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

	2021	2020
Cost		
Balance at the beginning of the year	₱44,025	₱42,185
Additions	15,479	1,840
Balance at the end of the year	59,504	44,025
Accumulated Amortization		
Balance at the beginning of the year	34,989	32,844
Amortization (Notes 20 and 21)	4,551	2,275
Reclassifications	500	(130)
Balance at the end of the year	40,040	34,989
Net Book Value	₱19,464	₱9,036

14. **Accounts Payable and Other Current Liabilities and Unearned Income**

Accounts payable and other current liabilities consists of:

	2021	2020
Accounts payable	₱397,869	₱515,992
Accrued expenses	385,599	432,927
Funds payable	240,628	140,415
Other payables	12,023	66,251
	₱1,036,119	₱1,155,585

Accounts payable pertains to the Group's obligation to local suppliers. Accounts payable also includes payables to students which are considered Contract liabilities as disclosed below.

Accrued expenses consist of:

	2021	2020
Provisions (Note 31)	₱159,266	₱159,266
Payable to suppliers	111,979	124,460
Accrued salaries and wages	19,222	21,661
Accrued professional fees	15,359	21,515
Accrued interest	18,057	16,890
Accrued communication expense	3,998	15,042
Withholding taxes and others	15,864	12,003
SSS and other contributions	5,136	6,050
Contracted services	5,665	3,687
Accrued utilities	4,311	3,224
Output VAT payable	5,181	2,625
Insurance	3,081	1,594
Others	18,480	44,910
	₱385,599	₱432,927

Funds payable includes funds received by the Group from Department of Science and Technology (DOST), Commission on Higher Education (CHED) and private entities for their scholarship programs to be granted to the Group's students, and NSTP and CWTS fees collected from students.

Other payables include outstanding balance on the acquisition of additional shares from UNC amounting to nil as of December 31, 2021 and ₱60.68 million as of December 31, 2020.

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 ₱658.4 million and ₱680.6 million as of December 31, 2021 and 2020, respectively. This mainly includes unearned tuition fees amounting to ₱655.6 million and ₱670.0 million as at December 31, 2021 and 2020, respectively.

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). These 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.

As at December 31, 2021, contract liabilities amounted to ₱691.44 million and these will be recognized as revenue in the following year. Contract liabilities as of January 1, 2021 amounting to ₱708.13 million were recognized as revenue in 2021. The decrease in contract liabilities in 2021 is mainly due to timing of enrollment period for School Year 2021-2022 and decrease in number of students for certain schools.

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
Controlling entity - III				
a) Payable to III				
	2021	**₱–**	**(₱13,566)**	**Noninterest-bearing; unsecured; due and demandable**
	2020	–	(5,941)	
Management fee and other professional fees (Notes 20 and 21)	**2021**	**51,534**	–	–
	2020	66,973	–	–
	2019	69,839		
b) Receivable from III				
	2021	–	**248**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2020	–	206	
Reimbursements	**2021**	**229**	–	–
	2020	33	–	–

(Forward)

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Entities under common control of HI				
c) Receivables from related parties				
	2021	**₱–**	**₱25,328**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2020	–	25,824	
Reimbursements	2020	25,325	–	–
Rental income	**2021**		**483**	–
	2020	(467)	–	–
	2019	(2,447)	–	–
d) Payables to related parties				
	2021	–	**(509)**	**Noninterest-bearing; unsecured; due and demandable**
	2020	–	(13,325)	
Contracted services (Notes 20 and 21)				
	2021	**36,934**	–	–
	2020	37,600	–	–
	2019	61,556	–	–
e) Accounts payable (Notes 10 and 14)	**2021**	–	**(352)**	**Noninterest-bearing; unsecured; payable on demand**
	2020	(11,342)	(1,029)	
Entities under common control of PMMIC				
f) Cash and cash equivalents (Note 7)				
	2021	–	**1,146,315**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2020	–	992,360	
Interest income (Note 22)				
	2021	**6,050**	–	–
	2020	10,734	–	–
	2019	22,630	–	–
g) Receivables from related parties				
	2021	–	**18**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2020	–	18	
h) Insurance expense				
	2021	**13,279**	–	
	2020	12,803	–	
	2019	12,577	–	
Financial asset at FVTPL (Note 30)				
	2021	–	**9,215**	**Carried at fair value; No impairment**
	2020	–	9,703	
Restricted funds (Note 9)	**2021**	–	**34,816**	**Interest at prevailing deposit and short-term rates; unsecured; no impairment**
	2020	–	30,960	
Entities with significant influence				
i) Payable to related parties	**2021**	–	–	**Due on demand, noninterest-bearing; unsecured; no impairment**
	2020	–	(10,214)	
Management fee and other professional fees (Notes 20 and 21)	**2021**	**9,900**	–	
	2020	10,530	–	–
	2019	7,131	–	–
Others				
j) Accounts payable				
	2021	–	**(3)**	**Noninterest-bearing; unsecured; due and demandable; no impairment**
	2020	–	(2,205)	
Utilities				
	2021	–	–	–
	2020	167	–	
	2019	65	–	

(Forward)

	Year	Amount / Volume	Receivables from (Payables to)	Terms and Conditions
Professional fees				
	2021	**₱449**	**₱–**	–
	2020	3,644	–	
	2019	3,044	–	
Others				
	2021	**453**	–	–
	2020	481	–	–

The Group's significant transactions with related parties follow:

a) Payable to HI
This account pertains to management and other professional fees charged by HI for administering the Group's operations (Notes 20 and 21).

b) Receivables from HI
This account pertains to fuel consumption, car plan and gym rental advanced by the Group. 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 and expenses advanced by the Group. 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 entities under common control of HI
Accounts payable pertains to the outstanding balance of general cost of construction of school buildings and other facilities and professional fees related to the building construction (Notes 10 and 14).

f) Cash and Cash Equivalents
The Company maintains cash and cash equivalent with its affiliate bank and earns interest income at prevailing deposit and short-term investment rates (Note 7).

g) 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.

h) 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.

i) Payable to related parties
Payable to related parties mainly pertains to management fees charged by AC for the administration of the Parent Company's operations.

j) Accounts payable to related parties
Pertains to the water utility bills and professional fees payable to other affiliates.

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 ₱1.23 million and ₱0.90 million for the years ended December 31, 2021 and 2020, respectively.

b) Compensation of key management personnel of the Group

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

	2021	2020	2019
Short-term benefits	**₱38,755**	₱37,044	₱36,158
Post-employment benefits	**1,400**	1,342	1,138
	₱40,155	₱38,386	₱37,296

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, 2021 and 2020, 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-availments/renewals/ 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 4.50% to 4.75%.

  The Group, through MCMI, also obtained short-term loans from Land Bank of the Philippines (LBP) in 2020 amounting to ₱57.3 million, 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 ₱400.0 million and ₱375.0 million as at December 31, 2021 and 2020, respectively.

- In 2018, the Group, through MESI, obtained unsecured peso-denominated short-term loans with BPI amounting to ₱900.0 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 2020 and 2019, MESI obtained unsecured peso-denominated short-term loans with Robinsons Bank amounting to ₱150.0 million and ₱1,090.0 million, respectively, with annual interest rate of 5.30% to finance the construction of the new school building (Note 10). Full payment of the loans were made in 2020 amounting to ₱1,240.0 million.

- In 2019, the Group through APEC, availed of short-term, interest-bearing loan from a bank amounting to ₱70.0 million at 7.50% interest per annum payable monthly. This was fully paid in 2019.

