	323,658
Ballado, Alejandro Jr.		394,000	83,250	310,750
Camacho, Margarita	240,657	–	26,238	214,419
Caparanga, Alvin	253,500	–	32,500	221,000
Gan, Maria Eloisa	498,103	–	26,684	471,419
Kikuchi, Khristian	223,354	–	18,875	204,479
Lanuza, Dionisia	185,500	–	26,500	159,000
Lopez, Jonathan M.	352,194	–	17,932	334,262
Lozada, Katrina	128,764	–	-	128,764
Macayan, Jonathan	315,200	–	32,833	282,367
Manuel, Mark Christian	341,467	–	32,833	308,634
Manzano, Catherine	110,000	–	-	110,000
Mesina, James Ronald	354,500	–	34,417	320,083
Papas, Aileen Kate A.	455,690	–	23,171	432,519
Quisaot, Concordio	348,033	–	32,833	315,200
Ravanera, Tomas Carlos	220,208	–	-	220,208
Robielos, Rex Aurelius	237,183	–	31,208	205,975
Rodriguez, Annele	602,500	–	-	602,500
Sabino, Lilibeth	173,133	–	30,917	142,216
Salvacion, Jonathan	150,878	–	30,792	120,086
Songsong, Maribel	124,000	–	18,600	105,400

Teodoro, Gloria	266,500	–	32,500	234,000
UNKNOWN - 5	147,280	–	–	147,280
Uy, Francis Aldrine	300,678	–	33,042	267,636
Villa, Robert Joseph		398,720	3,750	394,970
Yap, Maria Elizabeth	529,895	–	31,208	498,687
Tiongco, Danilo R.	231,722	–	23,172	208,550
	₱7,834,540	₱1,186,720	₱791,031	₱8,230,229

These advances pertain to the officers and employees car plan agreements. Such advances are interest-bearing and shall be liquidated on a monthly basis. There were no amounts written off during the year.

Schedule C. Amounts Receivable/Payables from and to Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivables and payables with related parties, which are eliminated in the consolidated financial statements as at March 31, 2020:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
Pan Pacific Computer Center, Inc.	₱1,104,410	₱–	₱–	₱1,104,410
Malayan Education System, Inc.	9,567,065	4,748,598	(9,567,065)	4,748,598
Malayan Colleges Laguna, Inc.	2,348,575	3,138,173	(4,556,042)	930,705
University of Nueva Caceres	428,253	660,314	(901,542)	661,331

Schedule D. Intangible Assets

As at March 31, 2020, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of MESI. Details of the Group's intangible assets are as follows:

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Ending balance
Goodwill	₱151,325,605	₱–	₱–	₱151,325,605
Student Relationship	101,135,343	–	(5,577,621)	95,557,721
Intellectual property rights	523,103,000	–	–	523,103,000
Computer software	9,341,253	1,676,144	(680,335)	10,337,062
	₱784,905,201	₱1,676,144	(₱6,257,956)	₱780,323,389

Schedule E. Long term debt

As of March 31, 2020, the Group has outstanding long-term debts as follow (in thousands):

This account consists of:

	March 2020	December 2019
Loans payable (Note 17)		
Unsecured bank loans	**₱380,000**	₱380,000
Secured bank loans	**1,490,496**	1,489,903
	₱1,870,496	₱1,869,903

Unsecured
On February 7, 2019, the NTCl availed of a ten (10)-year unsecured term loan from a local bank for the financing of its building refurbishment and/or expansion. Pursuant to the loan agreement, the local bank agreed to provide loans to the School for up to 650.00 million, the principal payments of which will be made in 28 quarterly payments starting May 2022. Total amount of drawdowns made in the first, second and third quarter of the year amounted to ₱100 million, ₱200 million and ₱80 million, respectively, subject to variable interest rates.