The Group made payments amounting to ₱375.0 million and ₱1,254.3 million in 2021 and 2020, respectively. Total STL drawdowns in 2021 and 2020 amounted to ₱400.0 million and ₱230.5 million, respectively.

Interest expense charged to operations in 2021, 2020 and 2019 amounted to ₱6.7 million, ₱18.3 million and ₱37.2 million, respectively (Note 22). Interest expense that was capitalized as part of construction of MESI's building in 2021 and 2020 amounted to nil and ₱58.0 million, respectively (Note 10).

17. Long-term Loans

This account consists of the following as of December 31:

	2021	2020
Unsecured bank loans	**₱380,000**	₱380,000
Secured bank loans	**1,494,646**	1,492,275
Total loans	**1,874,646**	1,872,275
Less current portion	**21,001**	–
Noncurrent portion	**₱1,853,645**	₱1,872,275

Unsecured
The Group, through NTC, entered into a 10-year unsecured term loan facility with a third party local bank for ₱650.0 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, 2021 and 2020, total drawdowns amounted to ₱380 million. The ₱300 million is subject to 5.5% fixed rate and the ₱80 million is subject to 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. In September 2021, the 80 million is converted to a 5.5% fixed rate.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity structure ratio of 3:1. As of December 31, 2021 and 2020, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. For 2021 and 2020, interest expense recognized in profit or loss amounted to ₱21.3 million and ₱8.5 million in 2019.

Current portion and noncurrent portion of long-term loan as of December 31, 2021 amounted to ₱21.0 million and ₱359.0 million.

Secured
In 2019, the Group, through MCMI, entered into a ten-year secured long-term loan agreement with a local bank for ₱1,500.0 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 ₱680.0 million, ₱350.0 million and ₱470.0 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 ₱2,382.0 million and ₱2,361.5 million as of December 31, 2021 and 2020, respectively, 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 (January 2022) reckoned from initial drawdown date of January 2019.

MCMI incurred debt issue cost amounting to ₱11.2 million which is being amortized over the loan term of 10 years using the effective interest method. The amortization of debt issue cost amounting to ₱2.4 million in 2021 and 2020 were recorded as part of interest expense.

Interest expense, including amortization of debt issue cost, amounted to ₱63.6 million in 2021 and 2020 and ₱58.3 million in 2019 (Note 22).

Outstanding balance of secured long-term loans as of December 31 follows:

	2021	2020
Principal	**₱1,500,000**	₱1,500,000
Unamortized debt issue cost	**(5,354)**	(7,725)
	₱1,494,646	₱1,492,275

18. Equity

Capital Stock
Capital stock consists of 2,000,000,000 authorized shares with 1,044,263,197 issued and outstanding common shares as of December 31, 2021 and 2020, with a par value of ₱1 per share.

On September 15, 1989, SEC approved the registration of the Parent Company'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 Parent Company'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 Parent Company's outstanding number of shares and holders of securities as at December 31:

Year	Number of shares registered	Number of holders of securities as at year end
January 1, 2020	1,044,262,925	2,017
Add (deduct) movement	–	(4)
December 31, 2020	1,044,262,925	2,013
Add (deduct) movement	272	(7)
December 31, 2021	1,044,263,197	2,006

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, 2021 and 2020 amounted to ₱1,259.2 million and ₱982.6 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 ₱6,256.53 million and ₱6,043.84 million as at December 31, 2021 and 2020, respectively. These are not available for dividends until declared by the subsidiaries.

The BOD declared cash dividends as follows:

	2021	2020	2019
November 12, 2021, (₱0.239403 per share) to stockholders of record as of November 29, 2021, payable on December 22, 2021	**₱250,000**	₱–	₱–
April 8, 2021, (₱0.06 per share to stockholders of record as of May 7, 2021, payable on May 31, 2021	**62,656**	–	–
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
	₱312,656	₱73,248	₱59,274

On April 1, 2022, the BOD declared ₱167.08 million cash dividends (₱0.16 per share) to stockholders of record as of April 29, 2022, payable on May 20, 2022.

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, 2021 and 2020.

As at December 31, 2021 and 2020, 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.

	2021	2020
Liabilities (a)	**₱5,008,841**	₱5,219,750
Equity (b)	**10,869,371**	10,252,416
Debt-to-equity ratio (a/b)	0.46:1.00	0.51:1.00

19. Revenue from Contracts with Customers

Revenue from schools and related operations consists of:

	2021	2020	2019
Tuition and other matriculation fees	**₱3,570,963**	₱3,223,956	₱2,949,845
Less: Scholarship grants and discounts	**(289,692)**	(273,208)	(119,911)
	3,281,271	2,950,748	2,829,934
Other student-related income:			
Seminar fee income	**6,444**	4,352	16,573
Miscellaneous	**63,352**	62,006	150,266
	₱3,351,067	₱3,017,106	₱2,996,773

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:

	2021	2020	2019
Revenue from schools and related operations:			
Revenue from tuition and other matriculation fees (over time)	**₱3,281,271**	₱2,950,748	₱2,829,934
Other student-related income (at a point in time)	**69,796**	66,358	166,839
	₱3,351,067	₱3,017,106	₱2,996,773

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:

	2021	2020	2019
Personnel expenses (Note 24)	**₱1,032,944**	₱1,037,808	₱927,214
Depreciation and amortization	**344,366**	367,984	336,843
Management and other professional fees (Note 15)	**91,716**	129,208	166,467
Student-related expenses	**70,926**	111,052	216,292
Periodicals	**94,060**	89,554	40,198
IT expense - software license	**79,620**	76,467	46,854
Utilities	**50,131**	61,547	128,761
Accreditation cost	**23,077**	31,682	11,122
Repairs and maintenance	**24,629**	20,049	34,664
Advertising	**30,388**	18,478	19,696
Tools and library books (Notes 10 and 13)	**15,992**	17,587	33,969
Research and development fund	**19,870**	10,738	16,211
Insurance	**10,325**	10,601	10,101
Taxes and licenses	**7,978**	7,321	2,880
Seminar	**7,621**	7,267	16,769
Office supplies	**2,432**	6,437	16,084
Laboratory supplies	**1,601**	3,728	7,955
Entertainment, amusement and recreation	**1,124**	1,210	1,375
Transportation and travel	**1,150**	917	2,163
Rent (Note 31)	**265**	184	430
Miscellaneous	**4,362**	5,589	4,012
	₱1,914,579	₱2,015,408	₱2,040,060

a. Details of depreciation and amortization follows:

	2021	2020	2019
Depreciation (Note 10)	**₱362,238**	₱379,852	₱333,986
Depreciation - ROU assets (Note 31)	**54,832**	58,985	47,234
Amortization - Student relationship (Note 6)	**35,064**	22,310	14,874
Amortization (Note 13)	**4,551**	2,275	1,518
	₱456,685	₱463,422	₱397,612

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

	2021	2020	2019
Cost of schools and related operations	**₱292,352**	₱312,302	₱289,610
Cost of schools and related operations ROU assets (Note 31)	**52,013**	55,682	47,233
	344,366	367,984	336,843
General and administrative expenses (Note 21)	**112,319**	95,438	60,769
	₱456,685	₱463,422	₱397,612

21. General and Administrative Expenses

This account consists of:

	2021	2020	2019
Personnel expenses (Note 24)	**₱195,388**	₱212,163	₱143,472
Management and other service fees (Note 15)	**136,951**	150,649	148,095
Depreciation and amortization (Notes 10, 13 and 20)	**112,319**	95,438	60,769
Provisions for doubtful accounts (Note 8)	**114,229**	48,755	79
Advertising	**40,147**	26,517	21,401
Taxes and licenses	**15,442**	19,970	15,485
Repairs and maintenance	**11,876**	15,422	17,388
Utilities	**12,839**	13,914	11,379
Insurance	**6,944**	5,125	5,394
Donations	**3,877**	4,452	3,767
IT expense - software license	**2,699**	3,983	3,478
Transportation and travel	**2,331**	2,900	5,123
Entertainment, amusement, and recreation	**2,326**	2,549	3,642
Commission	**3,184**	2,230	829
Seminar	**4,369**	2,087	11,269
Office supplies	**773**	1,720	4,094
Investor relations	**3,877**	1,306	9,765
Rent (Note 31)	**180**	547	3,361
Miscellaneous	**30,488**	10,215	12,671
	₱702,359	₱619,942	₱481,461

Management and other service fees consist of property management fees, janitorial and security service fees, lawyers, payroll specialists and others (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:

	2021	2020	2019
Cash in banks and cash equivalents (Note 7)	**₱6,050**	₱10,734	₱22,630
Advances to officers and employees (Note 8)	**142**	163	128
	₱6,192	₱10,897	₱22,758

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

	2021	2020	2019
Short-term loans (Note 16)	₱6,706	₱18,305	₱37,210
Long-term loans (Note 17)	84,870	84,845	63,945
Interest expense on lease liabilities (Note 31)	28,841	35,384	22,752
Bank charges	18,160	13,228	5,431
	₱138,577	₱151,762	₱129,338

23. Income Tax

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Effective January 1, 2021, income tax rate for nonresident foreign corporation is reduced from 30% to 25%.

- Preferential income tax rate for proprietary educational institutions and hospitals which are nonprofit is reduced from 10% to 1% effective July 1, 2020 up to June 30, 2023 and 10% thereafter.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As of December 31, 2020, the impact of CREATE Act was considered as a non-adjusting subsequent event. Hence, the impact on current and deferred tax was recognized in the 2021 consolidated financial statements.

Benefit from (provision for) income tax consists of:

	2021	2020	2019
Current	₱16,823	(₱47,142)	(₱59,418)
Deferred	13,552	14,324	(8,177)
	₱30,375	(₱32,818)	(₱67,595)

The reconciliation of statutory tax rate of 25% in 2021 and 30% in 2020 to effective income tax rate follows:

	2021	2020	2019
Income before income tax at statutory rate	**25.00%**	30.00%	30.00%
Add (deduct) reconciling items:			
Difference in income tax rate	**(19.35)**	(21.87)	(14.51)
Impact of CREATE Act – current tax expense	**(4.20)**	–	–
Others	**(6.24)**	3.80	4.29
	(4.80%)	11.93%	19.78%

MESI, MHSSI, MCLI, MCMI, UNC, NTC and APEC are educational institutions which are subject to a lower or preferential income tax rate of 10% until June 2020 and 1% thereafter until June 2023.

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

	2021	2020
Deferred tax assets		
Allowance for ECL	**₱16,042**	₱22,846
NOLCO	**16,005**	–
Retirement asset	**5,987**	6,142
Deferred school fees	**84**	2,912
Unrealized foreign exchange loss	–	1
	38,118	31,901
Deferred tax liabilities - net		
Revaluation increment on land	**464,044**	454,013
Intellectual property rights and student relationship	**56,686**	60,193
Accruals	**(15,431)**	(15,431)
Retirement liabilities	**(10,539)**	(13,710)
Allowance for ECL	**(6,693)**	(4,556)
Allowance for inventory obsolescence	**(53)**	(53)
NOLCO	–	(1,164)
Others	**1,155**	(2,815)
	489,169	476,977
Net deferred tax liabilities	**₱451,051**	₱445,076

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

	2021	2020
Beginning	**₱445,076**	₱638,331
Provisions during the year	**(13,552)**	(14,324)
Reversal of deferred tax liability on revaluation increment of land sold through sale of subsidiary (Note 11)	–	(273,792)
Tax effects of:		
Revaluation increment on land (Note 11)	**16,471**	101,715
Remeasurement gains (losses) on defined benefit plans (Note 25)	**3,056**	(6,854)
	₱451,051	₱445,076

The Group did not recognize deferred tax assets on the following NOLCO, MCIT and 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.

	2021	2020
Tax effect of:		
NOLCO	**₱40,890**	₱50,101
Allowance for ECL	**1,703**	1,703
Provision for retirement and others	**1,020**	1,005
Others	**33**	42
MCIT	**1,838**	1,396
	₱45,484	₱54,247

As at December 31, 2021 and 2020, the details of NOLCO and MCIT, which are available for offset against future taxable income and tax payable, respectively, follow:

	NOLCO		MCIT	
	2021	2020	**2021**	2020
Beginning balance	**₱502,175**	₱488,424	**₱1,396**	₱780
Additions	**88,418**	160,881	**528**	730
Expiration	**(165,687)**	(147,130)	**(86)**	(114)
Ending balance	**₱424,906**	₱502,175	**₱1,838**	₱1,396

		NOLCO			MCIT	
Year Incurred	Year of Expiration	**2021**	2020	Year of Expiration	**2021**	2020
2021	2026	**₱88,418**	₱–	2024	**₱528**	₱–
2020	2025	**160,881**	₱160,881	2023	**730**	₱730
2019	2022	**175,607**	175,607	2022	**580**	580
2018	2021	**–**	165,687	2021	**–**	86
		₱424,906	₱502,175		**₱1,838**	₱1,396

NOLCO incurred in 2021 and 2020 can be carried over for the next five years by the respective entities in accordance with the provision of Republic Act (RA) No. 11494, Bayanihan to Recover As One Act, with implementing guidelines covered by Revenue Regulations No. 25-2020.

24. Personnel Expenses

a. Details of personnel expenses are as follows:

	2021	2020	2019
Compensation	**₱1,125,482**	₱1,116,607	₱937,171
Retirement benefits (Note 25)	**45,590**	34,241	27,857
Miscellaneous benefits	**57,260**	106,099	105,658
	₱1,228,332	₱1,256,947	₱1,070,686

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

b. Personnel expenses as function of expense follows:

	2021	2020	2019
Cost of schools and related operations (Note 20)	**₱1,032,944**	₱1,037,808	₱927,214
General and administrative expenses (Note 21)	**195,388**	212,163	143,472
	₱1,228,332	₱1,249,971	₱1,070,686

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 2022 for the retirement plan of the Group as at December 31, 2021.