Secured
On August 23, 2018, MCM entered into ten year secured term loan agreement with LBP for ₱1,500.00 million to refinance the construction of Company's school buildings and facilities. The Company made partial drawdowns against this agreement amounting to ₱680.00 million, ₱350.00 million and ₱470.00 million in January, June and July 2019, respectively. The loan is subject to prevailing borrower's rate, plus a minimum spread of 0.50% per annum, but in no case lower than 4% per annum, subject to quarterly repricing. The Company shall repay the loan in 20 equal quarterly installments to start at the end of 21st quarter from the initial drawdown date.

The loan is subject to certain covenants including debt service ratio and debt to equity ratio starting on the third year of the loan reckoned from initial drawdown date.

The Company incurred debt issue cost amounting to ₱11.25 million which was being amortized over the loan term of 10 years using effective interest method.

Interest expense, including amortization of debt issue cost, amounted to ₱18.75 million as of March 31, 2020. The amortization of debt issue cost charged to "interest expense" account amounted to ₱ 0.59 million.

Outstanding balance of secured long-term loans as of March 31, 2020 as follow:

	Amount
Principal	₱1,500,000
Unamortized debt issue cost	(9,504)
Secured bank loans	₱1,490,496

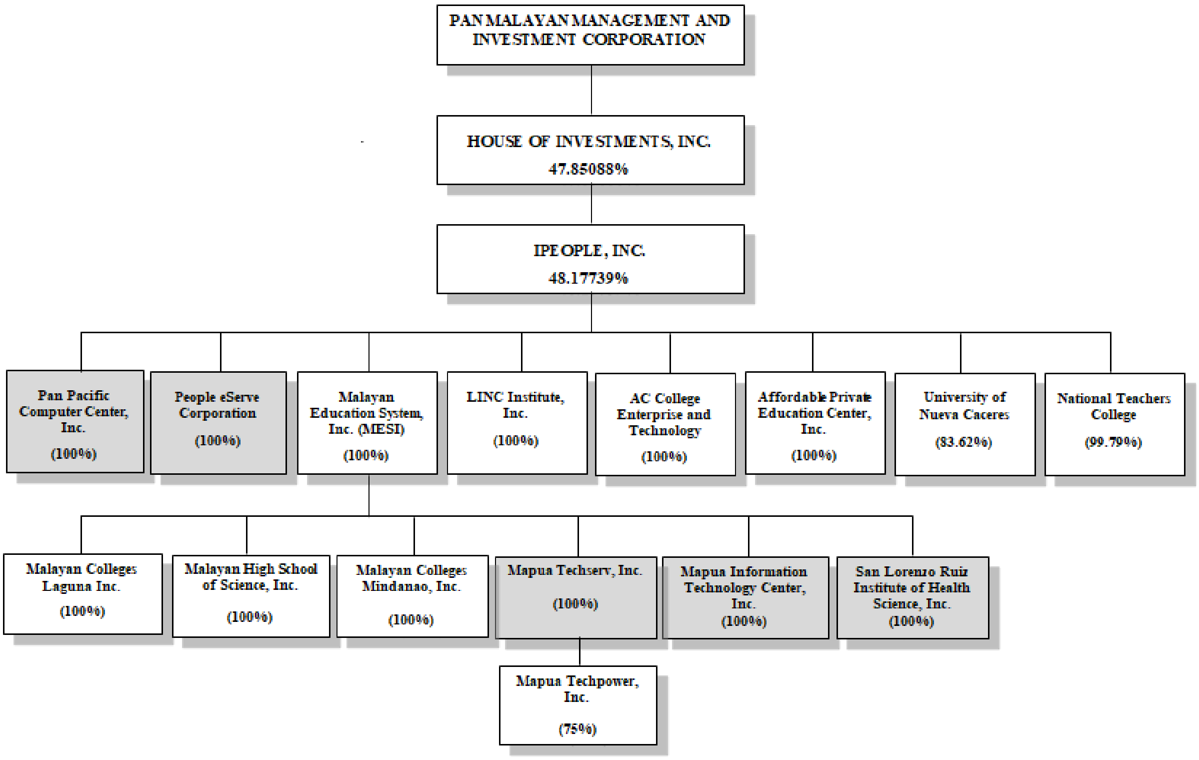
Schedule F. Indebtedness to Related Parties (Long Term Loans from Related Companies)
Please refer to Schedule E for the details of indebtedness to related parties.