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

	2021	2020
Net pension assets	**₱18,130**	₱4,727
Net pension liabilities	**124,152**	168,134

Components of pension expense follow:

	2021	2020	2019
Current service cost	**₱40,870**	₱37,410	₱27,182
Net interest cost on defined benefit obligation	**4,720**	4,320	675
Curtailment gain	**–**	(7,489)	–
Net pension expense (Note 24)	**₱45,590**	₱34,241	₱27,857

The net pension assets recognized in the consolidated statements of financial position as at December 31, 2021 and 2020 is as follows:

	2021	2020
Fair value of plan assets	**₱119,646**	₱56,484
Present value of defined benefit obligation	**(101,170)**	(51,603)
Effect of asset ceiling	**(347)**	(154)
	₱18,130	₱4,727

The net pension liabilities recognized in the consolidated statements of financial position as at December 31, 2021 and 2020 is as follows:

	2021	2020
Fair value of plan assets	**₱214,626**	₱280,889
Present value of defined benefit obligation	**(338,778)**	(449,023)
	(124,152)	(₱168,134)

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

	2021	2020
At beginning of year	**₱163,407**	₱97,645
Contribution paid	**(25,290)**	(29,058)
Net pension expense	**45,590**	34,241
Remeasurement gain (losses) recognized in OCI	**(69,154)**	60,852
Adjustments and reversals	**(2,667)**	–
Benefits paid	**(5,863)**	(273)
At end of the year	**₱106,023**	₱163,407

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

	2021	2020
Present value of defined benefit obligation	**₱440,079**	₱500,447
Fair value of plan assets	**(334,403)**	(337,194)
Effect of asset ceiling	**347**	154
Net pension liabilities	**₱106,023**	₱163,407

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

	2021	2020
Beginning balance	**₱500,447**	₱416,105
Current service cost	**44,799**	37,410
Interest cost	**18,436**	20,346
Benefits paid	**(39,257)**	(26,202)
Curtailment gain	**(4,934)**	(7,489)
Remeasurement losses (gains) on obligation:		
Experience adjustments	**(27,979)**	5,940
Changes in demographic assumptions	**(2,527)**	5,878
Changes in financial assumptions	**(48,906)**	48,459
Ending balance	**₱440,079**	₱500,447

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

	2021	2020
Beginning balance	**₱337,194**	₱320,682
Benefits paid	**(30,361)**	(25,929)
Interest income	**12,717**	16,149
Contributions paid	**25,187**	29,058
Remeasurement gains (losses) on plan assets	**(8,273)**	(2,766)
Withdrawal	**(1,582)**	–
Adjustment to plan assets	**(479)**	–
Ending balance	**₱334,403**	₱337,194

Remeasurement losses (gains) recognized in OCI follow:

	2021	2020
Remeasurement losses (gains)	**(₱77,661)**	₱63,074
Return on assets excluding amount included in net interest cost	**8,507**	–
Total remeasurement losses (gains) recognized in OCI	**(₱69,154)**	₱63,074

The distribution of plan assets as at December 31, 2021 and 2020 is as follows:

	2021		2020	
	Amount	**%**	Amount	%
Cash and cash equivalents	**₱121,900**	**36.48%**	₱180,796	53.59%
Investments in:				
Government securities	**151,080**	**45.21%**	128,850	38.19%
Certificate of time deposits	**-**	**-**	-	-
Equity instruments	**52,064**	**15.58%**	28,731	8.52%
Interest and other receivables	**10,381**	**3.11%**	1,802	0.53%
Accrued trust fees	**(1,022)**	**-0.37%**	(2,806)	-0.83%
	₱334,403	**100.00%**	₱337,373	100.00%

Actual return on plan assets amounted to ₱8.26 million and ₱13.38 million in 2021 and 2020, respectively.

The Group plans to contribute ₱22.4 million in 2022.

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

	2021	2020
Discount rate:		
Beginning	**3.65%-4.07%**	4.79%-5.54%
End	**4.95%-5.17%**	3.65%-4.07%
Salary increase rate:		
Beginning	**3.00%-5.91%**	3.00%-6.00%
End	**3.31%-5.00%**	3.00%-5.91%

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, 2021

	Rate	Increase (Decrease)	PVO
Discount rate	**5.68%**	**+100bps**	**₱293,386)**
	4.86%	**-100bps**	**348,271**
Salary rate	**5.72%**	**+100bps**	**₱360,722**
	4.55%	**-100bps**	**298,365)**

As at December 31, 2020

	Rate	Increase (Decrease)	PVO
Discount rate	9.44%	+100bps	₱209,786
	6.37%	-100bps	375,256
Salary rate	4.50%	+100bps	₱375,817
	3.50%	-100bps	208,790

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:

	2021	2020	2019
Net income attributable to equity holders of Parent Company (a)	**₱659,108**	₱245,818	₱254,588
Weighted average number of outstanding shares - net of treasury shares (b)	**1,044,263**	1,044,263	945,820
Earnings per share (a/b)	**₱0.6312**	₱0.2354	₱0.2692

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 2021 and 2020 follows:

	2021	2020
University of Nueva Caceres	**16.38%**	16.38%
National Teachers College	**0.21%**	0.21%

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

	2021	2020
University of Nueva Caceres	**₱245**	₱237
National Teachers College	**2**	3

Dividends paid to non-controlling interest in consolidated subsidiaries amounted to nil in 2021 and 2020.

As at December 31, 2021 and 2020, the summarized financial information attributable to non-controlling interests in material subsidiaries is shown below.

(In million pesos)

	University of Nueva Caceres		National Teachers College	
	2021	2020	**2021**	2020
Assets				
Current assets	**₱364**	₱329	**₱391**	₱284
Noncurrent assets	**1,400**	1,422	**1,271**	1,257
	₱1,764	₱1,751	**₱1,661**	₱1,541
Liabilities and Equity				
Current liabilities	**₱114**	₱130	**₱156**	₱114
Noncurrent liabilities	**153**	191	**447**	471
	267	321	**604**	585
Equity	**1,498**	1,430	**1,058**	956
	₱1,764	₱1,751	**₱1,661**	₱1,541
Attributable to:				
Equity holders of parent	**₱1,252**	₱1,196	**₱1,055**	₱953
Non-controlling interest	**246**	234	**3**	3
Net revenue	**₱342**	₱297	**₱390**	₱368
Gross profit	**185**	123	**209**	191
Net income (loss)	**27**	(23)	**81**	67
Attributable to:				
Equity holders of parent	**₱23**	(₱19)	**₱81**	₱66
Non-controlling interest	**4**	(4)	**0**	1

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, including land acquisition.

(In million pesos)

	Education			Others			Elimination			Consolidated		
	2021	2020	2019	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019
Revenues												
Income from external customers	**₱3,351**	₱3,017	₱2,997	**₱-**	₱-	₱-	**₱-**	₱-	₱-	**₱3,351**	₱3,017	₱2,997
Total Revenues	**₱3,351**	₱3,017	₱2,997	**₱-**	₱-	₱-	**₱-**	₱-	₱-	**₱3,351**	₱3,017	₱2,997
Net Income attributable to Parent Company	**₱814**	₱310	₱326	**₱589**	(₱1)	(₱17)	**(₱744)**	(₱63)	(₱55)	**₱659**	₱246	₱254
Other Information												
Segment assets	**₱16,336**	₱15,744	₱18,002	**₱6,067**	₱5,838	₱5,889	**(₱6,275)**	(₱5,870)	(₱7,618)	**₱16,129**	₱15,712	₱16,273
Segment liabilities	**5,436**	5,217	6,540	**114**	168	178	**(541)**	(165)	(178)	**5,009**	5,220	6,540
Deferred tax assets	**37**	28	20	**2**	2	–	–	2	–	**38**	32	20
Deferred tax liabilities	**380**	358	543	**42**	47	41	**67**	72	75	**489**	477	659
Cash flows arising from:												
Operating activities	**1,024**	523	804	**(75)**	(31)	(26)	**(100)**	(397)	210	**849**	95	988
Investing activities	**(82)**	893	(1,461)	**280**	(6)	121	**(391)**	333	317	**(194)**	1,220	(1,023)
Financing activities	**(412)**	(1,125)	832	**(301)**	(62)	(121)	**343**	35	(109)	**(370)**	(1,152)	602
Interest expense	**150**	153	130	–	–	–	**(12)**	(1)	(1)	**139**	152	129
Provision for income tax	**(28)**	35	71	**0**	1	1	**(3)**	(3)	(4)	**(30)**	33	68
Capital expenditures	**206**	847	347	**2**	7	–	**3**	48	1,099	**211**	902	1,437
Depreciation and amortization	**412**	432	399	**1**	–	–	**44**	31	(1)	**457**	463	398

29. Notes on Consolidated Statements of Cash Flows

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

		Non-cash Changes					
	2020	**Declaration of Cash Dividend**	**Amortization of debt issue cost**	**Additions on Lease liabilities**	**Interest Expense**	**Cash Flows**	**2021**
Short-term loans	**₱375,000**	**₱–**	**₱–**	**₱**	**₱–**	**₱25,000**	**₱400,000**
Long-term loans	**1,872,275**	–	**2,371**	–	–	**(21,001)**	**1,853,645**
Dividends payable	**565**	**312,656**	–	–	–	**(312,656)**	**565**
Payables to related parties	**29,481**	–	–	–	–	**(15,345)**	**14,135**
Lease liabilities	**392,582**	–	–	**3,599**	**28,841**	**(67,196)**	**357,826**
	₱2,669,903	**₱312,656**	**₱2,371**	**₱3,599**	**₱28,841**	**(₱391,198)**	**₱2,626,172**

		Non-cash Changes					
	2019	Declaration of Cash Dividend	Liabilities assumed from Merger	Additions on Lease liabilities	Interest Expense	Cash Flows	2020
Short-term loans	₱1,398,800	₱–	₱–	₱	₱–	(₱1,023,800)	₱375,000
Long-term loans	1,869,903	–	2,371	–	–	–	1,872,275
Dividends payable	565	73,248	–	–	–	(73,248)	565
Payables to related parties	15,411	–	–	–	–	14,070	29,481
Lease liabilities	419,340	–	–	6,684	35,384	(68,826)	392,582
	₱3,704,019	₱73,248	₱2,371	₱6,684	₱35,384	(₱1,151,804)	₱2,669,903

		Non-cash Changes					
	2018	Declaration of Cash Dividend	Liabilities assumed from Merger	Additions on Lease liabilities	Interest Expense	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
Lease liabilities	–	–	374,622	71,066	22,752	(49,100)	419,340
	₱2,310,033	₱59,274	₱635,676	₱71,066	₱22,752	₱605,218	₱3,704,019

- Noncash investing activities in 2021, 2020 and 2019 pertain to the revaluation of land amounting ₱208.8 million, ₱600.3 million and ₱22.8 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, 2021 and 2020:

	Carrying	2021			
	Amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:					
Financial assets at FVTPL	**₱9,213**	**₱9,213**	**₱–**	**₱–**	**₱9,213**

	Carrying Amount	2020 Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Financial assets at FVTPL	₱9,705	₱9,705	₱–	₱–	₱9,705

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, refundable deposits, accounts payable and accrued expenses, payables to related parties, dividends payable, and short-term loans*- carrying amounts approximare 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 on disposal in 2019 are as follow:

	2019
As at January 1	₱14,390
Changes in fair value	3,092
Disposal	(17,482)
As at December 31	₱–

  The remaining unrealized loss on equity instruments at FVOCI amounting to ₱880 was closed to retained earnings in 2020.

- *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, 2021 and 2020, 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 2021 and 2020. 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, financial assets at FVTPL, refundable deposits, 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 refundable deposits, 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, 2021 and 2020, 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, 2021:

	Gross carrying amount at default	**Expected credit loss (Impaired)**
Cash in banks	**₱448,853**	**₱–**
Cash equivalents	**1,152,916**	**–**
Receivables from:		
Tuition and other fees	**1,246,586**	**280,682**
Trade	**4,964**	**3,873**
Related parties	**26,077**	**–**
Others	**71,190**	**5,335**
Financial assets at FVTPL	**9,213**	**–**
Deposits	**27,081**	
	₱2,986,880	**₱289,890**

December 31, 2020:

	Gross carrying amount at default	Expected credit loss (Impaired)
Cash in banks	₱344,874	₱–
Cash equivalents	971,989	–
Receivables from:		
Tuition and other fees	1,160,745	168,978
Trade	5,482	3,393
Related parties	26,048	–
Others	47,818	5,377
Financial assets at FVTPL	9,705	–
Deposits	29,322	–
	₱2,595,983	₱177,748

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.

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

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 and refundable deposits that are 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 applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group generally uses a provision matrix to calculate ECL. 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 (current and past due accounts) and the ECL as at December 31 follows:

	2021					
		Past Due				
	Current	< 1 quarter	1 - 2 quarters	> 2 quarters	ECL	Total
Tuition and other fees	P623,917	P30,377	P226,476	P365,796	(P281,120)	P965,466

	2020					
		Past Due				
	Current	< 1 quarter	1 - 2 quarters	> 2 quarters	ECL	Total
Tuition and other fees	P951,249	P23,499	P29,720	P156,277	(P168,978)	P991,767

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, 2021, the Group has available short-term credit facilities with banks aggregating P50 million. In addition, the Group also has available long-term credit facilities with a bank amounting to P275 million as of December 31, 2021. Short-term loans obtained by the Group are renewable subject to the terms of the agreements.

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.

	2021			
	On demand	**Less than 1 year**	**More than 1 year**	**Total**
Financial assets at amortized cost				
Cash	**P448,853**	**P–**	**P–**	**P448,853**
Cash equivalents	**1,152,916**	**–**	**–**	**1,152,916**
Receivables*	**581,425**	**429,817**	**–**	**1,011,322**
Receivables from related parties	**26,077**	**–**	**–**	**26,077**
Financial assets at FVTPL	**9,213**	**–**	**–**	**9,213**
Deposits	**–**	**–**	**27,081**	**27,081**
	P2,218,484	**P429,817**	**P27,081**	**P2,675,462**

**excluding advances to officers and employees*

	2020			
	On demand	Less than 1 year	More than 1 year	Total
Financial assets at amortized cost				
Cash	₱344,874	₱–	₱–	₱344,874
Cash equivalents	971,989	–	–	971,989
Receivables*	465,727	548,688	–	1,014,415
Receivables from related parties	26,048	–	–	26,048
Financial assets at FVTPL	9,705	–	–	9,705
Deposits	–	–	29,322	29,322
	₱1,818,343	₱548,688	₱29,322	₱2,396,353

**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.

	2021			
	On demand	**Less than 1 year**	**More than 1 year**	**Total**
Accounts payable and accrued expenses*	**₱550,955**	**₱69,535**	**₱–**	**₱620,490**
Payables to related parties	**14,135**	–	–	**14,135**
Dividends payable	**565**	–	–	**565**
Short-term loans	–	**400,000**	–	**400,000**
Lease liabilities	–	**50,551**	**303,231**	**353,782**
Long term loan	–	**21,001**	**1,858,999**	**1,880,000**
	₱565,655	**₱541,087**	**₱2,162,230**	**₱3,268,972**

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

	2020			
	On demand	Less than 1 year	More than 1 year	Total
Accounts payable and accrued expenses*	₱694,629	₱149,233	₱–	₱843,862
Payables to related parties	29,481	–	–	29,481
Dividends payable	565	–	–	565
Short-term loans	–	375,000	–	375,000
Lease liabilities	–	73,371	438,409	511,780
Long term loan	–	–	1,880,000	1,880,000
	₱724,675	₱597,604	₱2,318,409	₱3,640,688

**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:

	2021	2020
Within one year	**₱797**	₱870
More than one year but not more than five years	**3,643**	4,036
Later than five years	**–**	106
	₱4,440	₱5,012

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.

Upon adoption of PFRS 16 in 2019, APEC recognized right-of-use assets and lease liabilities from these operating lease agreements. For those leases subjected to PFRS 16, the IBR used in the computation of lease liabilities ranges from 6.60% to 7.50% in 2021 and from 5.00% to 6.25% in 2020 (see Note 5).