Schedule G. Guarantees of Securities of Other Issuers
As at March 31, 2020, the Group does not guarantee any securities.

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	1,044,262,925	-	885,453,681	144,775	158,664,469

Group Structure
Below is a map showing the relationship between and among the Group and its ultimate parent company and subsidiaries as at March 31, 2020:



SCHEDULE II

iPeople, inc. and Subsidiaries

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

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of March 31, 2020:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			✓
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners	✓		
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments	✓		
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine	Levies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2020		Adopted	Not Adopted	Not Applicable
Interpretation IFRIC-21				
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions.

Standards tagged as “Not adopted” are standards issued but not yet effective as of March 31, 2020. The Group will adopt the Standards and Interpretations when these become effective.

SCHEDULE III

iPeople, inc. and Subsidiaries

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
MARCH 31, 2020

Items	Amount	
Unappropriated retained earnings, *as adjusted to available for distribution, beginning*		**₱1,057,752**
Add: Net income actually earned/realized during the period		
Net income during the period closed to retained earnings	₱2,241	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Sub-total	–	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustments due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Sub-total	–	
Net income actually realized during the period		2,241
Add (Less):		
Dividends declaration during the year	(73,248)	
Appropriations of retained earnings during the period	–	
Reversal of appropriations	–	
Effects of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	(0.209)	
		(73,248)
Total Retained Earnings, end, Available for Dividend		₱986,746

iPeople, inc. and Subsidiaries
Aging of Accounts Receivable
For the quarter ended March 31, 2020

	No. of days due			
	0-30	**31-60**	**Over 61 days**	**Total**
Education	**₱ 598,489,666**	**₱ 50,172,927**	**₱ 135,227,081**	**₱ 783,889,675**
Parent and others	**18,053,743**	**184,273,710**	**61,556,824**	**263,884,277**
Total	**616,543,409**	**234,446,637**	**196,783,906**	**1,047,773,952**
Less: Allowance for doubtful accounts	**(4,620,088)**	**(13,111,793)**	**(129,773,733)**	**(147,505,614)**
	₱ 611,923,321	**₱ 221,334,844**	**₱ 67,010,172**	**₱ 900,268,337**

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Makati on __________________, 2020.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this _____ day of June, 2020 at Makati City.

JUN 1 8 2020

By:

Reynaldo B. Vea
President

Gema O. Cheng
EVP and CFO

Jonathan M. Lopez
Controller

Atty. Samuel V. Torres
Corporate Secretary

JUN 1 8 2020 MAKATI CITY

SUBSCRIBED AND SWORN to before me this ____day of _____ 2020, at ________________. Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

Names	Document No.	Date & Place of Issue/Expiration
Reynaldo B. Vea	DL#N20-84-003426	03-20-2018 Quezon City / 03-20-2023
Gema O. Cheng	DL#N06-84-036923	12-14-2017 Mandaluyong / 12-08-2022
Jonathan M. Lopez	DL#N01-02-001324	05/07/2019 Imus Cavite / 05-07-2024
Atty. Samuel V. Torres	DL#13-83-001463	11-08-2017 Quezon City / 11-10-2022

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Page No. 89;
Book No. 8;
Series of 2020

RUBEN P. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2021
IBP NO. 093489 / 10-18-19 CY 2020
ROLL NO. 28947/ MCLE 6 / 3-22-19
PTR NO. MKT. 8117044 / 1-2-20 APPT NO. M-169