The rollforward analysis of APEC's right-of-use assets follows:

	2021	2020
Net Book Value at January 1	**₱346,905**	₱387,981
Additions	**17,318**	17,909
Amortization (Note 20a)	**(54,832)**	(58,985)
Net Book Value at December 31	**₱309,391**	₱346,905

The following are the amounts recognized in the 2021 and 2020 statement of comprehensive income (Note 20):

	2021	2020
Depreciation expense of right-of-use assets	**₱54,832**	₱58,985
Interest expense on lease liabilities	**28,841**	35,384
Total amount recognized in profit or loss	**₱83,673**	₱94,369

The rollforward analysis of APEC's lease liabilities follows:

	2021	2020
As at January 1	**₱392,582**	₱419,340
Additions	**3,599**	6,684
Interest expense (Note 22)	**28,841**	35,384
Payments	**(67,196)**	(68,826)
As at December 31	**₱357,826**	₱392,582

The balance of lease liabilities as of December 31, 2021 and 2020 are as follows:

	2021	2020
Lease liabilities - current	**₱50,551**	₱44,174
Lease liabilities - noncurrent	**307,276**	348,408
As at December 31, 2021	**₱357,826**	₱392,582

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2021 and 2020:

	2021	2020
Within one year	**₱75,419**	₱73,371
More than one year but less than five years	**285,777**	291,870
Five years and more	**76,996**	146,539
	₱438,192	₱511,780

As disclosed in Note 5, the Group performed an impairment testing of property and equipment and right-of-use assets of APEC amounting to ₱355.18 million as of December 31, 2021 due to the continuing losses and significant decline in number of students due to the coronavirus pandemic. Key assumptions used are as follows:

- Revenue projections and long-term growth rate (3%). Revenue projections based on financial budgets approved by management and considered the impact of the coronavirus pandemic. The long-term growth rate is the expected growth rate in the education industry sector.
- Discount rate (11%). 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.

In 2021, management assessed that no impairment loss should be recognized.

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. Provisions as of December 31, 2021 and 2020 amounted to ₱159.3 million.

  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.

32. Other Matters

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 and the community quarantine continues for selected areas in 2022.

The Group recognized the health and business risks posed by the virus to the general public and the need to join the collective effort in mitigating the spread of COVID-19. In the face of this global crisis, the Group remains collected and vigilant as it operates and maintains mitigation efforts to help safeguard the health and safety of its employees and students. Considering the evolving nature of this outbreak, the Group is continuously assessirg at this time the impact to its financial position, performance and cash flows. The Group has taken measures to manage the risks and uncertainties brought about by the outbreak and will continue to monitor the situation

33. Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, 2020 and 2019 were approved and authorized for issuance by the BOD on April 1, 2022.

SGV
Building a better working world

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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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated April 1, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the 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 basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
Tax Identification No. 102-082-670
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0660-AR-4 (Group A)
October 22, 2019, valid until October 21, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-063-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8853473, January 3, 2022, Makati City

April 1, 2022

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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) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated April 1, 2022. 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 (PFRSs) 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 PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
Tax Identification No. 102-082-670
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
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PTR No. 8853473, January 3, 2022, Makati City

April 1, 2022

IPEOPLE, INC. AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

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III	Group Structure

IPEOPLE, INC. AND SUBSIDIARIES
ANNEX 68-J: SCHEDULES
DECEMBER 31, 2021

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
As at December 31, 2021, 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, 2021:

Name	As at December 31, 2020	Additions	Liquidations/ Collections	As at December 31, 2021
Agapito, Benigno Jr.	₱286,125	₱–	₱95,375	₱190,750
Arenillo, Denise Jordan	241,702	–	104,181	137,521
Austria, Maria Rhodora	137,317	–	–	137,317
Camacho, Margarita	154,359	–	–	154,359
Caparanga, Alvin	162,500	–	–	162,500
Gan, Maria Eloisa	391,367	–	133,420	257,947
Kikuchi, Khristian	147,854	–	–	147,854
Lanuza, Dionisia	111,300	–	–	111,300
Lopez, Jonathan	278,829	–	77,889	200,940
Lozada, Katrina	128,764	–	–	128,764
Macayan, Jonathan	223,267	–	98,500	124,767
Manuel, Mark Christian	249,534	–	98,500	151,034
Mesina, James Ronald	308,233	–	103,250	204,983
Papas, Aileen Kate A.	363,007	–	115,854	247,153
Quisaot, Concordio	256,100	–	98,500	157,600
Robielos, Rex Aurelius	149,800	–	–	149,800
Teodoro, Gloria	175,500	–	–	175,500
Tiongco, Danilo R.	139,033	–	–	139,033
Uy, Francis Aldrine	208,161	–	99,125	109,036
Villa, Robert Joseph	335,933	398,720	92,864	641,789
Yap, Maria Elizabeth	428,321	–	117,176	311,145
Delos Santos, Mira	–	398,720	11,424	387,296
Francisco, Ruth C.	–	418,162	23,808	394,354
Hernaez, Alodia C.	–	389,000	–	389,000
Paglinawan, Arnold	–	406,500	40,652	365,848
Young, Michael	–	409,000	–	409,000
Adanza, Carina Victoria T.	–	409,000	75,020	333,980
Agbulos, Erlin C.	–	398,720	48,606	350,114
Songsong, Maribel	–	389,563	68,200	321,363
Balan, Ariel Kelly	–	351,317	98,500	252,817
	₱4,877,006	₱3,968,702	₱1,600,844	₱7,244,864

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 from Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivables with related parties, which are eliminated in the consolidated financial statements as at December 31, 2021:

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.	2,604,489	7,603,534	(3,247,955)	6,960,068
Malayan Colleges Laguna, Inc.	1,414,220	29,929,363	(25,934,309)	5,409,274
Malayan Colleges Mindanao, Inc.	-	12,434,042	(5,190,986)	7,243,056
University of Nueva Caceres	503,053	4,725,718	(4,646,688)	582,083
National Teachers College	-	3,551,542	(2,611,628)	939,914
Affordable Private Education Center, Inc.	-	896,000	(16,000)	880,000

Schedule D. Long-term debt

As at December 31, 2021, the Group has outstanding long-term debts as follow (in thousands):

Unsecured bank loans	₱380,000
Secured bank loans	1,494,646
	₱1,874,646

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, 2021, total drawdown from the long-term loan facility amounted to ₱380 million, which are subject to a 5.5% fixed rate.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity structure ratio of 3:1. As of December 31, 2021, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. For 2021, interest expense recognized in profit or loss amounted to ₱21.3 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 ₱2,382.0 million as of December 31, 2021 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 ₱11.2 million which was being amortized over the loan term of 10 years using the effective interest method. The amortization of debt issue cost amounting to ₱2.4 million was recorded as part of interest expense in 2021.

Interest expense, including amortization of debt issue cost, amounted to ₱63.6 million in 2021.

Outstanding balance of long-term loans as of December 31, 2021 as follow:

	Amount
Principal	₱1,500,000
Unamortized debt issue cost	(5,354)
	₱1,494,646

<u>Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)</u>
As at December 31, 2021, the Group has no outstanding long-term debt to related parties.

<u>Schedule F. Guarantees of Securities of Other Issuers</u>
As at December 31, 2021, the Group does not guarantee any securities.

<u>Schedule G. Capital Stock</u>

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	1,044,263,197	-	885,453,681	168,775	158,640,741

SCHEDULE III

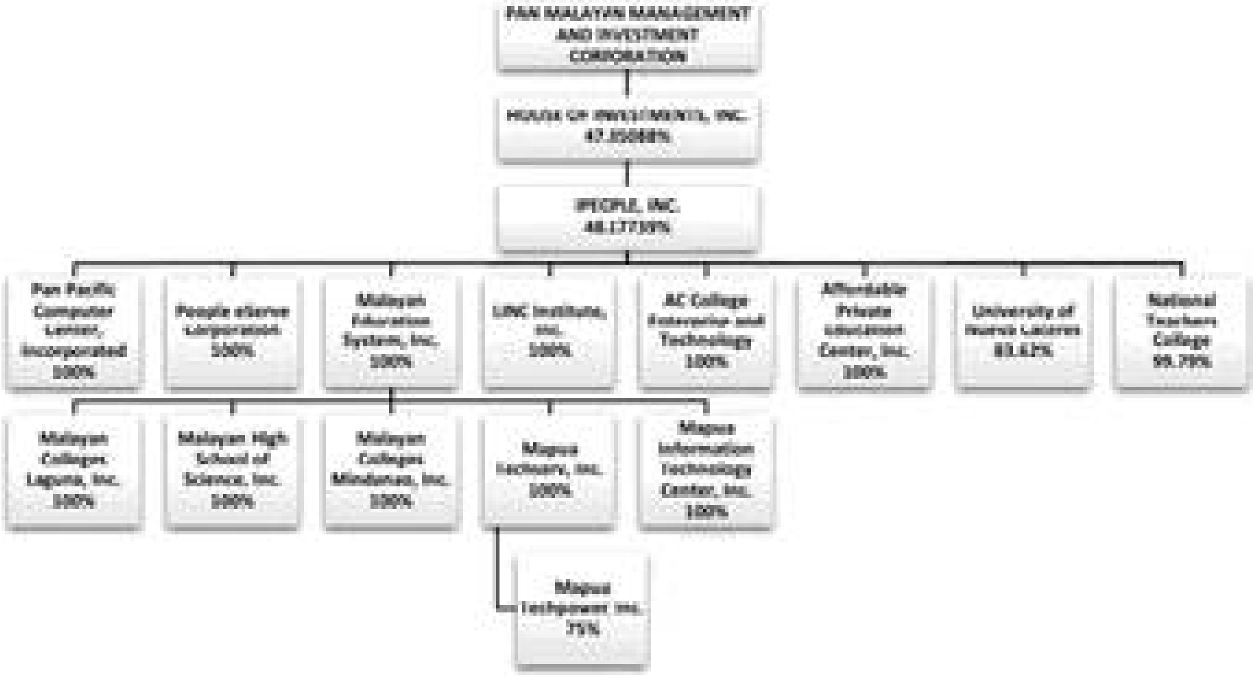
IPEOPLE, INC. AND SUBSIDIARIES

GROUP STRUCTURE

DECEMBER 31, 2021

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, 2021:



SCHEDULE I

IPEOPLE, INC. AND SUBSIDIARIES
ANNEX 68-D: RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION*
DECEMBER 31, 2021

Items	Amount (in thousands)	
Unappropriated retained earnings, *as adjusted to available for distribution, beginning*		₱982,640
Add: Net income actually earned/realized during the period		
Net income (loss) during the period closed to retained earnings	₱589,256	
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		589,256
Add (Less):		
Dividends declaration during the year	(312,656)	
Appropriations of retained earnings during the period	–	
Reversal of appropriations	–	
Effects of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Transfer to retained earnings of fair value reserve of equity instruments	–	
		(312,656)
Total Retained Earnings, End Available for Dividend		₱1,259,240

**Based on December 31, 2021 Parent Company Supplementary Schedule.*

IPEOPLE, INC. AND SUBSIDIARIES

ANNEX 68-E: SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2021 AND 2020

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

Financial ratios		**2021**	2020
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**1.40:1**	1.16:1
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	**1.22:1**	1.04:1
Solvency Ratio *Shows how likely a Group will be to continue meeting its debt obligations*	Net Income+Depreciation / Total Liabilities	**0.22:1**	0.14:1
Debt-to-equity ratio *Measures the Group's leverage*	Total Debt / Equity	**0.46:1**	0.51:1
Asset to Equity Ratio *Shows how the Group's leverage (debt) was used to finance the firm*	Total Assets / Equity	**1.45:1**	1.50:1
Interest Rate Coverage *Shows how easily a Group can pay interest on outstanding debt*	EBIT* / Interest Expense Excluding Interest Expense on Lease Liabilities	**7.03:1**	3.67:1
Return on Average Stockholders' Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Equity	**6.14%**	2.39%
Net profit margin *Reflect how much net income or profit is generated as percentage of revenue*	Net Profit Margin / Revenue	**19.81%**	8.03%
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income / Total Assets	**4.12%**	1.54%

**Earnings before interest and taxes (EBIT)* iPEOPLE

ANNEX 'E'

iPeople, inc. and Subsidiaries

Consolidated Financial Statements as of March 31, 2022 and December 31, 2021 and Three Months Ended March 31, 2022, 2021 and 2020

iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	Unaudited March 2022	Audited December 2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 15)	**₱1,361,701**	₱1,604,129
Receivables (Note 8)	**933,982**	1,032,851
Receivables from related parties (Note 15)	**27,489**	26,077
Prepaid expenses and other current assets (Note 9)	**441,437**	391,021
Financial assets at fair value through profit or loss (FVTPL)	**9,213**	9,213
Total Current Assets	**2,773,822**	3,063,291
Noncurrent Assets		
Property and equipment at cost (Note 10)	**5,396,367**	5,407,008
Land at revalued amounts (Notes 10 and 11)	**6,460,845**	6,460,845
Intellectual property rights (Note 6)	**523,103**	523,103
Goodwill (Notes 6 and 12)	**151,326**	151,326
Student relationship (Note 6)	**38,184**	43,761
Right-of-use assets (Note 27)	**294,664**	309,391
Net pension assets	**18,130**	18,130
Deferred tax assets - net	**34,644**	38,118
Other noncurrent assets (Note 13)	**118,785**	113,671
Total Noncurrent Assets	**13,036,046**	13,065,353
	₱15,809,868	₱16,128,644

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 14 and 27)	**₱973,479**	₱1,036,119
Short-term loans (Note 16)	**-**	400,000
Unearned income (Note 14)	**608,339**	658,389
Lease liabilities - current portion (Note 27)	**38,601**	50,550
Current portion of long-term loan (Note 17)	**21,001**	21,001
Income tax payable	**1,956**	2,157
Payables to related parties (Note 15)	**20,527**	14,135
Dividends payable (Note 18)	**565**	565
Total Current Liabilities	**1,664,468**	2,182,916
Noncurrent Liabilities		
Net pension liabilities	**128,845**	124,152
Long-term loans (Note 17)	**1,854,238**	1,853,645
Lease liabilities - net of current portion (Note 27)	**307,276**	307,276
Deferred tax liabilities - net	**487,308**	489,169
Other noncurrent liabilities (Note 27)	**51,391**	51,683
Total Noncurrent Liabilities	**2,829,058**	2,825,925
Total Liabilities	**4,493,526**	5,008,841

(Forward)

	Unaudited March 2022	Audited December 2021
Equity		
Common stock (Notes 6 and 18)	**₱1,044,263**	₱1,044,263
Additional paid-in capital (Note 6)	**3,294,368**	3,294,368
Other comprehensive income (loss):		
Revaluation increment on land - net (Note 11)	**1,633,847**	1,633,847
Remeasurement losses on defined benefit plans	**(15,033)**	(15,033)
Equity reserve (Note 6)	**(230,494)**	(230,494)
Retained earnings (Note 18)	**5,338,006**	5,142,420
Equity attributable to equity holders of the Parent Company	**11,064,958**	10,869,371
Non-controlling interest in consolidated subsidiaries (Note 24)	**251,385**	250,432
Total Equity	**11,316,342**	11,119,803
	₱15,809,868	₱16,128,644

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	January 1 to March 31		
	2022	2021	2020
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 19)			
Revenue from schools and related operations	**₱870,502**	₱803,005	₱957,350
COSTS AND EXPENSES			
Cost of schools and related operations (Note 20)	**476,675**	438,108	570,553
GROSS PROFIT	**393,827**	364,897	386,797
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	**(168,923)**	(161,450)	(163,413)
INTEREST AND OTHER FINANCE CHARGES (Note 22)	**(29,322)**	(33,962)	(39,130)
INTEREST INCOME (Notes 7 and 22)	**1,586**	1,944	3,516
OTHER INCOME (CHARGES) - Net	**1,018**	620	(139)
INCOME BEFORE INCOME TAX	**198,186**	172,049	187,631
PROVISION FOR INCOME TAX	**1,647**	939	25,141
NET INCOME	**196,539**	171,110	162,490
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
	-	-	-
TOTAL COMPREHENSIVE INCOME	**₱196,539**	₱171,110	₱162,490
Net income attributable to:			
Equity holders of the parent (Note 23)*	**₱195,586**	₱171,945	₱158,351
Non-controlling interest in consolidated subsidiaries (Note 24)	**953**	(835)	4,139
	₱196,539	₱171,110	₱162,490
Total comprehensive income attributable to:			
Equity holders of the parent	**₱196,586**	₱171,945	₱158,351
Non-controlling interest in consolidated subsidiaries (Note 24)	**953**	(835)	4,139
	₱196,539	₱171,110	₱162,490
***Basic/Diluted Earnings Per Share** (Note 23)	**₱0.1873**	₱0.1647	₱0.1547

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)	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 (Note 6)	Retained Earnings (Note 18)	Treasury Stock (Note 18)	Total	Non - controlling Interest (Note 24)	Total
For the quarter ended March 31, 2022											
Balances as at January 1, 2022	**₱1,044,263**	**₱3,294,368**	**₱–**	**₱1,633,847**	**(₱15,033)**	**(₱230,494)**	**₱5,142,420**	**₱–**	**₱10,869,371**	**₱250,432**	**₱11,119,803**
Net income	–	–	–	–	–	–	**195,586**	–	**195,586**	**953**	**196,539**
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	**195,586**	–	**195,586**	**953**	**196,539**
Balances as at March 31, 2022	**₱1,044,263**	**₱3,294,368**	**₱–**	**₱1,633,847**	**(₱15,033)**	**(₱230,494)**	**₱5,338,006**	**₱–**	**₱11,064,957**	**₱251,385**	**₱11,316,342**
For the quarter ended March 31, 2021											
Balances as at January 1, 2021	₱1,044,263	₱3,294,368	₱–	₱1,425,033	(₱76,722)	(₱230,494)	₱4,795,968	(₱0.21)	₱10,252,416	₱239,588	₱10,492,004
Net income	–	–	–	–	–	–	171,945	–	171,945	(835)	171,110
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	171,945	–	171,945	(835)	171,110
Balances as at March 31, 2021	₱1,044,263	₱3,294,368	₱–	₱1,425,033	(₱76,722)	(₱230,494)	₱4,967,913	(₱0.21)	₱10,424,361	₱238,753	₱10,663,114
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	(₱0.21)	₱9,509,680	₱223,111	₱9,732,791
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	(₱0.21)	₱9,594,783	₱227,251	₱9,822,033

See accompanying Notes to Consolidated Financial Statements.

iPEOPLE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	January 1 to March 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱198,186**	₱172,050	₱187,631
Adjustments for:			
Depreciation and amortization (Notes 10, 13, 20 and 21)	**104,994**	108,561	118,684
Interest expense and other finance charges (Note 22)	**29,915**	29,643	32,925
Provision for doubtful accounts (Notes 8 and 21)	**16,935**	8,969	12,660
Interest income (Note 22)	**(1,586)**	(1,944)	(3,516)
Unrealized foreign exchange loss (gain) - net	**(129)**	(89)	(194)
Unrealized market loss (gain) on financial assets at FVTPL	**–**	561	(71)
Operating income before working capital changes	**348,315**	317,750	348,120
Decrease (increase) in:			
Receivables	**81,954**	(37,023)	63,073
Prepaid expenses and other current assets	**(50,416)**	(43,264)	(26,481)
Increase (decrease) in:			
Accounts payable and other current liabilities	**(77,937)**	97,228	50,720
Unearned income	**(50,050)**	(37,776)	(301,170)
Other noncurrent liabilities	**7,764**	9,839	7,782
Net pension assets and liabilities	**6,306**	3,603	4,220
Net cash generated from operations	**265,935**	310,358	146,264
Interest paid	**(14,025)**	(25,472)	(29,935)
Income taxes paid	**(1,847)**	(132)	4,659
Interest received	**1,566**	1,918	3,476
Net cash flows from operating activities	**251,629**	286,672	124,465
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 10)	**(73,860)**	(36,983)	(110,989)
Computer software (Note 13)	**(7,299)**	(2,381)	(1,676)
Decrease (increase) in:			
Receivables from related parties	**(1,413)**	(401)	(351)
Other noncurrent assets	**521**	1,269	526
Net cash flows from (used in) investing activities	**(82,051)**	(38,496)	(112,489)

(Forward)

	January 1 to March 31		
	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans (Notes 16 and 26)	**₱400,000**	₱–	₱20,000
Payments of short-term loans (Notes 16 and 26)	–	(248,866)	(1,000)
Dividends paid to stockholders (Note 26)	–	(8)	–
Payment of lease liabilities (Notes 26 and 27)	**(18,527)**	(19,279)	(19,141)
Increase (decrease) in payables to related parties (Note 26)	**6,392**	(18,212)	1,443
Net cash flows from (used in) financing activities	**(412,135)**	(286,365)	1,302
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**129**	89	194
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(242,428)**	(38,100)	13,471
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,604,129**	1,319,002	1,154,306
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱1,361,701**	₱1,280,902	₱1,167,777

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.
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 HI and 33.5% owned by AC. The merger would bring together the educational group of HI and 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 and financial assets at fair value through profit or loss (FVTPL). 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 March 31, 2022 and December 31, 2021, and for each of the three years in the period ended March 31, 2022.

The consolidated financial statements are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All 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		
	2022	2021	2020
Malayan Education System, Inc. (MESI) [Operating Under the Name of Mapua University] and subsidiaries	**100%**	100%	100%
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
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**	100	100
National Teachers College doing business under the name/s and style/s of The National Teachers College	**99.79**	99.79	99.79
University of Nueva Caceres	**83.62**	83.62	83.62
AC College of Enterprise and Technology, Inc.	**100**	100	100
LINC Institute, Inc. doing business under the Name and Style of LINC Academy	**100**	100	100

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.

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 (OCI) 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 for the adoption of new standards effective as at January 1, 2021. The adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*
- Amendments to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below.

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16 , *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
    - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
    - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
    - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

The Group does not expect the future adoption of the applicable pronouncements to have a significant impact on its consolidated financial statements.

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2021 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